

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934 [NO FEE REQUIRED] For the transition period from to.

COMMISSION FILE NUMBER 0-19551

ATLANTIC TELE-NETWORK, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

19 ESTATE THOMAS
HAVENSITE
P.O. BOX 12030
ST. THOMAS, U.S. VIRGIN ISLANDS
(Address of principal executive offices)

47-0728886
(I.R.S. Employer Identification No.)

00801
(Zip Code)

(340) 777-8000
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, Par Value \$.01 per Share	American Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Title of each class

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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 ((S) 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the shares of all classes of voting stock of the registrant held by non-affiliates of the registrant on March 16, 1998, was approximately \$31,319,400 computed upon the basis of the closing sales price of the Common Stock on that date. For purposes of this computation, shares held by directors (and shares held by any entities in which they serve as officers) and officers of the registrant have been excluded. Such exclusion is not intended, nor shall it be deemed, to be an admission that such persons are affiliates of the registrant.

As of March 16, 1998, there were outstanding 4,909,000 shares of Common Stock, \$.01 par value, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A for the registrant's 1998 annual meeting of stockholders are incorporated by reference into Part III of this Form 10-K.

ATLANTIC TELE-NETWORK, INC.

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

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PART I

Item 1. Business

INTRODUCTION

The Company was established in 1987 as a holding company to acquire the Virgin Islands Telephone Corporation from ITT Corporation. In January 1991 the Company acquired 80% of the stock of the Guyana Telephone & Telegraph Company Limited ("GT&T"). The Company became a public company in November of that year.

On December 30, 1997, the Company was split into two separate public companies. One, a new company, Emerging Communications, Inc., contains all of the Company's telephone operations in the U.S. Virgin Islands and was spun off to Jeffrey J. Prosser and the public stockholders of the Company. The other, the Company, continues to own GT&T. In connection with the transaction, the number of outstanding shares of the Company's capital stock was reduced by 60% (in effect, a reverse stock split of 1:2.5).

Cornelius P. Prior, Jr., formerly the Co-Chief Executive Officer, is now Chairman of the Board and Chief Executive Officer of the Company and the owner of approximately 57% of the outstanding common stock of the Company.

The Company from time to time evaluates opportunities for establishing or acquiring other telecommunications business through privatization of government-owned business or otherwise in the Caribbean area and in developing countries in other parts of the world, and may make investments in such businesses in the future. The Company has focused its attention on wireline and cellular telephone businesses. However, there can be no assurance the Company will be able to acquire or establish any such businesses.

GT&T

General. GT&T supplies all public telecommunications service in

Guyana. GT&T is the successor to the Guyana Telecommunication Corporation ("GTC"), a corporation wholly owned by the government of Guyana, which prior to 1991 had been the exclusive provider of telecommunications services in Guyana for more than 20 years.

International Traffic. GT&T's revenues and earnings are highly

dependent upon international long-distance calls, particularly international audiotext traffic, other calls originating outside of Guyana and collect calls from Guyana to foreign points.

The following table sets forth data with respect to the volume of GT&T's international traffic for the past three years:

International Traffic
(in thousands of minutes)

	1995		1996		1997
Inbound Paid and					
Outbound Collect	37,920	(24%)	40,350	(21%)	44,456 (27%)
Audiotext	101,763	(63%)	122,476	(64%)	97,913 (59%)
Total Inbound	139,683	(87%)	162,826	(85%)	142,369 (86%)
Outbound	20,725	(13%)	29,768	(15%)	24,120 (14%)
Total	160,408	(100%)	192,594	(100%)	166,489 (100%)

GT&T has agreements with foreign telecommunications administrations and private carriers covering all international calls into or out of Guyana. These agreements govern the rates of payment by GT&T to the foreign carriers for the use of their facilities in connecting international calls billed in Guyana, and by the foreign carriers to GT&T for the use of its facilities in connecting international calls billed abroad. The rates of payment under such agreements are negotiated with each foreign carrier and are known as "accounting rates."

The different classes of international traffic described in the above table produce significantly different profit margins for GT&T. In the case of regular inbound traffic and outbound collect traffic, GT&T receives a payment from the foreign telecommunications carrier equal to one-half of the applicable "accounting rate" (e.g., in the case of traffic from the United States, a payment of 85 cents per minute), and GT&T has no significant direct expenses associated with such traffic except for earth station, satellite and troposcatter system costs which are applicable to all of GT&T's international traffic. In the case of audiotext traffic, GT&T receives a payment from the foreign carrier equal to one-half of the applicable accounting rate, and GT&T pays a fee or commission to the audiotext traffic provider at rates which are negotiated from time to time and are typically more than half of the amount received by GT&T from the foreign carrier. In the case of outbound international traffic, GT&T must pay the foreign carrier one-half of the applicable international accounting rate, and GT&T collects from its subscriber a rate which is regulated by the PUC. In 1995, 1996 and 1997, the amount which GT&T collected from its subscribers for outbound international traffic was usually less than the amount which GT&T was required to pay the foreign carrier (e.g., throughout most of 1997, for the United States, GT&T collected approximately \$.74 per minute and paid the U.S. carrier \$.85 per minute). Since February 1, 1998, when a temporary rate increase from the PUC went into effect, outbound international traffic has generally had a positive profit margin (e.g. on calls to the United States, GT&T has been collecting between \$1.00 and \$1.41 per minute (including a surcharge of \$.30 per minute), depending on the time of day). GT&T does not allow a significant volume of collect calls into Guyana.

Historically, the volume of calls into Guyana from the United States, Canada and the United Kingdom (including credit card and collect calls from Guyana) has greatly exceeded the volume of paid outbound calls from Guyana to these countries. Except for audiotext traffic, the volume of traffic with other countries has been more evenly balanced. Management of GT&T believes that the disparity in traffic with these countries, which has produced a steady stream of hard currency revenues for GT&T, stems from the fact that the vast majority of GT&T's traffic with these countries consists of personal calls between Guyanese expatriates and their friends and family in Guyana and that the average income of most Guyanese residents is substantially lower than that of their Guyanese expatriate friends or relatives in these countries. There can be no assurance that, as GT&T expands and improves its local telephone facilities and changes occur in the Guyanese economy, inbound international traffic will continue to be as significant a part of GT&T's total revenues. In addition, in August 1997 the FCC issued a Report and Order requiring significant reductions over the next four years in the accounting rates used by U.S. carriers in paying GT&T for terminating U.S. traffic in Guyana. See "Business--Regulation." Any decrease in the net margin of inbound over outbound traffic or in the accounting rate applicable to traffic between Guyana and the United States is likely to have an adverse effect on GT&T's earnings unless GT&T is able to achieve a compensating increase in its regulated rates for local and outbound international service.

A significant portion of GT&T's international traffic arises from the provision by GT&T of telecommunications services to audiotext providers in a number of foreign countries. GT&T began providing telecommunications services to audiotext providers in June 1992. GT&T's audiotext traffic increased significantly in each year through 1996, but declined sharply in 1997. GT&T's profit margins from audiotext also significantly declined in 1997. Management attributes these declines to increased competition, changes in the traffic mix, reduction in some accounting rates, the strength of the U.S. dollar against certain foreign currencies, and a foreign carrier's mislabeling the origin of certain traffic. Also, beginning in late 1996, a foreign carrier required GT&T to bear part of the risk of non-collection for audiotext calls. Previously, this risk was assumed by the sending carrier. As a result of the decline in audiotext traffic revenues and profitability, on December 31, 1997, GT&T filed an application to the PUC for a substantial increase in rates from local service and outbound international calls and was awarded a significant temporary increase in the rates effective February 1, 1998. (See "Regulation").

Audiotext providers offer telephone information services comparable to those available in the United States on an area code 900 basis. By making a telephone call, the caller can obtain information (generally in the form of a recorded message) on subjects such as weather, sports, business news or material of a sexual nature. Some audiotext providers also establish "chat lines" on which the callers can talk to one another. Audiotext traffic utilizes only excess capacity on GT&T's international circuits and GT&T's main switch in Georgetown. No use of GT&T's local network within Guyana is involved, and none of the telephone numbers assigned to audiotext providers by GT&T can be accessed by a normal telephone call made in Guyana.

GT&T competes with many telephone companies around the world that provide telecommunications services to international audiotext providers. GT&T's agreements with audiotext providers are subject to termination by either party on short notice, and an audiotext provider can readily shift its operations to another foreign telecommunications carrier merely by changing the telephone numbers in its advertisements, if the other carrier provides better service or higher compensation.

At the present time, in the United States and many other countries, audiotext calls to GT&T or another foreign telecommunications carrier are treated as ordinary international traffic and are not subject to the regulations applicable to domestic audiotext traffic. GT&T's agreements with audiotext providers obligate such providers to comply with applicable regulations in the countries in which they advertise their services and to refrain from using obscene or indecent material. From time to time a country's regulatory authorities or national telecommunications carrier have taken steps to restrict or eliminate international audiotext traffic.

Domestic Service. At December 31, 1997, GT&T had approximately 55,000

subscriber access lines in service. This number of access lines represents approximately 8 lines per 100 inhabitants. Of all lines in service, 50% were in the area of Georgetown (the nation's capital), and 85% were in the largest urban areas, consisting of Georgetown, Linden, New Amsterdam, Diamond and Beterverwagting. Ninety percent of Guyana's population lives on the coastal plain where Georgetown, Beterverwagting, and New Amsterdam are located. Most rural areas do not have telephone service.

In the past, GT&T's revenues from local telephone and other services have not been significant (e.g. in 1997 local service revenues amounted to approximately \$2.9 million). However, on December 31, 1997, GT&T applied for a rate increase to enable it to earn a 15% rate of return on its rate base. This application contemplates that, GT&T's annual revenues from local service would increase to approximately \$17.7 million. Effective February 1, 1998, the PUC granted GT&T temporary rates, pending a final decision on GT&T's application, designed by the PUC to provide GT&T with approximately \$12.9 million in revenues from local service. (See "Regulation"). GT&T's revenues for local service are derived from installation charges for new lines, monthly line rental charges, monthly measured service charges based on the number and duration of calls and other charges for maintenance and other customer services. For each category of revenues, rates differ for residential and commercial customers. Residential and commercial customers have contributed approximately equally to GT&T's revenues from local service. During 1997, GT&T's basic monthly charge per access line was approximately \$.25 for residential customers and approximately \$.60 for business customers, and the average monthly bill for residential and business service (excluding charges for international calls and cellular service) was \$2.07 and

\$2.34, respectively. Under the temporary rates put into effect by PUC order on February 1, 1998, the basic monthly charge per access line was increased to approximately \$3.50 for residential customers and \$14.00 for business customers and a number of new or increased usage-based rates were also put into effect. See "Business--Regulation."

GT&T began providing mobile cellular telephone service within a thirty-mile radius of Georgetown in December 1991, although authorization to charge for local service was not obtained from the PUC until July 1995. See "Business--Regulation." Cellular subscribers are offered various calling plans and are charged a monthly fee plus airtime based on the selected plan. GT&T's current average monthly charge per cellular subscriber is approximately \$82 including monthly rental and airtime charges. As of December 31, 1997, GT&T had approximately 1,400 active mobile cellular subscribers.

Expansion Program. Pursuant to the purchase agreement between the

government of Guyana and the Company (the "GT&T Agreement") and GT&T's license from the government of Guyana (the "License"), the Company and GT&T agreed to implement an expansion plan (the "Expansion Plan"), which required substantially expanding and improving the service provided by GT&T's predecessor. Pursuant to the Expansion Plan, GT&T has significantly expanded and rebuilt its telecommunications network. The number of access lines has increased from approximately 13,000 working lines in January 1991 to approximately 55,000 lines at December 31, 1997. Approximately 95% of GT&T's access lines are now digitally switched lines. The Intelsat B earth station, which provides the principal link with Guyana and the rest of the world, was upgraded and digitalized to increase the number of circuits in operation from 75 in January 1991 to 1,026 currently. In 1997, GT&T installed a Standard B earth station which is currently used to provide service through an Intelstat satellite to a number of localities in the interior of Guyana. This earth station and the Intelstat satellite may also be used in the future to provide a second satellite link from Guyana for international traffic.

In the second quarter of 1997, GT&T completed a test installation of a Northern Telecom Proximity I fixed wireless network in a rural area about 60 kilometers west of Georgetown. GT&T is currently in the process of installing this wireless telephone service to about 2,000 subscribers in the same area. GT&T may use this system in lieu of wireline network for a portion of GT&T's future expansion of its network. The normal rates for land line telephones apply to GT&T's fixed cellular and fixed wireless network services.

GT&T has installed public telephones in over 150 locations across the country providing telecommunications for both local and international calls to areas that had not previously enjoyed service. Currently, in addition to the public telephones, GT&T maintains three public "telephone centers" at which the public can, upon payment of the charges in cash to GT&T personnel who staff these centers, use an ordinary residential-type telephone to make international and domestic calls.

GT&T has purchased capacity in two international fiber optic cables-- the Americas I cable, which runs from Brazil to Trinidad, the United States Virgin Islands and the United States mainland, and the Columbus II cable, which runs from the Caribbean region to the Azores and Spain. The Company is presently participating with other international carriers to build an Americas II cable that would provide a leg to Guyana, Suriname and French Guyana.

The Company and GT&T were originally required to complete the Expansion Plan by January 28, 1994. With the Government's consent, this date was extended first to August 28, 1994 and then to February 28, 1995. The Company and GT&T repeatedly advised the government that their inability to obtain adjusted rates fully to compensate for the 1991 devaluation in Guyana's currency severely hampered their ability to obtain financing needed to complete the Expansion Plan. The Company and GT&T also repeatedly sought to negotiate changes in the Expansion Plan in order to reflect current needs and technology. Through December 31, 1997, GT&T had expended nearly \$93 million on the Expansion Plan and the Company had advanced an aggregate of approximately \$24 million to GT&T principally for the Expansion Plan.

A proceeding initiated by the government of Guyana with regard to the noncompletion of the Expansion Plan by its scheduled completion date of February 28, 1995, is pending before the PUC. See "Business--Regulation."

Other Services. GT&T is also licensed to provide various telephone-related services that extend beyond basic telephone service, including yellow pages and other directory services, and it has an exclusive license to sell, lease or service various kinds of telecommunications equipment. Under the License, GT&T's rates for most of these services must be specified in a tariff approved by the PUC. See "Business--Regulation."

SIGNIFICANT REVENUE SOURCES

Revenues from the following carriers of international traffic to Guyana constituted the following percentages of GT&T's revenues in the past three years:

	1995	1996	1997
AT&T.....	37%	36%	31%
MCI.....	21%	21%	11%
British Telecom.....	19%	12%	9%
Teleglobe (Canada).....	13%	12%	18%

A significant portion of GT&T's international long distance revenue discussed above is generated by certain of GT&T's audiotext providers which operate as service bureaus or intermediaries for a number of audiotext information providers. The following service bureaus accounted for more than 10% of GT&T's total revenues in the years indicated below:

	1995	1996	1997
Beylen Telecommunications, Ltd.....	60%	57%	33%
Islands Telephone Company Limited.....	10%	14%	15%

No other revenue source accounted for more than 10% of GT&T's total revenues in 1995, 1996 or 1997.

COMPETITION

Local Service. Pursuant to a franchise from the government of Guyana, GT&T has the exclusive right to provide, and is the sole provider of, local telephone service in Guyana. See "Business--Regulation--Guyana."

Long-Distance Service. GT&T is the exclusive provider of domestic long-distance service and international telephone service in Guyana. See "Business--GT&T--International Traffic."

The provision of telecommunication services to international audiotext providers is highly competitive. GT&T's contracts with audiotext providers are all terminable on short notice, and such providers can quickly shift their traffic to another foreign telecommunications carrier which offers higher compensation or better services. See "Business--GT&T--International Traffic."

Wireless Services. In Guyana, GT&T has a non-exclusive franchise to provide cellular telephone services. Accordingly, there can be no assurance that GT&T's cellular telephone business will not face competition in Guyana. At the date of this Report, there is another company licensed to provide cellular service; however, the service is not yet commercially available.

Other Services. GT&T has the exclusive franchise to provide telephone directories and directory advertising and to supply a wide variety of telecommunications equipment in Guyana. GT&T's revenues from directory advertising and the sale of telecommunications equipment have not been significant to the Company.

POLITICAL RISK INSURANCE

At the time of its initial investment in GT&T, the Company obtained political risk insurance with respect to its investment in GT&T (including its guarantee of GT&T's obligations to Northern Telecom International Finance, B.V. ("NTIF") from the Overseas Private Investment Corporation ("OPIC"), an agency of the United States Government. While OPIC has not formally announced that it has suspended writing political risk insurance or guarantees for U.S. investments in Guyana, it is the Company's understanding that since the beginning of 1993 OPIC has provided no new insurance or guarantees for investments in that country because of its concern about developments between the Guyana government and two U.S. companies which had been insured by OPIC. The Company's difficulties in obtaining rate increases from the PUC was one of OPIC's concerns. Separately, on December 31, 1996, OPIC terminated the Company's political risk insurance because of OPIC's objections to GT&T's provision of telecommunication services to international audiotext providers. Following such termination, the Company obtained other political risk insurance with respect to its investment in GT&T in the private insurance market. Under the Company's current insurance policies, the Company is insured against risks of currency inconvertibility, expropriation and political violence. The Company's current insurance is limited to 60% of the book value of the affected property up to a maximum insured amount of \$35 million plus 85% of any amounts which the Company is called upon to pay with respect to its guaranty of GT&T obligations to NTIF as a result of an insured risk. The insurance policies cover only specified risks and contain a number of limitations and exclusions. The aggregate insurance coverage is significantly less than the fair market value of the Company's investment in GT&T.

REGULATION

Prior to the Company's acquisition of its 80% interest in GT&T in January 1991, the government of Guyana had no experience in regulating a privately-owned public utility. GT&T is subject to regulation in Guyana by virtue of the provisions of the License and of the Guyana Public Utilities Commission Bill 1990 ("PUC Law") and the Guyana Telecommunications Bill 1990 ("Telecommunications Law"). Certain provisions of the License, the PUC Law, and the Telecommunications Law applicable to GT&T are summarized below.

License. The License, which was issued on December 19, 1990, grants GT&T an

exclusive franchise to provide in Guyana (i) for a period of 20 years (renewable for 20 years at the option of GT&T), public telephone, radio telephone (except private radio telephone systems which do not interconnect with GT&T's network) and pay station telephone services and national and international voice and data transmission, sale of advertising in any directories of telephone subscribers and switched or non-switched private line service; and (ii) for a period of 10 years (renewable for 10 years on a non-exclusive basis at the option of GT&T) supply of terminal and customer premises equipment and telefax, telex and telegraph service and telefax network service (without prejudice to the right of any other person to undertake any of the following operations: (a) sale of telefax or teleprinter machines, (b) maintenance of telefax or teleprinter equipment, or (c) operation of any facility for the sending or receiving of telefax copies or teleprinter messages). In addition, GT&T was granted a non-exclusive license to provide, for a period of 20 years (renewable for 20 years at the option of GT&T), cellular radio telephone service provided that the license does not prejudice the right of Guyana's Institute of Applied Sciences and Technology to make provision for, or to provide, any telecommunications services in the course of, or in connection with, the carrying out of its functions.

The Telecommunications Law, the GT&T Agreement and the License include various provisions under which the License may be terminated before its scheduled expiration date. Under the applicable Guyana law and the GT&T Agreement, Guyana's director of telecommunications may cause early termination of the License in certain cases, including contravention of any of the provisions of the Telecommunications Law or the conditions of the License, or the failure of GT&T to implement the Expansion Plan in a timely fashion. See "Business--GT&T--Expansion Program." If GT&T believes that the License has been terminated unlawfully, it may appeal to the courts of Guyana. Pursuant to the GT&T Agreement, upon non-renewal of the License, the government will be entitled to purchase the Company's interest in GT&T or the assets of GT&T on such terms as may be agreed upon by the Company and the government or, upon failure to reach such agreement, as determined by arbitration conducted by the International Centre for the Settlement of Investment Disputes. The PUC is currently holding

hearings in a proceeding initiated by the government of Guyana, with regard to the noncompletion of the Expansion Plan by its scheduled completion date of February 28, 1995. Under the PUC Law, GT&T will have the opportunity to explain why the Expansion Plan is unfinished. It is GT&T's position that its failure to receive timely rate increases, to which GT&T was entitled, to compensate for the devaluation in Guyana currency which occurred in 1991 provides legal justification for GT&T's delay in completing the Expansion Plan. If the PUC concludes that GT&T failed or refused to complete the Expansion Plan in a timely manner without legal justification, it may impose a fine, which could range from \$71 (G \$10,000) up to the cost of completing the Expansion Plan (which GT&T estimates to be no more than \$5 million). The PUC could also recommend to the government that it cancel the License. The Guyana government is not bound to act on a PUC recommendation. GT&T will have the right of appeal to the Guyana High Court from any adverse ruling of the PUC. It is possible that, if the Company ceased doing business within a short period of time (e.g. six months) after the consummation of the December 30, 1997 split up of the Company as a result of a termination of the License, the IRS might revoke the tax ruling which the Company received with respect to the split up transaction with the result that the distribution in that transaction of ECI Common Stock might not be tax free for U.S. federal income tax purposes to the Company and holders of Company Stock and Class A Common Stock. If the distribution of ECI Common Stock were not tax free then (i) the Company would be taxable on the gain (computed as the difference between the fair market value of the ECI Common Stock distributed and the Company's adjusted basis in such stock) recognized by the Company on the distribution of ECI Common Stock, (ii) the Company would be entitled to be indemnified by Emerging Communications, Inc. for 50% of such tax liability, and (iii) each holder of Company Common Stock who received shares of ECI Common Stock in the transaction would be treated as if such stockholder received a taxable distribution from the Company in an amount equal to the fair market value of the ECI Common Stock received.

PUC Law and Telecommunications Law. The PUC Law and the Telecommunications

Law provide the general framework for the regulation of telecommunications services in Guyana. The PUC Law provides the basis for setting the rates of a telecommunications licensee. The PUC is an independent statutory body with the principal responsibility for regulating telecommunications services in Guyana. The PUC has broad powers to monitor GT&T's compliance with the License and to require GT&T to supply it with such technical, administrative and financial information as it may request.

Subject to certain limitations, applicable to the years 1991-1994, GT&T is entitled, pursuant to the GT&T Agreement and the PUC Law, to a minimum return of 15% per annum on its capital dedicated to public use ("rate base"). Absent mutual agreement by the government of Guyana and ATN (and there has been no such agreement) on a rate of return methodology, rates are to be calculated on the basis of GT&T's entire property, plant and equipment pursuant to a rate of return methodology consistent with the practices and procedures of the United States Federal Communications Commission. GT&T believes that its rate base at December 31, 1997 was approximately \$120 million and that return on investment is to be calculated after deducting all of GT&T's operating expenses (including income taxes) other than interest expense. In an October 1995 order, discussed below, which was voided on other grounds by the Guyana High Court, the PUC disallowed approximately \$6 million of franchise rights which are included in the foregoing rate base figure, and the PUC also disallowed management fees paid by GT&T to ATN as an expense for purposes of calculating GT&T return on rate base. On December 31, 1997, GT&T filed an application with the PUC seeking rate increases for local and outbound international traffic, designed to generate approximately \$26 million in additional revenues in 1998, so as to enable GT&T to earn a 15% return on its rate base. In January 1998, GT&T was awarded an interim increase effective February 1, 1998 designed by the PUC to generate the equivalent of approximately \$18 million in additional annual revenues for GT&T. In its report to the PUC recommending the interim rate increase, the staff of the PUC appeared to accept for purposes of calculating the interim rate increase all of GT&T's calculations of rate base and rate of return except for the franchise rights and management fees which the PUC had disallowed in its October 1995 order. No assurance can be given as to what permanent rates the PUC will award GT&T or as to what changes the PUC may make in the current interim rates.

Since GT&T commenced operations as a subsidiary of the Company in 1991, GT&T has had difficulties in obtaining from the PUC the rate increases to which it believed it was entitled. In February 1991 the official rate of exchange for Guyanese currency was changed, allowing the currency to float. This resulted in a devaluation of

approximately 184 percent, and in April 1991, GT&T filed for a rate increase of 184 percent to compensate for the devaluation. The PUC in November 1991 granted GT&T, in principle, an increase in rates for international calls which amounted to approximately 160 percent or less and, in principal, authorized GT&T to impose a surcharge on these rates in order to recover over a period of not less than 30 months the approximately \$3.5 million difference between the rates actually in effect from May 1991 through December 31, 1991 and the revenue which GT&T would have received during this period if the newly approved rates had been in effect.

Shortly after the issuance of its initial November 1991 order, the PUC authorized the collection of the new rates (but not any surcharge) for calls to the United Kingdom, Canada, the United States and Antigua. The PUC declined to authorize any increase in rates to 165 other countries covered by GT&T's application on the grounds that GT&T had not submitted original documentary evidence to the PUC regarding the accounting rates then in effect with these countries. GT&T's failure to submit such documentation arose because neither it nor its predecessor, the government-owned telephone company, had such documentation in their records.

In October 1992, elections were held in Guyana and a new party came to power. Shortly thereafter, several changes occurred in the membership of the PUC. After considerable negotiation with the new government and further applications to the PUC, in December 1993 the PUC authorized 70 percent of the surcharges requested by GT&T on calls to the United States, United Kingdom, Canada and Antigua, and in January 1994 the PUC temporarily authorized rate adjustments in respect of 83 of the remaining countries which amounted to 70 percent or less of the rate increases approved in principal by the PUC in its initial November 1991 order. Later in 1994, the PUC authorized full surcharges as requested by GT&T for the United Kingdom, Canada, the United States, and Antigua, and in 1995, the PUC finally authorized full rates and surcharges for the 83 countries covered by its temporary order of January 1994 and rejected GT&T's application for any rate increases on the remaining 82 countries.

In May 1995, GT&T applied to the PUC for substantial increases in all of its telephone rates to enable it to earn the minimum return of 15% per annum on its rate base to which it is entitled under the terms of the GT&T Agreement, and the PUC Law. On October 11, 1995 the PUC issued an order that rejected GT&T's application for increased rates and temporarily reduced rates for outbound international calls by 10%, and during off-peak hours by an additional 50% of the reduced rate. GT&T filed a motion against the October 11, 1995 order in the Guyana High Court and in January 1997 obtained an order voiding the PUC's order in respect of these rates. When the PUC thereafter scheduled a hearing to consider fixing new temporary rates for GT&T and inquiring into the propriety of GT&T's reinstating its pre-October 11, 1995 rates, the Guyana High Court granted a further stay of all PUC proceedings on these subjects. In May 1997, the Consumer Advisory Bureau (a non-governmental group in Guyana) sought an injunction from the Guyana High Court, restoring telephone rates to those imposed by the PUC in its October 1995 order. The Consumer Advisory Bureau's application is still pending. In September 1997, the Guyana High Court denied an order which the Consumer Advisory Bureau had sought to temporarily enjoin GT&T from putting into effect a surcharge to recover the approximately \$9.5 million of lost revenues from the period October 1995 to January 1997. GT&T put such surcharge into effect as of October 1, 1997 pending an ultimate trial on the merits.

Since January 1991, the Company has had an agreement with GT&T, which was approved at its inception by several officials of the Guyana government as well as the government's representatives on GT&T's Board of Directors, pursuant to which GT&T paid the Company an advisory fee equal to 6% of GT&T's revenues for a variety of managerial and advisory services furnished by the Company to GT&T. On January 2, 1997, the PUC ordered GT&T to cease paying these advisory fees to the Company and to recover from the Company approximately \$25 million of fees paid under the agreement since January 1991. GT&T has filed a motion against the PUC's order in the Guyana High Court and has obtained an order staying the effectiveness of the PUC's order pending determination of that motion.

At December 31, 1996, GT&T owed the Company approximately \$23 million for advances made from time to time for working capital and capital expenditure needs of GT&T. The PUC law requires permission of the PUC for GT&T to issue any debentures or any other evidence of indebtedness payable more than one year from the date of issue. GT&T's indebtedness to the Company was evidenced by a series of promissory notes, many of which

through clerical error had a maturity of more than one year from the date of issue. In March 1997, the PUC rejected GT&T's contention of clerical error and voided all of the promissory notes then outstanding, with a few in excess of one year as well as a number which had less than one year maturities which were issued in consolidation or renewal of earlier notes which had a more than one year maturity. The total of these voided notes was approximately \$21 million. The PUC ordered that no payments be made on any of the outstanding notes, and that GT&T recover from the Company all amounts theretofore paid. The order also provided that the PUC would be willing to authorize the payment for any amounts properly proven to the satisfaction of the PUC to be due and payable from GT&T to the Company. GT&T has appealed the PUC's order to the Guyana High Court and obtained a stay of the PUC's order pending determination of that appeal.

In late April 1997, the PUC applied to the Guyana High Court for orders prohibiting GT&T from paying any monies to the Company on account of intercompany debt, advisory fees or otherwise pending the determination of GT&T's appeals from the January 1997 and March 1997 PUC orders mentioned above. The PUC's application is still pending.

In October 1997, the PUC ordered GT&T to increase the number of telephone lines in service to a total of 69,278 lines by the end of 1998, 89,054 lines by the end of 1999 and 102,126 by the end of the year 2000, to allocate and connect an additional 9,331 telephone lines before the end of 1998 and to provide to subscribers who request them facilities for call diversion, call waiting, reminder call and three-way calling by the end of the year 1998. In issuing this order, the PUC did not hear evidence or make any findings on the cost of providing these lines and services, the adjustment in telephone rates which may be necessary to give GT&T a fair return on its investment or the ways and means of financing the requirements of the PUC's order. GT&T has filed a motion against the PUC's order in the Guyana High Court and has appealed the order on different grounds to the Guyana Court of Appeal. No stay currently exists against this order. GT&T intends to take such steps to seek a stay or modification of this order as seem appropriate after the level of demand for telephone service can be assessed in light of the temporary rates which came into effect on February 1, 1998.

FCC Matters. On August 7, 1997, the FCC issued a Report and Order in a -----
rulemaking procedure which it initiated in December 1996, in which it adopted mandatory international accounting and settlement rate benchmarks for many countries, including Guyana. The FCC classified countries as low-income, middle-income or high-income based upon World Bank data. Guyana is classified as a low-income country. The FCC adopted a mandatory settlement rate benchmark of \$.23 per minute for low-income countries and required that settlement rates between the U.S. and low-income countries be reduced to \$.23 per minute by January 1, 2002. The FCC stated in the release that it expects U.S. licensed carriers to negotiate proportionate annual reductions.

Numerous foreign carriers and Government authorities have opposed the FCC's proceedings in this area, and GT&T and a number of other carriers have filed an appeal from the FCC's August 7, 1997 Report and Order to the U.S. Court of Appeals for the District of Columbia. In general, those parties believe that accounting and settlement rates should continue to be established, as they are today, through bilateral negotiations between carriers. Opponents of the FCC's proposal believe that the proposal is contrary to binding treaty obligations of the United States relating to duly-constituted multilateral organizations, and that the FCC does not possess the necessary legal authority to adopt such proposals. Opponents also believe that the FCC's proposals are legally and factually deficient in other ways.

The FCC stated in the release that it encourages foreign governments and carriers to work with the United States toward an effective international agreement that achieves lower settlement rates, and that it may refrain from enforcing its Order if a satisfactory multilateral solution can be reached that will produce substantially equivalent results in a timely manner.

The current settlement rate for U.S.-Guyana traffic is \$.85 per minute. AT&T has previously sought the Company's agreement to a reduction in that settlement rate. GT&T has taken the position that the settlement rate was fixed through bilateral negotiations and sees no reason to change the rate at this time. GT&T believes that the rate should remain the same until the parties mutually agree to change it. The Company is unable to predict what actions the FCC or U.S. carriers may take in an effort to secure lower settlement rates on the U.S.-Guyana route.

Since inbound traffic from the United States to Guyana significantly exceeds outbound traffic from Guyana to the United States, any significant reduction in the settlement rate for U.S.-Guyana traffic could have a significant adverse impact on GT&T's earnings. Any significant reduction in the settlement rate also might make it difficult for GT&T to continue to attract audiotext traffic from the United States on a profitable basis. Any of these events would provide GT&T with a basis to seek a rate increase so as to permit GT&T to earn its contractually provided 15% rate of return. However, there can be no assurance as to when or whether GT&T would receive such a rate increase.

FTC Matters. The Federal Trade Commission ("FTC") has pending a proceeding in

which it has asked parties for comments and information as to whether the FTC should expand the definition of "pay-per-call" services to include audiotext services such as those which GT&T terminates in Guyana. The FTC has received formal comments and conducted a workshop in connection with the proceeding but has taken no action. It is unclear what the exact impact would be if the FTC were to include international audiotext traffic from the United States in the definition of "pay-per-call." Two requirements which currently apply in the United States to area code 900 traffic, but not to international audiotext traffic which, in general, is treated like any other international telephone call, are: (i) the caller must receive a short preamble at the beginning of the call advising the caller of the cost of the call and permitting the caller to terminate the call without charge if terminated immediately, and (ii) local telephone companies are not permitted to disconnect a subscriber's telephone service for failure to pay charges for area code 900 calls. If the effect of the FTC's including international audiotext traffic from the United States in the definition of "pay-per-call" were to apply these requirements to international audiotext traffic from the United States, it would probably be technically impossible for recipients of international audiotext traffic, such as GT&T, to comply with the free preamble requirement. Moreover, the loss of the collection advantage which international audiotext has under existing regulations may make it difficult for international audiotext providers who use Guyana and other foreign telephone companies to compete on a cost basis with domestic U.S. providers of area code 900 services.

TAXATION--UNITED STATES

As a U.S. corporation, the Company is subject to U.S. federal income tax on its worldwide net income, currently at rates up to 35%. GT&T is a controlled foreign corporation ("CFC") for purposes of the Subpart F provisions of the Internal Revenue Code of 1986, as amended (the "Code"). Under those provisions, the Company may be required to include in income certain earnings and profits ("E&P") of a CFC subsidiary at the time such E&P are earned by the subsidiary, or at certain other times, prior to their being distributed to the Company. At present, no material amount of such subsidiary E&P is includible in the U.S. taxable income of the Company before being distributed to it. Pursuant to the foreign tax credit provisions of the Code, and subject to complex limitations contained in those provisions, the Company would be entitled to credit foreign withholding taxes on dividends or interest received, and foreign corporate income taxes of its subsidiaries paid with respect to income distributed as dividends or deemed distributed under Subpart F from such subsidiaries, against the Company's U.S. federal income tax.

A U.S. corporation is classified as a Personal Holding Company ("PHC") if (a) more than 50% of its capital stock is owned directly or indirectly by or for five or fewer individuals (or pension plans); and (b) at least 60% of its adjusted ordinary gross income consists of certain types of income (principally passive income, including interest and dividends) included in the Code definition of "PHC Income." For any taxable year that a corporation is a PHC, the "undistributed personal holding company income" of such corporation for that year (i.e., the net income of the corporation as reflected on its U.S. corporate income tax return, with certain adjustments, minus, in general, federal income tax and dividends distributed or deemed distributed for this purpose) would be subject to an additional PHC tax of 39.6%. The Company currently satisfies the above ownership criterion but the Company believes that it does not satisfy the income criterion for classification as a PHC.

TAXATION--GUYANA

In 1991, GT&T's worldwide income was subject to Guyanese tax at an overall rate of 45%. The tax rate was reduced to 35% effective for GT&T as of January 1, 1992 and was again increased to 45% effective for GT&T

as of January 1, 1993. The GT&T Agreement provides that the repatriation of dividends to the Company and the payment of interest on GT&T debt denominated in foreign currency are not subject to withholding taxes. It also provides that fees payable by GT&T to the Company or any of its subsidiaries for management services they are engaged to render shall be payable in foreign currency and that their repatriation to the United States shall not be subject to currency restrictions.

