ORIGINAL

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Attorney At Law
1720 Windward Concourse
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Alpharetta, Georgia 30005

Also Admitted in New York
and Maryland

Telephone: (770) 232-9200
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December 27, 2002

RECEIVED-FPSC
02 DEC 30 AM 10: 54
COMMISSION
CLERK

VIA OVERNIGHT DELIVERY

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Gunter Bldg.
Tallahassee, Florida 32399-0850
(850) 413-6770

Re: Capsule Communications, Inc.

021263-TI

To Whom It May Concern:

Enclosed please find one original and six (6) copies of Capsule Communications, Inc. 's Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida, along with an original and six (6) copies of Capsule Communications, Inc. 's proposed tariff.

I also have enclosed a check in the amount of $250.00 payable to the Florida Public Service Commission to cover the cost of filing these documents.

Please return a stamped copy of the extra copy of this letter in the enclosed preaddressed prepaid envelope.

If you have any questions regarding the application or the tariff, please do not hesitate to call me. Thank you for your attention to this matter.

Sincerely,

Lance J.M. Steinhart, Esq.
Attorney for Capsule Communications, Inc.

Enclosures
cc: Ms. Kathie Dilks

No. 065662

COVISTA, INC. 150 CLOVE ROAD, 8TH FLOOR, LITTLE FALLS, N.J. 07424

065662

DATE: 12/20/02 VENDOR NAME FLORIDA PUBLIC SERVICE COMMISS VENDOR NO: FL PUB SER COMM

INVOICE NO.	INVOICE DATE	DESCRIPTION			DISCOUNT AMOUNT		NET AMOUNT
		0001863					
FILING FEE	12/20/02	8839	$250.00	$250.00	$0.00	$0.00	$250.00
			$250.00	$250.00	$0.00	$0.00	$250.00

5386Q EVERGREEN DATA SYSTEMS INC

PLEASE DETACH AND RETAIN THIS STATEMENT AS YOUR RECORD OF PAYMENT.

Thank You

COVISTA COMMUNICATIONS

VOID

COVISTA, INC.
150 CLOVE ROAD. 8TH FLOOR
LITTLE FALLS, N.J. 07424

FLEET BANK
Clifton, New Jersey

55-216
212

No. 065662

CHECK DATE	CHECK NUMBER	CHECK AMOUNT
12/20/02		$250.00

PAY Two Hundred Fifty Dollars And 00 Cents

TO THE ORDER OF FLORIDA PUBLIC SERVICE COMMISS

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

ORIGINAL

**** FLORIDA PUBLIC SERVICE COMMISSION ****

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

Application Form for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida

021263-TI

Instructions

- This form is used as an application for an original certificate and for approval of assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 16).

- Print or Type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **$250.00** to:

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

  Note: **No filing fee is required** for an assignment or transfer of an existing certificate to another company.

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Regulatory Oversight
  Certification Section
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6480

1. This is an application for √ (check one):

(x) **Original certificate** (new company).

( ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

( ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

( ) **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

Capsule Communications, Inc.

3. Name under which applicant will do business (fictitious name, etc.):

4. Official mailing address (including street name & number, post office box, city, state, zip code):

#2 Greenwood Square Suite 275

Bensalem Pennsylvania 19020

5. Florida address (including street name & number, post office box, city, state, zip code):

None

6. Select type of business your company will be conducting √ (check all that apply):

(x) **Facilities-based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

( ) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

(x) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

(x) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers, then offers resold service by enrolling unaffiliated customers.

(x) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. Structure of organization;

( ) Individual	( ) Corporation
(x) Foreign Corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership
( ) Other ____________	

8. **If individual,** provide:

Name: Not Applicable ______
Title: ______
Address: ______
City/State/Zip: ______

Telephone No.: ______ **Fax No.:** ______
Internet E-Mail Address: ______
Internet Website Address: ______

9. **If incorporated in Florida,** provide proof of authority to operate in Florida:

   (a) **The Florida Secretary of State Corporate Registration number:**

   ______

10. **If foreign corporation,** provide proof of authority to operate in Florida:

   (a) **The Florida Secretary of State Corporate Registration number:**
   F99000005743

11. **If using fictitious name-d/b/a,** provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

   (a) **The Florida Secretary of State fictitious name registration number:**

   ______

12. **If a limited liability partnership**, provide proof of registration to operate in Florida:

   (a) **The Florida Secretary of State registration number:** ______

13. __If a partnership__, provide name, title and address of all partners and a copy of the partnership agreement.

Name:______________________________

Title:______________________________

Address:______________________________
City/State/Zip:______________________________

Telephone No.:______________ **Fax No.:**__________
Internet E-Mail Address:______________________________
Internet Website Address:______________________________

14. __If a foreign limited partnership,__ provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) **The Florida registration number:**____________________

15. Provide __F.E.I. Number__ (if applicable): 22-3055962

16. Provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services?
(x) Yes ( ) No

(b) If not, who will bill for your services?

Name:______________________________
Title:______________________________

Address:______________________________

City/State/Zip:______________________________

Telephone No.:______________ **Fax No.:**__________

(c) How is this information provided?

____

____

17. Who will receive the bills for your service?

(x) Residential Customers
( ) PATs providers
( ) Hotels & motels
( ) Universities
( ) Other: (specify)________________.

(x) Business Customers
( ) PATs station end-users
( ) Hotel & motel guests
( ) Universities dormitory residents

18. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Lance J.M. Steinhart

Title: Regulatory Counsel

Address: 1720 Windward Concourse, Suite 250
City/State/Zip: Alpharetta, Georgia 30005

Telephone No.: (770) 232-9200 **Fax No.:** (770) 232-9208
Internet E-Mail Address: lsteinhart@telecomcounsel.com
Internet Website Address: ____________________

(b) Official point of contact for the ongoing operations of the company:

Name: Thomas P. Gunning

Title: Chief Financial Officer

Address: #2 Greenwood Square Suite 275
City/State/Zip: Bensalem Pennsylvania 19020

Telephone No.: (215) 633-9400 **Fax No.:** (215) 244-3440
Internet E-Mail Address: tgunning@covista.com
Internet Website Address: www.capsulecom.com

(c) Complaints/Inquiries from customers:

Name: Nancy Hawkins-Russell

Title: Customer Service Manager

Address: #2 Greenwood Square Suite 275
City/State/Zip: Bensalem Pennsylvania 19020

Telephone No.: (800)872-3369 **Fax No.:** (215) 244-3440
Internet E-Mail Address: nhawkins@capsulecom.com
Internet Website Address: www.capsulecom.com

19. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.

throughout the United States

(b) has applications pending to be certificated as an interexchange telecommunications company.

None

(c) is certificated to operate as an interexchange telecommunications company.

throughout the United States

(d) has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.

Florida, revoked for failure to file RAF

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

Florida, revoked for failure to file RAF

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None

20. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

No

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

Kevin Alward, John Leach and Thomas Gunning are also Officers and Directors of Covista, Inc.