In May 1997, GT&T received a letter from the Guyana Commissioner of Inland Revenue indicating that GT&T's tax returns for 1992 through 1996 had been selected for an audit under the direct supervision of the Trade Minister with particular focus on the withholding tax on payments to international audiotext providers. In March and April 1997, the Guyanese Trade Minister publicly announced that he had appointed a task force to probe whether GT&T should pay withholding taxes on fees paid by GT&T to international audiotext providers. The Minister announced that if GT&T were found guilty of tax evasion it could owe as much as \$40 million in back taxes. In July 1997, GT&T applied to the Guyana High Court for an order prohibiting this audit on the grounds that the decision of the Minister of Trade to set up this task force and to control and direct its investigation was beyond his authority, violated the provisions of the Guyanese Income Tax Act, interfered with the independence of the Commissioner of Inland Revenue and was done in bad faith, and the court issued an order effectively staying the audit pending a determination by the court of the merits of GT&T's application.

In June 1997, GT&T received an assessment of approximately \$3.9 million from the Guyana Commissioner of Inland Revenue for taxes for 1996 based on the disallowance as a deduction for income tax purposes of five-sixths of the advisory fees payable by GT&T to the Company and for the timing of the taxation on certain surcharges to be billed by GT&T. The deductibility of these advisory fees and the deferral of these surcharges until they are actually billed for an earlier year had been upheld in a decision of the High Court in August 1995. In July 1997, GT&T applied to the High Court for an order prohibiting the Commissioner of Inland Revenue from further proceeding with this assessment on the grounds that the assessment was arbitrary and unreasonable and capriciously contrary to the August 1995 decision of the Guyana High Court, and GT&T obtained an order of the High Court effectively prohibiting any action on the assessment pending the determination by the court of the merits of GT&T's application.

In November 1997, GT&T received assessments totaling approximately \$14 million from the Guyana Commissioner of Inland Revenue for taxes for the years 1991 through 1996. It is GT&T's understanding that these assessments stem from the same audit commenced in May 1997 which the Guyana High Court stayed in its July 1997 order referred to above. Apparently because the audit was cut short as a result of the Court's July 1997 order, GT&T did not receive notice of and an opportunity to respond to the proposed assessments as is the customary practice in Guyana, and substantially all of the issues raised in the assessments appear to be based on mistaken facts. GT&T has applied to the Guyana High Court for an order prohibiting the Commissioner of Inland Revenue from enforcing the assessments on the grounds that the origin of the audit with the Minister of Trade and the failure to give GT&T notice of and opportunity to respond to the proposed assessment violated Guyana law. The Guyana High Court has issued an order effectively prohibiting any action on the assessment pending the determination by the Court of the merits of GT&T's application.

There can be no assurance as to the ultimate outcome of any of the above described pending tax issues.

YEAR 2000 COMPLIANCE

The inability of computer hardware, software and other equipment utilizing microprocessors to recognize and properly process data fields containing a 2-digit year is commonly referred to as the Year 2000 Compliance issue. As the year 2000 approaches, such systems may be unable to accurately process certain data-based information.

The Company has identified all significant applications in its systems that will require modification or replacement to ensure Year 2000 Compliance. Internal and external resources are being used to make the required modifications and replacements and test Year 2000 Compliance. The modification process of all significant applications is under way. The Company plans on completing the testing process of all significant applications by December 31, 1998.

In addition, the Company has communicated with others with whom it does significant business to determine their Year 2000 Compliance readiness and the extent to which the Company is vulnerable to any third party Year 2000 issues. However, there can be no guarantee that the systems of other companies on which the Company's systems rely will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have a material adverse effect on the Company.

The total cost to the Company of these Year 2000 Compliance activities has not been and is not anticipated to be material to its financial position or results of operations in any given year. These costs and the data on which the Company plans to complete the Year 2000 modification and testing processes are based on management's best estimates, which were derived utilizing numerous assumptions of future events including the continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ from those plans.

EMPLOYEES

As of December 31, 1997, GT&T employed approximately 723 persons of whom approximately 528 are represented by the Guyana Postal and Telecommunications Workers Union. GT&T's current contract with this union expires on September 30, 2000. The Company considers its employee relations to be satisfactory.

ITEM 2. PROPERTIES

At December 31, 1997, GT&T utilized approximately 254,000 square feet of building space on approximately 41 acres of land in various locations throughout Guyana, all of which is owned by GT&T. In

addition, GT&T leases approximately 3,000 square feet of office space in Georgetown, Guyana. For additional information, see "Business--GT&T--Expansion Program." GT&T carries insurance against damage to equipment and buildings, but not to outside plant.

ITEM 3. LEGAL PROCEEDINGS

GT&T is involved in various regulatory and court proceedings in Guyana which are discussed in Item 1. "Business--Regulation."

The Company is involved in various other litigation, the ultimate disposition of which, in the opinion of the Company's management, will not have a material adverse effect on the financial position or operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On December 30, 1997, the division of the Company into two separate publicly-owned companies was approved at a Special Meeting of stockholders. One, a new company, Emerging Communications, Inc. ("ECI"), contains all of the Company's telephone operations in the U.S. Virgin Islands and was spun off to Jeffrey J. Prosser and the public stockholders of the Company. The other, the Company, continues to own GT&T and is controlled by Cornelius B. Prior, Jr.

In the split-up transaction, holders of Company Common Stock (other than Cornelius B. Prior, Jr. and Jeffrey J. Prosser) received one share of ECI Common Stock and 0.4 shares of Company Common Stock for each share of Company Common Stock held. Mr. Prosser received 5,704,231 shares (52%) of ECI Common Stock in exchange for 3,325,000 shares of Company Common Stock, and Mr. Prior and a trust of which he is the trustee received 2,807,040 shares (57%) of Company Common Stock and \$17.4 million in cash for 3,692,600 shares of Company Common Stock held by them prior to the transaction.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the executive officers of the Company as of the date hereof:

NAME	AGE	POSITION
Cornelius B. Prior, Jr.	64	Chief Executive Officer and Chairman of the Board of the Company; Chairman of the Board of GT&T
Craig A. Knock	34	Chief Financial Officer, Treasurer and Secretary of the Company
H. William Humphrey	48	Vice President - Guyana Operations

Cornelius B. Prior, Jr. has been Chief Executive Officer and Chairman of the Board of the Company since December 30, 1997. From June 30, 1987 to December 1997 he was Co-Chief Executive Officer and President of the Company. He was Chairman of the Board of Virgin Islands Telephone Corporation from June 1987 to March 1997 and became Chairman of the Board of GT&T in April 1997. From 1980 until June 1987, Mr. Prior was a managing director and stockholder of Kidder, Peabody & Co. Incorporated, where he directed the Telecommunications Finance Group.

Craig Knock has been Chief Financial Officer of the Company since April 1993. From April 1993 to December 1997 he was also a Vice-President of the Company. He became the Treasurer of the Company in December 1997 and the Secretary of the Company in March 1998. From July 1992 until April 1993, he was an

Assistant Controller of the Company. From 1987 to 1992, Mr. Knock was a C.P.A. and Audit Manager at Deloitte & Touche LLP, an international accounting firm.

H. William Humphrey has been Vice President - Guyana Operations since December 1, 1997. For more than the past five years, prior to his employment with GT&T, Mr. Humphrey was a self-employed telecommunications consultant providing project management and consulting services to telecommunications companies domestically and internationally. Mr. Humphrey also has more than 20 years of experience with Southern Bell, where he achieved the position of Manager, Outside Plant Construction Installation and Maintenance.

PART II

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

The Company's Common Stock, \$.01 par value, was first listed on NASDAQ on November 14, 1991 under the symbol ATNI. As of March 24, 1997, the Company's Common Stock, \$.01 par value, became listed on the American Stock Exchange ("AMEX") under the symbol "ANK". The following table sets forth quarterly market price ranges for the Company's Common Stock in 1996 and 1997:

1996 QUARTERS -----	High -----	Low -----
1st.....	23 1/8	10 5/8
2nd.....	27 1/2	20 1/2
3rd.....	25 3/4	18
4th.....	22	14 5/8

1997 QUARTERS -----	High -----	Low -----
1st.....	17 1/22	11
2nd.....	13 13/16	10 1/4
3rd.....	14 1/4	11
4th (through December 30, 1997).....	13 3/8	11 3/4

All of the foregoing market prices relate to the Company's Common Stock before the split up transaction on December 30, 1997, in which the Company was divided into two separate publicly-owned companies. From December 31, 1997 through March 16, 1998 the closing price of the Company's Common Stock on the AMEX has ranged from a low of 7 5/8 to a high of 15 1/2.

The approximate number of holders of record of Common Stock as of March 16, 1998 was 300.

DIVIDENDS

The Company has paid no dividends on its Common Stock since June 30, 1993.

The declaration and payment of dividends is at the discretion of the Board of Directors of the Company and will be dependent upon the results of operations, financial condition, capital requirements, contractual restrictions, regulatory actions, future prospects and profitability of the Company and its principal subsidiaries and other factors deemed relevant at that time by the Board of Directors. There can be no assurance that the Company will pay any dividends at any time in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

ITEM 6. SELECTED FINANCIAL DATA

SELECTED HISTORICAL FINANCIAL DATA

The following selected historical financial data have been derived from and are qualified by reference to, the audited combined and consolidated financial statements of the Company and from the unaudited combined financial statements of the Company for the year ended December 31, 1993. The selected historical combined financial data should be read in conjunction with the audited combined and consolidated financial statements and related notes thereto of the Company, as of December 31, 1996 and 1997 and for each of the three years in the period ended December 31, 1997. All dollar amounts are in thousands, except per share data.

	Year Ended December 31,				
	1993	1994	1995	1996	1997
Statement of Operations Data:	Combined				
Revenues:					
Local exchange service.....	\$ 566	\$ 754	\$ 1,631	\$ 2,463	\$ 2,933
International long-distance revenues.....	44,299	76,820	128,939	145,080	113,865
Other revenues.....	280	582	600	710	817
Total revenue.....	45,145	78,156	131,170	148,253	117,615
Total expense.....	31,111	57,923	99,879	121,469	99,473
Income from continuing operations before interest expense, income taxes and minority interest.....	14,034	20,233	31,291	26,784	18,142
Interest expense, net.....	1,509	3,137	2,544	1,502	1,117
Income from continuing operations before income taxes and minority interest.....	12,525	17,096	28,747	25,282	17,025
Income taxes.....	5,211	7,411	13,619	10,824	7,718
Income from continuing operations before minority interest.....	7,314	9,685	15,128	14,458	9,307
Minority interest.....	(1,008)	(1,696)	(2,390)	(2,096)	(1,372)
Income from continuing operations.....	\$ 6,306	\$ 7,989	\$ 12,738	\$ 12,362	\$ 7,935
Pro Forma Net Income Per Share (1).....					\$1.69

	Year Ended December 31,				
	1993	1994	1995	1996	1997
Balance Sheet Data:	Combined			Consolidated	
Fixed Assets, net.....	\$ 88,672	\$ 91,025	\$ 92,102	\$ 97,780	\$ 36,042
Total assets.....	159,297	162,688	185,481	194,493	108,049
Short-term debt (including current portion of long-term debt).....	10,903	11,515	15,626	11,047	3,298
Long-term debt, net.....	37,830	34,720	25,969	20,398	14,536
Stockholders equity.....	77,537	85,526	98,264	110,626	54,244

(1) Historical income and dividend per share amounts have not been presented as this information is not considered meaningful.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The Company's revenues and income from operations are derived principally from the operations of its telephone subsidiary, GT&T. GT&T derives almost all of its revenues from international telephone services.

The principal components of operating expenses for the Company's telephone operations are plant specific operations expenses, plant non-specific operations expenses, customer operations expenses, corporate operations expenses, international long-distance expenses and taxes other than income taxes. These categories are consistent with FCC accounting practices. Plant specific operations expenses relate to support and maintenance of telephone plant and equipment and include vehicle expense, land and building expense, central office switching expense and cable and wire expense. Plant non-specific operations expenses consist of depreciation charges for telephone plant and equipment and expenses related to telephone plant and network administration, engineering, power, materials and supplies, provisioning and plant network testing. Customer operations expenses relate to marketing, providing operator services for call completion and directory assistance, and establishing and servicing customer accounts. Corporate operations expenses include GT&T's expenses for executive management and administration, corporate planning, accounting and finance, external relations, personnel, labor relations, data processing, legal services, procurement and general insurance. International long-distance expenses consist principally of charges from international carriers for outbound international calls from Guyana and payments to audiotext providers from whom GT&T derives international audiotext traffic. Taxes other than income taxes include gross receipts taxes, property taxes, and other miscellaneous taxes. General and administrative expenses consist principally of parent company overheads and amortization.

For accounting purposes, the split up transaction of the Company into two separate publicly held companies (the Company and the Emerging Communications, Inc.) has been treated as a non pro rata split off of the Company. The Company has been considered to be the split off entity since Emerging Communications had a greater market capitalization and greater asset value immediately after the transaction, retained more of the pre-transaction top management of the Company and had greater net income in 1997. In accordance with Accounting Principles Board Opinion No. 29 entitled Accounting for Nonmonetary Transactions and Emerging Issues Task Force 96-4 entitled Accounting for Reorganizations Involving a Non-Pro Rata Split-off of Certain Nonmonetary Assets to Owners, the balance sheet of the Company at December 31, 1997 has been adjusted to values determined by the market capitalization of the Company immediately after the consummation of the transaction. This adjustment includes an approximately \$60 million reduction in the Company's consolidated net fixed assets, and an approximately \$45 million reduction in the Company's consolidated stockholder's equity. The fair value adjustment reduced the carrying value on the Company's consolidated financial statements of its fixed assets significantly below their historical cost and replacement value. Therefore, depreciation expense in the future not will be a reliable indicator of the Company's cost of replenishing its assets.

The financial statements included in this report are the separate financial statements relating to Atlantic Tele-Network, Inc.'s business and operations in Guyana including its majority owned subsidiary, GT&T, and ATN's activities as the parent company of all of its subsidiaries during the periods included herein. Except for the consolidated balance sheet at December 31, 1997, these financial statements do not reflect the fair valuation adjustment arising from the split up transaction. Moreover, the statements of operations include interest income from indebtedness of subsidiaries which were transferred with such indebtedness to Emerging Communications, Inc. in the split up transaction and certain expenses for the period from May 1, 1997 to December 31, 1997 which were reimbursed by Emerging Communications, Inc. as part of the split up transaction.

As a result of the decline in 1997 in GT&T's revenues and profits from audiotext traffic, GT&T filed on December 31, 1997 an application with the PUC seeking rates designed to generate approximately \$26 million in additional revenues in 1998 for local and outbound international traffic. In January 1998, GT&T was awarded an interim increase effective February 1, 1998 designed by the PUC to generate the equivalent of approximately \$18 million in additional annual revenues for GT&T. The interim rates are intended to remain in effect while the PUC holds hearings and reaches a decision on GT&T's application for permanent rates, although the PUC may increase

or decrease these interim rates before reaching a decision on GT&T's permanent rates. No assurance can be given as to what permanent rates the PUC will award GT&T or as to what changes the PUC may make in the current interim rates.

RESULTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 1996 AND 1997

Operating revenues for the year ended December 31, 1997 were \$117.6 million as compared to \$148.3 million for the corresponding period of the prior year, a decrease of \$30.7 million, or 21%.

The decrease was principally due to a \$44.0 million, or 41%, decrease in audiotext traffic revenues at GT&T for the year ended December 31, 1997. GT&T's volume of audiotext traffic fluctuated between 9 and 10 million minutes per month in 1996. In 1997, the volume of audiotext traffic declined during the year to approximately 6 million minutes per month in the fourth quarter. The reduction in traffic volume is estimated to account for approximately \$21.3 million, or 48% of the \$44.0 million decrease in audiotext revenues in 1997. Chargebacks from a carrier for the year ended December 31, 1997 approximated \$6.6 million, representing 15% of the decline in revenues from audiotext traffic. While subject to change, the Company anticipates that it will experience chargebacks in the future as a proportion of audiotext revenue similar to that experienced for the year ended December 31, 1997. The remaining \$16.1 million, or 37% of the decrease in audiotext revenues, results from a combination of the following: the mislabeling of the origin of certain traffic, changes in the traffic mix, certain accounting rate reductions, and the strength of the U.S. dollar against certain foreign currencies. Mislabeling of the origin of traffic occurs when a carrier reports traffic as coming from one country when it actually originated in another. Changes in traffic mix refers to the mix between countries of origins which have different accounting rates, and accounting rate reductions occur when the Company and a foreign administration (telephone company) agree to a change in rates. The changes in volume of traffic and lower accounting rates are subject to a number of influences beyond the Company's control, and may change significantly in the future, positively or negatively. As a result of the above factors, GT&T's profit margins from this traffic also declined. Given the Company's recent experience, the Company expects the negative trend in audiotext revenues to continue (which could have a material adverse impact on the Company's total revenues), although the Company is unable to predict the magnitude of the decline in future revenues with any degree of certainty.

GT&T's outbound international revenues for the year ended December 31, 1997 were \$26.6 million, an increase of \$14.3 million over the prior year even though traffic volumes were approximately 19% lower in 1997 than in 1996. See "Business--Regulatory Considerations" for further discussion. The increase in revenues was principally a result of the recognition of \$9.5 million in revenues relating to outbound international long distance revenues at GT&T for the period from October 1995 to January 1997. The balance of the increase is attributable to the restoration in January 1997 of the higher rates that were in effect in October 1995.

Operating expenses for the year ended December 31, 1997 were \$99.5 million, a decrease of \$22.0 million or 18%, from operating expenses of \$121.5 million for the prior year. The decrease was due principally to a decrease in audiotext and outbound traffic expense at GT&T of \$24.4 million for the year ended December 31, 1997, due to decreased traffic volumes. Somewhat offsetting the decrease was an increase in plant specific and plant non-specific expenses which increased as a result of increased plant in service. As a percentage of operating revenues, operating expenses increased to approximately 85% for the year ended December 31, 1997 from approximately 82% for the prior year.

Income from operations before interest expense, income taxes and minority interest for the year ended December 31, 1997 was \$18.1 million, a decrease of \$8.6 million or 32%, from income from operations before interest expense, income taxes and minority interest of \$26.8 million for the prior year. This decrease is principally a result of the factors affecting revenues and operating expenses discussed above, even though GT&T recognized approximately \$9.5 million of revenues relating to outbound international long distance revenues for the period October 1995 to January 1997 discussed above.

Net interest expense decreased \$385,000 due to reduced debt resulting in income before income taxes and minority interest for the year ended December 31, 1997 of \$17.0 million, a decrease of \$8.3 million or 33%, compared to \$25.3 million for the prior year.

The Company's effective tax rate for the year ended December 31, 1997 was 45.3% as compared to 42.8% for the corresponding period of the prior year.

The minority interest in earnings consists of the Guyana government's 20% interest in GT&T.

Pro forma net income per share adjusts the Company's depreciation expense, interest expense, and shares outstanding as if the split-off Transaction had occurred on January 1, 1997. No adjustment is made for any reduction in the Company's general and administrative expense which may result from the Transaction or for the interim rate increase awarded to GT&T by the PUC effective February 1, 1998 or for any further changes in GT&T's rates.

YEARS ENDED DECEMBER 31, 1995 AND 1996

Operating revenues for the year ended December 31, 1996 were \$148.3 million as compared to \$131.2 million for the prior year, an increase of \$17.1 million, or 13%. The increase was due principally to a \$14.9 million increase in audiotext traffic revenues at GT&T.

Operating expenses for the year ended December 31, 1996 were \$121.5 million as compared to \$99.9 million for the prior year, an increase of \$21.6 million, or 22%. This increase was due principally to increases in audiotext and outbound traffic expenses at GT&T of \$20.1 million due to increased traffic volume. As a result of a rate decrease ordered by the Guyana PUC on October 11, 1995, GT&T's outbound international traffic increased by approximately 44% during the year ended December 31, 1996 resulting in an approximately \$6.5 million increase in outbound traffic expenses. An additional factor contributing to the increase in operating expenses was plant specific expense which increased as a result of increased plant in service.

Overall, income from operations before interest expense, income taxes and minority interest for the year ended December 31, 1996 was \$26.8 million as compared to \$31.3 million for the prior year, a decrease of \$4.5 million, or 14%. The decrease occurred principally because of negative margins on outbound traffic at GT&T which in turn, was caused principally by rate decreases ordered by the PUC in October 1995. In January 1997, the Guyana High Court voided the PUC's order and permitted GT&T to restore its rates for outbound traffic to their pre-October 1995 level. While these rates are also less than the associated outbound expense, had these rates been in effect throughout 1996, the Company estimates that GT&T's income from telephone operations in 1996 would have been approximately \$8.5 million greater than it was, assuming GT&T's volume of traffic remained unchanged. Audiotext traffic increased 20.7 million minutes and other GT&T inbound paid and outcollect traffic increased 2.4 million minutes for the year ended December 31, 1996. However, these revenue increases at GT&T were more than offset by increased international long distance, plant, and other operating expenses discussed above.

GT&T's audiotext traffic increased sharply in the first 8 months of 1995 hitting a peak of 11.7 million minutes for the month of August 1995. From August 1995 through December 1996 audiotext traffic fluctuated between approximately 9 million and 11 million minutes per month. Profit margins from this traffic decreased approximately 4% in 1996 principally due to a shift in traffic mix to less profitable countries and reductions some in accounting rates.

Income before income taxes and minority interest for the year ended December 31, 1996 was \$25.3 million as compared to \$28.7 million for the prior year, a decrease of \$3.5 million, or 12%. The significant factors that contributed to this decrease for the year ended December 31, 1996 were the \$4.5 million decrease in income from operations discussed above and the \$1.0 million decrease in net interest expense due to decreased interest rates and lower outstanding debt.

The Company's effective tax rate for the year ended December 31, 1996 was 42.8% as compared to 47.4% for the prior year. The \$2.8 million decrease in income tax expense was principally due to lower taxable income.

The minority interest in earnings consists of the Guyana government's 20% interest in GT&T.

REGULATORY CONSIDERATIONS

As is discussed above under "Introduction," GT&T has applied to the PUC for a significant increase in rates for local and outbound international service and has received interim rates which substantially increases the rates in effect during 1997 and earlier years.

Upon the acquisition of GT&T in January 1991, GT&T entered into an agreement with the government of Guyana to expand significantly GT&T's existing facilities and telecommunications operations and to improve service within a three-year period pursuant to an expansion and service improvement plan (the "Plan"). The Plan was modified in certain respects and the date for completion of the Plan was extended to February 1995. The government has referred to the Guyana Public Utilities Commission ("PUC") the failure of GT&T to complete the Plan by February 1995. The PUC is currently holding hearings on this matter. It is GT&T's position that its failure to receive timely rate increases, to which GT&T was entitled, to compensate for the devaluation in Guyana currency which occurred in 1991 provides legal justification for GT&T's delay in completing the Expansion Plan. Failure to timely fulfill the terms of the Plan without legal justification could result in monetary penalties, cancellation of the License, or other action by the PUC or the government which could have a material adverse affect on the Company's business and prospects.

In October 1995, the Guyana Public Utilities Commission ("PUC") issued an order that rejected a request of GT&T for substantial increases in all telephone rates and temporarily reduced rates for outbound long-distance calls to certain countries. In most cases, the existing rates were already less than GT&T's payment obligations to foreign carriers. In January 1997, on an appeal by GT&T, the Guyana High Court voided the PUC's order in regard to rates and the rates were returned to the rates in existence in October 1995. The lost revenue was approximately \$9.5 million for the period when the order was effective. GT&T initially instituted such a surcharge effective May 1, 1997, but temporarily withdrew it when the Guyana Consumers Advisory Bureau (a non-governmental group in Guyana) instituted a suit to block it. In May 1997 the Consumer Advisory Bureau sought an injunction from the Guyana High Court restoring telephone rates to those imposed by the PUC in its October 1995 order. The Consumer Advisory Bureau's application is still pending. In September 1997, the Guyana High Court denied an order which the Consumer Advisory Bureau had sought to temporarily enjoin GT&T from putting into effect a surcharge to recover the approximately \$9.5 million over a period of 18 months. GT&T put such surcharge into effect on October 1, 1997 pending an ultimate trial on the merits, and the Company recognized the approximately \$9.5 million of lost revenues in the third quarter of 1997.

In January 1997, the PUC ordered GT&T to cease paying advisory fees to the Company and to recover from the Company approximately \$25 million of such fees paid by GT&T to the Company since January 1991. GT&T has appealed the PUC's order to the Guyana High Court and obtained a stay of the PUC's order pending determination of that appeal.

At December 31, 1996, GT&T owed the Company approximately \$23 million for advances made from time to time for the working capital and capital expenditure needs of GT&T. GT&T's indebtedness to the Company was evidenced by a series of promissory notes. In March 1997, the PUC voided substantially all of the promissory notes then outstanding for failure to comply with certain provisions of the PUC law. The PUC ordered that no further payments be made on any of the outstanding notes and that GT&T recover from the Company all amounts theretofore paid. The order also provided that the PUC would be willing to authorize the payment of any amounts properly proven to the satisfaction of the PUC to be due and payable from GT&T to the Company. GT&T has appealed the PUC's order to the Guyana High Court and obtained a stay of the PUC's order pending determination of that appeal.

In late April 1997, the PUC applied to the Guyana High Court for orders prohibiting GT&T from paying any monies to the Company on account of intercompany debt, advisory fees or otherwise pending the determination of GT&T's appeals from the January 1997 and March 1997 orders mentioned above. The PUC's application is still pending.

In October 1997, the PUC ordered GT&T to increase the number of telephone lines in service to a total of 69,278 lines by the end of 1998, 89,054 lines by the end of 1999 and 102,126 by the end of the year 2000, to allocate and connect an additional 9,331 telephone lines before the end of the 1998 and to provide to subscribers who request them facilities for call diversion, call waiting, reminder call and three-way calling by the end of the year 1998. In issuing this order, the PUC did not hear evidence or make any findings on the cost of providing these lines and services, the adjustment in telephone rates which may be necessary to give GT&T a fair return on its investment or the ways and means of financing the requirements of the PUC's order. GT&T has filed a motion against the PUC's order in the Guyana High Court and has appealed the order on different grounds to the Guyana Court of Appeal. No stay currently exists against this order, but recently the PUC requested further information from GT&T on this matter. GT&T intends to take such steps to seek a stay or modification of this order as seem appropriate after the level of demand for telephone service can be assessed in light of the temporary rates which came into effect on February 1, 1998.

In May 1997, GT&T received a letter from the Guyana Commissioner of Inland Revenue indicating that GT&T's tax returns for 1992 through 1996 had been selected for an audit under the direct supervision of the Trade Minister with particular focus on the withholding tax on payments to international audiotext providers. In March and April 1997, the Guyanese Trade Minister publicly announced that he had appointed a task force to probe whether GT&T should pay withholding taxes on fees paid by GT&T to international audiotext providers. The Minister announced that if GT&T were found guilty of tax evasion it could owe as much as \$40 million in back taxes. In July 1997, GT&T applied to the Guyana High Court for an order prohibiting this audit on the grounds that the decision of the Minister of Trade to set up this task force and to control and direct its investigation was beyond his authority, violated the provisions of the Guyanese Income Tax Act, interfered with the independence of the Commissioner of Inland Revenue and was done in bad faith, and the court issued an order effectively staying the audit pending a determination by the court of the merits of GT&T's application.

In June 1997, GT&T received an assessment of approximately \$3.9 million from the Commissioner of Inland Revenue for taxes for 1996 based on the disallowance as a deduction for income tax purposes of five-sixths of the advisory fees payable by GT&T to the Company and for the timing of the taxation on certain surcharges to be billed by GT&T. The deductibility of these advisory fees and the deferral of these surcharges until they are actually billed for an earlier year had been upheld in a decision of the High Court in August 1995. In July 1997, GT&T applied to the High Court for an order prohibiting the Commissioner of Inland Revenue from further proceeding with this assessment on the grounds that the assessment was arbitrary and unreasonable and capriciously contrary to the August 1995 decision of the Guyana High Court, and GT&T obtained an order of the High Court effectively prohibiting any action on the assessment pending the determination by the court of the merits of GT&T's application.

In November 1997, GT&T received assessments of approximately \$14 million from the Commissioner of Inland Revenue for taxes for the years 1991 through 1996. It is GT&T's understanding that these assessments stem from the same audit commenced in May 1997 which the Guyana High Court stayed in its July 1997 order referred to above. Apparently because the audit was cut short as a result of the Court's July 1997 order, GT&T did not receive notice of and an opportunity to respond to the proposed assessments as is the customary practice in Guyana, and substantially all of the issues raised in the assessments appear to be based on mistaken facts. GT&T has applied to the Guyana High Court for an order prohibiting the Commissioner of Inland Revenue from enforcing the assessments on the grounds that the origin of the audit with the Minister of Trade and the failure to give GT&T notice of and opportunity to respond to the proposed assessments violated Guyana law. The Guyana High Court has issued an order effectively prohibiting any action on the assessments pending the determination by the Court of the merits of GT&T's application.

There can be no assurance as to the ultimate outcome of any of the above described pending tax issues.

LIQUIDITY AND CAPITAL RESOURCES

The Company has depended upon funds received from its subsidiaries to meet its capital needs, including servicing existing debt and its ongoing program of seeking to acquire telecommunications licenses and businesses. As a result of the split-up of the Company into two separate public companies, the Company's capital resources have changed significantly, and the Company has fewer resources and significantly reduced operations. For the near-term future, the Company's primary sources of funds will be advisory fees, repayment of loans, and interest from GT&T. The PUC orders in January, March, and October 1997, discussed above under "Regulatory Considerations," could have a material adverse impact on the Company's liquidity.

GT&T is not subject to any contractual restrictions on the payment of dividends. However, GT&T's own capital needs and debt service obligations have precluded GT&T in recent years, from paying any significant funds to the Company other than the advisory fees and interest on intercompany debt mentioned above.

If and when the Company settles outstanding issues with the Guyana government and the PUC with regard to GT&T's Expansion Plan and its rates for service, GT&T may require additional external financing to enable GT&T to further expand its telecommunications facilities. The Company has not estimated the cost to comply with the October 1997 PUC order to increase the number of telephone lines in service, but believes such a project would require significant capital expenditures that would require external financing. There can be no assurance that the Company will be able to obtain any such financing.

The continued expansion of GT&T's network is dependent upon the ability of GT&T to purchase equipment with U.S. dollars. A portion of GT&T's taxes in Guyana may be payable in U.S. dollars or other hard currencies. The Company anticipates that GT&T's foreign currency earnings will enable GT&T to service its debt and pay its hard currency tax obligations. There are no Guyana legal restrictions on the conversion of Guyana's currency into U.S. dollars or on the expatriation of foreign currency from Guyana.

IMPACT OF DEVALUATION AND INFLATION

Although the majority of GT&T's revenues and expenditures are transacted in U.S. dollars or other hard currencies, the results of operations nevertheless may be affected by changes in the value of the Guyana dollar. From February 1991 until early 1994, the Guyana dollar remained relatively stable at the rate of approximately 125 to the U.S. dollar. In 1994, however, the Guyana dollar has declined in value to approximately 142 to the U.S. dollar, and it has remained relatively stable at approximately that rate since 1994. Subsequent to December 31, 1997, the Guyana dollar has declined in value to approximately 150 to the U.S. dollar.

The effect of devaluation and inflation on the Company's financial results has not been significant in the periods presented.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated financial statements of the Company and its subsidiary are submitted as a separate section of this Annual Report. See Index to Financial Statements and Schedules which appears on page F-1 hereof.

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

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item will be included in the Company's definitive proxy statement for its 1998 Annual Meeting of Stockholders (the "Proxy Statement"), or by an amendment to this report to be filed on or before April 30, 1998, and such information is incorporated herein by reference, except that the information regarding the Company's executive officers called for by this item is included in Part I under the heading "Executive Officers of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be included in the Proxy Statement, and such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item will be included in the Proxy Statement, and such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item will be included in the Proxy Statement, and such information is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. Financial Statements

Consolidated financial statements of the Company and its subsidiary are submitted as a separate section of this Annual Report. See Index to Financial Statements and Schedules which appears on page F-1 hereof.

2. Financial Statement Schedules

Financial statement schedules for the Company and its subsidiary are submitted as a separate section of this Annual Report. See Index to Financial Statements and Schedules which appears on page F-1 hereof.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of 1997.

(c) Exhibits

EXHIBIT NO. -----	DESCRIPTION -----
3. (a)	Restated Certificate of Incorporation of the Company. ***
(b)	By-Laws of the Company. ***
4. (a)	Specimen Form of Company's Common Stock Certificate.*
10.	Material contracts:
(a)	Subscription Agreement, dated as of August 11, 1997, between the Company and Emerging Communications, Inc.
(b)	Repurchase and Recapitalization Agreement, dated as of August 11, 1997, among the Company, Cornelius B. Prior, Jr., individually and as trustee of the 1994 Prior Charitable Remainder Trust, and Jeffrey J. Prosser.
(c)	Agreement and Plan of Merger, dated as of August 11, 1997, between ATN Merger Co, and the Company.
(d)	Technical Assistance Agreement, dated as of December 30, 1997, among Atlantic Tele-Network, Inc., Atlantic Tele-Network Co., Virgin Islands Telephone Corporation and Vitelcom Cellular Inc.
(e)	Non-Competition Agreement, dated as of December 30, 1997, among Emerging Communications, Inc., Atlantic Tele-Network, Inc., and Jeffery J. Prosser.
(f)	Indemnity Agreement, dated as of December 30, 1997, among Atlantic Tele-Network, Inc., Emerging Communications, Inc., Cornelius B. Prior, Jr. and Jeffrey J. Prosser.
(g)	Employee Benefits Agreements, dated as of December 30, 1997, between Emerging Communications, Inc. and Atlantic Tele-Network, Inc.
(h)	Tax Sharing and Indemnification Agreement, dated as of December 30, 1997, among Atlantic Tele-Network, Inc., Emerging Communications, Inc., Cornelius B. Prior, Jr. and Jeffrey J. Prosser.

EXHIBIT NO.

DESCRIPTION

- (i) Equipment Financing Agreement, dated as of January 28, 1991, among Guyana Telephone and Telegraph Company Limited, Atlantic Tele-Network, Inc. and Northern Telecom International Finance B.V. (excluding exhibits).*
- (j) First Amendment to Equipment Financing Agreement, dated as of January 28, 1991, among Guyana Telephone and Telegraph Company Limited, Atlantic Tele-Network, Inc. and Northern Telecom International Finance B.V.*
- (k) Second Amendment to Equipment Financing Agreement, dated as of November 21, 1991, among Guyana Telephone and Telegraph Company Limited, Atlantic Tele-Network, Inc. and Northern Telecom International Finance B.V.**

21. Subsidiaries of the Company.

* Filed as an exhibit to the Company's Registration Statement (File No. 33-43012) and incorporated herein by reference.