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

a._______ **MTS with distance sensitive per minute rates**

________ Method of access is FGA
________ Method of access is FGB
________ Method of access is FGD
________ Method of access is 800

b._______ **MTS with route specific rates per minute**

________ Method of access is FGA
________ Method of access is FGB
________ Method of access is FGD
________ Method of access is 800

c._______ **MTS with statewide flat rates per minute (i.e. not distance sensitive)**

________ Method of access is FGA
________ Method of access is FGB
__✗__ Method of access is FGD
__✗__ Method of access is 800

d.______ **MTS for pay telephone service providers**

e.______ **Block-of-time calling plan (Reach Out Florida, Ring America, etc.).**

f.__✗__ **800 service (toll free)**

g.__✗__ **WATS type service (bulk or volume discount)**

__✗__ Method of access is via dedicated facilities
__✗__ Method of access is via switched facilities

h.______ **Private line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

I.__✗__ **Travel service**

________ Method of access is 950
__✗__ Method of access is 800

j.______ **900 service**

k.______ **Operator services**

________ Available to presubscribed customers
________ Available to non presubscribed customers (for example, to patrons of hotels, students in universities, patients in hospitals).
________ Available to inmates

1. **Services included are:**

_________ Station assistance
_________ Person-to-person assistance
_________ Directory assistance
_________ Operator verify and interrupt
_________ Conference calling

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

23. Submit the following:

A. Managerial capability; give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

See Attached

B. Technical capability; give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

Applicant will use the network services of its underlying carrier to provide services to customers in the State of Florida.

C. Financial capability.

The application **<u>should contain</u>** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer <u>affirming that the financial statements are true and correct</u> and should include:

1. the balance sheet;

2. income statement; and

3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **<u>A written explanation</u>** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. **<u>A written explanation</u>** that the applicant has sufficient financial capability to maintain the requested service.

3. **<u>A written explanation</u>** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

Thomas P. Gunning

Print Name

Signature

Chief Financial Officer

Title

12/20/02

Date

(215) 633-9400

Telephone No.

(215) 244-3440

Fax No.

Address:

#2 Greenwood Square Suite 275

Bensalem Pennsylvania 19020

FL IXC App

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

THIS PAGE MUST BE COMPLETED AND SIGNED

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

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

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

(   ) The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month.
(The bond must accompany the application.)

UTILITY OFFICIAL:

Thomas P. Gunning
Print Name

Thomas P. Gunning
Signature

Chief Financial Officer
Title

12/20/02
Date

(215) 633-9400
Telephone No.

(215) 244-3440
Fax No.

Address: #2 Greenwood Square Suite 275
Bensalem Pennsylvania 19020

FL IXC App

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Thomas P. Gunning
Print Name

Thomas P. Gunning
Signature

Chief Financial Officer
Title

12/20/02
Date

(215) 633-9400
Telephone No.

(215) 244-3440
Fax No.

Address: #2 Greenwood Square Suite 275
Bensalem Pennsylvania 19020

FL IXC App

CURRENT FLORIDA INTRASTATE SERVICES

Applicant **has** (X) or **has not** ( ) previously provided intrastate telecommunications in Florida.

If the answer is <u>has</u>, fully describe the following:

a) What services have been provided and when did these services begin?

The company has provided long distance calling service in Florida since 1992.

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

UTILITY OFFICIAL:

Thomas P. Gunning

Print Name

Chief Financial Officer

Title

(215) 633-9400

Telephone No.

Signature

12/20/02

Date

(215) 244-3440

Fax No.

Address: #2 Greenwood Square Suite 275
Bensalem Pennsylvania 19020

CERTIFICATE TRANSFER, OR ASSIGNMENT STATEMENT

LIST OF ATTACHMENTS

PROPOSED TARIFF

FINANCIAL INFORMATION

MANAGEMENT INFORMATION

STATEMENT OF FINANCIAL CAPABILITY

PROPOSED TARIFF

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by Capsule Communications, Inc. ("Capsule"), with principal offices at #2 Greenwood Square, Suite 275, Bensalem, Pennsylvania 19020. This tariff applies for telecommunications services furnished within the State of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the company's principal place of business.

CHECK SHEET

The sheets of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom right-hand side of this sheet.

SHEET	REVISION
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original
23	Original
24	Original
25	Original
26	Original
27	Original
28	Original
29	Original

* Original or Revised Sheet Included in the most recent tariff filing

TABLE OF CONTENTS

#2 Greenwood Square, Suite 275
Bensalem, Pennsylvania 19020

SYMBOLS

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

D - Delete or Discontinue
I - Change Resulting In An Increase to A Customer's Bill
M - Moved from Another Tariff Location
N - New
R - Change Resulting In A Reduction to A Customer's Bill
T - Change in Text or Regulation But No Change In Rate or Charge

TARIFF FORMAT

A. Sheet Numbering: Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between pages 11 and 12 would be page 11.1.

B. Sheet Revision Numbers: Revision numbers also appear in the upper right corner of each sheet where applicable. These numbers are used to indicate the most current page version on file with the Commission. For example, 4th Revised Sheet 13 cancels 3rd Revised Sheet 13. Consult the Check Sheet for the sheets currently in effect.

C. Paragraph Numbering Sequence: There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1
2.1.1
2.1.1.A
2.1.1.A.1
2.1.1.A.1.(a)
2.1.1.A.1.(a).I
2.1.1.A.1.(a).I.(i)
2.1.1.A.1.(a).I.(i).(1)

D. Check Sheets: When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the sheets contained in the tariff, with a cross reference to the current Revision Number. When new sheets are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest Check Sheet to find out if a particular sheet is the most current on Commission file.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement from a local exchange telephone company or other common carrier, using either dedicated or switched access, which connects a Customer's location to the Company's location or switching center.

Authorization Code - A numerical code, one or more of which may be assigned to a Customer, to enable the Company to identify the origin of the Customer so it may rate and bill the call. Automatic number identification (ANI) is used as the authorization code wherever possible.

Commission - Used throughout this tariff to mean the Florida Public Service Commission.

Customer - The person, firm, corporation or other legal entity which orders the services of the Company or purchases a Company Prepaid Calling Card and/or originates prepaid calls using such cards, and is responsible for the payment of charges and for compliance with the Company's tariff regulations.

Company or Capsule - Used throughout this tariff to mean Capsule Communications, Inc., a Delaware corporation.

Dedicated Access - The Customer gains entry to the Company's services by a direct path from the Customer's location to the Company's point of presence.

Holiday - New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Holidays shall be billed at the evening rate from 8 a.m. to 11 p.m. After 11 p.m., the lower night rate shall go into effect.

Prepaid Account - An inventory of Telecom Units purchased in advance by the Customer, and associated with one and only one Authorization Code as contained in a specific Prepaid Calling Card.

Prepaid Calling Card - A card issued by the Company, containing an Authorization Code which identifies a specific Prepaid Account of Telecom Units, which enables calls to be processed, account activity to be logged, and balances to be maintained, on a prepayment basis.

Resp. Org - Responsible Organization or entity identified by a Toll-Free service Customer that manages and administers records in the toll free number database and management system.

Switched Access - The Customer gains entry to the Company's services by a transmission line that is switched through the local exchange carrier to reach the Company's point of presence.

Telecom Unit - A measurement of telecommunications service equivalent to one minute of usage between any two points within the State of Florida.

Telecommunications - The transmission of voice communications or, subject to the transmission capabilities of the services, the transmission of data, facsimile, signaling, metering, or other similar communications.

Underlying Carrier - The telecommunications carrier whose network facilities provide the technical capability and capacity necessary for the transmission and reception of Customer telecommunications traffic.

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

This tariff contains the regulations and rates applicable to intrastate interexchange telecommunications services provided by the Company for telecommunications between points within the State of Florida. Services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff in compliance with limitations set forth in the Commission's rules. The Company's services are provided on a statewide basis and are not intended to be limited geographically. The Company offers service to all those who desire to purchase service from the Company consistent with all of the provisions of this tariff. Customers interested in the Company's services shall file a service application with the Company which fully identifies the Customer, the services requested and other information requested by the Company. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to a service provided by the Company. The Customer shall be responsible for all charges due for such service arrangement.

2.1.1 The services provided by the Company are not part of a joint undertaking with any other entity providing telecommunications channels, facilities, or services, but may involve the resale of the Message Toll Services (MTS) and Wide Area Telecommunications Services (WATS) of underlying common carriers subject to the jurisdiction of this Commission.

2.1.2 The rates and regulations contained in this tariff apply only to the services furnished by the Company and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carriers for use in accessing the services of the Company.

2.1.3 The Company reserves the right to limit the length of communications, to discontinue furnishing services, or limit the use of service necessitated by conditions beyond its control, including, without limitation: lack of satellite or other transmission medium capacity; the revision, alteration or repricing of the Underlying Carrier's tariffed offerings; or when the use of service becomes or is in violation of the law or the provisions of this tariff.

2.2 Use and Limitations of Services

2.2.1 The Company's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services, subject to any limitations set forth in this Section 2.2.

2.2.2 The use of the Company's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

2.2.3 The use of the Company's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.

2.2.4 The Company's services are available for use twenty-four hours per day, seven days per week.

2.2.5 The Company does not transmit messages, but the services may be used for that purpose.

2.2.6 The Company's services may be denied for nonpayment of charges or for other violations of this tariff subject to Section 2.5.1 herein.

2.2.7 Customers shall not use the service provided under this tariff for any unlawful purpose.

2.2.8 The Customer is responsible for notifying the Company immediately of any unauthorized use of services.

2.3 Liability of the Company

2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.

2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.

2.3.3 No agent or employee of any other carrier or entity shall be deemed to be an agent or employee of the Company.

2.3.4 The Company's liability, resulting in whole or in part from or arising in connection with the furnishing of service under this tariff, including but not limited to mistakes, omissions, interruptions, delays, errors, or other defects shall not exceed an amount equal to the charges provided for under this tariff for the long distance call for the period during which the call was affected. No other liability in any event shall attach to the Company, except as ordered by the Commission.

2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer or by any other entity from any and all loss, claims, demands, suits, or other action or any liability whatsoever, whether suffered, made, instituted, or asserted by any Customer or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer or any other entity or any other property whether owned or controlled by the Customer or others.

2.3.6 The Company shall not be liable for any indirect, special, incidental, or consequential damages under this tariff including, but not limited to, loss of revenue or profits, for any reason whatsoever, including the breakdown of facilities associated with the service, or for any mistakes, omissions, delays, errors, or defects in transmission occurring during the course of furnishing service.

2.3.7 The remedies set forth herein are exclusive and in lieu of all other warranties and remedies, whether express or implied, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

2.4 Responsibilities of the Customer

2.4.1 The Customer is responsible for placing any necessary orders and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.

2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by the Company on the Customer's behalf.

2.4.3 If required for the provision of the Company's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to the Company.

2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of the Company's services.

2.4.5 The Customer shall cause the temperature and relative humidity in the equipment space provided by Customer for the installation of the Company's equipment to be maintained within the range normally provided for the operation of microcomputers.

2.4.6 The Customer shall ensure that the equipment and/or system is properly interfaced with the Company's facilities or services, that the signals emitted into the Company's network are of the proper mode, bandwidth, power and signal level for the intended use of the subscriber and in compliance with criteria set forth in this tariff, and that the signals do not damage equipment, injure

Section 2.4.6 Continued

personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with the telephone network, the Company will permit such equipment to be connected with its channels without the use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to Company equipment, personnel or the quality of service to other Customers, the Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, the Company may, upon written notice, terminate the Customer's service.

2.4.7 The Customer must pay the Company for replacement or repair of damage to the equipment or facilities of the Company caused by negligence or willful act of the Customer or others, by improper use of the services, or by use of equipment provided by Customer or others.

2.4.8 The Customer must pay for the loss through theft of any Company equipment installed at Customer's premises.

2.4.9 If the Company installs equipment at Customer's premises, the Customer shall be responsible for payment of any applicable installation charge.

2.4.10 The Customer must use the services offered in this tariff in a manner consistent with the terms of this tariff and the policies and regulations of all state, federal and local authorities having jurisdiction over the service.

2.5 Cancellation or Interruption of Services

2.5.1 Without incurring liability, upon five (5) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice to the Customer, the Company may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:

2.5.1.A For nonpayment of any sum due the Company for more than thirty (30) days after issuance of the bill for the amount due,

2.5.1.B For violation of any of the provisions of this tariff,

2.5.1.C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over the Company's services, or

2.5.1.D By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting the Company from furnishing its services.

2.5.2 Without incurring liability, the Company may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and the Company's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.

2.5.3 Service may be discontinued by the Company without notice to the Customer, by blocking traffic to certain counties, cities or NXX exchanges, or by blocking calls using certain Customer authorization codes, when the Company deems it necessary to take such action to prevent unlawful use of its service. The Company will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.

2.5.4 The Customer may terminate service upon verbal or written notice for the Company's standard month to month contract. Customer will be liable for all usage on any of the Company's service offerings until the Customer actually leaves the service. Customers will continue to have Company usage and be responsible for payment until the Customer or its agent notifies its local exchange carrier and changes its long distance carrier.

2.6 Credit Allowance - Interruption of Service

2.6.1 Credit may be given for disputed calls, on a per call basis.

2.6.2 Credit shall not be issued for unavailability of long distance services.

2.6.3 The Customer shall be credited for an interruption of two hours or more at the rate of 1/720th of any monthly service charges for each hour or major fraction thereof that the interruption continues.

Credit Formula:

$$\text{Credit} = \frac{A}{720} \times B$$

"A" - outage time in hours
"B" - monthly charge for affected activity

2.7 Deposit

The Company does not require deposits.