** Filed as an exhibit to the Company's Annual Report on Form 10K for 1991 and incorporated herein by reference.

*** Filed as an exhibit on Form 8-K dated February 16, 1996 and incorporated herein by reference.

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARY

COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

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All other schedules are omitted because of they are not applicable or because the required information is shown elsewhere herein.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders

Atlantic Tele-Network, Inc. and subsidiary

We have audited the accompanying combined balance sheet of Atlantic Tele-Network, Inc. and subsidiary as of December 31, 1996 and the consolidated balance sheet of Atlantic Tele-Network, Inc. and subsidiary as of December 31, 1997, and the related combined statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. Our audits also included the financial statements schedules listed in the Index on Item 14. These financial statements are the responsibility of Atlantic Tele-Network, Inc. and subsidiary's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such combined and consolidated financial statements present fairly, in all material respects, the financial position of Atlantic Tele-Network, Inc. and subsidiary as of December 31, 1996 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic financial statements as a whole, present fairly, in all material respects, the information set forth therein.

Deloitte & Touche LLP

Omaha, Nebraska
March 20, 1998

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARY

COMBINED AND CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1996 AND 1997

(COLUMNAR AMOUNTS IN THOUSANDS)

	1996 COMBINED	1997 CONSOLIDATED
ASSETS		
Current assets:		
Cash	\$ 8,182	\$ 15,803
Accounts receivable, net	49,264	38,077
Materials and supplies	2,642	3,536
Prepayments and other current assets	589	1,039
	-----	-----
Total current assets	60,677	58,455
Fixed assets:		
Property, plant and equipment	104,141	39,042
Less accumulated depreciation	(17,987)	-
Franchise rights and cost in excess of underlying book value, less accumulated amortization of \$2,301,000 in 1996	11,626	-
	-----	-----
Net fixed assets	97,780	39,042
Due from affiliates	26,883	-
Uncollected surcharges	3,119	5,941
Other assets	6,034	4,611
	-----	-----
	\$194,493	\$108,049
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 5,722	\$ -
Accounts payable	14,545	10,382
Accrued taxes	1,776	3,391
Advance payments and deposits	627	809
Other current liabilities	1,940	2,854
Current portion of long-term debt	5,325	3,298
	-----	-----
Total current liabilities	29,935	20,734
Deferred income taxes	18,835	2,464
Long-term debt, excluding current portion	20,398	14,536
Minority interest	14,699	16,071
Contingencies and commitments (Notes I and J)		
Stockholders' equity:		
Preferred stock, par value \$.01 per share; 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock, par value \$.01 per share; 20,000,000 shares authorized; 12,272,500 and 4,909,000 shares issued and outstanding	123	49
Paid-in capital	81,852	54,195
Retained earnings	28,651	-
	-----	-----
Total stockholders' equity	110,626	54,244
	-----	-----
	\$194,493	\$108,049
	=====	=====

See notes to combined and consolidated financial statements.

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARY

COMBINED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(COLUMNAR AMOUNTS IN THOUSANDS)

	1995	1996	1997
Revenues:			
Local exchange service	\$ 1,631	\$ 2,463	\$ 2,933
International long-distance revenues	128,939	145,080	113,865
Other revenues	600	710	817
	-----	-----	-----
Total revenues	131,170	148,253	117,615
Expenses:			
Plant specific operations	3,820	4,902	5,707
Plant nonspecific operations	5,944	6,017	7,099
Customer operations	1,822	2,474	2,538
Corporate operations	6,178	5,838	6,061
International long-distance expenses	74,335	94,457	70,094
Taxes other than income	475	574	657
General and administrative expenses	7,305	7,207	7,317
	-----	-----	-----
Total expenses	99,879	121,469	99,473
	-----	-----	-----
Income from operations	31,291	26,874	18,142
Interest Expense and Interest Income:			
Interest expense	(4,950)	(3,991)	(3,794)
Interest income	2,406	2,489	2,677
	-----	-----	-----
Interest expense, net	(2,544)	(1,502)	(1,117)
	-----	-----	-----
Income before income taxes and minority interest	28,747	25,282	17,025
Income taxes	13,619	10,824	7,718
	-----	-----	-----
Income before minority interest	15,128	14,458	9,307
Minority interest	(2,390)	(2,096)	(1,372)
	-----	-----	-----
Net income	\$ 12,738	\$ 12,362	\$ 7,935
	=====	=====	=====
Pro forma net income per share			\$ 1.69
			=====

See notes to combined and consolidated financial statements.

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARY

COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(Columnar Amounts in Thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Balance, January 1, 1995	\$123	\$81,852	\$ 3,551	\$ 85,526
Net Income	--	--	12,738	12,738
Balance, December 31, 1995	123	81,852	16,289	98,264
Net income	--	--	12,362	12,362
Balance, December 31, 1996	123	81,852	28,651	110,626
Net income	--	--	7,935	7,935
Purchase and cancellation of 765,562 shares of Company stock	(8)	--	(17,392)	(17,400)
Split-off of subsidiaries and fair valuation of net assets	(66)	(27,657)	(19,194)	(46,917)
Balance, December 31, 1997	\$ 49	\$54,195	\$ --	\$ 54,244

See notes to combined and consolidated financial statements.

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARY

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(Columnar Amounts in Thousands)

	1995	1996	1997

Cash flows from operating activities:			
Net income	\$ 12,738	\$ 12,362	\$ 7,935
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	4,418	4,890	5,289
Deferred income taxes	1,886	3,370	2,961
Minority interest	2,390	2,096	1,372
Changes in operating assets and liabilities:			
Accounts receivable	(26,893)	(253)	11,187
Materials, supplies and other current assets	2,167	215	(894)
Uncollected surcharges	2,946	1,220	(2,822)
Accounts payable	3,411	5,350	(4,038)
Accrued taxes	6,387	(4,863)	1,970
Other	3,555	82	2,200
	-----	-----	-----
Net cash flows from operating activities	13,005	24,469	25,160
Cash flows from investing activities:			
Capital expenditures	(5,455)	(10,534)	(7,633)
Split-off transaction costs	--	--	(4,509)
Change in affiliate borrowings	133	(261)	19,918
	-----	-----	-----
Net cash flows from investing activities	(5,322)	(10,795)	7,776
Cash flows from financing activities:			
Repayment of long-term debt	(4,640)	(9,360)	(7,693)
Repayments on notes	--	(790)	(222)
Purchase of Company stock	--	--	(17,400)
	-----	-----	-----
Net cash flow from financing activities	(4,640)	(10,150)	(25,315)
	-----	-----	-----
Net change in cash	3,043	3,524	7,621
Cash, beginning of Year	1,615	4,658	8,182
	-----	-----	-----
Cash, end of Year	\$ 4,658	\$ 8,182	\$15,803
	=====	=====	=====
Supplemental cash flow information:			
Interest paid	\$ 4,665	\$ 3,611	\$ 3,035
	=====	=====	=====
Income taxes paid	\$ 2,213	\$ 11,186	\$ 4,093
Non-cash activities:			
Split-off of subsidiaries and fair valuation of net assets	\$ --	\$ --	\$42,408
	=====	=====	=====

See notes to combined and consolidated financial statements.

A. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION - Effective December 30, 1997, Atlantic Tele-Network, Inc. (ATN or the Company) split-off into two separate public companies (the Transaction). One, Emerging Communications, Inc. (ECI), contained all of the operations of the Company and its subsidiaries in the U.S. Virgin Islands. The other, ATN, continued the business and operations of the Company in Guyana, including ownership of its majority owned subsidiary, Guyana Telephone & Telegraph Company, Limited (GT&T). The combined financial statements of ATN are the separate financial statements relating to ATN's business and operations in Guyana, including its majority owned subsidiary GT&T, and ATN's activities as the parent company of all of its subsidiaries. ATN's investment in subsidiaries other than GT&T and operations of these other subsidiaries have been carved out of the combined financial statements. The combined financial statements of ATN present the financial position as of December 31, 1996 and the results of operations and cash flows for each of the three years in the period ended December 31, 1997 as if the business, operations and activities included in the combined financial statements were conducted by a separate entity. All material intercompany transactions and balances have been eliminated.

The Transaction was accounted for as a non-pro rata split-off of ATN from the consolidated Company as it previously existed. Accordingly, ATN assets and liabilities at December 31, 1997 have been accounted for in accordance with Accounting Principles Board Opinion No. 29 entitled Accounting for Nonmonetary Transactions and Emerging Issues Task Force 96-4 entitled Accounting for Reorganizations Involving a Non-Pro Rata Split-off of Certain Nonmonetary Assets to Owners at values as determined by the market capitalization of ATN subsequent to the Transaction. The excess of original cost over fair value has been allocated to reduce the values assigned to long-term assets, primarily property, plant and equipment and intangibles.

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 amount 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.

GENERAL - The Company is engaged principally in providing telecommunications services, including local telephone service, long-distance service and cellular service in the Cooperative Republic of Guyana and international telecommunications service to and from Guyana. ATN provides management, technical, financial and marketing services to GT&T for a management fee equal to 6% of GT&T's revenues. All of GT&T's operations are located in Guyana.

REGULATORY ACCOUNTING - The Company's telephone subsidiary, GT&T, accounts for costs in accordance with the accounting principles for regulated enterprises prescribed by Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation (SFAS 71). This accounting recognizes the economic effects of rate regulation by recording cost and a return on investment as such amounts are recovered through rates authorized by regulatory authorities. Accordingly under SFAS 71, plant and equipment is depreciated over lives approved by regulators and certain costs and obligations are deferred based upon approvals received from regulators to permit recovery of such

amounts in future years. GT&T's audiotext revenues are not subject to regulation but are never the less taken into account by the regulator in setting regulated rates which permit the recovery of GT&T's costs and a return on investment. These unregulated revenues and any costs which pertain solely to these unregulated revenues are not accounted for under SFAS 71 principles.

CASH - For purposes of the statement of cash flows, the Company considers all investments with a maturity at acquisition of three months or less to be cash equivalents.

MATERIALS AND SUPPLIES - Materials and supplies are carried in inventory principally at weighted average cost.

FIXED ASSETS - The cost of fixed assets in service and under construction includes an allocation of indirect costs applicable to construction. The Company provides for depreciation using the straight-line method. This has resulted in a composite annualized rate of 4.8%, 4.5% and 4.5% for GT&T for the years ended December 31, 1995, 1996 and 1997, respectively. With respect to the regulated subsidiary, the cost of depreciable property retired, together with removal cost less any salvage realized, is charged to accumulated depreciation. No gain or loss is recognized in connection with ordinary retirements of depreciable property. Repairs and replacements of minor items of property are charged to maintenance expense.

REVENUE - Local exchange service and international long-distance revenues are recognized when earned, regardless of the period in which they are billed. In determining revenue, the Company estimates usage by foreign exchanges of the Company's local exchange network to determine the appropriate rate to apply to long distance minutes carried by the Company. Additionally, the Company establishes reserves for possible unreported or uncollectible minutes from foreign exchange carriers and doubtful accounts from customers. The amounts the Company will ultimately realize upon settlement could differ significantly in the near term from the amounts assumed in estimating these revenues and the related accounts receivable.

FOREIGN CURRENCY TRANSACTIONS - With regard to GT&T operations, for which the U.S. dollar is the functional currency, foreign currency transaction gains and losses are included in determining net income for the period in which the transaction is settled. At each balance sheet date, balances denominated in foreign currency are adjusted to reflect the current exchange rate. Transaction gains and (losses), which relate primarily to settlement with foreign carriers, approximated \$1,808,000, \$51,000 and \$(1,507,000) for the years ended December 31, 1995, 1996 and 1997, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS - In 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). The Statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets. Under provisions of the Statement, impairment losses are recognized when expected future cash flows are less than the assets' carrying value. Accordingly, when indicators of impairment are present, the Company evaluates the carrying value of property, plant and equipment and intangibles in relation to the operating performance and future undiscounted cash flows of the underlying business. The Company adjusts the net book value of the underlying assets if the sum of expected future cash flows is less than book value. The adoption of SFAS 121 did not have a material effect on the Company's financial statements.

PRO FORMA NET INCOME PER SHARE - Historical income per share is not presented for the combined statement of operations as the information is not considered meaningful. Pro forma net income per share as if the Transaction had occurred January 1, 1997 is calculated as follows:

Net income as reported	\$ 7,935
Reduction in depreciation	2,712
Elimination of interest income from subsidiary, net of interest expense on debt transferred to ECI	(1,716)
Tax effect	(637)

Pro forma net income	\$ 8,294
	=====
Pro forma shares outstanding	4,909
	=====
Pro forma net income per share	\$1.69
	=====

RECLASSIFICATIONS - Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation.

B. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	DECEMBER 31,	
	-----	-----
	1996	1997
Subscribers, net of allowance for doubtful accounts of \$557,000 and \$502,000	\$ 1,670	\$ 2,406
Connecting companies	46,519	29,834
Uncollected surcharges - current portion	632	5,479
Other	443	358
	-----	-----
	\$49,264	\$38,077
	=====	=====

C. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	DECEMBER 31,	
	-----	-----
	1996	1997
Outside plant	\$ 44,759	\$ 17,057
Central office equipment	37,634	13,502
Land and building	7,562	3,248
Station equipment	3,766	1,178
Furniture and office equipment	1,977	382
Construction in process	3,259	3,245
Other	5,184	430
	-----	-----
	\$104,141	\$ 39,042
	=====	=====

As a result of the valuation of net assets in the split-off Transaction in accordance with Accounting Principles Board Opinion No. 29 entitled Accounting for Nonmonetary Transactions and Emerging Issues Task Force 96-4 entitled Accounting for Reorganizations Involving a Non-Pro Rata Split-off of Certain Nonmonetary Assets to Owners, net property values at December 31, 1997 were reduced by approximately \$49,233,000 from their previous carrying value, which was based primarily on historical cost. The reduced carrying value of property, plant and equipment is significantly below replacement value.

D. OTHER ASSETS

Other assets consist of the following:

	December 31,	
	----- 1996	1997
Debt service reserve fund and escrow account	\$3,900	\$3,900
Deferred costs and intangibles, net	824	-
Prepaid pension	-	425
Other	1,310	286
	-----	-----
	\$6,034	\$4,611
	=====	=====

E. NOTES PAYABLE

At December 31, 1996, the Company had in place a \$5.5 million line of credit, bearing interest at 0.75% over prime rate (9% at December 31, 1996), which had expired and was verbally extended to October 1997. As of December 31, 1996, \$5.5 million was outstanding under this arrangement. The line of credit was transferred to ECI in the split-off Transaction.

At December 31, 1996, the Company had demand notes payable to a stockholder of \$222,000 with an interest rate of 9.58%. The notes were retired in 1997.

F. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31,	
	----- 1996	1997
Notes payable to Northern Telecom International Finance B.V. (NTIF) by GT&T under a \$34 million equipment financing agreement (the GT&T Equipment Loan)	\$21,133	\$17,834
Notes payable to Northern Telecom International Finance B.V. (NTIF) by GT&T under an \$11,500,000 supply loan (the GT&T Supply Loan) paid in 1997	4,314	-
Other	276	-
	-----	-----
Less current portion	25,723	17,834
	5,325	3,298
	-----	-----
	\$20,398	\$14,536
	=====	=====

The GT&T Equipment Loan requires monthly principal payments totaling \$275,000 plus interest with all outstanding balances maturing in 2004. The interest rates on the GT&T Equipment Loan are at fixed rates from 9.17% to 11.29%.

The GT&T Equipment Loan is guaranteed by ATN and secured by a pledge of all the GT&T stock owned by ATN and a security interest in all net toll revenues due to GT&T from significant carriers. GT&T is also required to maintain a debt service reserve fund under this loan agreement. The balance of this fund, included in other assets, was \$3.9 million at December 31, 1996 and 1997.

The annual requirements for principal payments are as follows:

Years Ending December 31,	Total
1998	\$ 3,298
1999	3,298
2000	3,298
2001	3,298
2002	3,298
Thereafter	1,344

	\$17,834
	=====

G. INCOME TAXES

The following is a reconciliation from the tax computed at statutory income tax rates to the Company's income tax expense:

	Years Ended December 31,		
	1995	1996	1997
Tax computed at statutory U.S. federal income tax rates	\$10,061	\$ 8,849	\$5,959
Guyana income taxes in excess of statutory U.S. rate	2,452	1,965	1,314
Write off of tax regulatory asset	600	-	-
Other, net	506	10	445
	-----	-----	-----
Income tax expense	\$13,619	\$10,824	\$7,718
	=====	=====	=====

The components of income tax expense are comprised of the following:

	Years Ended December 31,		
	1995	1996	1997
Current:			
United States	\$ -	\$ 1,302	\$1,445
Foreign	9,770	4,948	3,312
Deferred	3,849	4,574	2,961
	-----	-----	-----
	\$13,619	\$10,824	\$7,718
	=====	=====	=====

The components of income tax expense are comprised of the following:

The significant components of deferred tax liabilities and assets are as follows:

	December 31,	
	1996	1997
Deferred tax liabilities:		
Differences between book and tax basis of property	\$17,509	\$ 1,229
Revenues not recognized for tax purposes	1,680	1,520
	-----	-----
	19,189	2,749
Deferred tax assets:		
Non-deductible expense	341	659
Other	13	-
	-----	-----
	354	659
	-----	-----
Net deferred tax liabilities	\$18,835	\$ 2,090
	=====	=====

At December 31, 1997, unremitted earnings of foreign subsidiaries were approximately \$47,782,000. Since it is the Company's intention to indefinitely reinvest these earnings, no U.S. taxes have been provided. The determination of the amount of U.S. tax which would be payable if such unremitted foreign earnings were repatriated through dividend remittances is not practicable in that any U.S. taxes payable on such dividends would be significantly offset by foreign tax credits. Pursuant to the term of the purchase agreement with the government of Guyana, there are no withholding taxes applicable to distributions from GT&T.

H. RETIREMENT PLANS

The Company has noncontributory defined benefit pension plans for eligible employees of GT&T who meet certain age and employment criteria. Contributions are intended to provide not only for benefits attributed for service to date, but also for those expected to be earned in the future. The benefits are based on the participants' average salary during the last three years of employment and credited service years.

Net periodic pension cost was:

	Years Ended December 31,		
	1995	1996	1997
Service cost	\$ 103	\$ 135	\$ 168
Interest on projected benefit obligation	65	101	131
Actual return on assets	(75)	(79)	(10)
Net amortization and deferral	45	30	(35)
	-----	-----	-----
Net periodic pension cost	\$ 138	\$ 187	\$ 254
	=====	=====	=====

The following table sets forth the funded status, the amounts recognized in the balance sheet of the Company at December 31, 1996 and 1997, and the principal assumptions of the Company's plan:

	December 31,	
	----- 1996	1997 -----
Actuarial present value of benefit obligations:		
Vested benefits	\$ 317	\$ 871
Nonvested benefits	79	175
	-----	-----
Accumulated plan benefits	\$ 396	\$ 1,046
	=====	=====
Projected benefit obligation	\$(1,045)	\$(2,279)
Fair value of plan assets	622	1,336
	-----	-----
Plan projected benefit obligation in excess of assets	(423)	(943)
Unrecognized net loss	152	1,138
Unrecognized prior service costs	247	230
	-----	-----
Prepaid (accrued) pension included in the balance sheet	\$ (24)	\$ 425
	=====	=====

The discount rate was 13.0% and 8.25% and the expected rate of return on invested assets was 10.0% and 9.25% for the plan at December 31, 1996 and 1997.

I. REGULATORY MATTERS

On December 31, 1997, GT&T applied to the Guyana Public Utilities Commission (PUC) for a significant increase in rates for local and outbound international service and was awarded an interim increase in rates effective February 1, 1998 which was a substantial increase over the rates in effect during 1997 and earlier years. The interim rates are intended to remain in effect while the PUC holds hearings and reaches a decision on GT&T's application, although the PUC may increase or decrease these interim rates before reaching a decision on GT&T's permanent rates.

In October 1995, the Guyana Public Utilities Commission issued an order that rejected the request of GT&T for substantial increases in all telephone rates and temporarily reduced rates for outbound long-distance calls to certain countries. In most cases, the existing rates were already less than GT&T's payment obligations to foreign carriers. In January 1997, on an appeal by GT&T, the Guyana High Court voided the PUC's order in regard to rates and the rates were returned to the rates in existence in October 1995. The lost revenue was approximately \$9.5 million for the period when the order was effective. GT&T initially instituted a surcharge effective May 1, 1997 to collect the lost revenue, but temporarily withdrew it when the Guyana Consumers Advisory Bureau (a non-governmental group in Guyana) instituted a suit to block it. In May 1997 the Consumer Advisory Bureau sought an injunction from the Guyana High Court restoring telephone rates to those imposed by the PUC in its October 1995 order. The Consumer Advisory Bureau's application is still pending. In September 1997, the Guyana High Court denied an order which the Consumer Advisory Bureau had sought to temporarily enjoin GT&T from putting into effect a surcharge to recover the approximately \$9.5 million over a period of 18 months. GT&T put such surcharge into effect on October 1, 1997 pending an ultimate trial on the merits, and the Company recognized the approximately \$9.5 million of lost revenues in the third quarter of 1997.

In January 1997, the PUC ordered GT&T to cease paying management fees to the Company and to recover from the Company approximately \$25 million of such fees paid by GT&T to the Company since January 1991. GT&T has appealed the PUC's order to the Guyana High Court and obtained a stay of the PUC's order pending determination of that appeal.

At December 31, 1996, GT&T owed the Company approximately \$23 million for advances made from time to time for the working capital and capital expenditure needs of GT&T. GT&T's indebtedness to the Company was evidenced by a series of promissory notes. In March 1997, the PUC voided substantially all of the promissory notes then outstanding for failure to comply with certain provisions of the PUC law. The PUC ordered that no further payments be made on any of the outstanding notes and that GT&T recover from the Company all amounts theretofore paid. The order also provided that the PUC would be willing to authorize the payment of any amounts properly proven to the satisfaction of the PUC to be due and payable from GT&T to the Company. GT&T has appealed the PUC's order to the Guyana High Court and obtained a stay of the PUC's order pending determination of that appeal.

In late April 1997, the PUC applied to the Guyana High Court for orders prohibiting GT&T from paying any monies to the Company on account of intercompany debt, advisory fees or otherwise pending the determination of GT&T's appeals from the January 1997 and March 1997 orders mentioned above. The PUC's application is still pending.

In October 1997, the PUC ordered GT&T to increase the number of telephone lines in service to a total of 69,278 lines by the end of 1998, 89,054 lines by the end of 1999 and 102,126 by the end of the year 2000, to allocate and connect an additional 9,331 telephone lines before the end of 1998 and to provide to subscribers who request them facilities for call diversion, call waiting, reminder call and three-way calling by the end of the year 1998. In issuing this order, the PUC did not hear evidence or make any findings on the cost of providing these lines and services, the adjustment in telephone rates which may be necessary to give GT&T a fair return on its investment or the ways and means of financing the requirements of the PUC's order. GT&T has filed a motion against the PUC's order in the Guyana High Court and has appealed the order on different grounds to the Guyana Court of Appeal. No stay currently exists against this order, but recently the PUC requested further information from GT&T on this matter. GT&T intends to take such steps as seem appropriate after the level of the demand for telephone service can be assessed in light of the temporary rates which came into effect on February 1, 1998.

J. CONTINGENCIES AND COMMITMENTS

The Company is subject to lawsuits and claims which arise out of the normal course of business, some of which involve claims for damages that are substantial in amount. The Company believes, except for the items discussed below for which the Company is currently unable to predict the outcome, the disposition of claims currently pending will not have a material adverse effect on the Company's financial position or results of operations.

Upon the acquisition of GT&T in January 1991, ATN entered into an agreement with the government of Guyana to expand significantly GT&T's existing facilities and telecommunications operations and to improve service within a three-year period pursuant to an expansion and service improvement plan (the Plan). The Plan was modified in certain respects and the date for completion of the Plan was extended to February 1995. The government has referred to the PUC the failure of GT&T to complete the Plan by February 1995. The PUC is currently holding hearings on this matter. Failure to timely fulfill the terms of the Plan could result in monetary penalties, cancellation of the License, or other action by the PUC or the government which could have a material adverse effect on the Company's business and prospects.

In May 1997, GT&T received a letter from the Commissioner of Inland Revenue indicating that GT&T's tax returns for 1992 through 1996 had been selected for an audit under the direct supervision of the Trade Minister with particular focus on the withholding tax on payments to international audiotext providers. In March and April 1997, the Guyanese Trade Minister publicly announced that he had appointed a task force to probe whether GT&T should pay withholding taxes on fees paid by GT&T to international audiotext providers. The Minister announced that if GT&T were found guilty of tax evasion it could owe as much as \$40 million in back taxes. In July 1997, GT&T applied to the Guyana High Court for an order prohibiting this audit on the grounds that the decision of the Minister of Trade to set up this task force and to control and direct its investigation was beyond his authority, violated the provisions of the Guyanese Income Tax Act, interfered with the independence of the Commissioner of Inland Revenue and was done in bad faith, and the court issued an order effectively staying the audit pending a determination by the court of the merits of GT&T's application.

In June 1997, GT&T received an assessment of approximately \$3.9 million from the Commissioner of Inland Revenue for taxes for the current year based on the disallowance as a deduction for income tax purposes of five-sixths of the advisory fees payable by GT&T to the Company and for the timing of the taxation on certain surcharges to be billed by GT&T. The deductibility of these advisory fees and the deferral of these surcharges until they are actually billed in an earlier year had been upheld in a decision of the High Court in August 1995. In July 1997, GT&T applied to the High Court for an order prohibiting the Commissioner of Inland Revenue from further proceeding with this assessment on the grounds that the assessment was arbitrary and unreasonable and capriciously contrary to the August 1995 decision of the Guyana High Court, and GT&T obtained an order of the High Court effectively prohibiting any action on the assessment pending the determination by the court of the merits of GT&T's application.

In November 1997, GT&T received assessments of approximately \$14 million from the Commissioner of Inland Revenue for taxes for the years 1991 through 1996. It is GT&T's understanding that these assessments stem from the same audit commenced in May 1997 which the Guyana High Court stayed in its July 1997 order referred to above. Apparently because the audit was cut short as a result of the Court's July 1997 order, GT&T did not receive notice of and an opportunity to respond to the proposed assessments as is the customary practice in Guyana, and substantially all of the issues raised in the assessments appear to be based on mistaken facts. GT&T has applied to the Guyana High Court for an order prohibiting the Commissioner of Inland Revenue from enforcing the assessments on the grounds that the origin of the audit with the Minister of Trade and the failure to give GT&T notice of and opportunity to respond to the proposed assessments violated Guyana law. The Guyana High Court has issued an order effectively prohibiting any action on the assessments pending the determination by the Court of the merits of GT&T's application.

K. FAIR VALUE DISCLOSURE

Management has determined the carrying amounts of cash, accounts receivable, accounts payable and notes payable are a reasonable estimate of fair value. The fair value of long-term debt is estimated using a discounted cash flow analysis. At December 31, 1996 and 1997, the carrying value of long-term debt was \$25,723,000 and \$17,834,000 and the estimated fair value was \$25,443,000 and \$17,834,000, respectively.

L. CREDIT CONCENTRATIONS AND SIGNIFICANT CUSTOMERS

Revenues from AT&T, MCI, British Telecom and Teleglobe, consisting of international long-distance service, comprised approximately 37%, 21%, 19% and 13%, respectively, of total revenues for 1995, 36%, 21%, 12% and 12%, respectively, of total revenues for 1996 and 31%, 11%, 9% and 18%, respectively, of total revenues for 1997. No other customers accounted for more than 10% of total revenues. Substantially all of the connecting companies accounts receivable are due from these companies.

A significant portion of the Company's international long-distance revenue discussed above is generated by GT&T's audiotext providers, which operate as service bureaus or intermediaries for a number of audiotext information providers. One such audiotext provider accounted for \$78 million, \$83 million and \$39 million of these revenues for the years ended December 31, 1995, 1996 and 1997, respectively, and another audiotext provider accounted for \$13 million, \$20 million and \$18 million of these revenues for the years ended December 31, 1995, 1996 and 1997, respectively.

M. TRANSACTIONS WITH AFFILIATES

Prior to December 30, 1997, the Company previously shared certain general and administrative costs with its former affiliate, Atlantic Tele-Network Co. These shared costs were allocated in approximately the same proportion as operating revenues of the affiliate bore to total operating revenues of the Company. Management believes the allocation methods used were reasonable. However, such costs are not necessarily indicative of the costs that would have been incurred if the companies had been operated as unaffiliated entities. It is not practical to estimate these costs on a stand-alone basis.

The Company had interest bearing notes receivable from its former affiliates of \$23,219,000 at December 31, 1996. The notes bore interest at prime plus 1.5% which was 9.75% at December 31, 1996. Interest income for the years ended December 31, 1995, 1996 and 1997, was \$2,250,000, \$2,155,000 and \$2,228,000, respectively. Interest was not charged on the remaining notes receivable from affiliates.

N. QUARTERLY FINANCIAL DATA (UNAUDITED)

Following is a summary of the Company's quarterly results of operations for the years ended December 31, 1996 and 1997:

	THREE MONTHS ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
1997				
Revenues	\$31,742	\$27,160	\$36,796	\$21,917
Expenses	26,606	26,229	24,908	21,730
Income from operations	5,136	931	11,888	187
Interest expense, net	352	338	252	175
Income before income taxes and minority interest	4,784	593	11,636	12
Income taxes	2,044	347	5,167	160
Income before minority interest	2,740	246	6,469	(148)
Minority interest	300	4	1,067	1
Net income (loss)	\$ 2,440	\$ 242	\$ 5,402	\$ (149)

THREE MONTHS ENDED

	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
1996				
Revenues	\$36,009	\$38,991	\$39,618	\$33,635
Expenses	30,888	31,009	31,713	27,859
	-----	-----	-----	-----
Income from operations	5,121	7,982	7,905	5,776
Interest expense, net	453	344	372	333
	-----	-----	-----	-----
Income before income taxes and minority interest	4,668	7,638	7,533	5,443
Income taxes	2,331	3,375	2,937	2,181
	-----	-----	-----	-----
Income before minority interest	2,337	4,263	4,596	3,262
Minority interest	562	647	570	317
	-----	-----	-----	-----
Net income	\$ 1,775	\$ 3,616	\$ 4,026	\$ 2,945
	=====	=====	=====	=====

CONDENSED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1996 AND 1997
(AMOUNTS IN THOUSANDS)

ASSETS	1996 COMBINED	1997
Current assets:		
Cash	\$ 578	\$ 5,482
Other current assets	192	103
	-----	-----
	770	5,585
Property and equipment	3,149	118
Less accumulated depreciation	(2,094)	-
	-----	-----
	1,055	118
Investment in and advances to subsidiaries	115,876	52,271
Other assets	2,044	164
	-----	-----
	\$119,745	\$58,138
	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 5,722	\$ -
Accounts payable	827	2,792
Accrued taxes	1,268	927
Other current liabilities	1,026	175
Current portion of long-term debt	88	-
	-----	-----
Total current liabilities	8,931	3,894
Long-term debt, excluding current portion	188	-
Contingencies and commitments		
Stockholders' equity:		
Preferred stock	-	-
Common stock	123	49
Paid-in capital	81,852	54,195
Retained earnings	28,651	-
	-----	-----
Total stockholders' equity	110,626	54,244
	-----	-----
	\$119,745	\$58,138
	=====	=====

See note to combined and consolidated condensed financial statements.

COMBINED CONDENSED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(Amounts in Thousands, Except Per Share Amounts)

	YEARS ENDED DECEMBER 31,		
	1995	1996	1997
Management fees	\$ 7,870	\$ 8,895	\$ 7,057
Interest income	4,555	4,490	4,681
	-----	-----	-----
	12,425	13,385	11,738
Expenses:			
Interest	893	548	533
General and administrative	7,305	7,207	7,317
	-----	-----	-----
	8,198	7,755	7,850
	-----	-----	-----
Income before income taxes and equity in undistributed earnings of subsidiaries	4,227	5,630	3,888
Income taxes	(1,049)	(1,651)	(1,445)
	-----	-----	-----
Income before equity in undistributed earnings of subsidiaries	3,178	3,979	2,443
Equity in undistributed earnings of subsidiaries	9,560	8,383	5,492
	-----	-----	-----
Net income	\$12,738	\$12,362	\$ 7,935
	=====	=====	=====
Pro forma net income per share			\$1.69
			=====

See note to combined and consolidated condensed financial statements.

COMBINED CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(Amounts in Thousands)

	YEARS ENDED DECEMBER 31,		
	1995	1996	1997
Cash flow from operating activities:			
Net income	\$12,738	\$12,362	\$ 7,935
Adjustments to reconcile net income to net cash flows from operating activities:			
Equity in undistributed earnings of subsidiaries	(9,560)	(8,383)	(5,492)
Deferred income taxes	(225)	(348)	-
Depreciation and amortization	752	784	518
Change in operating assets and liabilities:			
Other assets	1,138	(1,120)	1,727
Other liabilities	1,267	(7)	895
Other	395	138	364
Net cash flows from operating activities	6,505	3,426	5,947
Cash flows from investing activities:			
Change in affiliate borrowings	(4,844)	669	21,205
Capital expenditures	(377)	-	(36)
Split-off transaction costs	-	-	(4,509)
Net cash flows from investing activities	(5,221)	669	16,660
Cash flows from financing activities:			
Net repayments on notes	-	(790)	(222)
Issuance of long-term debt	356	-	-
Repayment of long-term debt	(204)	(4,342)	(81)
Purchase of Company stock	-	-	(17,400)
Net cash flows from financing activities	152	(5,132)	(17,703)
Net change in cash	1,436	(1,037)	4,904
Cash, beginning of year	179	1,615	578
Cash, end of year	\$ 1,615	\$ 578	\$ 5,482
Supplemental cash flow information:			
Interest paid	\$ 1,037	\$ 542	\$ 515
Income taxes paid	\$ 260	\$ 620	\$ 2,310
Non-cash activities:			
Split-off of subsidiaries	\$ -	\$ -	\$ 42,408

See note to combined and consolidated condensed financial statements.

SCHEDULE I
(CONTINUED)

ATLANTIC TELE-NETWORK, INC.

(PARENT COMPANY ONLY)

NOTE TO COMBINED CONDENSED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

A. SIGNIFICANT ACCOUNTING POLICIES

INVESTMENT IN SUBSIDIARIES - Atlantic Tele-Network, Inc.'s investment in subsidiary is accounted for using the equity method.

BASIS OF PRESENTATION - Effective December 30, 1997, Atlantic Tele-Network, Inc. (ATN or the Company) split-off into two separate public companies (the Transaction). One, Emerging Communications, Inc. (ECI), contained all of the operations of the Company and its subsidiaries in the U.S. Virgin Islands. The other, ATN, continued the business and operations of the Company in Guyana, including ownership of its majority owned subsidiary, Guyana Telephone & Telegraph Company, Limited (GT&T). The combined financial statements of ATN are the separate financial statements relating to ATN's business and operations in Guyana, including its majority owned subsidiary GT&T, and ATN's activities as the parent company of all of its subsidiaries. ATN's investment in subsidiaries other than GT&T and operations of these other subsidiaries have been carved out of the combined financial statements. The combined financial statements of ATN present the financial position as of December 31, 1996 and the results of operations and cash flows for each of the three years in the period ended December 31, 1997 as if the business, operations and activities included in the combined financial statements were conducted by a separate entity.

The Transaction was accounted for as a non-pro rata split-off of ATN from the Company as it previously existed. Accordingly, ATN's assets and liabilities at December 31, 1997 have been accounted for at fair value as evidenced by the market capitalization of ATN. The excess of original cost over fair value has been allocated to reduce the values assigned to long-term assets, primarily investment in subsidiaries.