2.8 Advance Payments

The Company requires advance payments for recurring and non-recurring charges. This will be applied against the next month's charges, and if necessary, a new advance payment will be collected for the next month.

2.9 Payment and Billing

2.9.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt.

2.9.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, subscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, subscribed exchange lines, or Authorization Codes will be billed to and must be paid by the Customer. Recurring charges and non-recurring charges are billed in advance. Charges based on actual usage during a month and any accrued interest will be billed monthly in arrears.

2.10 Collection Costs

In the event Company is required to initiate legal proceedings to collect any amounts due to Company for regulated services, or for the enforcement of any other provision of this tariff or applicable law, Customer shall, in addition to all amounts due, be liable to Company for all reasonable costs incurred by Company in such proceedings and enforcement actions, including reasonable attorneys' fees, collection agency fees or payments, and court costs. In any such proceeding, the amount of collection costs, including attorneys' fees, due to the Company, will be determined by the court.

2.11 Taxes

All federal, state and local taxes, assessments, surcharges, or fees, including sales taxes, use taxes, gross receipts taxes, and municipal utilities taxes, are billed as separate line items and are not included in the rates quoted herein.

2.12 Late Charge

A late fee will be charged on any past due balances as set forth in Section 4.10 of this tariff.

2.13 Returned Check Charge

A fee, as set forth in Section 4.6 of this tariff, will be charged whenever a check or draft presented for payment for service is not accepted by the institution on which it is written.

2.14 Location of Service

The Company will provide service to Customers within the State of Florida.

2.15 Sale of Telecommunications Services to Uncertified IXCs Prohibited

Customers reselling or rebilling the Company's telecommunications services must have a Certificate of Public Convenience and Necessity as an interexchange carrier from the Commission.

2.16 Reconnection Charge

A reconnection fee per occurrence as set forth in Section 4.12 of this tariff, will be charged when service is reestablished for Customers which have been disconnected due to non-payment. Payment of the reconnection fee and any other outstanding amounts will be due in full prior to reconnection of service

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Computation of Charges

3.1.1 The total charge for each completed call may be a variable measured charge dependent on the duration, distance and time of day of the call. The total charge for each completed call may also be dependent only on the duration of the call, i.e. a statewide flat rate per minute charge. The variable measured charge is specified as a rate per minute which is applied to each minute. All calls are measured in increments as set forth in the Rates Section of this tariff. Fractions of a billing increment are rounded up to a full billing increment on a per call basis. Fractions of a cent per minute are rounded up to a full cent on a per call basis.

3.1.2 Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call. The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers that are produced by Bell Communications Research in the NPA-NXX V&H Coordinates Tape and Bell's NECA Tariff No. 4.

Formula:

$$\sqrt{\frac{(V1-V2)^2 + (H1-H2)^2}{10}}$$

3.1.3 Timing begins when the called party answers and two way communication is possible, as determined by standard industry methods generally in use for ascertaining answer, including hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Timing for each call ends when either party hangs up.

3.1.4 The Company will not bill for uncompleted calls.

3.2 Customer Complaints and/or Billing Disputes

Customer inquiries or complaints regarding service or accounting may be made in writing or by telephone to the Company at:

#2 Greenwood Square, Suite 275
Bensalem, Pennsylvania 19020
(800) 872-3369

3.2 Continued

Any objection to billed charges should be reported promptly to the Company or its billing agent. Adjustments to Customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate. A Customer who is unable to resolve a billing dispute with the Company may contact the Commission by telephone at 1-800-342-3552 to intervene in the billing dispute.

3.3 Level of Service

A Customer can expect end to end network availability of not less than 99% at all times for all services.

3.4 Billing Entity Conditions

When billing functions on behalf of the Company or its intermediary are performed by local exchange telephone companies or others, the payment of charge conditions and regulations of such companies and any regulations imposed upon these companies by regulatory bodies having jurisdiction apply. The Company's name and toll-free telephone number will appear on the Customer's bill.

3.5 Service Offerings

3.5.1 1+ Dialing

This service permits Customers to originate calls via switched or dedicated access lines, and to terminate intrastate calls. The customer dials "1+" followed by "ten digits" or dials "101XXXX" followed by "1+ ten digits".

3.5.2 Travel Cards

The Customer utilizes an 11 digit "toll-free" access number established by the Company to access a terminal. Upon receiving a voice prompt, the Customer uses push button dialing to enter an identification code assigned by the Company, and the ten digit number of the called party.

3.5.3 Toll-Free Service

This service is inbound calling only where an 800, 888 or other toll-free prefix number rings into a Customer's premise routed to a specific telephone number or terminated over a dedicated facility.

3.5.4 Company Prepaid Calling Cards

This service permits use of Prepaid Calling Cards for placing long distance calls. Customers may purchase Company Prepaid Calling Cards at a variety of retail outlets or through other distribution channels. Company Prepaid Calling Cards are available at a variety of face values. Company Prepaid Calling Card service is accessed using the Company toll-free number printed on the card. The caller is prompted by an automated voice response system to enter his/her Authorization Code, and then to enter the terminating telephone number. The Company's processor tracks the call duration on a real time basis to determine the number of Telecom Units consumed. The total consumed Telecom Units and applicable taxes for each call are deducted from the remaining Telecom Unit balance on the Customer's Company Prepaid Calling Card.

All calls must be charged against Prepaid Calling Card that has a sufficient Telecom Unit balance. A Customer's call will be interrupted with an announcement when the balance is about to be depleted.

When the balance is depleted, the Customer can either call the toll-free number on the back of the Company Prepaid Calling Card and "recharge" the balance on the card using a nationally recognized credit card, or the Customer can throw the card away and purchase a new one. Calls in progress will be terminated by the Company if the balance on the Company Prepaid Calling Card is insufficient to continue the call.

Section 3.5.4 Continued

A card will expire on the date indicated on the card, or if no date is specified, 12 months from the date of first usage, or the date of last recharge, whichever is later. The Company will not refund unused balances.

A credit allowance for Company Prepaid Calling Card Service is applicable to calls that are interrupted due to poor transmission, one-way transmission, or involuntary disconnection of a call. To receive the proper credit, the Customer must notify the Company at the designated toll-free customer service number printed on the Company Prepaid Calling Card and furnish the called number, the trouble experienced (e.g. cut-off, noisy circuit, etc.), and the approximate time that the call was placed.

When a call charged to a Company Prepaid Calling Card is interrupted due to cut-off, one-way transmission, or poor transmission conditions, the Customer will receive a credit equivalent of one Telecom Unit.

Credit allowances for calls pursuant to the Company Prepaid Card Service do not apply for interruptions not reported promptly to the Company or interruptions that are due to the failure of power, equipment or systems not provided by the Company.

Credit for failure of service shall be allowed only when such failure is caused by or occurs due to causes within the control of the Company.

The Company will block all calls beginning with the NPA "900" and NXX "976" calls, therefore such calls can not be completed.

3.5.5 Directory Assistance.

Access to long distance directory assistance is obtained by dialing 1 + (area code) + 555-1212. When more than one number is requested in a single call, a charge will be applicable for each number requested, whether or not the number is listed or published.

3.5.6 Emergency Call Handling Procedures

Emergency "911" calls are not routed to company, but are completed through the local network at no charge.

3.5.7 Promotional Offerings

The Company may offer approved special promotions of new or existing services or products for limited time periods as approved by the Commission. These promotions will include specific tariffed starting and ending dates. All such promotions will be offered on a completely non-discriminatory basis. All such tariffed promotions must be approved by the Commission and must state exactly what charges are being reduced or waived, who is eligible, and what Customers have to do to be eligible.

SECTION 4 - RATES

4.1 1+ & 101XXXX Dialing

$0.15 per minute

A $4.95 per month per number service charge applies.
Billed in one minute increments

4.2 Travel Cards

$.199 per minute

A $.25 per call service charge applies.
Billed in one minute increments

4.3 Toll Free Service

$0.15 per minute

A $10.00 per month per number service charge applies.

Billed in one minute increments

4.4 Prepaid Calling Cards

$.499 Per Telecom Unit

$1.00 per call charge

4.5 Directory Assistance

$.95 per each number requested

4.6 Returned Check Charge

$25.00

4.7

	Monday - Friday	Sat.	Sun.
8 a.m. to 5 p.m.*	Daytime Rate Period		
5 p.m. to 11 p.m.*	Evening Rate Period		Evening Rate Period
11 p.m. to 8 a.m.*	Night/Weekend Rate Period		

* To, but not including

When a message spans more than one rate period, total charges for the minutes in each rate period are calculated and the results for each rate period are totaled to obtain the total message charge. If the calculation results in a fractional charge, the amount will be rounded up to the higher cent.

4.8 Rates Applicable for Hearing/Speech Impaired Persons

For intrastate toll messages which are communicated using a telecommunications device for the deaf (TDD) by properly certified business establishments or individuals equipped with TDDs for communications with hearing or speech impaired persons, the rates shall be evening rates for daytime calls and night rates for evening and night calls.
Intrastate toll calls received from the relay service, each local exchange and interexchange telecommunications company billing relay call will be discounted by 50 percent of the applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call will be discounted 60 percent off the applicable rate for voice nonrelay calls.

Florida Public Service Commission Rules and Regulations require the Company to provide the first 50 directory assistance calls initiated per billing cycle by handicapped persons free of charge.

4.9 Employee Concessions

The Company does not offer employee concessions.

4.10 Late Charge

1.5% monthly or the amount otherwise authorized by law, whichever is lower.

4.11 Payphone Dial Around Surcharge

A dial around surcharge of $.35 per call will be added to any completed INTRAstate toll access code and subscriber toll-free 800/888 type calls placed from a public or semi-public payphone.

4.12 Reconnection Charge

$25.00

FINANCIAL INFORMATION

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

FORM 10-Q

(Mark one)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: July 31, 2002

OR

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

For the transition period from to

Commission File Number 0-2180

COVISTA COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

New Jersey	**22-1656895**
(State or other Jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4803 Highway 58 North, Chattanooga, TN 37416
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (423) 648-9700

150 Clove Road, 8th Floor, Little Falls, NJ 07424
(Former address of principal executive offices) (Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at September 20, 2002
Common Share, $.05 par value	12,682,752 shares

COVISTA COMMUNICATIONS, INC.

AND SUBSIDIARIES

SECOND QUARTER REPORT ON FORM 10-Q

INDEX

COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(Unaudited)

	Six Months Ended July 31,		Three Months Ended July 31,	
	2002	2001	2002	2001
NET SALES	$ 50,229,089	$58,336,354	$25,680,947	$28,892,331
Costs and Expenses				
Cost of sales	36,156;414	49,087,504	18,483,048	22,349,264
Selling, general and administrative	20,870,727	14,069,658	11,328,925	6,500,708
Total costs and expenses	57,027,141	63,157,162	29,811,973	28,849,972
OPERATING (LOSS) INCOME	(6,798,052)	(4,820,808)	(4,131,026)	42,359
Other Income (Expense)				
Interest income	44,328	75,641	42,711	40,392
Other income	26,471	271,588	112,146	18,331
Interest expense	(255,313)	(33,527)	(141,751)	(15,522)
Total other income	(184,514)	313,702	13,106	43,201
NET (LOSS) INCOME BEFORE TAXES	(6,982,566)	(4,507,106)	(4,117,920)	85,560
Income tax benefit	511,220	-	511,220	-
NET (LOSS) INCOME	$(6,471,346)	$(4,507,106)	$(3,606,700)	$85,560
BASIC (LOSS) EARNINGS PER COMMON SHARE	$ (0.51)	$ (0.47)	$ (0.28)	$ 0.01
DILUTED (LOSS) EARNINGS PER COMMON SHARE	$ (0.51)	$ (0.47)	$ (0.28)	$ 0.01
DIVIDENDS PER SHARE	N/A	N/A	N/A	N/A

See notes to condensed consolidated financial statements.

COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	July 31, 2002 (Unaudited)	January 31, 2002 (Note)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,946,670	$ 1,379,038
Investments available for sale	-	439,773
Accounts receivable, net	14,416,801	10,252,837
Notes Receivable		500,000
Prepaid network capacity	400,000	-
Prepaid expenses and other current assets	265,497	1,373,780
TOTAL CURRENT ASSETS	19,028,968	13,945,428
PROPERTY AND EQUIPMENT, NET	15,160,610	12,489,626
OTHER ASSETS:		
Deferred line installation costs, net	187,587	174,785
Intangible assets, net	2,977,260	386,142
Goodwill, net	8,346,660	-
Other assets	3,937,737	4,260,810
TOTAL OTHER ASSETS	15,449,244	4,821,737
TOTAL ASSETS	$49,638,822	$31,256,791

NOTE: The balance sheet at January 31, 2002 has been taken from the audited consolidated financial statements at that date.
See notes to condensed consolidated financial statements.

COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	July 31, 2002 (Unaudited)	January 31, 2002 (Note)
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 2,776,880	$ 381,405
Accounts payable	21,598,660	19,465,274
Other current and accrued liabilities	7,397,246	4,434,795
Salaries and wages payable	448,356	991,012
TOTAL CURRENT LIABILITIES	32,221,142	25,272,486
OTHER LONG-TERM LIABILITIES	2,578	15,466
LONG-TERM DEBT	9,377,029	4,400,000
TOTAL LIABILITIES	41,600,749	29,687,952
SHAREHOLDERS' EQUITY		
Common Stock	710,872	619,288
Additional paid-in-capital	38,483,074	25,650,098
Accumulated deficit	(29,710,433)	(23,255,107)
Treasury stock	(1,445,440)	(1,445,440)
TOTAL SHAREHOLDERS' EQUITY	8,038,073	1,568,839
	$49,638,822	$31,256,791

NOTE: The balance sheet at January 31, 2002 has been taken from the audited consolidated financial statements at that date.