SCHEDULE II

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARY

VALUATION AND QUALIFYING ACCOUNTS
(AMOUNTS IN THOUSANDS)

	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	NET CHARGE OFFS	BALANCE AT END OF PERIOD
YEAR ENDED DECEMBER 31, 1995:				
Description:				
Allowance for doubtful accounts	\$ 886	\$ 814	\$322	\$1,378
	=====	=====	=====	=====
YEAR ENDED DECEMBER 31, 1996:				
Description:				
Allowance for doubtful accounts	\$1,378	\$(165)	\$656	\$ 557
	=====	=====	=====	=====
YEAR ENDED DECEMBER 31, 1997:				
Description:				
Allowance for doubtful accounts	\$ 557	\$ 159	\$214	\$ 502
	=====	=====	=====	=====

SIGNATURES

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

ATLANTIC TELE-NETWORK, INC.

March 27, 1998

By: /s/ Cornelius B. Prior, Jr.

Cornelius B. Prior, Jr.
Chief Executive Officer and Chairman of
the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ Cornelius B. Prior, Jr. ----- Cornelius B. Prior, Jr.	Chief Executive Officer and Chairman of the Board	March __, 1998
/s/ Craig A. Knock ----- Craig A. Knock	Chief Financial Officer, Secretary and Treasurer	March __, 1998
/s/ James B. Ellis ----- James B. Ellis	Director	March __, 1998
/s/ Andrew F. Lane ----- Andrew F. Lane	Director	March __, 1998
/s/ Robert A.R. MacLennan ----- Robert A.R. MacLennan	Director	March __, 1998
/s/ Henry Wheatley ----- Henry Wheatley	Director	March __, 1998

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT (this "Subscription Agreement") is entered into as of the 11th day of August, 1997 by and between Atlantic Tele-Network, Inc., a Delaware corporation (the "Company"), and Emerging Communications, Inc., a Delaware corporation ("ECI").

WHEREAS, to eliminate corporate disputes and to maximize the value of the Company for the benefit of the Company and its stockholders, the Company has entered into a Principal Terms Agreement dated January 29, 1997 among the Company and its co-chief executive officers and principal stockholders, Cornelius B. Prior, Jr. ("Prior") and Jeffrey J. Prosser ("Prosser"), which contemplates the separation of the businesses and assets of the Company in the manner set forth herein and in the Recapitalization Agreement (as defined below) and the Merger Agreement (as defined below); and

WHEREAS, in order to accomplish such separation, subject to the terms and conditions set forth herein, the Company desires to transfer to ECI all of the capital stock of its wholly owned subsidiaries, Atlantic Tele-Network, Co., a Virgin Islands corporation ("ATNCo."), and Atlantic Aircraft, Inc., a Delaware corporation ("Aircraft Corp."), as well as certain other assets of the Company as more fully described herein relating to businesses conducted by ATNCo., its subsidiaries, Virgin Islands Telephone Corporation, a Virgin Islands corporation ("VITELCO"), Vitelcom Cellular Inc., a Virgin Islands corporation ("VCI"), and Vitelcom, Inc., a Virgin Islands corporation ("Vitelcom") and, together with ATNCo., Aircraft Corp., VITELCO and VCI, the "Transferred Subsidiaries"), and Aircraft Corp. in exchange for 10,959,131 shares of common stock, par value \$0.01 per share (the "ECI Common Stock"), of ECI; and

WHEREAS, in order to accomplish such separation, subject to the terms and conditions set forth herein, in consideration of the transfer to it of the Assets (as defined herein), ECI desires to issue to the Company 10,959,131 shares of ECI Common Stock and assume the Assumed Liabilities (as defined herein); and

WHEREAS, the Company, Prior, individually and as Trustee of the 1994 Prior Charitable Remainder Trust (the "Trust"), and Prosser have entered into a Recapitalization Agreement dated of even date herewith attached hereto as Exhibit A (the "Recapitalization Agreement"), pursuant to which, subject to the terms and conditions set forth therein, (a) the Company has agreed to repurchase (the "Repurchase") an aggregate of 765,562 shares of common stock, par value \$.01 per share (the "Company Common Stock"), of the Company owned by Prior and the Trust, and (b) Prosser has agreed to exchange 3,325,000 shares of Company Common Stock owned by Prosser and certain members of his family for 3,325,000 shares of a new series of common stock of the Company to be designated Class A Common Stock and Prior has agreed to exchange 2,927,038 shares of Company Common Stock owned by Prior and certain members of his family for 2,927,038 shares of a new series of common stock of the Company to be designated Class B Common Stock (the "Recapitalization"); and

WHEREAS, the Company and ATN MergerCo., a Delaware corporation ("Merger Sub"), have entered into an Agreement and Plan of Merger of even date herewith attached hereto as Exhibit B (the "Merger Agreement"), pursuant to which, subject to the terms and conditions contained therein, Merger Sub will merge with and into the Company, with each share of Company Common Stock being converted into one share of ECI Common Stock and 0.4 shares of Company Common Stock, the outstanding shares of Class A Common Stock will be converted into an aggregate of 5,704,231 shares of ECI Common Stock and the outstanding shares of Class B Common Stock will be converted into an aggregate of 2,807,040 shares of Company Common Stock (the "Merger"); and

WHEREAS, the consummation of the Closing (as defined herein) is a condition to the consummation of the Repurchase and Recapitalization pursuant to the Recapitalization Agreement and a condition to the consummation of the Merger pursuant to the Merger Agreement;

NOW, THEREFORE, for and in consideration of the premises and mutual covenants herein contained and subject to the terms and conditions hereinafter set forth, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. As used in this Subscription Agreement, the following terms shall have the meanings ascribed to them in this Section 1.01

"Aircraft Corp." has the meaning set forth in the recitals hereto.

"Aircraft Receivables" means all indebtedness owing from Aircraft Corp. to the Company.

"Assets" has the meaning set forth in Section 2.02 hereof.

"Assumed Liabilities" has the meaning set forth in Section 2.05 hereof.

"ATNCo." has the meaning set forth in the recitals hereto.

"Auditor" has the meaning set forth in Section 3.02 hereof.

"Banco Popular Indebtedness" means Indebtedness outstanding under the loan agreement dated May 29, 1990, as amended February 25, 1993, and as amended October 6, 1993, between the Company and Banco Popular de Puerto Rico.

"Business Day" shall mean any day, excluding Saturday, Sunday and any day which shall be in the City of New York a legal holiday or a day on which banking institutions are authorized or required by law or other governmental actions to close.

"Cash Equivalents" shall mean (a) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof), (b) marketable direct obligations issued by any State of the United States of America or any local government or other political subdivision thereof, (c) U.S. dollar denominated time deposits, certificates of deposit and bankers' acceptances, (d) commercial paper and variable or fixed rate notes maturing within one year of the Closing Date and (e) repurchase agreements maturing within one year of the Closing Date.

"Closing" has the meaning set forth in Section 7.01 hereof.

"Closing Date" has the meaning set forth in Section 7.01 hereof.

"Commission" means the Securities and Exchange Commission.

"Company" has the meaning set forth in the first paragraph hereof.

"Company Common Stock" has the meaning set forth in the recitals hereto.

"Company Projects" has the meaning set forth in Section 2.03 hereof.

"Credits" means, collectively, (a) an amount equal to 50% of the cash and Cash Equivalents of the Company as of April 30, 1997, (b) an amount equal to 50% of all accounts receivable and other receivables of the Company (other than (w) the principal amount of any Indebtedness owing to the Company by any of its Subsidiaries, (x) any receivables identified on Schedule 2.02(i) hereof, (y) the Aircraft Receivables or (z) any receivables (other than receivables owing from any Subsidiary of the Company) which remain unpaid on the Closing Date), including, without limitation, all accrued and unpaid advisory and management fees, intercompany interest and stockholders' receivables, as of April 30, 1997, (c) an amount equal to 50% of the current assets of the Company as of April 30, 1997 (other than those included in or specifically excluded by

clause (a) or (b) above), (d) an amount equal to 50% of all principal payments made by Transferred Subsidiaries after December 31, 1996 and on or prior to April 30, 1997 on Indebtedness owing to the Company, (e) an amount equal to 50% of all dividends paid by Transferred Subsidiaries to the Company after December 31, 1996 and on or prior to April 30, 1997, (f) an amount equal to 50% of the principal amount of all loans by the Company to, and of all capital contributions by the Company to, GTT after December 31, 1996 and on or prior to April 30, 1997, (g) an amount equal to 50% of all costs and expenses incurred by the Company after December 31, 1996 and on or prior to April 30, 1997 relating to the Company Projects or any potential acquisitions (including any which may have been abandoned after December 31, 1996) to be consummated by the Company or any of its Subsidiaries (other than the Transferred Subsidiaries), (h) an amount equal to 100% of all principal payments made by the Transferred Subsidiaries after April 30, 1997 and on or prior to the Closing Date on Indebtedness (other than with respect to the Aircraft Receivables) owing to the Company, (i) an amount equal to 100% of all dividends paid by Transferred Subsidiaries to the Company after April 30, 1997 and on or prior to the Closing Date, (j) an amount equal to 100% of all payments of interest accruing after April 30, 1997 and made by Transferred Subsidiaries to the Company (other than with respect to the Aircraft Receivables) after April 30, 1997 and on or prior to the Closing Date on Indebtedness owing to the Company, (k) an amount equal to 50% of the book value as of April 30, 1997 of the furniture, fixtures, equipment and leasehold improvements at the St. Thomas Office, (l) an amount equal to 100% of all payments received by the Company after April 30, 1997 on any receivables identified on Schedule 2.02(i) hereof and (m) an amount equal to 100% of the principal amount of and accrued interest on the Indebtedness listed in Schedule 2.05(d) as of the Closing Date. Any amounts comprising the Credits which are denominated in a currency other than U.S. dollars shall be converted into a U.S. dollar amount using the applicable exchange rate in effect as of the fifth Business Day prior to the Closing Date, in the case of the Estimated Statement, and as of the Closing Date, in the case of the Final Statement, as published in The Wall Street Journal on the next succeeding Business Day.

"Debits" means, collectively, (a) an amount equal to 50% of the Indebtedness (including Banco Popular Indebtedness) of the Company owing to banks or listed on Schedule 2.05(d) attached hereto or as of April 30, 1997, (b) an amount equal to 50% of all other current liabilities of the Company as of April 30, 1997 (other than Excluded Liabilities), (c) an amount equal to 50% of the total severance payments with respect to the persons set forth on Schedule 5.02 attached hereto, (d) an amount equal to 50% of all principal payments made by GTT on Indebtedness owing to the Company after December 31, 1996 and on or prior to April 30, 1997, (e) an amount equal to 50% of all dividends paid by GTT to the Company after December 31, 1996 and on or prior to April 30, 1997, (f) an amount equal to 50% of the principal amount of all loans by the Company to, and all capital contributions by the Company to, Transferred Subsidiaries (other than Aircraft Receivables) after December 31, 1996 and on or prior to April 30, 1997, (g) an amount equal to 50% of all costs and expenses incurred by the Company after December 31, 1996 and on or prior to April 30, 1997 relating to the project for the privatization of the telephone company for the Republic of Congo or any potential acquisitions (including any which may have been abandoned after December 31, 1996) to be consummated by ECI or any of the Transferred Subsidiaries, (h) an amount equal to 100% of the principal amount of all loans made by the Company to, and of all capital contributions by the Company to, Transferred Subsidiaries (including Aircraft Receivables, unless the proceeds relating thereto were used by Aircraft Corp. to repay third-party Indebtedness) after April 30, 1997 and on or prior to the Closing Date, (i) an amount equal to 100% of all interest accrued as of April 30, 1997 which has not been paid to the Company on or prior to the Closing Date on Indebtedness owing by Transferred Subsidiaries (other than with respect to the Aircraft Receivables) to the Company, (j) an amount equal to 100% of all costs and expenses incurred by the Company after April 30, 1997 and on or prior to the Closing Date relating to the project for the privatization of the telephone company for the Republic of Congo or any potential acquisitions (including any which may have been abandoned after December 31, 1996) to be consummated by ECI or any of the Transferred Subsidiaries, (k) an amount equal to 100% of all costs and expenses incurred by the Company after April 30, 1997 and on or prior to the Closing Date relating to furniture, fixtures, equipment and leasehold improvements at, or otherwise pertaining to, the St. Croix Office, (l) an amount equal to 50% of the book value as of April 30, 1997 of the furniture, fixtures, equipment and leasehold improvements at the St. Croix Office, (m) an amount equal to 100% of the compensation and other expenses incurred by the Company after April 30, 1997 and on or prior to the Closing Date relating to the employees and consultants identified on

Schedule 1.01A attached hereto, (n) an amount equal to 50% of all fees and expenses incurred by Prior, Prosser, the Company, ECI and their respective Subsidiaries relating to the Transactions and all agreements, documents and proceedings in connection therewith, including, without limitation, all fees and expenses of each counsel set forth on Schedule 1.01B attached hereto, accountants and investment bankers, filing fees with the Commission and state securities agencies, stock exchange listing fees, transfer agent fees, transfer taxes and filing fees with the State of Delaware, it being expressly understood and agreed that the payment of all such fees and expenses (but, as to counsel fees and expenses, limited to the counsel named in Schedule 1.01B) shall be the obligation of the Company, (o) an amount equal to 50% of the compensation and other expenses incurred by the Company after April 30, 1997 and on or prior to the Closing Date relating to the employees identified on Schedule 1.01C attached hereto, (p) an amount equal to 50% of (i) the "blue book" values of the two aircraft owned by Aircraft Corp. as of the latest "blue book" available to the parties on the third Business Day prior to the Closing Date less (ii) the amount of all Indebtedness and accrued interest owing by Aircraft Corp. to third parties as of the Closing Date, (q) an amount equal to 50% of the carrying value as of April 30, 1997 of the assets identified on Schedule 2.02(i) hereof, (r) an amount equal to the provision for Income Tax expense of the Company which would be accrued on a hypothetical statement of operations of the Company for the period after April 30, 1997 to and including the Closing Date which statement of operations includes as revenues or gross income only dividends paid by the Transferred Subsidiaries to the Company during such period and interest accrued during such period on Indebtedness of the Transferred Subsidiaries to the Company and includes as expense only the expenses charged to ECI under clauses (c), (j), (k), (m), (n), (o) and (s) of this definition of "Debits" (and only to the extent such charges represent expenses which are deductible for Income Tax purposes), and (s) an amount equal to 50% of all expenses incurred by the Company after April 30, 1997 and on or prior to the Closing Date (including interest accrued on Indebtedness listed on Schedule 2.05(d)) to the extent such expenses are of a type which do not constitute a Credit hereunder or a Debit pursuant to any other clause of this definition of "Debits." Any amount comprising the Debits which are denominated in a currency other than U.S. dollars shall be converted into a U.S. dollar amount using the applicable exchange rate in effect as of the fifth Business Day prior to the Closing Date, in the case of the Estimated Statement, and as of the Closing Date, in the case of the Final Statement, as published in The Wall Street Journal on the next succeeding Business Day.

"ECI" has the meaning set forth in the first paragraph hereof.

"ECI Common Stock" has the meaning set forth in the recitals hereto.

"Estimated Statement" has the meaning set forth in Section 3.01 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Excluded Assets" has the meaning set forth in Section 2.03.

"Excluded Liabilities" has the meaning set forth in Section 2.06.

"Final Statement" has the meaning set forth in Section 3.02.

"Goods" has the meaning set forth in the Uniform Commercial Code of the State of New York.

"GTT" has the meaning set forth in Section 2.03.

"Income Tax" has the meaning set forth in the Tax Sharing Agreement.

"Indebtedness" of any person shall mean, without duplication, (a) all indebtedness of such person for borrowed money, (b) the deferred purchase price of assets or services which in accordance with generally accepted accounting principles would be shown on the liability side of the balance sheet of such person, (c) the face amount of all letters of credit issued for the account of such person and, without duplication, all drafts drawn thereunder and (d) all Indebtedness of a second person secured by any lien on any property owned by such first person, whether or not such Indebtedness has been assumed by such first person.

"Materials" has the meaning set forth in Section 5.01 hereof.

"Merger" has the meaning set forth in the recitals hereto.

"Merger Agreement" has the meaning set forth in the recitals hereto.

"Prior" has the meaning set forth in the recitals hereto.

"Prosser" has the meaning set forth in the recitals hereto.

"Recapitalization" has the meaning set forth in the recitals hereto.

"Recapitalization Agreement" has the meaning set forth in the recitals hereto.

"Repurchase" has the meaning set forth in the recitals hereto.

"Retained Indebtedness" has the meaning set forth in Section 2.02.

"Retained Names" has the meaning set forth in Section 5.01 hereof.

"Securities Act" means the Securities Act of 1933, as amended.

"Shares" has the meaning set forth in Section 2.01 hereof.

"Special Meeting" has the meaning set forth in the Merger Agreement.

"St. Croix Office" means the office of the Company located at Chase Financial Center, Orange Grove, Christiansted, St. Croix, U.S. Virgin Islands 00821.

"St. Croix Office Lease" means the current lease between Chase Manhattan Bank and VITELCO for the St. Croix Office, any and all renewals, extensions or amendments thereof and any new lease for the St. Croix Office entered into on or prior to the Closing Date.

"St. Thomas Office" means the office of the Company located at 19 Estate Thomas, Havensite, St. Thomas, U.S. Virgin Islands 00802.

"St. Thomas Office Lease" means the lease agreement dated October 1, 1992, as amended July 22, 1993, between the Company and St. Thomas Liquor Co., Ltd. for the St. Thomas Office.

"Subscription Agreement" has the meaning set forth in the first paragraph hereof.

"Subsidiary" shall mean, of any person at any time,

(a) any corporation of which a majority (by number of shares or number of votes) of any class of outstanding capital stock normally entitled to vote for the election of one or more directors (regardless of any contingency which does or may suspend or dilute the voting rights of such class) is at such time owned directly or indirectly, beneficially or of record, by such person or one or more Subsidiaries of such person;

(b) any trust of which a majority of the beneficial interest is at such time owned directly or indirectly, beneficially or of record, by such person or one or more Subsidiaries of such person; and

(c) any partnership, joint venture or other entity of which ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at such time owned directly or indirectly, beneficially or of record, by, or which is otherwise controlled directly, indirectly or through one or more intermediaries by, such person or one or more Subsidiaries of such person.

"Tax" or "Taxes" means any income, gross income, gross receipts, profits, capital stock, franchise, withholding, payroll, social security, workers compensation, unemployment, disability, property, ad valorem, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, export, value added,

alternative minimum, estimated or other similar tax (including any fee, assessment or other charge in the nature of or in lieu of any tax) imposed by any governmental entity or political subdivision thereof, and any interest, penalties, additions to tax or additional amounts in respect of the foregoing.

"Transactions" has the meaning set forth in Section 6.02 hereof.

"Transferred Subsidiaries" has the meaning set forth in the recitals hereto.

"Trust" has the meaning set forth in the recitals hereto.

"VCI" has the meaning set forth in the recitals hereto.

"VITELCO" has the meaning set forth in the recitals hereto.

"Vitelcom" has the meaning set forth in the recitals hereto.

Section 1.02. Rules of Construction. Unless the context otherwise requires:

(a) a capitalized term used herein has the meaning ascribed to such term;

(b) "or" is not exclusive;

(c) words in the singular include the plural, and words in the plural include the singular; and

(d) "herein," "hereof" and other words of similar import refer to this Subscription Agreement as a whole and not to any particular Article, Section or other subdivision.

ARTICLE II

SUBSCRIPTION FOR AND ACQUISITION OF THE SHARES

Section 2.01. Subscription for the Shares. The Company hereby subscribes for and, subject to the terms and conditions contained herein, agrees to acquire at the Closing 10,959,131 shares of ECI Common Stock (the "Shares").

Section 2.02. Acquisition of the Shares. In consideration of the issuance of the Shares by ECI and the performance of its other obligations hereunder, subject to the terms and conditions contained herein, the Company agrees to transfer, convey, assign and deliver, or cause to be transferred, conveyed, assigned and delivered, at the Closing to ECI the following assets (which are collectively referred to herein as the "Assets"):

(a) all of the issued and outstanding capital stock of ATNCo.;

(b) all of the issued and outstanding capital stock of Aircraft Corp.;

(c) all Indebtedness of each Transferred Subsidiary owing to the Company except the Subordinated Demand Note of ATNCo. payable to the order of the Company, which had an unpaid principal amount of \$22,031,586 at April 30, 1997 (the "Retained Indebtedness");

(d) all rights of the Company under the St. Croix Office Lease;

(e) all equipment, furniture, fixtures and leasehold improvements of the Company located at the St. Croix Office;

(f) all rights of the Company under any leases of equipment located at the St. Croix Office;

(g) all rights of the Company and GTT (including any capitalized costs relating thereto) relating to the project for the privatization of the telephone company for the Republic of Congo;

(h) all books, records and other data and papers held by the Company at the Closing relating to the operation of the businesses of the Transferred Subsidiaries;

(i) all of the right, title and interest of the Company in the assets set forth on Schedule 2.02(i) attached hereto; and

(j) 50% of all receivables of the Company as of April 30, 1997 which remain unpaid as of the Closing Date (other than Indebtedness owing to the Company by any of its Subsidiaries and any receivables identified on Schedule 2.02(i)).

Section 2.03. Excluded Assets. For the avoidance of doubt, each of the parties hereto acknowledges and agrees that there shall not be included in Assets to be transferred, conveyed, assigned and delivered to ECI at the Closing any of the following assets (which are collectively referred to herein as the "Excluded Assets"):

(a) any of the capital stock of Guyana Telephone & Telegraph Company Ltd., a Guyana corporation ("GTT");

(b) any Indebtedness of GTT owing to the Company;

(c) any rights of the Company under the St. Thomas Office Lease;

(d) any equipment, furniture, fixtures and leasehold improvements of the Company located at the St. Thomas Offices;

(e) any rights of the Company under any leases of equipment located at the St. Thomas Office;

(f) any rights of the Company or GTT (including any capitalized costs relating thereto) relating to the projects for the privatization of the Suriname telephone company, the purchase of the St. Martin cellular operation or the long distance telephone opportunity in Jamaica (the "Company Projects"); and

(g) any rights of the Company under any advisory or management agreement between GTT and the Company.

Section 2.04. Issuance of the Shares. At the Closing, subject to the terms and conditions contained herein, ECI agrees to issue and deliver the Shares to the Company.

Section 2.05. Assumption of Liabilities. In consideration of the transfer, conveyance, assignment and delivery of the Assets and the performance by the Company of its other obligations hereunder, subject to the terms and conditions contained herein, ECI agrees to assume at the Closing in accordance with their respective terms the following liabilities (which are collectively referred to herein as the "Assumed Liabilities"):

(a) all obligations of the Company under the St. Croix Office Lease;

(b) all obligations of the Company under all of the leases of equipment located at the St. Croix Office and all other leases of equipment located at the St. Croix Office entered into by the Company after the date of this Subscription Agreement and prior to the Closing;

(c) all obligations of the Company arising out of or relating to the Transferred Subsidiaries and the project for the privatization of the telephone company for the Republic of Congo;

(d) the obligations of the Company set forth on Schedule 2.05(d);

(e) certain Tax liabilities of the Company as more particularly described in the Tax Sharing and Indemnification Agreement; and

(f) except as otherwise provided in the Indemnity Agreement, one-half of all liabilities and obligations of the Company, whether known or unknown, arising out of events or acts or omissions occurring at or prior to the Closing, except for (i) any Tax liabilities, (ii) any liabilities or obligations that are taken into account in clauses (b) and (c) of the definition of "Debits" for purposes of calculating the Final Closing Adjustment and (iii) any liabilities and obligations that are Assumed Liabilities pursuant to clauses (a)-(d) of this Section 2.05 or Excluded Liabilities pursuant to clauses (a)-(c) of Section 2.06.

Section 2.06. Excluded Liabilities. For the avoidance of doubt, each of the parties hereto acknowledges and agrees that ECI does not hereby assume or agree to assume any of the following obligations or liabilities (which are collectively referred to herein as the "Excluded Liabilities"):

(a) any obligations of the Company under the St. Thomas Office Lease;

(b) any obligations of the Company under the leases of equipment located at the St. Thomas Office; and

(c) any liability or obligation of the Company, whether known or unknown, or matured or contingent, arising out of or relating to GTT or the Company Projects.

Section 2.07. Restricted Assets. In the event that any Asset is not assignable or transferable to ECI at the Closing by its terms or under applicable law (each, a "Restricted Asset"), the Company shall use all reasonable efforts, and ECI shall cooperate reasonably with the Company, to promptly obtain the consents and waivers necessary to cause to be assigned or transferred to ECI such Restricted Asset. After the Closing and continuing for the duration of the useful life of each Restricted Asset, the Company shall use reasonable efforts to provide ECI with the benefits of such Restricted Asset and enforce at the request of ECI, or allow ECI to enforce, any rights of the Company under such Restricted Asset; provided that the reasonable costs and expenses of the Company incurred at ECI's request with respect to any such enforcement shall be reimbursed by ECI.

Section 2.08. Access to Information. Each of the parties shall give to the other reasonable access to information necessary to consummate the transactions contemplated by this Subscription Agreement and shall deliver at its expense all records relating to businesses and operations of the other party and its Subsidiaries which may inadvertently remain in its possession after the Closing. Each of the parties shall retain records relating to the businesses and operations of the other party and its Subsidiaries in its possession for a period of five years after the Closing Date.

ARTICLE III

CLOSING ADJUSTMENT

Section 3.01. Preliminary Closing Adjustment.

(a) On the third Business Day prior to the Closing Date, the Company shall deliver to ECI an estimated statement of the Debits and the Credits (the "Estimated Statement"), which Estimated Statement shall be in form and substance reasonably satisfactory to ECI. The difference between the Debits and the Credits shown on the Estimated Statement is herein called the "Closing Date Adjustment." If the Debits exceed the Credits the Closing Date Adjustment shall be a positive amount representing the sum resulting from the Closing Date Adjustment due by ECI to the Company. If the Credits exceed the Debits the Closing Date Adjustment shall be a negative amount representing the sum resulting from the Closing Date Adjustment due by the Company to ECI.

(b) ECI shall cause ATNCo to pay on the Closing Date, by wire transfer of immediately available funds, as a payment of the Retained Indebtedness, \$17.4 million increased by the sum of the Closing Date Adjustment should such adjustment be a positive amount or decreased by the Closing Date Adjustment should such amount be a negative amount. If the amount of the payment to be made by ATNCo. under this Section 3.01 exceeds the principal amount of the Retained Indebtedness, such excess amount shall be paid by ECI to the Company.

Section 3.02. Final Closing Adjustment.

(a) As promptly as practicable after the Closing Date, the Company shall deliver to ECI a statement of Debits and Credits as of the Closing Date (the "Closing Date Statement"). The Company and ECI shall engage the Omaha, Nebraska office of Deloitte & Touche LLP (the "Auditor") to perform an audit of the Debits and Credits shown on the Closing Date Statement. The Auditor shall, within 60 days after the

Closing Date, deliver to the parties a report of the calculation of the Debits and the Credits (the "Final Statement"). The Final Statement shall be conclusive and binding upon the parties, absent fraud or manifest error. Each of the parties shall give the Auditor full access to its books, records, facilities and employees in connection with the Auditor's audit of the Final Statement. The fees and disbursements of the Auditor shall be paid equally by the Company and ECI. The amount by which the amount of the Debits shown on the Final Statement exceeds the amount of the Credits shown on the Final Statement is herein called the "Final Closing Adjustment." If the amount of Credits exceeds the amount of Debits, the Final Closing Adjustment shall be a negative amount.

(b) If the Final Closing Adjustment exceeds the amount of the Closing Date Adjustment, then within three Business Days after receipt of the Final Statement by ECI, ECI shall cause ATNCo. to pay to the Company on account of the principal amount of the Retained Indebtedness by wire transfer of immediately available funds to an account specified by the Company therefor an amount in cash in U.S. dollars equal to the amount by which the Final Closing Adjustment exceeds the Closing Date Adjustment. If the amount of the payment to be made by ATNCo. under this clause (b) exceeds the remaining principal amount of the Retained Indebtedness, such excess amount shall be paid by ECI to the Company.

(c) If the Final Closing Adjustment is less than the Closing Date Adjustment, then within three Business Days after receipt of the Final Statement by the Company, the Company shall pay to ECI by wire transfer of immediately available funds to an account specified by ECI therefor an amount in cash in U.S. dollars equal to the amount by which the Final Closing Adjustment is less than the amount of the Closing Date Adjustment.

(d) For the avoidance of doubt, it is hereby acknowledged and agreed that a positive amount is always larger than any negative amount (e.g. \$10 is \$110 larger than -\$100), that a negative amount is always less than a positive amount (e.g. -\$100 is \$110 less than \$10), and that a larger negative number is "less than" a smaller negative number (e.g. -\$110 is \$10 less than -\$100).

(e) Immediately following the payment specified in clause (b) or (c) of this Section 3.02, the Company shall note on the promissory note evidencing the Retained Indebtedness the aggregate amount of the payments, if any, received by it with respect to the Retained Indebtedness pursuant to Section 3.01 and this Section 3.02 and assign and deliver the Retained Indebtedness to ECI.

ARTICLE IV

NO REPRESENTATIONS OR WARRANTIES; CONDITION OF ASSETS, DISCLAIMERS

Section 4.01. No Representations or Warranties. Each of the parties understands and agrees that no party is making, in this Subscription Agreement or in any other agreement or document entered into in connection with the Transactions, representations or warranties to the other in any way as to the business or operations of the Company prior to or after the Closing or as to the business or operations of ECI after the Closing, or as to any consents or approvals required in connection therewith.

Section 4.02. Condition of Assets, Disclaimers. All Goods to be conveyed pursuant to this Subscription Agreement are expressly agreed to be conveyed "AS IS" and "WITH ALL FAULTS." All of the Assets to be transferred and assigned to ECI pursuant to the provisions of this Subscription Agreement shall be transferred and assigned to ECI as is, where is, in the condition thereof and subject to the state of title thereto, the rights of any parties in possession, and the right of ownership of others therein, and are subject to all applicable laws, rules, regulations, ordinances, licenses, permits, franchises, judgments, orders and other governmental actions, whether now in effect or hereafter taken, and without representations or warranties of any kind by the Company or any person acting or purporting to act on its behalf. The Company makes no warranty or representation, express or implied, as to the title, design, condition, value, operation, workmanship, merchantability or suitability for a particular purpose of the Assets, or any portion thereof, or any other warranty or representation, express or implied, of any kind whatsoever with respect to the Assets or any portion thereof.

ARTICLE V

CERTAIN AGREEMENTS OF THE COMPANY AND ECI

Section 5.01. Use of Retained Names. After the Closing, ECI shall not, and shall cause its Subsidiaries not to, put into use any products, signs, purchase orders, sales orders, labels, letterheads, or other materials (collectively, "Materials") not in existence on the Closing Date that bear the name "Atlantic Tele-Network, Inc." or "ATN" (the "Retained Names"). After the Closing, ECI and its Subsidiaries shall be entitled to use any Materials in existence as of the Closing that bear the Retained Names for a period not exceeding 30 days.

Section 5.02. Severance. Prior to the Closing, the Company shall terminate the employment of each of its employees identified on Schedule 5.02 attached hereto.

Section 5.03. Aircraft Corp. Costs. Effective May 1, 1997, the Transferred Subsidiaries, the project for the privatization of the telephone company for the Republic of Congo, the Company Projects, and GTT shall be charged for use of Aircraft Corp.'s jet aircraft only in an amount equal to the cost incident to such use computed in the same manner and on the same basis as Prosser and Prior have heretofore been charged for personal use of such aircraft, and all remaining expenses of Aircraft Corp. with respect to the jet aircraft for the period after April 30, 1997 and on or prior to the Closing Date shall be charged to the Company as an expense to be allocated 50% to ECI pursuant to clause(s) of the definition of "Debits" in this Subscription Agreement.

Section 5.04. Exchange of Indebtedness. Upon receipt of Indebtedness of Transferred Subsidiaries pursuant to Section 2.02(c), ECI shall immediately exchange any such Indebtedness for a promissory note with a term of at least ten years at a variable rate of interest at least equal to the variable rate of interest under the senior credit facility between Atlantic Tele-Network, Co. and Rural Telephone Finance Cooperative and under which the obligor has the right to prepay such note at any time without premium or penalty.

ARTICLE VI

CONDITIONS TO CLOSING

The obligations of the parties to consummate the purchase and sale of the Shares, the assumption of the Assumed Liabilities and the other transactions to be consummated by the parties hereto at the Closing shall be subject to the satisfaction of the following conditions on or prior to the Closing Date:

Section 6.01. Third-Party Approvals. All consents, approvals, authorizations, permits and orders with respect to the transactions contemplated by this Subscription Agreement, the Recapitalization Agreement and the Merger Agreement and the other agreements to be entered into pursuant hereto and thereto required from any person, entity or court or governmental agency, authority or instrumentality, federal, state or local, having or asserting rights against or jurisdictions over the Company, ECI, or such transactions (including, without limitation, from the Rural Telephone Finance Corporation, the Rural Utilities Service, and Northern Telecom International Finance B.V.) shall have been obtained and be valid and in full force and effect.

Section 6.02. Registration Statement and Stockholder Approval. The Registration Statement registering the Shares to be issued to stockholders of the Company pursuant to the Merger Agreement under the Securities Act shall have become effective in accordance with the provisions of the Securities Act; no stop order suspending the effectiveness of such Registration Statement shall have been issued by the Commission and remain in effect; all necessary state securities or blue sky authorizations shall have been received. The approval and adoption of this Subscription Agreement, the Recapitalization Agreement, the Merger Agreement and the other agreements to be entered into pursuant hereto and thereto and the transactions contemplated hereby and thereby (the "Transactions"), by a majority of the outstanding shares of Company Common Stock shall have been obtained.

Section 6.03. Internal Revenue Service Ruling. The Company shall have received rulings from the Internal Revenue Service reasonably acceptable to the Company and ECI, which rulings shall be in full force and effect as of the Closing Date, to the effect that:

(i) the transactions contemplated by the Subscription Agreement will be a tax-free reorganization as described in Section 368(a)(1)(D) of the Code; and

(ii) the distribution of ECI Common Stock to the holders of Company Common Stock and the holders of the Class A Common Stock pursuant to the Merger Agreement will be tax-free for federal income tax purposes to the Company under Section 355(c) or 361(c) of the Code and to the holders of Company Common Stock and the holders of the Class A Common Stock under Section 355(a) of the Code.

Section 6.04. Fairness Opinion. The Board of Directors of the Company shall have received an opinion from Prudential Securities Inc. dated July 7, 1997 and reaffirmed within five Business Days prior to the date a definitive proxy statement is mailed to the holders of Company Common Stock under the Exchange Act to the effect that the Transactions are fair from a financial point of view to the public stockholders of the Company.

Section 6.05. [Intentionally Omitted]

Section 6.06. Liquidation of Vitelcom. Vitelcom shall be liquidated or merged into ATN Co. and the business of Vitelcom shall be continued by ATN Co., which may continue such business as a separate division of ATN Co. but not as a separate corporate Subsidiary.

Section 6.07. Minimum Borrowing Capacity. Each of the Company and ECI shall have minimum available borrowing capacity with reputable lenders or available cash on hand necessary to make and, in ECI's case, to cause ATNCo. to make the payments expected to be required under Article III hereof.

Section 6.08. No Material Adverse Change. Since the date of this Agreement, there shall have been no material adverse change in the business to be conducted by either (a) the Company and its Subsidiaries after the Closing or (b) ECI and its Subsidiaries after the Closing.

Section 6.09. No Litigation. No action, suit, investigation or other proceeding shall be pending or threatened before any arbitrator, court or governmental agency which, in the opinion of at least one-half of the members of the Board of Directors of either the Company or ECI, presents a substantial risk of the restriction or prohibition of any material component of the Transactions, or obtaining material damages or other relief in connection therewith.

Section 6.10. Agreements in Full Force. Each of the Merger Agreement and the Recapitalization Agreement shall be in full force and effect and no party thereto shall be in material breach of any of its obligations thereunder.

Section 6.11. Listing. The Shares issuable in the Merger shall have been authorized for listing on the American Stock Exchange subject to a final notice of issuance. The outstanding Common Stock of the Company shall be listed on the American Stock Exchange, and no proceedings shall be pending or threatened to delist such stock from such Exchange.

Section 6.12. Performance. Each of the parties shall have performed and complied in all material respects with all obligations and conditions required by this Subscription Agreement to be performed or complied with by it at or prior to the Closing and such party shall furnish to the other an officer's certificate to evidence such performance and compliance.

Section 6.13. ECI Charter. ECI shall have adopted and filed with the Secretary of State of Delaware a Restated Certificate of Incorporation substantially in the form of Exhibit D attached hereto.

Section 6.14. Boards of Directors and Officers. The Board of Directors and officers of ECI and each Transferred Subsidiary shall consist of those persons designated in writing by Prosser to the Company on the

Business Day preceding the Closing Date. The Board of Directors and officers of the Company and GTT shall consist of those persons designated in writing by Prior to the Company on the business day preceding the Closing Date.

Section 6.15. Non-Competition Agreement. ECI and Prosser shall have entered into a Non-Competition Agreement substantially in the form of Exhibit E attached hereto, and such agreement shall be in full force and effect and no party thereto shall be in material default of any of its obligations thereunder.

Section 6.16. Indemnity Agreement. The Company, ECI, Prior and Prosser shall have entered into an Indemnity Agreement substantially in the form of Exhibit F attached hereto, and such agreement shall be in full force and effect and no party thereto shall be in material default of any of its obligations thereunder.

Section 6.17. Personal Debts. Each of Prior and Prosser shall have repaid all personal debts owing to the Company or any of its Subsidiaries (including any Transferred Subsidiaries); and Prior shall have caused the repayment of all amounts owing by Prior's private wireless cable television business to Vitelcom as of the Closing Date.

Section 6.18. Employee Benefits Agreement. The Company and ECI shall have entered into an Employee Benefits Agreement substantially in the form of Exhibit G attached hereto, and such agreement shall be in full force and effect and no party thereto shall be in material default of any of its obligations thereunder.

Section 6.19. Tax Sharing and Indemnification Agreement. The Company and ECI shall have entered into a Tax Sharing and Indemnification Agreement substantially in the form of Exhibit H attached hereto (the "Tax Sharing Agreement"), and such agreement shall be in full force and effect and no party thereto shall be in material default of any of its obligations thereunder.

Section 6.20. Assumed Liabilities. ECI shall have assumed all obligations of the Company with respect to the Assumed Liabilities outstanding as of the Closing Date.

Section 6.21. Technical Assistance Agreement. The Company, ATNCo., VITELCO and VCI shall have entered into a Technical Assistance Agreement substantially in the form of Exhibit C attached hereto (the "Technical Services Agreement"), and such agreement shall be in full force and effect and no party thereto shall be in material default of any of its obligations thereunder.

Section 6.22. Recapitalization Agreement Closing. Each of the conditions to the closing under the Recapitalization Agreement (the "Recapitalization Agreement Closing") shall have been satisfied or, with the consent of each of the parties hereto waived; and all parties thereto shall appear ready, willing and able to consummate the transactions therein provided to be consummated at the Recapitalization Agreement Closing.

Section 6.23. Merger Agreement Closing. Each of the conditions to the closing under the Merger Agreement (the "Merger Agreement Closing") shall have been satisfied or, with the consent of each of the parties hereto waived; and all parties thereto shall appear ready, willing and able to consummate the transactions therein provided to be consummated at the Merger Agreement Closing.

ARTICLE VII

CLOSING DATE; CLOSING

Section 7.01. Closing Date; Closing. The closing of the acquisition and issuance of the Shares hereunder (the "Closing") shall take place on the same Business Day as the Recapitalization Agreement Closing and the Merger Agreement Closing and shall be held as soon as reasonably practicable after satisfaction or waiver by the parties hereto of the conditions set forth in Article VI hereof. The date on which the Closing occurs is referred to herein as the "Closing Date." The Closing shall take place at the offices of Cahill Gordon &

Reindel, 80 Pine Street, New York, New York 10005. At the Closing, (i) ECI shall issue the Shares to the Company registered in such names and denominations as the Company shall request, (ii) the transfer, conveyance, assignment and delivery of the Assets shall be effected by the delivery by the Company of such deeds, bills of sale, endorsements, assignments, certificates or other instruments as ECI shall reasonably request, (iii) the assumption of the Assumed Liabilities shall be effected by the delivery by ECI of such instruments of assumption as the Company shall reasonably request and (iv) ECI shall have consummated or caused ATNCo. to have consummated the wire transfer contemplated by Section 3.01 hereof.

Section 7.02. Further Assurances. Each of the parties agrees that after the Closing, upon reasonable request of the other party, it will do, execute, deliver and acknowledge, and will cause to be done, executed, delivered and acknowledged, all such further acts, deeds, certificates, assignments, assumptions, transfers, conveyances, powers of attorney and other documents as may be reasonably required to consummate the transactions contemplated hereby.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01. Termination. This Subscription Agreement shall terminate upon the termination of the Recapitalization Agreement or the Merger Agreement. In addition, this Subscription Agreement may be terminated at any time prior to the Closing by the Board of Directors of the Company and the Board of Directors of ECI without the authorization or consent of the Company's or ECI's stockholders. In the event of any such termination, neither party shall have any liability of any kind to the other party.

Section 8.02. Entire Agreement. This Subscription Agreement, together with all other written agreements which may be entered into between the parties in connection herewith and the transactions contemplated hereby and all other documents and instruments delivered in connection herewith and therewith and the transactions contemplated hereby and thereby, set forth the full and complete understanding of the parties hereto with respect to the transactions contemplated hereby.

Section 8.03. Governing Law. This Subscription Agreement shall be governed by and construed in accordance with the laws of the State of New York, without reference to the conflict of laws rules thereof.

Section 8.04. Headings. The headings in this Subscription Agreement are intended solely for convenience of reference and shall be given no effect in the interpretation of this Subscription Agreement.

Section 8.05. Counterparts. This Subscription Agreement may be executed in two counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Section 8.06. Benefits. This Subscription Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, and no other person will have any right or obligation hereunder.

Section 8.07. Assignment. Neither this Subscription Agreement nor any right hereunder may be assigned by the parties hereto without the prior written consent of the other party. Subject to the foregoing, this Subscription Agreement shall be binding upon and inure to the benefit of the successors, heirs, representatives and assigns of each party hereto.

Section 8.08. Amendment and Waiver. This Subscription Agreement may be amended only by an instrument in writing signed on behalf of each of the parties hereto. Any term, condition or provision of this Subscription Agreement may be waived (if in writing) at any time by the party or each of the parties entitled to the benefits thereof.

Section 8.09. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been given if delivered by hand, or when sent by telex or telecopier (with receipt confirmed) or by registered mail, return receipt requested, addressed as follows (or to such other address as a party may designate by notice to the other):

(a) If to the Company:

Atlantic Tele-Network, Inc.
Estate Havensight
P.O. Box 12030
St. Thomas, U.S. Virgin Islands 00801
(340) 774-2260 or 777-8000
Attention: Cornelius B. Prior
Telecopy: (809) 774-7790

with copies to:

Lewis A. Stern, P.C.
Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, New York 10004
(212) 859-8190
Telecopy: (212) 859-8587

(b) If to ECI:

Atlantic Tele-Network, Inc.
Chase Financial Center
P.O. Box 1730
St. Croix, U.S. Virgin Islands 06821-1730
(340) 777-7700
Attention: Jeffrey J. Prosser
Telecopy: (809) 774-5487

with copies to:

Roger Meltzer, Esq.
Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005
(212) 701-3851
Telecopy: (212) 269-5420

IN WITNESS WHEREOF, each of the Company and ECI has caused this Subscription Agreement to be executed on the date first written above.

Atlantic Tele-Network, Inc.

By: /s/ Cornelius B. Prior

Name: Cornelius B. Prior
Title:Co-Chief Executive Officer

By: /s/ Jeffrey J. Prosser

Name: Jeffrey J. Prosser
Title:Co-Chief Executive Officer

Emerging Communications, Inc.

By: /s/ Jeffrey J. Prosser

Name: Jeffrey J. Prosser
Title:Chief Executive Officer

SCHEDULE 1.01A

PROSSER DESIGNATED EMPLOYEES AND CONSULTANTS

James J. Heying

Sharon Smalls

Edwin Crouch

Steve Ross

Deseree Rodriguez

Liz Goggins

Eling Joseph

Wilhelm Samuel

David Stuedell

Gary Fisher

Kevin Cullwood

Ronald Sanders

James Dishman

Sir Shridath S. Ramphal

Paul Singer

SCHEDULE 1.01B

COUNSEL

Cahill Gordon & Reindel

Fried, Frank, Harris, Shriver & Jacobson

Raynor, Rensch & Pfeiffer

Richards, Layton & Finger

Brown & Wood LLP

Kelley Dye & Warren

Wiley, Rein & Fielding

SCHEDULE 1.01C
UNDESIGNATED EMPLOYEES

Pacita Donovan

SCHEDULE 2.02(I)

CERTAIN ASSETS

- --Any loans or advances to or other receivables from Jeffrey J. Prosser or any of the persons listed on Schedule 1.01A hereof
- --AS400 Computer currently located at the premises of Vitelco
- --Key-man life insurance policies on the life of Jeffrey J. Prosser, including pre-paid premiums relating thereto
- --Rent deposits relating to the St. Croix Office or leases relating to equipment located at the St. Croix Office
- --Any other prepaid expenses, deposits or similar assets of the Company relating to assets to be transferred to ECI under this Agreement, relating to assets, liabilities, or operations of any of the Transferred Subsidiaries or relating to Jeffrey J. Prosser or any of the person listed on Schedule 1.01A hereof.

SCHEDULE 2.05(D)

CERTAIN ASSUMED LIABILITIES

- --Banco Popular Indebtedness
- --Indebtedness relating to the AS400 Computer
- --Any other indebtedness of the Company that is secured by assets to be transferred to ECI or assets of a Transferred Subsidiary

SCHEDULE 5.02

EMPLOYEES TO BE TERMINATED

Pacita Donovan

REPURCHASE AND RECAPITALIZATION AGREEMENT

THIS REPURCHASE AND RECAPITALIZATION AGREEMENT (this "Recapitalization Agreement") is entered into as of the 11th day of August, 1997 by and among Atlantic Tele-Network, Inc., a Delaware corporation (the "Company"), Cornelius B. Prior, Jr. ("Prior"), individually and as Trustee of the 1994 PRIOR CHARITABLE REMAINDER TRUST (the "Trust"), and Jeffrey J. Prosser ("Prosser").

WHEREAS, to eliminate corporate disputes and to maximize the value of the Company for the benefit of the Company and its stockholders, the Company has entered into a Principal Terms Agreement dated January 29, 1997 among the Company, Prior and Prosser, which contemplates the separation of the businesses and assets of the Company in the manner set forth herein and in the Subscription Agreement (as defined below) and the Merger Agreement (as defined below); and

WHEREAS, the Company and Emerging Communications, Inc., a Delaware corporation ("ECI"), have entered into a Subscription Agreement of even date herewith (the "Subscription Agreement"), pursuant to which in order to accomplish such separation, subject to the terms and conditions set forth in the Subscription Agreement, the Company has agreed to transfer to ECI all of the capital stock of its wholly owned subsidiaries, Atlantic Tele-Network, Co., a Virgin Islands corporation ("ATNCo."), and Atlantic Aircraft, Inc., a Delaware corporation ("Aircraft Corp."), as well as certain other assets of the Company as more fully described therein relating to businesses conducted by ATNCo., its subsidiaries, Virgin Islands Telephone Corporation, a Virgin Islands corporation, Vitelcom Cellular Inc., a Virgin Islands corporation, and Vitelcom, Inc., a Virgin Islands corporation, and Aircraft Corp. in exchange for 10,959,131 shares of common stock, par value \$0.01 per share (the "ECI Common Stock"), of ECI; and

WHEREAS, subject to the terms and conditions set forth herein, (a) the Company desires to repurchase an aggregate of 765,562 shares of common stock, par value \$.01 per share (the "Company Common Stock"), of the Company owned by Prior and the Trust, and (b) Prosser desires to exchange 3,325,000 shares of Company Common Stock owned by Prosser and certain members of his family (including shares which he holds under an option to purchase) for 3,325,000 shares of a new series of common stock of the Company to be designated Class A Common Stock and Prior desires to exchange 2,927,038 shares of Company Common Stock owned by Prior and certain members of his family for 2,927,038 shares of a new series of common stock of the Company to be designated Class B Common Stock; and

WHEREAS, the Company and ATN MergerCo., a Delaware corporation ("Merger Sub"), have entered into an Agreement and Plan of Merger of even date herewith (the "Merger Agreement"), pursuant to which, subject to the terms and conditions contained therein, Merger Sub will merge with and into the Company, with each share of Company Common Stock being converted into one share of ECI Common Stock and 0.40 shares of Company Common Stock, the outstanding shares of Class A Common Stock will be converted into an aggregate of 5,704,231 shares of ECI Common Stock and the outstanding shares of Class B Common Stock will be converted into an aggregate of 2,807,040 shares of Company Common Stock (the "Merger"); and

WHEREAS, the consummation of the Closing (as defined herein) is a condition to the consummation of the Merger pursuant to the Merger Agreement;

NOW, THEREFORE, for and in consideration of the premises and mutual covenants herein contained and subject to the terms and conditions hereinafter set forth, the parties hereto hereby agree as follows:

ARTICLE I

REPURCHASE

Section 1.01. Purchase of Shares. Subject to the terms and conditions contained herein, the Company agrees to purchase at the Closing (as defined herein) 416,998 shares of Company Common Stock owned by Prior (the "Prior Repurchase Shares") at a purchase price of \$22.7284 per share and 384,564 shares of Company Common Stock owned by the Trust (the "Trust Shares") at a purchase price of \$22.7284 per share.

Section 1.02. Sale of Shares. Subject to the terms and conditions contained herein, (i) Prior agrees to sell and deliver to the Company at the Closing the Prior Repurchase Shares for a purchase price of \$22.7284 per share and (ii) the Trust agrees to sell and deliver to the Company the Trust Shares for a purchase price of \$22.7284 per share.

ARTICLE II

RECAPITALIZATION

Section 2.01. Issuance of Class A Common Stock. (a) Subject to the terms and conditions contained herein, the Company agrees to issue and deliver to Prosser at the Closing 3,325,000 shares of the Company's Class A Common Stock, par value \$0.01 per share (the "Class A Common Stock"), to be authorized pursuant to the Charter Amendment (as defined herein) in exchange for all of the 3,325,000 shares of Company Common Stock owned by Prosser and certain members of his family or as to which Prosser currently holds an option to purchase (the "Prosser Shares").

(b) Subject to the terms and conditions contained herein, Prosser agrees to deliver to the Company at the Closing the Prosser Shares in exchange for 3,325,000 shares of the Class A Common Stock.

Section 2.02. Issuance of Class B Common Stock. (a) Subject to the terms and conditions contained herein, the Company agrees to issue and deliver to Prior at the Closing 2,927,038 shares of the Company's Class B Common Stock, par value \$0.01 per share (the "Class B Common Stock"), to be authorized pursuant to the Charter Amendment in exchange for 2,927,038 shares of Company Common Stock owned by Prior and certain members of his family (the "Prior Exchange Shares").

(b) Subject to the terms and conditions contained herein, Prior agrees to deliver to the Company at the Closing the Prior Exchange Shares in exchange for 2,927,038 shares of the Class B Common Stock.

ARTICLE III

CONDITIONS TO CLOSING

The obligations of the parties to consummate the transactions to be consummated by the parties at the Closing shall be subject to the satisfaction of the following conditions on or prior to the Closing Date:

Section 3.01. Subscription Agreement Closing. Each of the conditions to the closing under the Subscription Agreement (the "Subscription Agreement Closing") shall have been satisfied or, with the consent of each of the parties hereto, waived; and the Subscription Agreement Closing shall have been consummated in accordance with the provisions of the Subscription Agreement.

Section 3.02. Merger Agreement Closing. Each of the conditions to the Closing under the Merger Agreement (the "Merger Agreement Closing") shall have been satisfied or with the consent of each of the parties hereto waived; and all parties thereto shall appear ready, willing and able to consummate the transactions therein provided to be consummated at the Merger Agreement Closing.

Section 3.03. Performance. Each of the parties hereto shall have performed and complied in all material respects with all obligations and conditions required by this Recapitalization Agreement to be performed or complied with by it at or prior to the Closing.

Section 3.04. Charter Amendment. The Company shall have adopted and filed with the Secretary of State of Delaware a Restated Certificate of Incorporation substantially in the form of Exhibit A attached hereto (the "Charter Amendment").

ARTICLE IV

CLOSING DATE; CLOSING

Section 4.01. Closing Date; Closing. The closing of the purchase and sale of the Prior Repurchase Shares and Trust Shares and, immediately thereafter, the closing of the exchange of the Prosser Shares for the Class A Common Stock and the Prior Exchange Shares for the Class B Common Stock hereunder (collectively, the "Closing") shall take place on the same day as the Subscription Agreement Closing and the Merger Agreement Closing (and shall occur after the Subscription Agreement Closing and prior to the Merger Agreement Closing) and shall be held as soon as reasonably practicable after satisfaction or waiver by the parties hereto of the conditions set forth in Article VI hereof. The date on which the Closing occurs is referred to herein as the "Closing Date". The Closing shall take place at the offices of Cahill Gordon & Reindel, 80 Pine Street, New York, New York 10005. At the Closing, (i) the Company shall pay by wire transfer of immediately available funds to an account specified therefor by Prior the aggregate purchase price for the Prior Repurchase Shares, (ii) the Company shall pay by wire transfer of immediately available funds to an account specified therefor by the Trust the aggregate purchase price for the Trust Shares, (iii) Prior shall deliver to the Company the Prior Repurchase Shares duly endorsed in blank for transfer or accompanied by a duly executed stock power assigning the Prior Repurchase Shares in blank, (iv) the Trust shall deliver to the Company the Trust Shares duly endorsed in blank for transfer or accompanied by a duly executed stock power assigning the Trust Shares in blank, (v) the Company shall issue 3,325,000 shares of Class A Common Stock to Prosser registered in such names and denominations as Prosser shall request, (vi) the Company shall issue 2,927,038 shares of Class B Common Stock to Prior registered in such names and denominations as Prior shall request, (vii) Prosser shall deliver to the Company the Prosser Shares duly endorsed in blank or accompanied by a duly executed stock power assigning the Prosser Shares in blank and (viii) Prior shall deliver to the Company the Prior Exchange Shares duly endorsed in blank or accompanied by a duly executed stock power assigning the Prior Exchange Shares in blank.

Section 4.02. Further Assurances. Each of the parties agrees that after the Closing, upon reasonable request of the other party, it will do, execute, deliver and acknowledge, and will cause to be done, executed, delivered and acknowledged, all such further acts, deeds, certificates, assignments, transfers, conveyances, powers of attorney and other documents as may be reasonably required to consummate the transactions contemplated hereby. Each of Prior, Prosser and the Trust agree to vote all shares of Company Common Stock owned or controlled by them in favor of the Transactions at the Special Meeting (as defined in the Merger Agreement).

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.01. Termination. This Recapitalization Agreement shall terminate upon any termination of the Subscription Agreement or the Merger Agreement. In addition, this Recapitalization Agreement may be terminated at any time prior to the Closing by mutual written consent of each party hereto. In the event of any such termination, no party shall have any liability of any kind to any other party.

Section 5.02. Entire Agreement. This Recapitalization Agreement, together with all other written agreements which may be entered into between the parties in connection herewith and the transactions contemplated hereby and all other documents and instruments delivered in connection herewith and therewith and the transactions contemplated hereby and thereby, set forth the full and complete understanding of the parties hereto with respect to the transactions contemplated hereby.

Section 5.03. Governing Law. This Recapitalization Agreement shall be governed by and construed in accordance with the laws of the State of New York without reference to the conflict of laws rules thereof.

Section 5.04. Headings. The headings in this Recapitalization Agreement are intended solely for convenience of reference and shall be given no effect in the interpretation of this Recapitalization Agreement.

Section 5.05. Counterparts. This Recapitalization Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Section 5.06. Benefits. This Recapitalization Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, and no other person will have any right or obligation hereunder.

Section 5.07. Assignment. Neither this Recapitalization Agreement nor any right hereunder may be assigned by the parties hereto without the prior written consent of the other parties. Subject to the foregoing, this Recapitalization Agreement shall be binding upon and inure to the benefit of the successors, heirs, representatives and assigns of each party hereto.

Section 5.08. Amendment and Waiver. This Recapitalization Agreement may be amended only by an instrument in writing signed on behalf of each of the parties hereto. Any term, condition or provision of this Recapitalization Agreement may be waived (if in writing) at any time by the party or each of the parties entitled to the benefits thereof.

Section 5.09. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been given if delivered by hand, or when sent by telex or telecopier (with receipt confirmed) or by registered mail, return receipt requested, addressed as follows (or to such other address as a party may designate by notice to the other):

(a) If to the Company or Prior:

Atlantic Tele-Network, Inc.
Estate Havensight
P.O. Box 12030
St. Thomas, U.S. Virgin Islands 00801
(340) 774-2260 or 777-8000
Attention: Cornelius B. Prior
Telecopy: (809) 774-7790

with copies to:

Lewis A. Stern, P.C.
Fried, Frank, Harris, Shriver & Jacobson
New York, New York 10004
(212) 859-8190
Telecopy: (212) 859-8587

(b) If to Prosser:

c/o Atlantic Tele-Network, Inc.
Chase Financial Center
P.O. Box 1730
St. Croix, U.S. Virgin Islands 06821-1730
(340) 777-7700
Attention: Jeffrey J. Prosser
Telecopy: (809) 774-5487

with copies to:

Roger Meltzer, Esq.
Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005
(212) 701-3851
Telecopy: (212) 269-5420

(c) If to the Trust:

c/o Cornelius B. Prior
Atlantic Tele-Network, Inc.
Estate Havensight
P.O. Box 12030
St. Thomas, U.S. Virgin Islands 00801
(340) 774-2260 or 777-8000
Telecopy: (809) 774-7790

with copies to:

Lewis A. Stern, P.C.
Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, New York 10004
(212) 859-8190
Telecopy: (212) 859-8587

Section 5.10. Best Efforts. Each of the parties hereto shall use his or its best efforts to cause the Transactions to be consummated. Without limiting the generality of the foregoing, (i) Prior, individually and as trustee of the Trust, and Prosser agree to vote all of their shares of Company Common Stock in favor of the approval of the Transactions and the adoption of the Merger Agreement and the Charter Amendment, (ii) each of the parties hereto shall execute all contracts, documents and instruments, the execution of which is contemplated as a condition to closing under this Recapitalization Agreement, the Subscription Agreement or the Merger Agreement, (iii) each of the parties shall promptly, at the request of counsel to the Company or counsel to ECI, supply such counsel with letters of representation reasonable under the circumstances as to facts or statements of intention represented to the Internal Revenue Service in connection with the Company's application for the Tax Ruling (as defined in the Subscription Agreement) and (iv) each of the parties shall take all steps within his or its control to cause the other conditions to closing of the Transactions to be consummated and shall generally use his or its best efforts to cause the Transactions to be consummated.

Section 5.11. Tax Treatment. The Company and Prior, individually and as trustee of the Trust, agree to report for tax purposes the purchase of the Prior Repurchase Shares and the Trust Shares pursuant to Article I hereof as distributions of property to which Section 301 of the Internal Revenue Code of 1986, as amended, applies.

IN WITNESS WHEREOF, each of the parties hereto has caused this Recapitalization Agreement to be duly executed, all as of the date first written above.

ATLANTIC TELE-NETWORK, INC.

By: /s/ Cornelius B. Prior

Name: Cornelius B. Prior
Title: Co-Chief Executive Officer

By: /s/ Jeffrey J. Prosser

Name: Jeffrey J. Prosser
Title: Co-Chief Executive Officer

1994 PRIOR CHARITABLE REMAINDER
TRUST

By: /s/ Cornelius B. Prior

Name: Cornelius B. Prior
Title: Trustee

/s/ Cornelius B. Prior

Cornelius B. Prior

/s/ Jeffrey J. Prosser

Jeffrey J. Prosser

EXHIBIT A TO
REPURCHASE AND
RECAPITALIZATION
AGREEMENT

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
ATLANTIC TELE-NETWORK, INC.

ATLANTIC TELE-NETWORK, INC., a corporation organized and existing under the laws of the State of Delaware, does hereby certify as follows:

FIRST: The name of the Corporation is ATLANTIC TELE-NETWORK, INC. (the "Corporation"). The original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on August 4, 1989.

SECOND: This Amended and Restated Certificate of Incorporation has been duly adopted pursuant to Section 245 of the General Corporation Law of the State of Delaware (the "GCL"). The Corporation certifies that amendments effected by this Amended and Restated Certificate of Incorporation have been adopted in accordance with Section 242 of the GCL.

THIRD: The text of the Corporation's Certificate of Incorporation as heretofore amended or supplemented is hereby further amended and restated to read in its entirety as follows:

ARTICLE ONE

NAME

The name of the Corporation is Atlantic Tele-Network, Inc.

ARTICLE TWO

REGISTERED OFFICE

The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE THREE

PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE FOUR

CAPITAL STOCK

1. Authorized Capital Stock. The total number of shares of all classes of capital stock which the Corporation shall have the authority to issue is 36,252,038 shares divided into two classes of which

(i) 10,000,000 shares, par value \$.01 per share, shall be designated Preferred Stock,

(ii) 20,000,000 shares, par value \$.01 per share, shall be designated Common Stock,

(iii) 3,325,000 shares, par value \$.01 per share, shall be designated Class A Common Stock, and

(iv) 2,927,038 shares, par value \$.01 per share, shall be designated Class B Common Stock.

2. Terms of the Preferred Stock

2.1 Issuance. The Board of Directors is expressly authorized, subject to limitations prescribed by law, to provide for the issuance of shares of Preferred Stock in one or more series, to establish the number of shares to be included in each such series, and to fix the designations, powers, preferences, and rights of the shares of each such series, and any qualifications, limitations, or restrictions thereof.

The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

- (a) The number of shares constituting that series and the distinctive designation of that series;
- (b) The dividend rate, if any, on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and whether they shall be payable in preference to, or in another relation to, the dividends payable to any other class or classes or series of stock;
- (c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;
- (d) Whether that series shall have conversion or exchange privileges, and, if so, the terms and conditions of such conversion or exchange, including provision for adjustment of the conversion or exchange rate in such events as the Board of Directors shall determine;
- (e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the manner of selecting shares for redemption if less than all shares are to be redeemed, the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;
- (f) Whether that series shall be entitled to the benefit of a sinking fund to be applied to the purchase or redemption of shares of that series, and, if so, the terms and amounts of such sinking fund;
- (g) The right of the shares of that series to the benefit of conditions and restrictions upon the creation of indebtedness of the Corporation or any subsidiary, upon the issue of any additional stock (including additional shares of such series or of any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Corporation or any subsidiary of any outstanding stock of the Corporation;
- (h) The right of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation and whether such rights shall be in preference to, or in another relation to, the comparable rights of any other class or classes or series of stock; and
- (i) Any other power, preference or relative, participating, optional or other special rights, qualifications, limitations or restrictions of that series.

3. Terms of the Common Stock

3.1 Dividends. Subject to the preferential rights, if any, of the Preferred Stock, the holders of shares of Common Stock, Class A Common Stock and Class B Common Stock shall be entitled to receive, when and if declared by the Board of Directors, out of the assets of the Corporation which are by law available therefor, dividends payable either in cash, in property, or in shares of the Corporation's capital stock.

3.2 Voting Rights. Subject to the preferential rights, if any, of the Preferred Stock and except as otherwise provided by applicable law, at every annual or special meeting of stockholders of the Corporation, every holder of Common Stock, Class A Common Stock and Class B Common Stock shall be entitled to one vote, in person or by proxy, for each share of Common Stock, Class A Common Stock and Class B Common Stock standing in his name on the books of the Corporation.

3.3 Liquidation, Dissolution, or Winding Up. In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the affairs of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and of the preferential amounts, if any, to which the holders of Preferred Stock shall be entitled, the holders of all outstanding shares of Common Stock, Class A Common Stock and Class B Common Stock shall be entitled to share ratably in the remaining net assets of the Corporation.

3.4 Rights of Class A Common Stock and Class B Common Stock. All rights of the Class A Common Stock and Class B Common Stock shall be identical to the rights of the Common Stock, except in a merger, consolidation or sale of assets of the Corporation the Class A Common Stock and the Class B Common Stock shall have the right to receive separate and distinct consideration from the Common Stock as determined by the Board of Directors.

ARTICLE FIVE

DIRECTORS

1. Management. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors of the Corporation.
2. By-Laws. The board of directors is expressly authorized to adopt, amend, or repeal the by-laws of the Corporation.
3. No Ballot. Elections of directors need not be by written ballot unless the by-laws of the Corporation shall otherwise provide.
4. Limitation of Liability. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that the foregoing shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. If the General Corporation Law of the State of Delaware is hereafter amended to permit further elimination or limitation of the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware as so amended. Any repeal or modification of this Article FIVE shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE SIX

EXISTENCE

The Corporation is to have perpetual existence.

ARTICLE SEVEN

COMPROMISE OR ARRANGEMENT

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees

in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which said application has been made, be binding on all the creditors or class of creditors, and/or on all of the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

ARTICLE EIGHT

AMENDMENT

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

IN WITNESS WHEREOF, Atlantic Tele-Network, Inc. has caused this Amended and restated Certificate of Incorporation to be signed and attested by its duly authorized officers, this day of October, 1997.

Atlantic Tele-Network, Inc.

By: _____
Name:
Title:

Attest:

By: _____
Name:
Title:

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Merger Agreement") is entered into as of the 11th day of August, 1997 by and between Atlantic Tele-Network, Inc., a Delaware corporation (the "Company"), and ATN MergerCo., a Delaware corporation ("Newco").

WHEREAS, to eliminate corporate disputes and to maximize the value of the Company for the benefit of the Company and its stockholders, the Company has entered into a Principal Terms Agreement dated January 29, 1997 among the Company and its co-chief executive officers and principal stockholders, Cornelius B. Prior, Jr. ("Prior") and Jeffrey J. Prosser ("Prosser"), which contemplates the separation of the businesses and assets of the Company in the manner set forth herein and in the Recapitalization Agreement (as defined below) and the Subscription Agreement (as defined below); and

WHEREAS, in order to accomplish such separation, the Company and Emerging Communications, Inc., a Delaware corporation ("ECI"), have entered into a Subscription Agreement of even date herewith (the "Subscription Agreement"), pursuant to which, subject to the terms and conditions set forth therein, the Company has agreed to transfer to ECI all of the capital stock of its wholly owned subsidiaries, Atlantic Tele-Network, Co., a Virgin Islands corporation ("ATNCo."), and Atlantic Aircraft, Inc., a Delaware corporation, as well as certain other assets of the Company as more fully described therein relating to businesses conducted by ATNCo., its subsidiaries, Virgin Islands Telephone Corporation, a Virgin Islands corporation ("VITELCO"), Vitelcom Cellular Inc., a Virgin Islands corporation, and Vitelcom, Inc., a Virgin Islands corporation, and Aircraft Corp. in exchange for 10,959,131 shares of common stock, par value \$0.01 per share (the "ECI Common Stock"), of ECI; and

WHEREAS, the Company, Prior, Prosser and the 1994 Prior Charitable Remainder Trust have entered into a Recapitalization Agreement dated of even date herewith (the "Recapitalization Agreement"), pursuant to which, subject to the terms and conditions set forth therein, (a) the Company has agreed to repurchase an aggregate of 765,852 shares of common stock, par value \$0.01 per share (the "Company Common Stock"), of the Company owned by Prior and the Trust, and (b) Prosser has agreed to exchange 3,325,000 shares of Company Common Stock owned by Prosser and certain members of his family for 3,325,000 shares of a new class of common stock, par value \$0.01 per share, of the Company denominated Class A Common Stock ("Class A Common Stock") and Prior has agreed to exchange 2,927,038 shares of Company Common Stock owned by Prior for 2,927,038 shares of a new class of common stock, par value \$0.01 per share, of the Company denominated Class B Common Stock (the "Class B Common Stock" and, together with the Company Common Stock and the Class A Common Stock, the "Common Stock"); and

WHEREAS, Newco desires to merge with the Company and the Company desires to merge with Newco, all upon the terms and subject to the conditions of this Merger Agreement.

NOW, THEREFORE, for and in consideration of the premises and mutual covenants herein contained and subject to the terms and conditions hereinafter set forth, the parties hereto hereby agree as follows:

ARTICLE I

THE MERGER

Section 1.01. The Merger. (a) In accordance with the provisions of this Merger Agreement and the General Corporation Law of the State of Delaware (the "Delaware Act"), at the Effective Time (as hereinafter defined), Newco shall be merged (the "Merger") with and into the Company, and the Company shall be the surviving corporation (hereinafter sometimes called the "Surviving Corporation") and shall continue its corporate existence under the laws of the State of Delaware. The name of the Surviving Corporation shall be the same as that of the Company. At the Effective Time, the separate existence of Newco shall cease.

(b) The Merger shall have the effects on Newco and the Company as constituent corporations of the Merger as provided under the Delaware Act.

Section 1.02. Effective Time. The Merger shall become effective at the time of filing of, or at such later time specified in, a certificate of merger, in the form required by and executed in accordance with the Delaware Act, with the Secretary of State of the State of Delaware in accordance with the provisions of (S) 251 of the Delaware Act (the "Certificate of Merger"). The date and time when the Merger shall become effective is herein referred to as the "Effective Time."

Section 1.03. Certificate of Incorporation and By-Laws of Surviving Corporation. At the Effective Time, the Certificate of Incorporation shall be amended and restated in its entirety in the form set forth in Exhibit 1.03 hereto and the Certificate of Incorporation as so amended and the By-Laws of the Company, as in effect immediately prior to the Effective Time, shall be the Certificate of Incorporation and By-Laws of the Surviving Corporation until thereafter amended as provided by law.

Section 1.04. Directors and Officers of Surviving Corporation. The directors of Newco immediately prior to the Effective Time will be, from and after the Effective Time, the directors of the Surviving Corporation, and the officers of the Company immediately prior to the Effective Time will be, from and after the Effective Time, the officers of the Surviving Corporation, in each case until their successors are elected and qualified.

Section 1.05. Stockholders' Meeting. The Company will take all action necessary in accordance with applicable law and its Restated Certificate of Incorporation and By-Laws to convene a special meeting of its stockholders (the "Special Meeting") as soon as practicable to consider and vote upon the approval and adoption of this Merger Agreement and the other components of the Transactions (as defined in the Subscription Agreement). The Company, through its Board of Directors, shall recommend to its stockholders approval and adoption of this Merger Agreement (which recommendation shall be contained in the related proxy statement) and shall use all commercially reasonable efforts to solicit from its stockholders proxies in favor of approval and adoption of this Merger Agreement and the other components of the Transactions.