See notes to condensed consolidated financial statements.

COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended July 31, 2002	Six Months Ended July 31, 2001
OPERATING ACTIVITIES:		
Net loss	$(6,471,346)	$(4,507,106)
Adjustment for non-cash charges	4,200,556	3,866,088
Gain on sale of marketable securities	-	(262,234)
Changes in assets and liabilities, net of effect of acquisition of business	(2,216,064)	(1,382,933)
Net cash used in by operating activities	(4,486,854)	(2,286,185)
INVESTING ACTIVITIES:		
Cash acquired in purchase of business	1,179,165	90,402
Proceeds on sale of marketable securities	439,773	1,141,302
Purchases of marketable securities	-	(608,369)
Purchase of prepaid network capacity	-	(4,000,000)
Purchase of property and equipment	(1,345,415)	(3,539,473)
Additions to deferred line installation costs	(12,802)	(26,420)
Net cash provided by (used in) investing activities	260,721	(6,942,558)
FINANCING ACTIVITIES:		
Sale of Common Stock	277,433	6,300,000
Proceeds of loan from shareholder	6,375,000	4,000,000
Bank Borrowing	141,332	(302,014)
Net cash provided by financing activities	6,793,765	9,997,986
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,567,632	769,243
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,379,038	2,691,889
CASH AND CASH EQUIVALENTS, END OF PERIOD	$3,946,670	$3,461,132
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest	$ 119,321	$ 33,527
Tax refund	(511,220)	-
Business Acquired		
Fair Value of Assets	$ 23,028,630	
Less Liability Assumed	(10,056,503)	
Less: Stock Consideration for business acquired	(14,151,299)	
Cash acquired from business acquired	(1,179,172)	

See notes to condensed consolidated financial statements

COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to the consolidated financial statements included in the Annual Report on Form 10-K of Covista Communications, Inc. (formerly Total-Tel USA Communications, Inc.) and Subsidiaries (Covista) for the fiscal year ended January 31, 2002. In the Opinion of Management, all adjustments (consisting of normal recurring accruals only) considered necessary for a fair presentation have been included. Operating results for the six-month period ended July 31, 2002 are not necessarily indicative of the results that may be expected for the year ending January 31, 2003.

NOTE B -NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations." SFAS 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method. The adoption of SFAS 141 did not have a significant impact on the Company, beyond the cessation of goodwill amortization on future business combinations. As of July 31, 2002 Covista has $8,307,850 of goodwill recorded on its books in connection with the Capsule acquisition.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets", which is effective January 1, 2002. SFAS 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. SFAS 142 also requires Covista to complete a transitional goodwill impairment test six months from the date of adoption.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 143 ("SFAS 143"), "Accounting for Asset Retirement Obligations", which is effective for Covista's fiscal years beginning February 1, 2003. SFAS 143 requires recording the fair value of a liability for an asset retirement obligation in the period in which it is incurred, and a corresponding increase in the carrying value of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, it is either settled for its recorded amount or a gain or loss upon settlement is recorded. Covista is currently assessing but has does not expect the impact of SFAS 143 to be material to its financial position and results of operations.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long Lived Assets", which is effective for all fiscal years beginning after December 15, 2001. SFAS 144 replaces the 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 144 requires that long-lived assets to be measured at the lower of the carrying amount or fair value, less cost to sell, whether included in continuing operations or in discontinued operations. Covista is currently assessing, but has does not expect the impact of SFAS 144 to be material to its financial position and results of operations.

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". This statement eliminates the automatic classification of gain or loss on extinguishment of debt as an extraordinary item of income and requires that such gain or loss be evaluated for extraordinary classification under the criteria of Accounting Principles Board No. 30 "Reporting Results of Operations". This statement also requires sales-leaseback accounting for certain lease modifications that have economic effects that are similar to sales-leaseback transactions and makes various other technical corrections to existing pronouncements. This statement will be effective for Covista for the year ending January 31, 2003. The adoption of this statement will not have a material effect on our results of operations or financial position.

In July 2002, the Financial Accounting Standards Board issued SFAS No.146,"Accounting for Costs Associated with Exit or Disposal Activities." SFAS No.146 will supersede Emerging Issues Task Force Issue No.94-3,"Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No.146 requires that costs associated with an exit or disposal plan be recognized when incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No.146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

NOTE C -- EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted (loss) earnings per common share:

	Six Months Ended		Three Months Ended	
	July 31,2002	July 31,2001	July 31, 2002	July 31, 2001
Numerator:				
(Loss) Earnings available to Common Shareholders used in basic and diluted (loss) earnings per Common Share	$(6,471,346)	$(4,507,106)	$(3,606,700)	$85,560
Denominator:				
Weighted-average number of Common Shares used in basic (loss) earnings per Common Share	12,568,524	9,568,783	12,670,805	10,819,405
Effect of diluted securities:				
Common share options(1)	-	-	-	286,103
Weighted-average number Of Shares and diluted potential Common Shares used in diluted (loss) earnings per Common Share	12,568,524	9,568,783	12,670,805	11,105,508
Basic (loss) earnings Per Common Share	$ (0.51)	$ (0.47)	$ (0.28)	$ 0.01
Diluted (loss) earnings per Common Share	$ (0.51)	$ (0.47)	$ (0.28)	$ 0.01

(1) Common Shares subject to options are not included in the calculation of diluted loss per Common Share for the six month periods ended July 31, 2002 and 2001, and the three-month period ended July 31, 2002, as doing so would be antidilutive due to the net loss per common share.

NOTE D -- SEGMENT REPORTING

Covista sells telecommunications services to three distinct segments: a retail segment consisting primarily of small to medium sized businesses principally within the United States, a wholesale segment with sales to other telecommunications carriers throughout the world, and a segment that generates sales through direct mailing campaigns (KISSLD) which started in the beginning of fiscal year 2003 for residential customers in network supported areas on the East Coast.

In addition to direct costs, each segment is allocated a portion of the Covista's switch and operating expenses. The allocation of expense is based upon the minutes of use flowing through the Covista's switch network. There are no intersegment sales. Assets are held at the consolidated level and are not allocable to the operating segments. Covista evaluates performance on operating earnings of the three business segments.

Summarized financial information concerning Covista's reportable segments is shown in the following table:

	Retail	Wholesale	KISS LD	Total
Six Months Ended July 31, 2002				
Net Sales	$ 38,351,030	$ 8,290,447	$ 3,587,612	$ 50,229,089
Gross margin	14,613,102	(765,346)	224,919	14,072,675
Operating loss	(465,571)	(1,556,080)	(4,766,401)	(6,798,052)
Six Months Ended July 31, 2001				
Net Sales	$ 24,721,154	$ 33,615,200	N/A	$ 58,336,354
Gross margin	7,809,725	1,439,125	N/A	9,248,850
Operating loss	(3,722,735)	(1,098,073)	N/A	(4,820,808)

NOTE E – INCOME TAXES

For the fiscal year ended January 31, 2002, Covista established a valuation allowance against its net deferred tax asset due to the uncertainty of realizing certain tax credits and loss carryforwards. In the quarter ended July 31, 2002, Covista continued this accounting treatment and recorded a full valuation allowance against the net tax benefit arising from the quarter's net operating loss. The result is that the net deferred tax asset of approximately $14,278,000 is fully offset by the valuation allowance and, as such, does not appear on the balance sheet. It will be reflected at net recoverable value when the net deferred tax asset can be utilized in future periods.

During the second quarter of the fiscal year 2003, Covista received a tax refund of $511,220; which reflected a change in IRS regulations regarding net operating loss carrybacks.

NOTE F – ACQUISITION OF CAPSULE COMMUNICATIONS

On February 8, 2002, Covista completed the merger (the "Merger") of its wholly owned subsidiary CCI Acquisitions, Inc. ("CCI") with and into Capsule Communications, Inc. ("Capsule"), pursuant to the Agreement and Plan of Reorganization dated as of July 17, 2001 among Covista, CCI and Capsule (the "Merger Agreement"). As a result of the Merger, Capsule became a wholly owned subsidiary of Covista. Covista has accounted for the combination with Capsule as a purchase business combination under SFAS 141("Business Combination"). Capsule is a switch-based interexchange carrier providing long distance telephone communications services primarily to small and medium-size business customers as well as residential accounts.

The results of Capsule's operations have been included in Covista's statement of operations since the Merger Date. The total purchase price was approximately $12.7 million and consisted of approximately 1.7 million shares of Covista's Common Stock, valued at approximately $11.6 million determined based on the average closing market price of Covista's Common Stock at the time of acquisition, options assumed from Capsule for the purchase of 286,975 shares of Common Stock valued at approximately $1.1 million using the Black-Scholes Valuation Model, using an exercise price of $3.49 to $20.10, expected lives of 0.5 to 2 years, 156% volatility, 2.69% discount rate, and Covistas' stock price of $6.71. In addition, Covista incurred approximately $0.3 million in acquisition expenses.

The following table summarizes the estimate of fair value of the assets acquired and liabilities assumed at the Merger Date.

Cash	$ 1,179,172
Current assets	5,717,428
Property and equipment	3,544,981
Other assets	89,199
Intangible assets	4,190,000
Goodwill	8,307,850
Total assets acquired	23,028,630
Current liabilities	(10,056,503)
Total purchase price	$(12,972,127)

The intangible assets acquired from Capsule were identified as its business customer relationships valued at $1,288,000, its residential customer relationships valued at $376,000, and its agent relationships valued at $2,526,000. These intangibles are being amortized over periods of 10 months to four years. The customer and agent relationships are amortized using double-declining method.

The unaudited pro forma information below represents the consolidated results of operations as if the merger with Capsule had occurred as of February 1, 2001 and 2002. The unaudited pro forma information has been included for comparative purposes and is not indicative of the results of operations of the consolidated Company had the merger occurred as of February 1, 2001, nor is it necessarily indicative of future results.

	Six Months Ended		Three Months Ended	
	July 31,2002	July 31,2001	July 31, 2002	July 31, 2001
Total Revenue	$ 50,229,089	$ 77,658,853	$ 25,680,946	$ 38,467,264
Loss attributable to Common stockholders	(6,471,346)	(5,017,533)	(3,606,700)	(79,733)
Basic net loss per common share	(0.51)	(0.40)	(0.28)	(0.01)

NOTE G – SHAREHOLDER LOAN

As of July 31, 2002, Covista received loans from Henry G. Luken III, its Chairman of the Board and principal shareholder, in the amount of $7,000,000. These loans will be converted to equity upon shareholder approval which approval is expected to be sought at Covista's Annual Shareholder meeting planned to be held prior to the end of calendar year 2002. Covista currently has the necessary votes to approve the conversion.

NOTE H – NOTES PAYABLE

Covista has a revolving $2,000,000 credit facility with Wells Fargo Business Credit Corporation, which was renegotiated and amended on May 11, 2002, which expires on May 11, 2004. Interest on the revolving credit facility is currently calculated at the prime lending rate plus 2 3/4%, on a minimum loan balance of $750,000. The loan is collateralized by accounts receivable and fixed and intangible assets of Covista. As of July 31, 2002, Covista's outstanding balance on its credit facility was $1,378,352 leaving approximately $621,648 available based on collateral for future borrowing under the credit facility.

The loan agreement contains covenants and restrictions, which, among other things, require maintenance of certain subjective financial performance criteria and restrict encumbrance of assets, creation of indebtedness and places limitations on annual capital expenditures. Covista was not in compliance with several of its covenants in the Loan and Security Agreement, however, Covista received verbally advised waivers related to such conditions of non-compliance relevant to the filed period ended July 31, 2002.

On June 17, 2002, Covista entered into a term loan agreement with a major Tennessee bank. Covista has received $3,775,000 payable monthly in 36 installments at a fixed interest rate of 4.595% for the first year and converting to 2% over LIBOR on June 17, 2003 and each year thereafter. This term loan is secured by certain of the company's switching equipment and Certificates of Deposit provided by Covista's chairman of the board.

COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS:

Certain matters discussed in this Quarterly Report on Form 10-Q are "forward-looking statements" intended to qualify for the safe harbor from liability provided by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified as such because the context of the statement will include words such as Covista "believes", "anticipates", "expects", or words of similar import. Similarly, statements which describe Covista's future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which are described in close proximity to such statements and which could cause actual results to differ materially from those anticipated as of the date of this Report. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward- looking statements and are cautioned not to place undue reliance upon such forward-looking statements. The forward-looking statements included herein are made only as of the date of this Report and Covista undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances, except as required under applicable laws.

Results of Operations

Net sales were approximately $50,229,000 for the first six months of the current fiscal year, a decrease of approximately $8,107,000 or 13.9% as compared to the approximately $58,336,000 recorded in the first six months of the prior fiscal year. Net sales for the second quarter of the current fiscal year were approximately $ 25,681,000, a decrease of approximately $3,211,000 or 11.1% as compared to the approximately $28,892,000 recorded in the second quarter of the prior fiscal year.

Wholesale revenue for the six-month period decreased to approximately $8,290,000 a decrease of approximately $25,325,000 or 75.3%. This decrease is largely attributable to the loss of facilities due to the September 11, 2001 terrorist attacks on New York City, after which Covista decided to exit such market. For the quarter ended July 31, 2002, wholesale revenue was approximately $3,656,000, a decrease of approximately $12,326,000 or 77.1% over the comparative quarter in the last fiscal year. Wholesale minutes sold in the six-month period ended July 31, 2002 were approximately 116,037,000 minutes, a decrease of approximately 184,834,000 minutes or 61.4%. Wholesale minutes sold in the quarter ended July 31, 2002 were approximately 49,887,000 minutes, a decrease of approximately 97,868,000 minutes or 66.2%. For the six- month period the decline in revenue does not parallel the increased usage due to an approximate 37.1% reduction of price, because of the competitive wholesale market place, a trend that Covista believes is likely to continue. Covista has also attempted to limit its exposure by tightening up credit limits on all wholesale accounts. A rate decrease of approximately 34.0% was experienced in the three-month period ended July 31, 2002.