Section 1.06. Filing of Certificate of Merger. At the Closing (as hereinafter defined), Newco and the Company shall cause a Certificate of Merger to be executed and filed with the Secretary of State of the State of Delaware as provided in (S) 251 of the Delaware Act, and shall take any and all other lawful actions and do any and all other lawful things to cause the Merger to become effective.

Section 1.07. Further Assurances. If, at any time after the Effective Time, the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of either of the constituent corporations acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger or otherwise to carry out this Merger Agreement, the officers and directors of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of each of the constituent corporations or otherwise, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of each of the constituent corporations or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Corporation or otherwise to carry out this Merger Agreement.

ARTICLE II

CONVERSION OF SHARES

Section 2.01. Shares. (a) Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive (i) 0.40 shares of Common Stock, par value \$0.01 per share, of the Surviving Corporation ("Surviving Corporation Common Stock") and (ii) one share of ECI Common Stock.

(b) The outstanding shares of Class A Common Stock issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holders thereof, be converted into the right to receive 5,704,231 shares of ECI Common Stock in the aggregate.

(c) The outstanding shares of Class B Common Stock issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive 2,807,040 shares of Surviving Corporation Common Stock in the aggregate.

(d) Each share of Common Stock, par value \$0.01 per share, of Newco shall, by virtue of the Merger and without any action on the part of any holder thereof, be cancelled and no consideration shall be issued in respect thereof.

(e) All shares of Class A Common Stock, Class B Common Stock, Company Common Stock and all shares of common stock, par value \$0.01 per share, of Newco, by virtue of the Merger and without any action on the part of holders thereof, shall no longer be outstanding and shall be canceled and retired and cease to exist. Each holder of Company Common Stock, Class A Common Stock or Class B Common Stock immediately prior to the Effective Time shall, after the Merger, cease to have any rights with respect such Company Common Stock, Class A Common Stock or Class B Common Stock except the right to receive the applicable Merger consideration set forth in Section 2.01 upon surrender of certificates therefor in accordance with Section 2.02.

Section 2.02. Exchange of Shares. Prior to the Effective Time, the Company shall select The Bank of New York or such other person or persons reasonably satisfactory to the Company to act as Exchange Agent for the Merger (the "Exchange Agent"). As soon as practicable after the Effective Time, the Company shall make available, and each holder of certificates formerly representing Company Common Stock, Class A Common Stock and Class B Common Stock (each, a "Company Holder") will be entitled to receive, upon surrender to the Exchange Agent of one or more certificates representing such stock ("Certificates") for cancellation, certificates representing the number of shares of Surviving Corporation Common Stock and ECI Common Stock into which such shares are converted in the Merger and cash in consideration of fractional shares as provided in Section 2.04. Such shares of Surviving Corporation Common Stock and ECI Common Stock issued in the Merger shall each be deemed, for all purposes including the right to receive notices of and to vote at meetings of stockholders and the right to receive dividends, if any, to have been issued at the Effective Time.

Section 2.03. Dividends, Transfer Taxes. Notwithstanding Section 2.02 hereof, no dividends or other distributions that are declared or made on Surviving Corporation Common Stock or ECI Common Stock will be paid to persons entitled to received certificates representing Surviving Corporation Common Stock or ECI Common Stock pursuant to this Merger Agreement until such persons surrender their Certificates formerly representing Company Common Stock. Upon such surrender, there shall be paid to the person in whose name the certificates representing such Surviving Corporation Common Stock or ECI Common Stock shall be issued any dividends or other distributions which shall have become payable with respect to such stock in respect of a record date after the Effective Time. In no event shall the persons entitled to receive such dividends be entitled to receive interest on such dividends. In the event that any certificates for any shares of Surviving Corporation Common Stock are to be issued in a name other than that in which the Certificates formerly representing shares of Company Common Stock surrendered in exchange therefor are registered, it shall be a condition of such exchange that the person requesting such exchange shall pay to the Exchange Agent any transfer or other taxes required by reason of the issuance of certificates for such shares of Surviving corporation Common Stock or ECI Common Stock or shall establish to the satisfaction of the Exchange Agent that such tax has been paid or is not applicable. Notwithstanding the foregoing, neither the Exchange Agent nor any party hereto shall be liable to a Company Holder for any shares of Surviving Corporation Common Stock, ECI Common Stock or dividends thereon delivered to a public official pursuant to any applicable escheat or similar abandoned property laws.

Section 2.04. No Fractional Shares. Notwithstanding anything herein to the contrary, no certificates or scrip representing less than one full share of Surviving Corporation Common Stock or ECI Common Stock shall

be issued upon the surrender for exchange of Certificates representing Company Common Stock, Class A Common Stock or Class B Common Stock pursuant to Section 2.02. In lieu of any such fractional share, each Company Holder who would otherwise have been entitled to a fraction of a share of Surviving Corporation Common Stock or ECI Common Stock pursuant to Section 2.01 shall be paid upon surrender of Certificates for exchange pursuant to Section 2.02 cash (without interest) in an amount equal to such holder's proportionate interest in the net proceeds from the sale or sales in the open market by the Exchange Agent, on behalf of all such holders, of the Excess Shares (as defined below). As soon as practicable following the Effective Date, the Exchange Agent shall determine the excess of (i) the number of full shares of Surviving Corporation Common Stock and ECI Common Stock delivered to the Exchange Agent by the Surviving Corporation over (ii) the aggregate number of full shares of Surviving Corporation Common Stock and ECI Common Stock to be distributed to holders of Company Common Stock, Class A Common Stock and Class B Common Stock (such excess being herein called the "Excess Shares"), and the Exchange Agent, as agent for each of the former Company Holders, shall sell the Excess Shares at the prevailing prices on the American Stock Exchange. The sale of the Excess Shares by the Exchange Agent shall be executed on the American Stock Exchange through one or more member firms of the American Stock Exchange and shall be executed in round lots to the extent practicable. The Surviving Corporation shall pay all commissions, transfer taxes and other out-of-pocket transaction costs, including the expenses and compensation of the Exchange Agent, incurred in connection with such sale of Excess Shares. Until the net proceeds of such sale have been distributed to the former Company Holders, the Exchange Agent will hold such proceeds in trust for each of such former stockholders (the "Fractional Securities Fund"). As soon as practicable after the determination of the amount of cash to be paid to former Company Holders in lieu of any fractional interests, the Exchange Agent shall make available in accordance with this Merger Agreement such amount to such former stockholders.

ARTICLE III

CONDITIONS TO CLOSING

The respective obligations of each party to effect the Merger shall be subject to the fulfillment at or prior to the Closing of each of the following conditions:

Section 3.01. Stockholder Approval. This Merger Agreement and the Transactions (as defined in the Subscription Agreement) shall have been approved and adopted by the holders of a majority of the outstanding shares of Company Common Stock.

Section 3.02. Closings. Each of the conditions to the closing under the Subscription Agreement (the "Subscription Agreement Closing") and the closing under the Recapitalization Agreement (the "Recapitalization Agreement Closing") shall have been satisfied or, with the consent of each party hereto, waived; the Subscription Agreement Closing shall have been consummated in accordance with the provisions of the Subscription Agreement; and the Recapitalization Agreement Closing shall have been consummated in accordance with the provisions of the Recapitalization Agreement.

Section 3.03. Performance. Each of the parties hereto shall have performed and complied in all material respects with all obligations and conditions required by this Merger Agreement to be performed or complied with by it at or prior to the Closing.

ARTICLE IV

CLOSING DATE; CLOSING

Section 4.01. Closing Date; Closing. The closing of the Merger (the "Closing") shall take place on the same day as the Subscription Agreement Closing and the Recapitalization Agreement Closing and shall be held immediately after consummation of such closings as soon as practicable after satisfaction or waiver by the

parties hereto of the conditions set forth in Article III hereof. The date on which the Closing occurs is referred to herein as the "Closing Date." The Closing shall take place at the offices of Cahill Gordon & Reindel, 80 Pine Street, New York, New York 10005. At the Closing, the Company and Newco shall cause to be executed and filed with the Secretary of State of Delaware the Certificate of Merger in accordance with the applicable provisions of the Delaware Act and shall take any and all other lawful actions and do any and all other lawful things necessary to cause the Merger to become effective.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.01. Termination. This Merger Agreement shall terminate upon any termination of the Subscription Agreement or the Recapitalization Agreement. In addition, this Merger Agreement may be terminated, notwithstanding stockholder approval hereof, at any time prior to the Effective Time by the Board of Directors of the Company and the Board of Directors of Newco without the authorization or consent of the Company's or Newco's stockholders. In the event of any such termination, neither party shall have any liability of any kind to the other party.

Section 5.02. Entire Agreement. This Merger Agreement, together with all other written agreements which may be entered into between the parties in connection herewith and the transactions contemplated hereby and all other documents and instruments delivered in connection herewith and therewith and the transactions contemplated hereby and thereby, set forth the full and complete understanding of the parties hereto with respect to the transactions contemplated hereby.

Section 5.03. Governing Law. Except where the laws of the State of Delaware are by their terms applicable, this Merger Agreement shall be governed by and construed in accordance with the laws of the State of New York without reference to the conflict of laws rules thereof.

Section 5.04. Headings. The headings in this Merger Agreement are intended solely for convenience of reference and shall be given no effect in the interpretation of this Merger Agreement.

Section 5.05. Counterparts. This Merger Agreement may be executed in two counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Section 5.06. Benefits. This Merger Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, and no other person will have any right or obligation hereunder.

Section 5.07. Assignment. Neither this Merger Agreement nor any right hereunder may be assigned by the parties hereto without the prior written consent of the other party. Subject to the foregoing, this Merger Agreement shall be binding upon and inure to the benefit of the successors, heirs, representatives and assigns of each party hereto.

Section 5.08. Amendment and Waiver. This Merger Agreement may be amended only by an instrument in writing signed on behalf of each of the parties hereto. Subject to the Delaware Act any term, condition or provision of this Merger Agreement may be waived (if in writing) at any time by the party or each of the parties entitled to the benefits thereof.

Section 5.09. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been given if delivered by hand, or when sent by telex or telecopier (with

receipt confirmed) or by registered mail, return receipt requested, addressed as follows (or to such other address as a party may designate by notice to the other):

(a) If to the Company or Newco:

Atlantic Tele-Network, Inc.
Estate Havensight
P.O. Box 12030
St. Thomas, U.S. Virgin Islands 00801
(340) 774-2260 or 777-8000
Attention: Cornelius B. Prior
Telecopy: (809) 774-7790

with copies to:

Lewis A. Stern, P.C.
Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, New York 10004
(212) 859-8190
Telecopy: (212) 859-8587

and

Atlantic Tele-Network, Inc.
Chase Financial Center
P.O. Box 1730
St. Croix, U.S. Virgin Islands 00801-1730
(340) 777-7700
Attention: Jeffrey J. Prosser
Telecopy: (809) 774-5487

and

Roger Meltzer, Esq.
Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005
(212) 701-3851
Telecopy: (212) 269-5420

IN WITNESS WHEREOF, each of the Company and Newco has caused this Merger Agreement to be executed on the date first written above.

Atlantic Tele-Network, Inc.

By: /s/ Cornelius B. Prior

Name: Cornelius B. Prior
Title: Co-Chief Executive Officer

By: /s/ Jeffrey J. Prosser

Name: Jeffrey J. Prosser
Title: Co-Chief Executive Officer

ATN MergerCo.

By: /s/ Cornelius B. Prior

Name: Cornelius B. Prior
Title: President

EXHIBIT 1.03 TO AGREEMENT
AND PLAN OF MERGER

RESTATED CERTIFICATE OF INCORPORATION
OF
ATLANTIC TELE-NETWORK, INC.

ARTICLE ONE

NAME

The name of the Corporation is Atlantic Tele-Network, Inc.

ARTICLE TWO

REGISTERED OFFICE

The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE THREE

PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE FOUR

CAPITAL STOCK

1. Authorized Capital Stock. The total number of shares of all classes of capital stock which the Corporation shall have the authority to issue is 30,000,000 shares divided into two classes of which 10,000,000 shares, par value \$.01 per share, shall be designated Preferred Stock and 20,000,000 shares, par value \$.01 per share, shall be designated Common Stock.

2. Terms of the Preferred Stock

2.1 Issuance. The Board of Directors is expressly authorized, subject to limitations prescribed by law, to provide for the issuance of shares of Preferred Stock in one or more series, to establish the number of shares to be included in each such series, and to fix the designations, powers, preferences, and rights of the shares of each such series, and any qualifications, limitations, or restrictions thereof.

The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

- (a) The number of shares constituting that series and the distinctive designation of that series;
- (b) The dividend rate, if any, on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and whether they shall be payable in preference to, or in another relation to, the dividends payable to any other class or classes or series of stock;
- (c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

- (d) Whether that series shall have conversion or exchange privileges, and, if so, the terms and conditions of such conversion or exchange, including provision for adjustment of the conversion or exchange rate in such events as the Board of Directors shall determine;
- (e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the manner of selecting shares for redemption if less than all shares are to be redeemed, the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;
- (f) Whether that series shall be entitled to the benefit of a sinking fund to be applied to the purchase or redemption of shares of that series, and, if so, the terms and amounts of such sinking fund;
- (g) The right of the shares of that series to the benefit of conditions and restrictions upon the creation of indebtedness of the Corporation or any subsidiary, upon the issue of any additional stock (including additional shares of such series or of any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Corporation or any subsidiary of any outstanding stock of the Corporation;
- (h) The right of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation and whether such rights shall be in preference to, or in another relation to, the comparable rights of any other class or classes or series of stock; and
- (i) Any other power, preference or relative, participating, optional or other special rights, qualifications, limitations or restrictions of that series.

3. Terms of the Common Stock

3.1 Dividends. Subject to the preferential rights, if any, of the Preferred Stock, the holders of shares of Common Stock shall be entitled to receive, when and if declared by the Board of Directors, out of the assets of the Corporation which are by law available therefor, dividends payable either in cash, in property, or in shares of the Corporation's capital stock.

3.2 Voting Rights. Subject to the preferential rights, if any, of the Preferred Stock and except as otherwise provided by applicable law, at every annual or special meeting of stockholders of the Corporation, every holder of Common Stock shall be entitled to one vote, in person or by proxy, for each share of Common Stock standing in his name on the books of the Corporation.

3.3 Liquidation, Dissolution, or Winding Up. In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the affairs of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and of the preferential amounts, if any, to which the holders of Preferred Stock shall be entitled, the holders of all outstanding shares of Common Stock shall be entitled to share ratably in the remaining net assets of the Corporation.

ARTICLE FIVE

DIRECTORS

1. Management. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors of the Corporation.

2. By-Laws. The board of directors is expressly authorized to adopt, amend, or repeal the by-laws of the Corporation.

3. No Ballot. Elections of directors need not be by written ballot unless the by-laws of the Corporation shall otherwise provide.

4. Limitation of Liability. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that the foregoing shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. If the General Corporation Law of the State of Delaware is hereafter amended to permit further elimination or limitation of the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware as so amended. Any repeal or modification of this Article FIVE shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE SIX

EXISTENCE

The Corporation is to have perpetual existence.

ARTICLE SEVEN

COMPROMISE OR ARRANGEMENT

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which said application has been made, be binding on all the creditors or class of creditors, and/or on all of the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

ARTICLE EIGHT

AMENDMENT

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

TECHNICAL ASSISTANCE AGREEMENT

THIS TECHNICAL ASSISTANCE AGREEMENT (this "Technical Assistance Agreement") is entered into as of the 30th day of December, 1997 by and among ATLANTIC TELE-NETWORK, INC., a Delaware corporation (the "Company"), ATLANTIC TELE-NETWORK CO., a U.S. Virgin Islands corporation ("ATNCo."), VIRGIN ISLANDS TELEPHONE CORPORATION, a U.S. Virgin Islands corporation ("VITELCO"), and VITELCOM CELLULAR INC., a U.S. Virgin Islands corporation ("VCI").

WHEREAS, pursuant to an agreement between the Company and Guyana Telephone and Telegraph Company Limited ("GTT"), dated as of January 28, 1991 (the "Advisory Contract"), a copy of which is attached as Exhibit A hereto, the Company has the continuing obligation to provide technical and professional service, advice and assistance to GTT in the operation by GTT of its telephone business, which services and assistance will be conducive to the economical and efficient development and operation of GTT's telephone system and will enhance its ability to provide dependable, state-of-art telephone service to its subscribers;

WHEREAS, ATNCo., VITELCO and VCI have personnel at their disposal who are trained and experienced in the telecommunications field and who are familiar with the economical and efficient organization, development and operation of telecommunications systems and services and have extensive experience in finance, law, accounting, regulatory matters and the development of communications apparatus, equipment and services and the rapidly changing technological and regulatory environment affecting the telecommunications industry, and the Company has from time to time in the past called upon ATNCo, VITELCO and/or VCI to assist the Company in providing services and advice to GTT pursuant to the Advisory Contract; and

WHEREAS, this Technical Assistance Agreement is being entered into in connection with and in consideration of the transfer by the Company to Emerging Communications, Inc., pursuant to the Subscription Agreement dated August 11, 1997 between them, of all of the outstanding capital stock of ATNCo., which transfer will provide significant benefits to ATNCo., VITELCO and VCI by resolving certain management problems which have heretofore affected such corporations.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants herein contained and subject to the terms and conditions hereinafter set forth, the parties hereto hereby agree as follows:

ARTICLE I

SERVICES

Section 1.01. Services to be Provided. Subject to the terms and conditions of this Technical Services Agreement, each of ATNCo., VITELCO and VCI agrees to make available its employees to the Company at its request from time to time during the term of this Agreement to assist and support the Company in carrying out its obligations under the Advisory Contract. Such support and assistance shall include performing services at the premises of ATNCo., VITELCO, VCI, the Company or GTT or their respective affiliates. ATNCo, VITELCO or VCI, as the case may be, shall determine (in consultation with the Company) which of its employees will perform any services requested hereunder. Notwithstanding anything contained in this Technical Services Agreement to the contrary, (a) none of ATNCo., VITELCO or VCI shall be required to make available to the Company pursuant to this Technical Assistance Agreement at any one time more than the greater of 3% of its employees or three employees in the aggregate for all of them, (b) no employee of ATNCo., VITELCO or VCI shall be required to be made available to the Company pursuant to this Technical Assistance Agreement for a period of greater than 20 hours during any calendar month and (c) none of ATNCo., VITELCO or VCI shall be required to make available to the Company any employee to the extent that doing so would interfere in any material respect with the performance of such employee's duties to ATNCo., VITELCO or VCI, as the case may be, or otherwise cause a burden to ATNCo., VITELCO or VCI, as the case may be.

Section 1.02. Payment for Services. The Company agrees to reimburse ATNCo., VITELCO and VCI, on a monthly basis, (a) for the services of each employee of ATNCo., VITELCO or VCI, as the case may be,

who provides services to the Company hereunder during such month, an amount equal to the product of (i) two times the cost to ATNCo., VITELCO or VCI, as the case may be, of the salary, wages and benefits of such employee for such month and (ii) a fraction, the numerator of which is the number of hours such employee provided services to the Company hereunder and the denominator of which is the product of (x) eight and (y) the number of days during such month when ATNCo., VITELCO or VCI, as the case may be, was open for business and (b) for 100% of all "out-of-pocket expenses," including travel and lodging of any employee, incurred by ATNCo., VITELCO or VCI, as the case may be, in performing its obligations hereunder. Payments by the Company pursuant to this Section 1.02 shall be made within ten days of receipt of an invoice from ATNCo., VITELCO or VCI, as the case may be, showing in reasonable detail the amounts due hereunder with respect to any month.

Section 1.03. Requests for Services. ATNCo., VITELCO and VCI shall have no obligation to perform any services hereunder except such as may be requested of them by the Company on reasonable notice to them, and they shall not be entitled to any payments under Section 1.02 from the Company except for services requested of them by the Company.

ARTICLE II

CERTAIN AGREEMENTS

Section 2.01. Advisory Contract. The Company shall not, without the prior written consent of each of ATNCo., VITELCO and VCI (which consents shall not be unreasonably withheld or delayed), enter into any amendment, modification, waiver, renewal or replacement of the Advisory Contract.

Section 2.02. Indemnity. The Company shall indemnify and hold harmless each of ATNCo., VITELCO and VCI, each of their respective affiliates and each of their respective officers, directors, employees, agents and controlling persons (each an "Indemnified Person") from and against any and all losses, claims, damages, liabilities and expenses, joint or several, to which any such Indemnified Person may become subject arising out of or in connection with this Technical Services Agreement and the services provided hereunder, or any claim, litigation, investigation or proceedings relating to the foregoing regardless of whether any of such Indemnified Persons is a party thereto, and to reimburse such Indemnified Persons for any legal or other out-of-pocket expenses as they are incurred in connection with investigating or defending any of the foregoing. The indemnity obligations of the Company under this Section 2.02 shall be in addition to any liability which the Company may otherwise have to an Indemnified Party.

ARTICLE III

MISCELLANEOUS PROVISIONS

Section 3.01. Termination. This Technical Services Agreement (other than the provisions of Sections 1.02, 2.02 and 2.03 which shall survive any termination) (a) may be terminated (i) by the Company at any time upon written notice to each of the other parties hereto or (ii) by ATNCo., VITELCO or VCI upon written notice to the Company if the Company shall have breached or violated any of the terms or provisions of this Technical Services Agreement and (b) shall automatically terminate upon (i) the termination of the Advisory Contract or (ii) a Change of Control (as defined below) of the Company.

As used herein, "Change of Control" means the occurrence of one or more of the following events: (i) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or GTT to any person or group of related persons for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (a "Group"); (ii) the approval by the holders of capital stock of the Company or GTT, as the case may be, of any plan or proposal for the liquidation or dissolution of the Company or GTT, as the case may be; or (iii) the acquisition in one or more

transactions of "beneficial ownership" (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time) by any person, entity or Group (other than a Permitted Holder (as defined below) or a Group controlled by any Permitted Holder) of any capital stock of the Company or GTT such that, as a result of such acquisition, such person, entity or Group either (A) beneficially owns (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, more than 50% of then outstanding voting securities of the Company or GTT entitled to vote on a regular basis in an election for a majority of the board of directors of the Company or GTT or (B) otherwise has the ability to elect, directly or indirectly, a majority of the members of the board of directors of the Company or GTT.

As used herein, "Permitted Holders" means Cornelius B. Prior, Jr. and his estate, heirs and legatees, and the legal representatives of any of the foregoing, including, without limitation, the trustee of any trust of which one or more of the foregoing are the sole beneficiaries.

Section 3.02. Entire Agreement. This Technical Assistance Agreement, together with all other written agreements which may be entered into between the parties in connection herewith and the transactions contemplated hereby and all other documents and instruments delivered in connection herewith and therewith and the transactions contemplated hereby and thereby, set forth the full and complete understanding of the parties hereto with respect to the transactions contemplated hereby.

Section 3.03. Governing Law. This Technical Assistance Agreement shall be governed by and construed in accordance with the laws of the State of New York without reference to the conflicts of laws rules thereof.

Section 3.04. Headings. The headings in this Technical Assistance Agreement are intended solely for convenience of reference and shall be given no effect in the interpretation of this Technical Assistance Agreement.

Section 3.05. Counterparts. This Technical Assistance Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Section 3.06. Benefits. This Technical Assistance Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, and no other person will have any right or obligation hereunder.

Section 3.07. Assignment. Neither this Technical Assistance Agreement nor any right hereunder may be assigned by the parties hereto without the prior written consent of the other parties. Subject to the foregoing, this Technical Assistance Agreement shall be binding upon and inure to the benefit of the successors, heirs, representatives and assigns of each party hereto.

Section 3.08. Amendment and Waiver. This Technical Assistance Agreement may be amended only by an instrument in writing signed on behalf of each of the parties hereto. Any term, condition or provision of this Technical Assistance Agreement may be waived (if in writing) at any time by the party or each of the parties entitled to the benefits thereof.

Section 3.09 Notices. All notices, requests, demands, and, other communications hereunder shall be in writing and shall be deemed to have been given if delivered by hand, or when sent by telex or telecopier (with

receipt confirmed) or by registered mail, return receipt requested, addressed as follows (or to such other address as a party may designate by notice to the other):

(a) If to the Company:

Atlantic Tele-Network, Inc.
Estate Havensight
P.O. Box 6100
St. Thomas, U.S. Virgin Islands 00801
(340) 774-2260 or 777-8000
Attention: Cornelius B. Prior
Telecopy: (809) 774-7790

with copies to:

Lewis A. Stern, P.C.
Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, New York 10004
(212) 859-8190
Telecopy: (212) 859-8587

(b) If to ATNCo., VITELCO or VCI:

c/o Emerging Communications, Inc.
Chase Financial Center
P.O. Box 1730
St. Croix, U.S. Virgin Islands 06821-1730
(340) 777-7700
Attention: Jeffrey J. Prosser
Telecopy: (809) 774-5487

with copies to:

Roger Meltzer, Esq.
Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005
(212) 701-3851
Telecopy: (212) 269-5420

IN WITNESS WHEREOF, each of the parties hereto have caused this Technical Assistance Agreement to be duly executed, all as of the date first written above.

Atlantic Tele-Network, Inc.

By: /s/ Cornelius B. Prior Jr.

Name: Cornelius B. Prior Jr.
Title: Co-Chief Executive Officer

By: /s/ Jeffrey J. Prosser

Name: Jeffrey J. Prosser
Title: Co-Chief Executive Officer

Atlantic Tele-Network Co.

By: /s/ Jeffrey J. Prosser

Name: Jeffrey J. Prosser
Title: Chief Executive Officer

Virgin Islands Telephone Corporation

By: /s/ Jeffrey J. Prosser

Name: Jeffrey J. Prosser
Title: Chief Executive Officer

Vitelcom Cellular Inc.

By: /s/ Jeffrey J. Prosser

Name: Jeffrey J. Prosser
Title: Chief Executive Officer

NON-COMPETITION AGREEMENT

THIS NON-COMPETITION AGREEMENT (this "Non-Competition Agreement") is entered into as of the 30th day of December, 1997 by and among Emerging Communications, Inc., a Delaware corporation ("ECI"), Atlantic Tele-Network, Inc., a Delaware corporation (the "Company"), and Jeffrey J. Prosser, ("Prosser").

WHEREAS, to eliminate corporate disputes and to maximize the value of the Company for the benefit of the Company and its stockholders, the Company and its co-chief executive officers and principal stockholders, Cornelius B. Prior, Jr. ("Prior") and Prosser, entered into a Principal Terms Agreement dated January 29, 1997 which contemplated the separation of the businesses and assets of the Company; and

WHEREAS, in order to accomplish such separation, the Company and ECI entered into a Subscription Agreement (the "Subscription Agreement"), the Company, Prior and Prosser entered into a Recapitalization Agreement (the "Recapitalization Agreement") and the Company and ATN MergerCo. entered into an Agreement and Plan of Merger (the "Merger Agreement"), all dated as of August 11, 1997;

WHEREAS, Prior and the other stockholders of the Company are relying on the covenants of ECI and Prosser in this Non-Competition Agreement in making and/or retaining their investments in the Common Stock of the Company; and

WHEREAS, the execution and delivery of this Non-Competition Agreement by the parties hereto is contemplated by the Subscription Agreement and is a condition to the Closing (as defined in the Subscription Agreement); and

WHEREAS, each of the parties hereto desires to consummate, and will secure substantial benefits from the consummation of, the Closing.

NOW, THEREFORE, for and in consideration of the covenants herein contained and subject to the conditions hereinafter set forth, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Capitalized terms used in this Non-Competition Agreement without definition shall have the respective meanings ascribed to such terms in the Subscription Agreement. As used in this Agreement, the following terms have the meanings assigned to them below:

"Competitive Business" means any business which competes anywhere in the world in any material respect with the conduct of the Subject Business by the Company or any of its Subsidiaries.

"Confidential Information" means all information of a proprietary nature and documents or other tangible items that record information of a proprietary nature relating to the Subject Business, including without limitation, books, records, customer lists, vendor lists, supplier lists, pricing information, cost information, plans, strategies, forecasts, financial statistics, budgets and projections, other than any such information which is generally within the public domain at the time of receipt thereof by ECI or Prosser or at the time of use or disclosure of such information by ECI or Prosser (other than as a result of the breach by ECI or Prosser of its or his agreement hereunder).

"Subject Business" means the business of providing telecommunications services (including carrying and/or terminating telecommunications traffic), directly or indirectly through service bureaus or other intermediaries, to persons who generate international audiotext telecommunications traffic (whether voice or data); provided, however, that the Subject Business shall not include the provision of any telecommunications services as a common carrier which does not involve the installation of special

equipment to facilitate the generation of international audiotext telecommunications traffic or, directly or indirectly, the payment of any fee, commission or other compensation, through sharing of accounting or settlement rates, rate discounts or otherwise to persons generating such traffic.

ARTICLE II

AGREEMENT NOT TO COMPETE; DISCLOSURE OF INFORMATION

Section 2.01. Agreement Not To Compete. (a) Each of ECI and Prosser recognizes the highly competitive nature of the Subject Business and agrees that the value and goodwill of the Company and its Subsidiaries would be substantially impaired if it or he, as the case may be, failed to comply with its or his obligations hereunder. Accordingly, each of ECI and Prosser hereby agrees from the consummation of the Merger that during a period of ten years thereafter, each of ECI and Prosser shall not, directly or indirectly, on its or his own behalf, as the case may be, or on behalf of any other person or entity:

(i) engage in any Competitive Business, whether such engagement shall be as an employer, officer, director, owner, employee, partner, advisor, consultant, stockholder, investor, agent or other participant in any Competitive Business (or in any similar capacity in which it or he, as the case may be, derives an economic benefit from a Competitive Business);

(ii) assist others in engaging in any Competitive Business in the manner described in the foregoing clause (i);

(iii) solicit, entice or induce any director, employee, consultant or other agent of the Company or any current or future Subsidiary of the Company materially involved in the Subject Business to terminate his or her employment or other relationship with the Company or such current or future Subsidiary or to engage in any Competitive Business;

(iv) solicit, entice or induce any vendor or distributor of the Company or any current or future Subsidiary materially involved in the Subject Business to terminate or materially diminish its relationship with the Company or such current or future Subsidiary; or

(v) solicit, entice or induce any subscriber or customer of the Company or any current or future Subsidiary of the Company with respect to the Subject Business to purchase the products or services of any Competitive Business, or to cease purchasing the services of the Subject Business from the Company or any current or future Subsidiary of the Company.

(b) Anything contained in this Non-Competition Agreement to the contrary notwithstanding, no provision of this Agreement shall prohibit (i) ECI or Prosser from owning, as a passive investment, in the aggregate less than 5% of a class of publicly-traded securities issued by any person or entity engaged in a Competitive Business or (ii) the provision of services by ATNCO, VITELCo or VCI pursuant to terms of the Technical Assistance Agreement.

Section 2.02. Disclosure of Information. From and after the date hereof, each of ECI and Prosser shall hold in strict confidence and shall not use or disclose to any person, firm, corporation or other business entity, except as required by law or judicial process, any Confidential Information for any reason or purpose whatsoever, nor shall ECI or Prosser make use of any of the Confidential Information for ECI's or Prosser's purposes or for the benefit of any person or entity except the Company or any affiliate thereof.

Section 2.03. Acknowledgment. Prosser acknowledges that the provisions of this Agreement are not designed to prevent Prosser from earning a living or fostering his own career. The provisions of this Agreement are designed to prevent any Competitive Business from gaining unfair advantage from Prosser's and ECI's knowledge of confidential and proprietary information relating to the Subject Business.

ARTICLE III

MISCELLANEOUS PROVISIONS

Section 3.01. Remedies. Each of ECI and Prosser acknowledges that a remedy at law for any breach or threatened breach of the provisions of this Non-Competition Agreement would be inadequate and therefore agrees that the Company shall be entitled to injunctive relief; provided, however, that nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available for any such breach or threatened breach.

Section 3.02. Benefits. This Non-Competition Agreement and the rights and obligations of the parties hereto shall bind and inure to the benefit of any successor or successors of the Company by reorganization, merger or consolidation or otherwise and any assignee of all or substantially all of its business and properties.

Section 3.03. Severability, Blue Penciling. It is the desire and intent of the parties hereto that the provisions of this Non-Competition Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Non-Competition Agreement shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. In addition, if any one or more of the provisions contained in this Non-Competition Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

Section 3.04. Notices. All notices or other communications required or permitted hereunder shall be in writing and sufficient if (a) delivered personally, (b) sent by nationally-recognized overnight courier or (c) sent by certified mail, postage prepaid, return receipt requested, addressed as follows:

if to the Company, to:

Atlantic Tele-Network, Inc.
Estate Havensight
P.O. Box 12030
St. Thomas, U.S. Virgin Islands 00801
(340) 774-2260 or 777-8000
Attention: Cornelius B. Prior
Telecopy: (809) 774-7790

if to ECI or Prosser, to:

Atlantic Tele-Network, Inc.
Chase Financial Center
P.O. Box 1730
St. Croix, U.S. Virgin Islands 06821-1730
(340) 777-7700
Attention: Jeffrey J. Prosser
Telecopy: (809) 774-5487

with copies to:

Roger Meltzer, Esq.
Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005
(212) 701-3851
Telecopy: (212) 269-5420

or, in each case, to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. Any such communication shall be deemed to have been given (i) when delivered, if personally delivered, (ii) on the business day after dispatch, if sent by nationally-recognized overnight courier and (iii) on the third business day after dispatch, if sent by mail.

Section 3.05. Complete Agreement; Amendments; Prior Agreements. The foregoing is the entire agreement of the parties with respect to the subject matter hereof and may not be amended, supplemented, canceled or discharged except by a written instrument executed by the parties hereto. This Non-Competition Agreement supersedes any and all prior agreements among the parties hereto with respect to the matters covered hereby.

Section 3.06. Governing Law. This Non-Competition Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and performed wholly therein.

Section 3.07. Counterparts. This Non-Competition Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

Section 3.08. Jurisdiction. Any action or proceeding brought by any party to this Non-Competition Agreement against any other party hereto with respect to the enforcement or breach of this Non-Competition Agreement may be brought in the courts of the State of New York or of the United States for the Southern District of New York. Each of the parties hereto irrevocably submits to the jurisdiction of each such court in respect of any such action or proceeding, irrevocably waives any objection that it may now or hereafter have to the laying of venue of any such action or proceeding in any such court and any claim that any such action or proceeding brought in any such court has been brought in an inconvenient forum, and irrevocably consents that service of process or other legal summons for purposes of any such action or proceeding may be served on it by personal service within or without the State of New York or by mailing a copy thereof by registered mail, or a form of mail substantially equivalent to registered mail, addressed to such party at its address as provided for notices hereunder.

Section 3.09. Expenses of Enforcement. In the event of any breach of this Non-Competition Agreement by any party hereto, any other party hereto which is aggrieved by such breach (an "Aggrieved Breach") shall be entitled to recover from the party in breach, any and all costs and expenses, including without limitation reasonable attorneys' fees, incurred by the Aggrieved Party as a result of such breach or in connection with enforcing the provisions of this Non-Competition Agreement with respect to such breach.

IN WITNESS WHEREOF, this Non-Competition Agreement has been executed and delivered by the parties hereto as of the date first above written.

Atlantic Tele-Network, Inc.

By: /s/ Cornelius B. Prior, Jr.

Name: Cornelius B. Prior, Jr.
Title: Chief Executive Officer

Emerging Communications, Inc.

By: /s/ Jeffrey J. Prosser

Name: Jeffrey J. Prosser
Title: Chief Executive Officer

/s/ Jeffrey J. Prosser

Jeffrey J. Prosser

INDEMNITY AGREEMENT

THIS INDEMNITY AGREEMENT (this ("Indemnity Agreement") is entered into as of the 30th day of December, 1997 by and among Atlantic Tele-Network, Inc., a Delaware corporation (the "Company"), Emerging Communications, Inc., a Delaware corporation ("ECI"), Cornelius B. Prior, Jr. ("Prior") and Jeffrey J. Prosser ("Prosser").

WHEREAS, the execution and delivery of this Indemnity Agreement by the parties hereto is contemplated by the Subscription Agreement dated as of August 11, 1997 (the "Subscription Agreement") between the Company and ECI and is a condition to the Closing (as defined in the Subscription Agreement); and

WHEREAS, each of the parties hereto desires to consummate, and will receive substantial benefits from the consummation of, the Closing.

NOW, THEREFORE, for and in consideration of the premises and mutual covenants herein contained and subject to the conditions hereinafter set forth, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Capitalized terms used in this Indemnity Agreement without definition shall have the respective meanings ascribed to such terms in the Subscription Agreement.

"Affiliate" of any person shall mean any other person which controls, is controlled by, or is under common control with such person, and "person" for purposes hereof means and includes any individual, partnership, limited liability company, firm, corporation or other entity.

ARTICLE II

INDEMNIFICATION

Section 2.01. Indemnification by Prosser. Subject to the terms and conditions contained herein, Prosser hereby agrees to indemnify and hold harmless the Company, its Subsidiaries after the Closing, their respective officers, directors and agents and Prior, individually and as Trustee of the 1994 Prior Charitable Remainder Trust, from and against any and all losses, liabilities, damages, costs, and expenses (including, without limitation, reasonable attorney's fees and any and all expenses whatsoever reasonably incurred in investigating, preparing or defending any action, suit or proceeding, commenced or threatened) of any kind and nature (collectively, "Losses") (A) which relate to or arise out of any action, suit or proceeding brought by or on behalf of any stockholder of the Company or ECI arising out of or relating to (i) the repurchase by the Company of shares of Company Common Stock owned by Prior and/or the Trust pursuant to the Recapitalization Agreement or (ii) the number of shares of ECI Common Stock to be received by Prosser pursuant to the Merger Agreement, or (B) which relate to or arise out of any action, suit or proceeding arising out of relating to an untrue statement of a material fact or alleged untrue statement of a material fact contained in the proxy statement/prospectus to be delivered to holders of Company Common Stock (the "Proxy Statement") or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with respect to the beneficial ownership of stock of the Company by Prosser and/or members of his family and his or their Affiliates and biographical information with respect to Mr. Prosser.

Section 2.02. Indemnification by Prior. Subject to the terms and conditions contained herein, Prior hereby agrees to indemnify and hold harmless ECI, the entities which will become its Subsidiaries after the Closing, their respective officers, directors and agents and Prosser from and against any and all Losses (A) which

relate to or arise out of any action, suit or proceeding brought by or on behalf of any stockholder of the Company or ECI arising out of or relating to the number of shares of Surviving Corporation Common Stock (as defined in the Merger Agreement) to be received by Prior pursuant to the Merger Agreement or (B) an untrue statement of a material fact or alleged untrue statement of a material fact contained in the Proxy Statement or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with respect to the beneficial ownership of stock of the Company by Prior and/or members of his family and his or their Affiliates and biographical information with respect to Mr. Prior.

Section 2.03. Indemnification by ECI. Subject to the terms and conditions contained herein, ECI hereby agrees to indemnify and hold harmless the Company, its Subsidiaries after the Closing, their respective officers, directors and agents and Prior from and against any and all Losses which relate to or arise out of, (i) the business or operations conducted by ECI and the Transferred Subsidiaries before or after the Closing, or any other Subsidiaries of ECI after the Closing, (ii) the Assumed Liabilities or (iii) any action, suit or proceeding arising out of or relating to an untrue statement of a material fact or alleged untrue statement of a material fact contained in the Proxy Statement or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with respect to (a) the business, prospects or planned or proposed activities of ECI and its Subsidiaries after the Closing Date, (b) activities of ECI or the Transferred Subsidiaries after April 30, 1997 and (c) prospective acquisitions of businesses or other transactions not in the ordinary course of business planned or contemplated by ECI, the Transferred Subsidiaries or Prosser.

Section 2.04. Indemnification by the Company. Subject to the terms and conditions contained herein, the Company hereby agrees to indemnify and hold harmless ECI, the entities which will become its Subsidiaries after the Closing, their respective officers, directors and agents and Prosser from and against any and all Losses which relate to or arise out of (i) the business and operations conducted by GTT before or after the Closing or the business and operations after the Closing of the Company or any other entity which will be a Subsidiary of the Company after the Closing, (ii) the Excluded Liabilities or (iii) any action, suit or proceeding arising out of or relating to an untrue statement of a material fact or alleged untrue statement of a material fact contained in the Proxy Statement or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with respect to (a) the business, prospects or planned or proposed activities of the Company and its Subsidiaries after the Closing Date, (b) activities of GTT and the Company with respect to GTT after April 30, 1997 and (c) prospective acquisitions of businesses or other transactions not in the ordinary course of business planned or contemplated by GTT or Prior.

Section 2.05. No Third Party Rights. Nothing in this Indemnity Agreement, express or implied, is intended or shall be construed to give to any person, firm or corporation, other than an Indemnified Party (as defined below), any rights, remedy, claim or cause of action under or by reason of this Indemnity Agreement, or any terms, covenants or conditions hereof.

Section 2.06. Indemnification Procedures. (a) If any party or person which may seek indemnification hereunder (an "Indemnified Party") determines that it is or may be entitled to indemnification by any party hereto (an "Indemnifying Party") under this Agreement (other than in connection with any Third Party Claim (as defined below) subject to clause (b) of this Section 2.06), the Indemnified Party shall deliver to the Indemnifying Party a written notice specifying, to the extent reasonably practicable, the basis for its claim for indemnification and the amount for which the Indemnified Party reasonably believes it is entitled to be indemnified. After the Indemnifying Party shall have been notified of the amount for which the Indemnified Party seeks indemnification, the Indemnifying Party shall, within 30 days after receipt of such notice, pay the Indemnified Party such amount in cash or other immediately available funds (or reach agreement with the Indemnified Party as to a mutually agreeable alternative payment schedule) unless the Indemnifying Party objects to the claim for indemnification or the amount thereof. If the Indemnifying Party does not give the Indemnified Party written notice objecting to such claim and setting forth the grounds therefor within the same 30 day period, the Indemnifying Party shall be deemed to have acknowledged its liability for such claim and the Indemnified Party may exercise any and all of its rights under applicable law to collect such amount.

(b) Promptly following the earlier of (i) receipt of notice of the commencement by a third party of any action, suit or proceeding against or otherwise involving any Indemnified Party or (ii) receipt of information from a third party alleging the existence of a claim against an Indemnified Party, in either case, with respect to which indemnification may be sought pursuant to this Indemnity Agreement (a "Third-Party Claim"), the Indemnified Party shall give the Indemnifying Party prompt written notice thereof. The failure of the Indemnified Party to give notice as provided in this clause (b) shall not relieve the Indemnifying Party of its obligations under this Indemnity Agreement, except to the extent that the Indemnifying Party is materially prejudiced by such failure to give notice. Within 30 days after receipt of such notice, the Indemnifying Party may (i) by giving written notice thereof to the Indemnified Party, acknowledge liability for and at its option elect to assume the defense of such Third-Party Claim at its sole cost and expense or (ii) object to the claim of indemnification set forth in the notice delivered by the Indemnified Party pursuant to the first sentence of this clause (b); provided that if the Indemnifying Party does not within the same 30 day period give the Indemnified Party written notice objecting to such claim and setting forth the grounds therefor or electing to assume the defense, the Indemnifying Party shall be deemed to have acknowledged its liability for such Third-Party Claim. Any contest of a Third-Party Claim as to which the Indemnifying Party has elected to assume the defense shall be conducted by attorneys employed by the Indemnifying Party and reasonably satisfactory to the Indemnified Party, and the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation, except as provided in the following sentence. The Indemnified Party shall have the right to participate in the defense against the Third Party Claim and to be represented by attorneys of its own choosing, but the fees and expenses of such attorneys shall be at the expense of the Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such attorneys by the Indemnified Party or (ii) representation of both parties by the same counsel in respect of such Third Party Claim would be inappropriate due to actual or potential differing interests between them (in which case the Indemnifying Party shall not be entitled to assume or direct the defense of such proceeding on behalf of the Indemnified Party); provided that in no event shall the Indemnifying Party be required to pay the fees and expenses of more than one separate counsel (in addition to local counsel) in any one proceeding representing the Indemnified Parties who are parties thereto. If the Indemnifying Party assumes the defense of a Third-Party Claim, the Indemnifying Party may settle or compromise the claim without the prior written consent of the Indemnified Party; provided that without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld, the Indemnifying Party may not agree to any such settlement or compromise unless such settlement or compromise includes an unconditional release of the Indemnified Party from all liability on claims that are or could be the subject matter of such proceeding. If the Indemnifying Party does not assume the defense of a Third-Party Claim for which it has acknowledged liability for indemnification as described herein, the Indemnified Party may require the Indemnifying Party to reimburse it on a current basis for its reasonable expenses of investigation, reasonable attorney's fees and reasonable out-of-pocket expenses incurred in defending against such Third-Party Claim and the Indemnifying Party shall be bound by the result obtained with respect thereto by the Indemnified Party; provided that the Indemnifying Party shall not be liable for any settlement effected without its consent, which consent shall not be unreasonably withheld. The Indemnifying Party shall pay to the Indemnified Party in cash the amount for which the Indemnified Party is entitled to be indemnified (if any) within 15 days after the final resolution of such Third-Party Claim (whether by the final nonappealable judgment of a court of competent jurisdiction or otherwise) or, in the case of any Third-Party Claim as to which the Indemnifying Party has not acknowledged liability, within 15 days after such Indemnifying Party's objection has been resolved by settlement, compromise or the final nonappealable judgment of a court of competent jurisdiction.

(c) This Section 2.06 shall have no applicability to any claim for indemnification with respect to any income, gross income, gross receipts, profits, capital stock, franchise, withholding, payroll, social security, workers compensation, unemployment, disability, property, ad valorem, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, export, value added, alternative minimum, estimated or other similar tax (including any fee, assessment, or other charge in the nature of or in lieu of any tax) imposed by any governmental entity or political subdivision thereof, and any interest, penalties, additions to tax, or additional amounts in respect of the foregoing (collectively "Taxes"), it being understood that the procedures for

indemnification with respect to Taxes are covered in that separate Tax Sharing and Indemnification Agreement dated the date hereof among the parties hereto.

ARTICLE III

FORBEARANCE; STANDSTILL

Section 3.01. Forbearance. Except with respect to enforcing specific provisions of an agreement entered into in connection with the Transactions, including, without limitation, this Indemnity Agreement, (a) Prosser and ECI hereby agree not to bring any action, suit or proceeding against Prior or the Company with respect to any of the matters constituting the Transactions, or arising out or relating to the business, operations or management of the Company or any of its Subsidiaries prior to and including the Closing and (b) Prior and the Company hereby agree not to bring any action, suit or proceeding against Prosser or ECI with respect to any of the matters constituting the Transactions or arising out of or relating to the business, operations or management of the Company or any of its Subsidiaries prior to and including the Closing.

Section 3.02. Standstill.

(a) Each of Prosser and ECI agrees that for a period of ten years after the Closing Date, he or it, as the case may be, shall not, and shall not permit his or its, as the case may be, Controlled Affiliates (as defined below) to, without the prior written consent of the Company, duly authorized by its Board of Directors:

(i) be the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of greater than 5% of the outstanding Voting Securities (as defined below) of the Company; or offer or agree to purchase any Voting Securities of the Company if, after giving effect to such purchase, he or it, as the case may be, would be the beneficial owner of greater than 5% of the outstanding Voting Securities of the Company; or

(ii) make, or in any way participate in, any "solicitation" of "proxies" (as such terms are defined in Rule 14a-1 under the Exchange Act) with respect to Voting Securities of the Company; become a participant in any "election contest" (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the Company; seek to advise or influence any person with respect to the voting of any Voting Securities of the Company; execute any written consent in lieu of a meeting of holders of any class or series of Voting Securities of the Company; or initiate, propose or otherwise solicit holders of Voting Securities of the Company for the approval or rejection of a proposal for a vote of holders of Voting Securities of the Company.

(b) Each of Prior and the Company agrees that for a period of ten years after the Closing Date, he or it, as the case may be, shall not, and shall not permit his or its, as the case may be, Controlled Affiliates (as defined below) to, without the prior written consent of ECI, duly authorized by its Board of Directors:

(i) be the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of greater than 5% of the outstanding Voting Securities (as defined below) of ECI; or offer or agree to purchase any Voting Securities of ECI if, after giving effect to such purchase, he or it, as the case may be, would be the beneficial owner of greater than 5% of the outstanding Voting Securities of ECI; or

(ii) make, or in any way participate in, any "solicitation" of "proxies" (as such terms are defined in Rule 14a-1 under the Exchange Act) with respect to Voting Securities of ECI; become a participant in any "election contest" (within the meaning of Rule 14a-11 of the Exchange Act) with respect to ECI; seek to advise or influence any person with respect to the voting of any Voting Securities of ECI; execute any written consent in lieu of a meeting of holders of any class or series of Voting Securities of ECI; or initiate, propose or otherwise solicit holders of Voting Securities of ECI for the approval or rejection of a proposal for a vote of holders of Voting Securities of ECI.

(c) As used in this Section 3.02, the following terms have the meanings assigned to them below:

"Controlled Affiliate" of any person means any other person under the control of such person. As used in this definition, "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of Voting Securities, by contract or otherwise.

"Voting Securities" of any person means securities, the holders of which are, at the applicable time in question, entitled to vote for the election of directors of such person.

ARTICLE IV

MISCELLANEOUS PROVISIONS

Section 4.01. Effectiveness. This Indemnity Agreement shall become operative upon consummation of the Merger.

Section 4.02. Entire Agreement. This Indemnity Agreement, together with all other written agreements which may be entered into between the parties in connection herewith and the transactions contemplated hereby and all other documents and instruments delivered in connection herewith and therewith and the transactions contemplated hereby and thereby, set forth the full and complete understanding of the parties hereto with respect to the transactions contemplated hereby.

Section 4.03. Governing Law. This Indemnity Agreement shall be governed by and construed in accordance with the laws of the State of New York without reference to the conflict of laws rules thereof.

Section 4.04. Headings. The headings in this Indemnity Agreement are intended solely for convenience of reference and shall be given no effect in the interpretation of this Indemnity Agreement.

Section 4.05. Counterparts. This Indemnity Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Section 4.06. Benefits. This Indemnity Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, and no other person (other than an Indemnified Party) will have any right or obligation hereunder.

Section 4.07. Assignment. Neither this Indemnity Agreement nor any right hereunder may be assigned by the parties hereto without the prior written consent of the other parties. Subject to the foregoing, this Indemnity Agreement shall be binding upon and inure to the benefit of the successors, heirs, representatives and assigns of each party hereto.

Section 4.08. Amendment and Waiver. This Indemnity Agreement may be amended only by an instrument in writing signed on behalf of each of the parties hereto. Any term, condition or provision of this Indemnity Agreement may be waived (if in writing) at any time by the party or each of the parties entitled to the benefits thereof.

Section 4.09. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been given if delivered by hand, or when sent by telex or telecopier (with

receipt confirmed) or by registered mail, return receipt requested, addressed as follows (or to such other address as a party may designate by notice to the other):

(a) If to the Company or Prior:
Atlantic Tele-Network, Inc.
Estate Havensight
P.O. Box 12030
St. Thomas, U.S. Virgin Islands 00801
(340) 774-2260 or 777-8000
Attention: Cornelius B. Prior
Telecopy: (809) 774-7790

with copies to:
Lewis A. Stern, P.C.
Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, New York 10004
(212) 859-8190
Telecopy: (212) 859-8587

(b) If to ECI or Prosser:
Atlantic Tele-Network, Inc.
Chase Financial Center
P.O. Box 1730
St. Croix, U.S. Virgin Islands 06821-1730
(340) 777-8000
Attention: Jeffrey J. Prosser
Telecopy: (809) 774-5487

with copies to:
Roger Meltzer, Esq.
Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005
(212) 701-3851
Telecopy: (212) 269-5420

Section 4.10. Jurisdiction. Any action or proceeding brought by any party to this Indemnity Agreement against any other party hereto with respect to the enforcement or breach of this Indemnity Agreement may be brought in the courts of the State of New York or of the United States for the Southern District of New York. Each of the parties hereto irrevocably submits to the jurisdiction of each such court in respect of any such action or proceeding, irrevocably waives any objection that it may now or hereafter have to the laying of venue of any such action or proceeding in any such court and any claim that any such action or proceeding brought in any such court has been brought in an inconvenient forum, and irrevocably consents that service of process or other legal summons for purposes of any such action or proceeding may be served on it by personal service within or without the State of New York or by mailing a copy thereof by registered mail, or a form of mail substantially equivalent to registered mail, addressed to such party at its address as provided for notices hereunder.

Section 4.11. Expenses of Enforcement. In the event of any breach of this Indemnity Agreement by any party hereto, any other party hereto which is aggrieved by such breach (an "Aggrieved Party") shall be entitled to recover from the party in breach, any and all costs and expenses, including without limitation reasonable attorneys fees, incurred by the Aggrieved Party as a result of such breach or in connection with enforcing the provisions of this Indemnity Agreement with respect to such breach.

IN WITNESS WHEREOF, each of the parties hereto has caused this Indemnity Agreement to be duly executed, all as of the date first written above.

Atlantic Tele-Network, Inc.

By: /s/ Cornelius B. Prior

Name: Cornelius B. Prior
Title: Co-Chief Executive Officer

By: /s/ Jeffrey J. Prosser

Name: Jeffrey J. Prosser
Title: Co-Chief Executive Officer

Emerging Communications, Inc.

By: /s/ Jeffrey J. Prosser

Name: Jeffrey J. Prosser
Title: Chief Executive Officer

/s/ Cornelius B. Prior, Jr.

Cornelius B. Prior, Jr.

/s/ Jeffrey J. Prosser

Jeffrey J. Prosser

EMPLOYEE BENEFITS AGREEMENT

THIS EMPLOYEE BENEFITS AGREEMENT (this "Employee Benefits Agreement") is entered into as of the 30th day of December 1997 by and between Emerging Communications, Inc., a Delaware Corporation (the "ECI"), and Atlantic Tele-Network, Inc., a Delaware corporation (the "Company" or "ATNI").

WHEREAS, to eliminate corporation disputes and to maximize the value of the Company for the benefit of the Company and its stockholders, the Company, and its co-chief executive officers and principal stockholders, Cornelius B. Prior, Jr. ("Prior") and Jeffrey J. Prosser ("Prosser"), entered into a Principal Terms Agreement dated January 29, 1997 which contemplated the separation of the businesses and assets of the Company; and

WHEREAS, in order to accomplish such separation, the Company and New ATN entered into a Subscription Agreement (the "Subscription Agreement"), the Company, Prior and Prosser entered into a Recapitalization Agreement (the "Recapitalization Agreement") and the Company and ATN MergerCo. entered into an Agreement and Plan of Merger (the "Merger Agreement"), all dated as of August 11, 1997;

WHEREAS, the execution and delivery of this Employee Benefits Agreement by the parties hereto is contemplated by the Subscription Agreement and is a condition to the Closing (as defined in the Subscription Agreement); and

WHEREAS, each of the parties hereto desires to consummate, and will secure substantial benefits from the consummation of, the Closing.

NOW, THEREFORE, for and in consideration of the covenants herein contained and subject to the conditions hereinafter set forth, the parties hereto agree as follows:

1. Effective as of the Closing, (i) ECI shall adopt as its own the Atlantic Tele-Network, Inc. Defined Benefit Plan for Salaried Employees, the Atlantic Tele-Network, Inc. Management Employees' Savings Plan, and the Atlantic Tele-Network, Inc. Employees' Stock Ownership Plan (collectively, the "ATNI Plans"), (ii) each of the trusts (and all assets thereof) forming a part of the ATNI Plans shall be assumed by ECI, and (iii) ECI and the Company shall take such action, including amendments to the ATNI Plans (or the trusts forming a part thereof), as is necessary in order for ECI to be the sponsor and "Employer" under such ATNI Plans. As of the Closing, employees of the Company and its subsidiaries shall cease participation in the ATNI Plans maintained by ECI or any of its subsidiaries.

2. All other employee benefit plans maintained by ATN Co., a U.S. Virgin Islands corporation ("ATNC"), by Virgin Islands Telephone Corp., a U.S. Virgin Islands corporation ("Vitelco") or by any of their subsidiaries (the "ATNC/Vitelco Plans"), including but not limited to the Virgin Islands Telephone Corporation Pension Plan for Hourly Employees, the United Steelworkers of America 401(k) Plan for Bargaining Unit Employees of Vitelco, the Welfare Plan for Salaried Employees and the Welfare Plan for Bargaining Employees, shall continue to be sponsored by such entities after the Closing. As of the Closing, employees of the Company and its subsidiaries shall cease participation in the ATNC/Vitelco Plans maintained by ECI, ATNC, Vitelco or any of their subsidiaries.

3. Effective as of the Closing, ECI and its subsidiaries shall assume all employment-related liabilities and obligations of ATNI toward those employees who prior to the Closing were employed by ATNI and who after the Closing will be employed by ECI or its subsidiaries. Such employment-related liabilities and obligations shall include, but are not limited to, liabilities and obligations with respect to wages, withholding taxes, benefits, accrued vacation, employee benefit plan contributions and administrative expenses, whether incurred or accrued before, on or after the Closing and whether or not reported as of the Closing.

4. All notices or other communications required or permitted hereunder shall be in writing and sufficient if (a) delivered personally, (b) sent by nationally-recognized overnight courier or (c) sent by certified mail, postage prepaid, return receipt requested, addressed as follows:

if to the Company, to:

Atlantic Tele-Network, Inc.
Estate Havensight
P.O. Box 6100
St. Thomas, U.S. Virgin Islands 00801
(340) 774-2260 or 777-8000
Attention: Cornelius B. Prior
Telecopy: [(809) 774-7790]

if to ECI, to:

Emerging Communications, Inc.
Chase Financial Center
P.O. Box 1730
St. Croix, U.S. Virgin Islands 06821-1730
(340) 777-7700
Attention: Jeffrey J. Prosser
Telecopy: (809) 774-5487

with copies to:

Roger Meltzer, Esq.
Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005
(212) 701-3851
Telecopy: (212) 269-5420

or, in each case, to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. Any such communication shall be deemed to have been given (i) when delivered, if personally delivered, (ii) on the business day after dispatch, if sent by nationally-recognized overnight courier and (iii) on the third business day after dispatch, if sent by mail.

5. The foregoing is the entire agreement of the parties with respect to the subject matter hereof and may not be amended, supplemented, canceled or discharged except by a written instrument executed by the parties hereto. This Employee Benefits Agreement supersedes any and all prior agreements among the parties hereto with respect to the matters covered hereby.

6. This Employee Benefits Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and performed wholly therein.

7. This Employee Benefits Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

8. Any action or proceeding brought by any party to this Employee Benefits Agreement against any other party hereto with respect to the enforcement or breach of this Employee Benefits may be brought in the courts of the State of New York or of the United States for the Southern District of New York. Each of the parties hereto irrevocably submits to the jurisdiction of each such court in respect of any such action or proceeding, irrevocably waives any objection that it may now or hereafter have to the laying of venue of any such action or proceeding

in any such court and any claim that any such action or proceeding brought in any such court has been brought in an inconvenient forum, and irrevocably consents that service of process or other legal summons for purposes of any such action or proceeding may be served on it by personal service within or without the State of New York or by mailing a copy thereof by registered mail, or a form of mail substantially equivalent to registered mail, addressed to such party at its address as provided for notices hereunder.

9. In the event of any breach of this Employee Benefits Agreement by any party hereto, any other party hereto which is aggrieved by such breach (an "Aggrieved Breach") shall be entitled to recover from the party in breach, any and all costs and expenses, including without limitation reasonable attorneys' fees, incurred by the Aggrieved Party as a result of such breach or in connection with enforcing the provisions of this Non-Competition Agreement with respect to such breach.

IN WITNESS WHEREOF, this Employee Benefits Agreement has been executed and delivered by the parties hereto as of the date first above written.

Atlantic Tele-Network, Inc.

By: /s/ Cornelius B. Prior, Jr.

Name: Cornelius B. Prior, Jr.
Title: Chief Executive Officer

Emerging Communications, Inc.

By: /s/ Jeffrey J. Prosser

Name: Jeffrey J. Prosser
Title: Chief Executive Officer

TAX SHARING AND INDEMNIFICATION AGREEMENT

This Tax Sharing and Indemnification Agreement is entered into as of December 30, 1997 by and among Atlantic Tele-Network, Inc., a Delaware corporation ("ATN"), Emerging Communications, Inc., a Delaware corporation ("ECI"), Cornelius B. Prior, Jr. ("Prior") and Jeffrey J. Prosser ("Prosser"). Capitalized terms used in this Agreement are defined in Section 1 below. Unless otherwise indicated, all "Section" references in this Agreement are to sections of this Agreement.

RECITALS

WHEREAS, as of the date hereof ATN is the common parent of an affiliated group of corporations, including ECI and Atlantic Aircraft, Inc., a Delaware corporation ("Aircraft Corp."), which has elected to file consolidated Federal and combined Delaware income tax returns; and

WHEREAS, the execution and delivery of this Agreement by the parties hereto is contemplated by the Subscription Agreement dated as of August 11, 1997 (the "Subscription Agreement") between ATN and ECI and is a condition to the Closing (as defined in the Subscription Agreement); and

WHEREAS, as a result of the Transactions, ECI and Aircraft Corp. will cease to be members of the affiliated group of which ATN is the common parent as of the end of the day which is the Closing Date; and

WHEREAS, ATN, ECI, Prior and Prosser desire to provide for and agree upon the allocation among them of liabilities for Taxes arising prior to and as a result of the Transactions, and to provide for and agree upon other matters relating to Taxes;

NOW THEREFORE, in consideration of the mutual agreements contained herein, ATN, ECI, Prior and Prosser hereby agree as follows:

Section 1. Definition of Terms. For purposes of this Agreement (including the recitals hereof), the following terms have the following meanings:

"ACCOUNTING CUTOFF DATE" means, with respect to each of ATN and ECI, any date as of the end of which there is a closing of the financial accounting records for such entity.

"ACCOUNTING FIRM" shall have the meaning provided in Section 15.

"AFFILIATE" means any entity that directly or indirectly "controls" or is "controlled" by the person or entity in question. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of voting securities, by contract or otherwise.

"AGREEMENT" means this Tax Sharing and Indemnification Agreement.

"ATN GROUP" means ATN and its Affiliates as determined immediately after the Transactions.

"CLOSING" means the Closing as that term is defined in the Subscription Agreement.

"CLOSING DATE" means the Closing Date as that term is defined in the Subscription Agreement.

"CODE" means the U.S. Internal Revenue Code of 1986, as amended, or any successor law.

"COMPANIES" means ATN and ECI and "Company" means either ATN or ECI.

"DEBITS" shall have the meaning ascribed to it in the Subscription Agreement.

"DISTRIBUTION" means the distribution to certain ATN shareholders on the Closing Date of all of the outstanding stock of ECI owned by ATN.

"ECI GROUP" means ECI and its Affiliates as determined immediately after the Transactions.

"FEDERAL INCOME TAX" means any Tax imposed by Subtitle A of the Code, or to the extent related to such Tax, any Tax imposed by Subtitle F of the Code.

"FINAL CLOSING ADJUSTMENT" shall have the meaning ascribed to it in the Subscription Agreement.

"FINAL DETERMINATION" means the final resolution of any Tax liability for a Tax Period, including any related interest or penalties, by (i) a decision of the Tax Court or judgment, decree, or other order by a court of competent jurisdiction, which has become final and unappealable; (ii) IRS Form 870-AD (or any successor forms thereto), on the date of acceptance by or on behalf of the Internal Revenue Service, or by a comparable agreement form under other applicable Tax Laws; except that a Form 870-AD or comparable form that by its terms reserves the right of the taxpayer to file a claim for refund and/or the right of the Tax Authority to assert a further deficiency shall not constitute a final determination; (iii) a closing agreement under Section 7121 of the Code or under corresponding provisions of any subsequently enacted federal Tax Laws, or comparable agreements under other applicable Tax Laws; and (iv) any other final disposition by reason of the expiration of the applicable statute of limitations.

"FOREIGN INCOME TAX" means any Tax imposed by any foreign country or any territory or possession of the United States, or by any political subdivision of any foreign country or United States territory or possession, which is an income tax as defined in Treasury Regulation Section 1.901-2.

"GROUP" means the ATN Group or the ECI Group, as the context requires.

"GT&T" means Guyana Telephone & Telegraph Company Limited, a Guyana corporation.

"INCOME TAX" means any Federal Income Tax, State Income Tax, or Foreign Income Tax.

"INTERCOMPANY TAX ALLOCATION AGREEMENTS" means any written or oral agreement or any other arrangements relating to allocation of Taxes existing between ATN and Aircraft Corp. or any other member of the ECI Group in effect as of the Closing Date (other than this Agreement).

"LETTER REQUEST" means the letter filed by ATN with the Internal Revenue Service requesting a ruling from the Internal Revenue Service regarding certain tax consequences of the Transactions, including the job descriptions of certain officers and employees of ATN attached as Exhibit 9 to such letter and the Revenue Procedure 96-30 Checklist attached as Exhibit 1 to such letter and any amendment or supplement to such letter or such exhibits.

"LLC" means a limited liability company organized under the laws of Delaware of which Prosser is the sole beneficial owner, member and manager and which, for United States tax purposes and United States Virgin Island tax purposes, is disregarded as an entity separate from Prosser under Treasury Regulations Section 301.7701-3.

"PAYMENT DATE" means (i) with respect to any Tax Return relating to Federal Income Taxes, the due date for any required installment of estimated taxes determined under Code Section 6655, the due date (determined without regard to extensions) for filing the Tax Return determined under Code Section 6072, and the date the Tax Return is filed, and (ii) with respect to any Tax Return relating to other Taxes, the corresponding dates determined under the applicable Tax Law.

"PERMITTED PLEDGE" means a bona fide pledge of stock or securities of ATN or ECI by Prior or Prosser or the LLC to a bank (including, without limitation, the RTFC) or brokerage firm as collateral for a full recourse loan to Prior or Prosser or a loan to the LLC with full recourse to Prosser.

"POST-DISTRIBUTION PERIOD" means any Tax Period beginning after the Closing Date, and, in the case of any Straddle Period, the portion of such Straddle Period beginning the day after the Closing Date.

"PRE-DISTRIBUTION PERIOD" means any Tax Period ending on or before the Closing Date, and, in the case of any Straddle Period, the portion of such Straddle Period ending on the Closing Date.

"PRIME RATE" means the base rate on corporate loans charged by Citibank, N.A., New York, New York from time to time, compounded daily on the basis of a year of 365 or 366 (as applicable) days and actual days elapsed.

"REPURCHASE AND RECAPITALIZATION AGREEMENT" means that certain repurchase and recapitalization agreement dated as of August 11, 1997 by and among ATN, Prior, individually and as Trustee of the 1994 Prior Charitable Remainder Trust, and Prosser.

"RESPONSIBLE COMPANY" means, with respect to any Tax Return, the Company having responsibility for preparing and filing such Tax Return under this Agreement.

"RESTRUCTURING TAX" means any Taxes resulting from any income or gain recognized as a result of the Transactions including, without limitation, any Taxes resulting from any income or gain recognized as a result of the Transactions failing to qualify for tax-free treatment under Code Sections 355 or 361 or other provisions of the Code (as contemplated by the Ruling Request) and any Taxes resulting from any income or gain recognized under Treasury Regulations Section 1.1502-13 or 1.1502-19 (or any corresponding provisions of other applicable Tax Laws) as a result of the Transactions.

"RTFC" means the Rural Telephone Finance Cooperative.

"RULING REQUEST" means the letter filed by ATN with the Internal Revenue Service requesting a ruling from the Internal Revenue Service regarding certain tax consequences of the Transactions (including all attachments, exhibits, and other materials submitted with such ruling request letter) and any amendment or supplement to such ruling request letter.

"SPECIFIED ACTION" shall have the meaning provided in Section 10.

"STRADDLE PERIOD" means any Tax Period that begins on or before and ends after the Closing Date.

"STATE INCOME TAX" means any Tax imposed by any State of the United States or by any political subdivision of any such State which is imposed on or measured by net income, including state and local franchise or similar Taxes measured by net income.

"TAINTING ACT" shall have the meaning provided in Section 10.

"TAX" or "TAXES" means any Income Tax, any Tax on gross income, gross receipts, profits, or capital stock, or any franchise, withholding, payroll, social security, workers compensation, unemployment, disability, property, ad valorem, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, export, value added, alternative minimum, estimated or other similar tax (including any fee, assessment, or other charge in the nature of or in lieu of any tax) imposed by any governmental entity or political subdivision thereof, and any interest, penalties, additions to tax, or additional amounts in respect of the foregoing.

"TAX AUTHORITY" means, with respect to any Tax, the governmental entity or political subdivision thereof that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such entity or subdivision.

"TAX CONTEST" means an audit, review, examination, or any other administrative or judicial proceeding with the purpose or effect of redetermining Taxes or any claim for refund or credit of Taxes of any of ATN, ECI or the Aircraft Corp. (including any administrative or judicial review thereof) for any Tax Period ending on or before the Closing Date or any Straddle Period.

"TAX ITEM" means, with respect to any Income Tax, any item of income, gain, loss, deduction, or credit.

"TAX LAW" means the law of any governmental entity or political subdivision thereof relating to any Tax.

"TAX PERIOD" means, with respect to any Tax, the period for which the Tax is reported as provided under the Code or other applicable Tax Law.

"TAX RECORDS" means Tax Returns, Tax Return workpapers, documentation relating to any Tax Contests, and any other books of account or records required to be maintained under the Code or other applicable Tax Laws or under any record retention agreement with any Tax Authority.

"TAX RETURN" means any report of Taxes due, any claim for refund or credit of Taxes paid, any information return with respect to Taxes, or any other similar report, statement, declaration, or document required or permitted to be filed under the Code or other Tax Law, including any attachments, exhibits, or other materials submitted with any of the foregoing, and including any amendments or supplements to any of the foregoing.

"TRANSACTIONS" shall have the meaning ascribed to that term in the Subscription Agreement.

"TRANSFER" shall have the meaning set forth in Section 11(a).

"TREASURY REGULATIONS" means the regulations promulgated from time to time under the Code as in effect for the relevant Tax Period.

Section 2. Allocation of Tax Liabilities. The provisions of this Section 2 are intended to determine each of ATN's, ECI's, Prior's and Prosser's liability for Taxes with respect to Pre-Distribution Periods. Once the liability has been determined under this Section 2, Section 5 determines the time when payment of the liability is to be made, and whether the payment is to be made to the Tax Authority directly or to ATN or ECI, as the case may be.

2.01 Taxes of GT&T and the Virgin Islands Subsidiaries. This Agreement does not allocate liability for Taxes imposed on GT&T, Atlantic Tele-Network Co., a Virgin Islands corporation, or any of the subsidiaries of Atlantic Tele-Network Co. (except for any withholding of Foreign Income Taxes imposed with respect to payments made by any of such companies to ATN) and, as between the parties to this Agreement, such Taxes and Tax Returns relating to such Taxes shall be solely the responsibility of the legal entity on which such Taxes are imposed.

2.02 ATN and ECI Liability.

(a) ATN Liability. Notwithstanding the provisions of Section 2.03, as between ATN and ECI, ATN shall be liable for, and shall indemnify and hold harmless the ECI Group from and against:

(i) any Restructuring Taxes which arise from any breach by ATN of its representations or covenants under Section 10 or from any Tainting Act by ATN or its Affiliates or the inaccuracy of any factual statements or representations made in or in connection with the Ruling Request with respect to the activities of ATN and its Affiliates after the Closing;

(ii) all Taxes to the extent taken into account in clauses (b) or (r) of the definition of "Debits" for purposes of calculating the Final Closing Adjustment;

(iii) an amount of Income Tax equal to the provision for income tax expense of ATN which would be accrued on a hypothetical statement of operations of ATN for the period after April 30, 1997 to and including the Closing Date which statement of operations includes as revenues or gross income only

dividends paid by GT&T to ATN during such period, interest accrued during such period on indebtedness of GT&T to ATN and advisory fees payable by GT&T to ATN during such period (computed on an accrual basis) and includes as expense all expenses of ATN during such period (to the extent such expenses are deductible for Income Tax purposes) except for expenses charged to ECI under clauses (c), (j), (k), (m), (n), (o), and (s) of the definition of "Debits" in the Subscription Agreement;

(iv) any withholding of Foreign Income Taxes imposed with respect to payments from GT&T to ATN; and

(v) 50% of all other Taxes (including Restructuring Taxes) of ATN or Aircraft Corp. (in each case, whether computed on a separate company or consolidated basis) with respect to all Pre-Distribution Periods, except for Taxes described in clauses (i), (ii) or (iii) of Section 2.02(b).

(b) ECI Liability. Notwithstanding the provisions of Section 2.03, as between ATN and ECI, ECI shall be liable for, and shall indemnify and hold harmless the ATN Group from and against:

(i) Any Restructuring Taxes which arise from any breach by ECI of its representations or covenants under Section 10 or from any Tainting Act by ECI or its Affiliates or the inaccuracy of any factual statements or representations made in or in connection with the Ruling Request with respect to the activities of ECI and its Affiliates after the Closing;

(ii) 100% of all Taxes of ECI (computed on a separate company basis) for all Pre-Distribution Periods;

(iii) any withholding of Foreign Income Taxes imposed with respect to payments from Atlantic Tele-Network Co. or any of its subsidiaries to ATN except to the extent taken into account in clauses (b) or (r) of the definition of "Debits" for purposes of calculating the Final Closing Adjustment; and

(iv) 50% of all other Taxes (including Restructuring Taxes) of ATN or Aircraft Corp. (in each case, whether computed on a separate company or consolidated basis) for all Pre-Distribution Periods, except for Taxes described in clauses (i), (ii), (iii) or (iv) of Section 2.02(a).

Section 2.03 Liability of Prior and Prosser.

(a) Prior Liability. Prior shall be liable for, and shall indemnify and hold harmless the ATN Group and the ECI Group from and against any liability for, any Restructuring Taxes which arise from (x) any breach of Prior's representations and covenants under Section 11(a) or (y) the inaccuracy of any factual statements or representations relating to Prior or members of Prior's family made in the Letter Request or in any certificate provided by Prior in connection with the Ruling Request or in connection with an opinion of tax counsel with respect to the Transactions.

(b) Prosser Liability. Prosser shall be liable for, and shall indemnify and hold harmless the ATN Group and the ECI Group from and against any liability for any Restructuring Taxes which arise from (x) any breach of Prosser's representations and covenants under Section 11(b) or (y) the inaccuracy of any factual statements or representations relating to Prosser or members of Prosser's family made in the Letter Request or in any certificate provided by Prosser in connection with the Ruling Request or in connection with an opinion of tax counsel with respect to the Transactions.

Section 2.04. Expenses. Each of ATN, ECI, Prior and Prosser shall be liable for all fees, costs and expenses, including without limitation reasonable attorneys' fees, arising out of, or incident to, any proceeding before any Tax Authority, or any judicial authority, with respect to any Taxes for which it or he (as the case may be) is liable under Section 2.02(a) (in the case of ATN), 2.02(b) (in the case of ECI), 2.03(a) (in the case of Prior) or 2.03(b) (in the case of Prosser). In addition, an indemnified party under Section 2.02 or 2.03 shall be entitled to recover from the indemnifying party thereunder all fees, costs and expenses, including without limitation reasonable attorneys' fees, incurred by the indemnified party in connection with enforcement of its rights to indemnification against the indemnifying party.

Section 3. Proration of Taxes for Straddle Periods.

3.01 General Method of Proration. For purposes of Section 2, in the case of any Straddle Period, Tax Items shall be apportioned between Pre-Distribution Periods and Post-Distribution Periods in accordance with the principles of Treasury Regulation Section 1.1502-76(b). No election shall be made under Treasury Regulation Section 1.1502-76(b)(2)(ii) (relating to ratable allocation of a year's items). If the Closing Date is not an Accounting Cutoff Date, the provisions of Treasury Regulation Section 1.1502-76(b)(2)(iii) will be applied to ratably allocate the items (other than extraordinary items) for the month which includes the Closing Date.

3.02 Transaction Treated as Extraordinary Item. In determining the apportionment of Tax Items between Pre-Distribution Periods and Post-Distribution Periods, any Tax Item relating to the Transactions shall be treated as an extraordinary item described in Treasury Regulation Section 1.1502-76(b)(2)(ii)(C) and shall be allocated to Pre-Distribution Periods, and any Taxes related to any such Tax Item (including Restructuring Taxes) shall be treated under Treasury Regulation Section 1.1502-76(b)(2)(iv) as relating to such extraordinary item and shall be allocated to Pre-Distribution Periods.

3.03 Proration of Other Taxes. For purposes of Section 2, in the case of any Straddle Period, Taxes that are not susceptible to apportionment in the manner described in Section 3.01 (e.g., real and personal property taxes) shall be apportioned between Pre-Distribution Periods and Post-Distribution Periods on a pro rata basis based on the number of days in the relevant Tax Period.

Section 4. Preparation and Filing of Tax Returns.

4.01 General.

(a) All Tax Returns shall be prepared and filed when due (including extensions) by the person obligated to file such Tax Returns under the Code or applicable Tax Law. ATN and ECI shall provide, and shall cause their respective Affiliates to provide, assistance and cooperate with one another in accordance with Section 6 with respect to the preparation and filing of all Tax Returns, including, without limitation, providing information required to be provided in Section 6.

(b) ECI shall, for each Tax Period or portion thereof for which ECI or Aircraft Corp. is included in a Tax Return required to be filed by ATN, provide ATN with (i) a true and correct schedule in the form of a separate Federal Income Tax Return for each of ECI and Aircraft Corp., and (ii) a reconciliation of book income to federal taxable income for ECI and Aircraft Corp. ECI hereby agrees to use its best efforts to provide ATN with such schedules and computations no later than the first day of the sixth month following the end of the period to which such schedules and computations relate.

4.02 Manner of Filing.

(a) All Tax Returns filed or caused to be filed by ATN or ECI after the Closing Date shall be prepared on a basis that is consistent with (i) any IRS ruling obtained by ATN in connection with the Transactions, (ii) the treatment of ATN's purchase pursuant to Article I of the Repurchase and Recapitalization Agreement of 416,998 shares of common stock at ATN owned by Prior and 384,564 shares of common stock of ATN owned by the 1994 Prior Charitable Remainder Trust as distributions of property to which Section 301 of the Code applies, and (iii) the treatment of the transactions contemplated by Article II of the Repurchase and Recapitalization Agreement as tax-free to ATN, Prior and Prosser for Federal Income Tax purposes by reason of such transactions qualifying as reorganizations within the meaning of Section 368(a) of the Code or otherwise (in each case, in the absence of a controlling change in law or circumstances), and shall be filed on a timely basis by the Responsible Company.

(b) Except as otherwise agreed in writing by ATN and ECI, and in the absence of a controlling change in law or circumstances, all Tax Returns filed or caused to be filed by ATN or ECI after the Closing Date shall be prepared consistent with past practices, elections, accounting methods, conventions, and principles of taxation used for the most recent taxable periods for which Tax Returns involving similar items have been filed prior to the Closing Date, except that, with respect to any Tax Item not relating to the Transactions, one party may take

an inconsistent position without the agreement of the other party only to the extent such position does not create a Tax detriment to the other party or any member of such other party's Group.

Section 5. Tax Payments and Intercompany Billings.

5.01 Payment of Taxes With Respect to Pre-Distribution or Straddle Period Returns Filed After the Distribution Date. In the case of any Tax Return required to be filed by ATN under Section 4.01 with respect to a Pre-Distribution Period or Straddle Period the due date for which Tax Return (including extensions) is after the Closing Date, at least 10 business days prior to any Payment Date, ATN (i) shall compute the amount of Tax required to be paid to the relevant Tax Authority (taking into account the requirements of Section 4.02(b) relating to consistent accounting practices) with respect to such Tax Return on such Payment Date and (ii) shall send to ECI a written notice and demand for payment by ECI of its share (if any) of such Tax payment determined by ATN in accordance with Section 2.02(b) and accompanied by a statement detailing the Taxes to be paid and describing in reasonable detail the particulars relating thereto. ECI shall deliver to ATN on or before the business day immediately preceding such Payment Date a cashier's check made to the order of the applicable Tax Authority for the amount of ECI's share of such Tax Payment, and ATN shall remit such check and make the remainder of such Tax payment to the relevant Tax Authority on or before such Payment Date.

5.02 Payment of Tax Related to Adjustments. ATN shall pay to the relevant Tax Authority when due any additional Taxes required to be paid as a result of any adjustment to Taxes with respect to any Pre-Distribution Period. At least 10 business days before such additional Tax payment is due to be paid by ATN, ATN shall send to ECI, Prior or Prosser, as the case may be, a written notice and demand from ATN for payment by it or him, as the case may be, of its or his share (if any) of any such additional Tax payment determined by ATN in accordance with Section 2 accompanied by a statement detailing the Taxes to be paid and describing in reasonable detail the particulars relating thereto; provided, however, that ATN will not make a demand for an indemnification payment attributable to any Restructuring Taxes under Section 2.02(b)(i) or 2.03 until the liability for such Restructuring Taxes either (i) is established by a Final Determination or (ii) subject to Section 8.02, is otherwise agreed to in writing by ATN with the applicable Tax Authority. ECI, Prior or Prosser, as the case may be, shall pay to ATN, in immediately available funds, ECI's or his share (if any) of any such additional Tax Payment on or before the business day immediately preceding the date such additional Tax is due to be paid by ATN; provided, however, that if any portion of such additional Tax payment is indemnified by Prior or Prosser under Section 2.03, (x) ECI may reduce the amount of its payment to ATN under this Section 5.02 in respect of such additional Tax payment by 50% of the amount of any indemnification payment in respect of such additional Tax payment actually received by ATN from Prior or Prosser, as the case may be, on or prior to the date that ECI is required to make such payment to ATN, and (y) ATN shall immediately remit to ECI 50% of the amount of any indemnification payment in respect of such additional Tax payment actually received by ATN from Prior or Prosser, as the case may be, after ECI actually made a payment to ATN under this Section 5.02 in respect of such additional Tax payment.

5.03 Indemnification Payments. Without overriding the procedures set forth in Sections 5.01 and 5.02, if a Company (the "payor") pays to a Tax Authority a Tax for which the other Company (the "responsible party") is liable under this Agreement, the responsible party shall reimburse the payor within 10 business days of delivery by the payor to the responsible party of an invoice for the amount due, accompanied by evidence of payment and a statement detailing the Taxes paid and describing in reasonable detail the particulars relating thereto. The reimbursement shall include interest on the Tax payment computed at the Prime Rate based on the number of days from the date of the payment to the Tax Authority to the date of reimbursement under this Section 5.03.

Section 6. Assistance and Cooperation.

6.01 General. After the Closing Date, each of ATN and ECI shall cooperate (and cause their respective Affiliates to cooperate) with each other and with each other's agents, including accounting firms and legal counsel, in connection with Tax matters relating to ATN and ECI and their respective Affiliates including,

without limitation, (i) preparation and filing of Tax Returns, (ii) determining the liability for and amount of any Taxes due (including estimated Taxes) or the right to and amount of any refund of Taxes, (iii) examinations of Tax Returns, and (iv) any administrative or judicial proceeding in respect of Taxes assessed or proposed to be assessed. Such cooperation shall include making all information and documents in their possession relating to the other Company and its Affiliates reasonably available to such other Company as provided in Section 7. Each of the Companies shall also make available to each other, as reasonably requested and available, personnel (including officers, directors, employees and agents of the Companies or their respective Affiliates) responsible for preparing, maintaining, and interpreting information and documents relevant to Taxes, and personnel reasonably required as witnesses or for purposes of providing information or documents in connection with any administrative or judicial proceedings relating to Taxes. Any information or documents provided under this Section 6 shall be kept confidential by the Company receiving the information or documents, except as may otherwise be necessary in connection with the filing of Tax Returns or in connection with any administrative or judicial proceedings relating to Taxes.

6.02 Income Tax Return Information. Each Company will provide to the other Company information and documents relating to its Group required by the other Company to prepare Tax Returns. The Responsible Company shall determine a reasonable compliance schedule for such purpose in accordance with ATN's past practices. Any additional information or documents the Responsible Company requires to prepare such Tax Returns will be provided in accordance with past practices, if any, or as the Responsible Company reasonably requests and in sufficient time for the Responsible Company to file such Tax Returns timely.

Section 7. Tax Records.

7.01 Retention of Tax Records. Except as provided in Section 7.02, each of ATN and ECI shall preserve and keep all Tax Records exclusively relating to the assets and activities of its Group for Pre-Distribution Tax Periods and all other Tax Records relating to Taxes of the Groups for Pre-Distribution Tax Periods, for so long as the contents thereof may become material in the administration of any matter under the Code or other applicable Tax Law, but in any event until the later of (i) the expiration of any applicable statutes of limitation, and (ii) seven years after the Closing Date. If, prior to the expiration of the applicable statute of limitation and such seven-year period, a Company reasonably determines that any Tax Records which it is required to preserve and keep under this Section 7 are no longer material in the administration of any matter under the Code or other applicable Tax Law, such Company may dispose of such records upon 90 days prior notice to the other Company. Such notice shall include a list of the records to be disposed of describing in reasonable detail each file, book, or other record accumulation to be disposed of. The notified Company shall have the opportunity, at its cost and expense, to copy or remove, within such 90-day period, all or any part of such Tax Records.

7.02 State and Foreign Income Tax Returns. Tax Returns with respect to State Income Taxes and Foreign Income Taxes and workpapers prepared in connection with preparing such Tax Returns shall be preserved and kept, in accordance with the guidelines of Section 7.01, by the person responsible for preparing and filing the applicable Tax Return.

7.03 Access to Tax Records. The Companies and their respective Affiliates shall make available to each other for inspection and copying during normal business hours upon reasonable notice all Tax Records in their possession to the extent reasonably required by the other Company in connection with the preparation of Tax Returns, audits, litigation, or the resolution of items under this Agreement.

Section 8. Tax Contests.

8.01 Notice. Each of ATN and ECI shall provide prompt notice to the other and to Prior and Prosser of any pending or threatened Tax audit, assessment or proceeding or other Tax Contest of which it becomes aware related to Taxes for Tax Periods for which it is indemnified by the other or Prior or Prosser, as the case may be, hereunder. Such notice shall contain factual information (to the extent known) describing any asserted Tax liability in reasonable detail and shall be accompanied by copies of any notice and other documents received

from any Tax Authority in respect of any such matters. If an indemnified party has knowledge of an asserted Tax liability for which it is to be indemnified hereunder and such party fails to give the indemnifying party prompt notice of such asserted Tax liability, such failure to give notice will not relieve the indemnifying party of its obligations hereunder, except to the extent that the indemnifying party is materially prejudiced by such failure.

8.02 Control of Tax Contests. Each of ATN and ECI shall have full responsibility and discretion in handling, settling or contesting any Tax Contest involving a Tax Return for which it has filing responsibility pursuant to Section 4 of this Agreement; provided, however, ECI, Prior or Prosser, at it or his sole cost and expense, may participate in any Tax Contest with respect to any Restructuring Taxes for which it or he has liability or an indemnification obligation with respect to such Taxes under this Agreement; provided, further, that ECI, at its sole cost and expense and employing Cahill Gordon & Reindel or other counsel reasonably acceptable to ATN, shall be permitted to jointly share with ATN, employing Fried, Frank, Harris, Shriver & Jacobson or other counsel reasonably acceptable to ECI, the responsibility and discretion in handling, settling or contesting any Tax Contest with respect to any Taxes for which ECI has liability or an indemnification obligation to ATN with respect to such Taxes, unless ECI fails to provide to ATN a written acknowledgment of ECI's potential liability for such Taxes or indemnification obligation to ATN with respect to such Taxes within 10 business days of ECI's receipt of a written request by ATN therefor. Except as otherwise provided in Section 2.04 hereof, any costs incurred in handling, settling or contesting any Tax Contest shall be borne by the party having full responsibility and discretion thereof.

Section 9. Effective Date; Termination of Prior Intercompany Tax Allocation Agreements. This Agreement shall be effective on the Closing Date. Immediately prior to the close of business on the Closing Date, all Intercompany Tax Allocation Agreements shall be terminated.

Section 10. No Inconsistent Actions.

(a) Each of the Companies covenants and agrees that, except as disclosed in the Letter Request, it will not take any action, and it will cause its Affiliates to refrain from taking any action, which may be inconsistent with the Tax treatment of the Transactions as contemplated in the Ruling Request (any such action is referred to in this Section 10 as a "Tainting Act"), unless (i) the Company or Affiliate thereof proposing such Tainting Act (the "Requesting Party") either (A) obtains a ruling with respect to the Tainting Act from the Internal Revenue Service or other applicable Tax Authority that is reasonably satisfactory to the other Company (the "Requested Party") (except that the Requesting Party shall not submit any such ruling request if a Requested Party determines in good faith that filing such request might have a materially adverse effect upon such Requested Party), or (B) obtains an unqualified opinion, reasonably satisfactory in form and substance to Requested Party, of Fried, Frank, Harris, Shriver & Jacobson or Cahill Gordon & Reindel or other independent nationally recognized tax counsel acceptable to the Requested Party, on a basis of assumed facts and representations consistent with the facts at the time of such action, that such Tainting Act will not affect the Tax treatment of the Transactions as contemplated in the Ruling Request, or (ii) the Requested Party consents in writing to such Tainting Act, which consent shall be granted or withheld in the sole and absolute discretion of the Requested Party. Without limiting the foregoing:

(i) Specified Actions. During the two-year period beginning on (and including) the Closing Date, unless clause (i) or (ii) of the preceding paragraph is satisfied with respect to the applicable action, and except as disclosed in the Letter Request, ATN and ECI will not (and neither will cause or permit any of its Affiliates to) (A) liquidate or merge with or into any other corporation; (B) issue any capital stock that in the aggregate exceeds 45%, by vote or value, of its capital stock issued and outstanding immediately after the Distribution; (C) redeem, purchase or otherwise reacquire its capital stock issued and outstanding immediately after the Distribution (other than through stock purchases meeting the requirements of section 4.05(1)(b) of Rev. Proc. 96-30); (D) make a material disposition (including transfers from one member of a Group to another member of that Group) or cessation of operations by means of a sale or exchange of assets or capital stock, a distribution to stockholders, or otherwise, of the assets constituting the trades or

businesses relied upon in the Ruling Request to satisfy Section 355(b) of the Code; or (E) discontinue or cause to be discontinued the active conduct of the trades or businesses relied upon in the Ruling Request to satisfy Section 355(b) of the Code (each of the foregoing, a "Specified Action").

(ii) No Inconsistent Plan or Intent. Each of ATN and ECI represents and warrants that it shall, and shall cause each of its Affiliates to, comply with each factual statement and representation in the Ruling Request, and that neither it nor any of its Affiliates has any plan or intent to take any Specified Action or any action which is inconsistent with any factual statements or representations in the Ruling Request. Regardless of any change in circumstances, each of ATN and ECI covenants and agrees that it will not take, and it will cause its Affiliates to refrain from taking, any such Specified Action or inconsistent action on or before the last day of the calendar year ending after the second anniversary of the Closing Date other than as permitted in this Section 10.

(iii) Amended or Supplemental Rulings. Each of ATN and ECI covenants and agrees that it will not file, and it will cause its Affiliates to refrain from filing, any amendment or supplement to the Ruling Request subsequent to the Closing Date without the consent of the other, which consent shall not be unreasonably withheld.

(b) Notwithstanding anything to the contrary in this Agreement, each Company shall be solely liable for, and shall indemnify and hold harmless the other Company from any Restructuring Tax resulting from a Tainting Act by such first Company or its Affiliates, regardless of whether clause (i) or (ii) of Section 10(a) was satisfied with respect to such Tainting Act.

Section 11. Certain Representations and Covenants of Prior and Prosser.

(a) Representations and Covenants of Prior.

(i) Transfer Restrictions. Prior represents and warrants that he has no plan or intention to sell, exchange, transfer by gift, pledge or otherwise dispose of or encumber, whether actually or constructively by means of a short sale, equity swap, forward or futures contract, option or otherwise (collectively, a "Transfer") any stock or securities of ATN, or any beneficial or financial interest therein, after the Transactions except for Permitted Pledges. Prior covenants and agrees that during the two-year period beginning on (and including) the Closing Date, without the prior written consent of ECI (which consent ECI may grant or withhold in its sole discretion), he will not Transfer any stock or securities of ATN, or any beneficial or financial interest therein, except for Permitted Pledges, unless he first obtains either (A) a ruling with respect to the Transfer from the Internal Revenue Service or other applicable Tax Authority that is reasonably satisfactory to ECI (acting on advice of counsel, such counsel to be reasonably satisfactory to ATN) or (B) an unqualified opinion, reasonably satisfactory in form and substance to ECI (acting on advice of counsel, such counsel to be reasonably satisfactory to ATN), of Fried, Frank, Harris, Shriver & Jacobson or other independent nationally recognized tax counsel acceptable to ECI, on a basis of assumed facts and representations consistent with the facts at the time of such Transfer, that such Transfer will not affect the Tax treatment of the Transactions as contemplated in the Ruling Request. In order to ensure compliance with the requirements of this Section 11(a)(i), during the two-year period beginning on (and including) the Closing Date, Prior shall maintain at least a majority of the outstanding common stock of ATN (or all stock or securities in ATN owned by him if he shall then own less than a majority of the outstanding common stock of ATN) in accounts with one or more banks or brokerage firms (collectively, "Financial Institutions"), which accounts may be margin accounts, provided that each such Financial Institution shall deliver a written undertaking to ECI stating that such Financial Institution will not permit any Transfer of Mr. Prior's stock or securities in ATN from such account without the prior written approval of ECI except for (i) sales of such stock or securities made by such Financial Institution for the purpose of obtaining repayment of any loans or advances made to Prior by such Financial Institution following a default by Prior in respect of such loans or advances, and (ii) any Transfer of such stock or securities from an account of Prior with such Financial Institution to an account of Prior with another Financial Institution which shall have given ECI a written undertaking described in this Section 11(a)(i). Notwithstanding anything to the contrary in this Agreement, Prior shall be liable for, and shall indemnify and hold harmless the ATN Group

and the ECI Group from and against any liability for, any Restructuring Taxes which arises out of any Transfer of any of his stock or securities in ATN or any beneficial or financial interest therein (including, without limitation, any sale of stock subject to a Permitted Pledge on foreclosure of such pledge) regardless of whether the provisions of this Section 11(a)(i) were satisfied with respect to such Transfer.

(ii) No Inconsistent Plan or Intent. Prior represents and warrants that he has no plan or intent to cause ATN or any of its Affiliates to take any Tainting Act (including any Specified Action) or any action inconsistent with any factual statement or representation in the Letter Request. Prior covenants and agrees that, so long as he owns a majority of the voting power of the outstanding capital stock of ATN, he will cause ATN and its Affiliates to refrain from taking any Tainting Act (including any Specified Action) or any action inconsistent with any factual statement or representation in the Letter Request on or before the last day of the calendar year ending after the second anniversary of the Closing Date other than as permitted in Section 10.

(b) Representations and Covenants of Prosser.

(i) Transfer Restrictions. Prosser represents and warrants that other than a Transfer of ECI stock to the LLC, neither he nor the LLC has any plan or intention to sell, exchange, transfer by gift, pledge or otherwise dispose of or encumber, whether actually or constructively by means of a short sale, equity swap, forward or futures contract, option or otherwise (collectively, a "Transfer") any ownership interest, stock or securities of ECI or the LLC, or any beneficial or financial interest therein, after the Transactions except for Permitted Pledges. Prosser covenants and agrees that during the two-year period beginning on (and including) the Closing Date, without the prior written consent of ATN (which consent ATN may grant or withhold in its sole discretion), (x) neither he nor the LLC will Transfer any ownership interest, stock or securities of ECI or the LLC, or any beneficial or financial interest therein, except for Permitted Pledges, (y) Prosser will remain the only beneficial owner, member and manager of the LLC and (z) Prosser will not take and will not permit the LLC to take any action which would result in the LLC not being disregarded as an entity separate from Prosser under Treasury Regulations section 301.7701-3, unless he first obtains either (A) a ruling with respect to the Transfer, Prosser ceasing to be the only beneficial owner, member and manager of the LLC or any such action referred to in the preceding clause (z), as the case may be, from the Internal Revenue Service or other applicable Tax Authority that is reasonably satisfactory to ATN (acting on advice of counsel, such counsel to be reasonably satisfactory to ECI) or (B) an unqualified opinion, reasonably satisfactory in form and substance to ATN (acting on advice of counsel, such counsel to be reasonably satisfactory to ECI), of Cahill Gordon & Reindel or other independent nationally recognized tax counsel acceptable to ATN, on a basis of assumed facts and representations consistent with the facts at the time of such Transfer, or at the time that Prosser ceases to be the sole beneficial owner, member and manager of the LLC or takes any action or permits the LLC to take any action referred to in the preceding clause (z), as the case may be, that such Transfer, Prosser ceasing to be the sole beneficial owner, member and manager of the LLC or the taking of any action referred to in the preceding clause (z), as the case may be, will not affect the Tax treatment of the Transactions as contemplated in the Ruling Request. In order to ensure compliance with the requirements of this Section 11(b)(i), during the two-year period beginning on (and including) the Closing Date, Prosser, together with the LLC, shall maintain at least a majority of the outstanding common stock of ECI (or all stock or securities in ECI owned by him and the LLC if he, together with the LLC, shall then own less than a majority of the outstanding common stock of ECI) in accounts with one or more banks (including, without limitation, the RTFC) or brokerage firms (collectively, "Financial Institutions"), which accounts may be margin accounts, provided that each such Financial Institution shall deliver a written undertaking to ATN stating that such Financial Institution will not permit any Transfer of Mr. Prosser's or the LLC's stock or securities in ECI from such account without the prior written approval of ATN except for (i) sales of such stock or securities made by such Financial Institution for the purpose of obtaining repayment of any loans or advances made to Prosser or the LLC by such Financial Institution following a default by Prosser or the LLC in respect of such loans or advances, and (ii) any Transfer of such stock or securities from an account of Prosser or the LLC with such Financial Institution to an account of Prosser or the LLC with another Financial Institution which shall have given ATN a written undertaking described in this Section 11(b)(i). Notwithstanding anything to the contrary in

this Agreement, Prosser shall be liable for, and shall indemnify and hold harmless the ATN Group and the ECI Group from and against any liability for, any Restructuring Taxes which arises out of (w) any Transfer of any of his ownership interest, stock or securities in ECI or the LLC or any beneficial or financial interest therein (including, without limitation, any sale of stock subject to a Permitted Pledge on foreclosure of such pledge) (x) any Transfer of any of the LLC's stock or securities in ECI or any beneficial or financial interest therein including, without limitation, any sale of Stock subject to a Permitted Pledge on foreclosure of such pledge, (y) Prosser ceasing to be the sole beneficial owner, member and manager of the LLC or (z) Prosser taking any action or permitting the LLC to take any action which would result in the LLC ceasing to be disregarded as an entity separate from Prosser under Treasury Regulations section 301.7701-3, as the case may be, regardless of whether the provisions of this Section 11(b)(i) were satisfied with respect to such Transfer.

(ii) No Inconsistent Plan or Intent. Prosser represents and warrants that he has no plan or intent to cause ECI or any of its Affiliates to take any Tainting Act (including any Specified Action) or any action inconsistent with any factual statement or representation in the Letter Request. Prosser covenants and agrees that, so long as he owns a majority of the voting power of the outstanding capital stock of ECI, he will cause ECI and its Affiliates to refrain from taking any Tainting Act (including any Specified Action) or any action inconsistent with any factual statement or representation in the Letter Request on or before the last day of the calendar year ending after the second anniversary of the Closing Date other than as permitted in Section 10.

(c) Upon compliance by Prior or Prosser with the requirements for a Transfer specified in Sections 11(a)(i) or 11(b)(i), ECI or ATN, as the case may be, shall promptly give written permission for such Transfer to the Financial Institution holding the stock or securities proposed to be Transferred).

Section 12. Survival of Obligations. The representations, warranties, covenants and agreements set forth in this Agreement shall be unconditional and absolute and shall remain in effect without limitation as to time.

Section 13. Treatment of Payments; Tax Gross Up.

13.01 Treatment of Tax Indemnity Payments. In the absence of any change in tax treatment under the Code or other applicable Tax Law, any Tax indemnity payments made by a Company under Section 5 shall be reported for Tax purposes by the payor and the recipient as distributions or capital contributions, as appropriate, occurring immediately before the Distribution on the Closing Date, but only to the extent the payment does not relate to a Tax allocated to the payor in accordance with Treasury Regulation Section 1.1502-33(d) (or under corresponding principles of other applicable Tax Laws).

13.02 Tax Gross Up. If notwithstanding the manner in which Tax indemnity payments were reported, there is an adjustment to the Tax liability of a Company as a result of its receipt of a Tax indemnity payment in respect of Restructuring Taxes resulting from a breach of a representation or covenant made hereunder by the indemnifying party, such payment shall be appropriately adjusted so that the amount of such payment, reduced by the amount of all Income Taxes payable with respect to the receipt thereof, shall equal the amount of the payment which the Company receiving such payment would otherwise be entitled to receive pursuant to this Agreement.

Section 14. Disagreements. If after good faith negotiations the parties cannot agree on the application of this Agreement to any matter, then the matter will be referred to a nationally recognized accounting firm acceptable to each of the parties (the "Accounting Firm"). The Accounting Firm shall furnish written notice to the parties of its resolution of any such disagreement as soon as practical, but in any event no later than 45 days after its acceptance of the matter for resolution. Any such resolution by the Accounting Firm will be conclusive and binding on all parties to this Agreement. In accordance with Section 17, each party shall pay its own fees and expenses (including the fees and expenses of its representatives) incurred in connection with the referral of the matter to the Accounting Firm. All fees and expenses of the Accounting Firm in connection with such referral shall be shared equally by the parties affected by the matter.

Section 15. Late Payments. Any amount owed by one party to another party under this Agreement which is not paid when due shall bear interest at the Prime Rate plus two percent, compounded semiannually, from the due date of the payment to the date paid. To the extent interest required to be paid under this Section 15 duplicates interest required to be paid under any other provision of this Agreement, interest shall be computed at the higher of the interest rate provided under this Section 15 or the interest rate provided under such other provision.

Section 16. Expenses. Except as provided in Section 14 and Section 2.04, each party and its Affiliates shall bear their own expenses incurred in connection with preparation of Tax Returns, Tax Contests, and other matters related to Taxes under the provisions of this Agreement.

Section 17. General Provisions

17.01 Addresses and Notices. Any notice, demand, request or report required or permitted to be given or made to any party under this Agreement shall be in writing and shall be deemed given or made when delivered in party or when sent by first class mail or by other commercially reasonable means of written communication (including delivery by an internationally recognized courier service or by facsimile transmission) to the party at the party's address as follows:

If to ATN or Prior:

Atlantic Tele-Network, Inc.
Estate Havensight
P.O. Box 12030
St. Thomas, U.S. Virgin Islands 00801
(340) 774-2260 or 777-8000
Attention: Cornelius B. Prior
Telecopy: (809) 774-7790

With a copy to:

Lewis A. Stern, P.C.
Fried, Frank, Harris, Shriver
& Jacobson
One New York Plaza
New York, New York 10004
(212) 859-8190
Telecopy: (212) 859-8587

If to ECI or Prosser:

Atlantic Tele-Network, Inc.
Chase Financial Center
P.O. Box 1730
St. Croix, U.S. Virgin Islands 06821-1730
(340) 777-8000
Attention: Jeffrey J. Prosser
Telecopy: (809) 774-5487

With a copy to:

Roger Meltzer, Esq.
Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005
(212) 701-3851
Telecopy: (212) 269-5420

A party may change the address for receiving notices under this Agreement by providing written notice of the change of address to the other parties.

17.02 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

17.03 Waiver. No failure by any party to insist upon the strict performance of any obligation under this Agreement or to exercise any right or remedy under this Agreement shall constitute waiver of any such obligation, right, or remedy or any other obligation, rights, or remedies under this Agreement.

17.04 Invalidity of Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein shall not be affected thereby.

17.05 Further Action. The parties shall execute and deliver all documents, provide all information, and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement, including the execution and delivery to the other parties and their Affiliates and representatives of such powers of attorney or other authorizing documentation as is reasonably necessary or appropriate in connection with Tax Contests (or portions thereof) under the control of such other parties in accordance with Section 8.

17.06 Integration. This Agreement constitutes the entire agreement among the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements and understandings pertaining thereto. In the event of any inconsistency between this Agreement and any other agreements relating to the Transactions, the provisions of this Agreement shall control.

17.07 Construction. The language in all parts of this Agreement shall in all cases be construed according to its fair meaning and shall not be strictly construed for or against any party.

17.08 No Double Recovery; Subrogation. No provision of this Agreement shall be construed to provide an indemnity or other recovery for any costs, damages, or other amounts for which the damaged party has been fully compensated under any other provision of this Agreement or under any other agreement or action at law or equity. Unless expressly required in this Agreement, a party shall not be required to exhaust all remedies available under other agreements or at law or equity before recovering under the remedies provided in this Agreement. Subject to any limitations provided in this Agreement, the indemnifying party shall be subrogated to all rights of the indemnified party for recovery from any third party.

17.09 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

17.10 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts executed in and to be performed in that State.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by the respective officers as of the date set forth above.

Atlantic Tele-Network, Inc.

By: /s/ Cornelius B. Prior, Jr.

Its: Chief Executive Officer

Emerging Communications, Inc.

By:/s/ Jeffrey J. Prosser

Its: Chief Executive Officer

Cornelius B. Prior, Jr.

/s/ Cornelius B. Prior, Jr.

Jeffrey P. Prosser

/s/ Jeffrey P. Prosser

Subsidiaries of the Company

	Jurisdiction of Incorporation
Guyana Telephone and Telegraph Company Limited	----- Guyana

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
 ACCOMPANYING FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE
 TO SUCH FINANCIAL STATEMENTS.

*** (COLUMNAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA) ***

12-MOS		
	DEC-31-1997	
	DEC-31-1997	
		15,803
		0
	38,077	0
		3,536
	58,455	39,042
		0
	108,049	
20,734		14,536
	0	0
		49
		54,195
108,049		117,615
	117,615	99,473
		99,473
	99,473	
	0	
	0	
	3,794	
	17,025	
	7,718	
7,935		
	0	
	0	
		0
	7,935	
	1.69	
	1.69	