Retail revenues for the six-month period were approximately $41,939,000, an increase of approximately $17,218,000 or 69.6%. For the quarter ended July 31, 2002, retail revenues were approximately $22,025,000, an approximately $9,114,000 or 70.6% increase over the comparative quarter in the last fiscal year. Retail minutes sold in the six-month period ended July 31, 2002 were approximately 582,433,000 minutes, an increase of approximately 268,790,000 minutes or 85.7%. Retail minutes sold in the quarter ended July 31, 2002 were approximately 312,200,000 minutes, an increase of approximately 151,206,000 minutes, or 94.0%.

KissLD revenues (a product with the retail revenue segment) for the six month period were approximately $3,588,000. KissLD is a new product offering for the current fiscal year, and therefore, does not have prior year comparatives. The total minutes sold for KissLD for the six month period was approximately 45,961,000. For the three month period ended July 31, 2002, sales were approximately $1,800,000 for KissLD. KissLD minutes sold for the three month period ended July 31, 2002 were approximately 34,739,000.

For the six-month period ended July 31, 2002, Covista has experienced a reduction of approximately 0.68 cents per minute or 10.3% to an average billing rate per minute of 5.97 cents during the current fiscal year.

For the three-month period ended July 31, 2002, the volume increase of approximately 151,206,000 minutes was attributed to the acquisition of Capsule Communications of 143,311,000 minutes and the addition of a new residential product of 34,739,000 minutes and a concerted sales effort to acquire new customers. Covista experienced a reduction of approximately 0.54 cents per minute or 8.3% to an average billing rate of 5.94 cents per minute in the three-month period ended July 31, 2002. This rate decrease amounts to approximately $1,685,850 for the quarter which was offset by the approximately 151,206,000 minute volume increase, resulting in the approximately $9,114,000 increase in retail revenue for the three- month period ended July 31, 2002.

Cost of sales for the current six-month period was approximately $36,156,000, a decrease of approximately $12,932,000 or 26.3%. These changes were favorable in relation to the 13.9% decrease in sales for the six-month period. The decrease in cost of sales was primarily due to a decrease in carrier volume of approximately $25,325,000.

Cost of sales for the three-month period ended July 31, 2002 was approximately $18,483,000, a decrease of approximately $3,866,000 or 17.3%. These changes were favorable in relation to the 11.1% decrease in revenues in the second quarter. The decrease in cost of sales was primarily due to the reduced volume of carrier traffic of approximately $12,326,000. These savings were offset by the cost of additional retail volume of approximately $9,114,000.

Selling, general and administrative expense for the six-month period increased to approximately $20,870,000, an increase of approximately $6,800,000 or 48.3%. For the quarter ended July 31, 2002, selling, general and administrative expense was approximately $11,329,000, an approximate $4,828,000, or a 74.3% increase over the comparative quarter in the last fiscal year. The increase of approximately $6,800,000 for the six-month period was primarily due to an increase in sales, general and administrative costs acquired in the Capsule merger of $6,878,000; additional amortization of intangible assets related to the Capsule merger of $1,600,000; an increase in rent expenses related to the addition of the Tennessee Call Center and the addition of the Chattanooga and Dallas Switch sites of $390,000. These increases were partially offset by reductions in provision for doubtful accounts of $911,000 due to a reduction in high risk wholesale business, a reduction in salary expense of $1,309,000 due to reductions in force and miscellaneous cost savings of $140,000. For the three month period ended July 31, 2002, the increase of approximately $4,828,000 was comprised primarily of increased sales, general and administrative costs acquired from the Capsule merger of $3,980,000 and additional amortization of intangibles related to the same merger of $736,000; partially offset by a miscellaneous cost savings of $112,000.

For the reasons described above, the operating loss for the six-month period ended July 31, 2002 was approximately $6,789,000, an increase of approximately $1,968,000 from the six-month period ended July 31, 2001. The operating loss for the three-month period ended July 31, 2002 was approximately $4,131,000, an increase of approximately $4,173,000 over the prior year's three-month period ended July 31, 2001.

Total other loss, net, for the current six-month period was approximately $185,000 as compared to approximately $314,000 of total other income, net, recorded in the prior year six-month period. Total other income for the current fiscal quarter was approximately $13,000 as compared to approximately $43,000 of total other income recorded in the comparable period during the prior fiscal year.

During the second quarter of the fiscal year 2003, Covista received a tax refund of $511,220; which reflected a change in IRS regulations regarding net operating loss carrybacks.

Basic and diluted loss per Common Share was $0.51 per share for the current six-month period ended July 31, 2002 as compared to $0.47 loss per share for the six-months ended July 31, 2001. Basic and diluted loss per Common Share was $0.28 per share for the current three-month period ended July 31, 2002 as compared to earnings of $0.01 per Common Share for the three-months ended July 31, 2001.

Liquidity and Capital Resources

At July 31, 2002, Covista had a working capital deficit of approximately $13,192,000, an increase of approximately $1,865,000 as compared to January 31, 2002. The ratio of current assets to current liabilities at July 31, 2002 was 0.6:1, as compared to the ratio of 0.55:1 at January 31, 2002. The decrease in working capital and increase in working capital deficit at July 31, 2002 was primarily attributable to a decrease in investments available for sale of approximately $440,000; a decrease in notes receivable of $500,000; a decrease in prepaid expenses of approximately $1,108,000; an increase in current portion of long term debt of approximately $2,395,000; an increase of accounts payable of approximately $2,133,000; and an increase in other current liabilities of $2,962,000. These reductions in working capital were partially offset by an increase in cash of approximately $2,568,000; an increase in accounts receivable of approximately $4,164,000; an increase in prepaid network capacity of $400,000; and a decrease in accrued salaries payable of approximately $543,000

On February 21, 2002, Covista announced that on February 20, 2002, its Board of Directors had approved the private sale of additional Common Stock of up to $12,500,000. The investment includes a cash infusion of $7,000,000 already received, contribution of $3,300,000 of fixed assets and $2,200,000 cash to be received upon shareholder approval. The total debt or Common Stock and the conversion of all existing long-term debt for debt or Common Stock to Common Stock at the rate of $5.00 per share, which was the closing price for the Common Stock on the date authorized by the Board. The commitment for funding for the investment and the conversion of the indebtedness is anticipated to come primarily from the current Chairman of Covista's Board or his designee's and is subject to shareholder's approval at the next Annual Meeting, or a special meeting of Shareholders to be convened for such purpose. Finally, the company is planning to obtain a line of credit from a bank. If such line of credit is not obtained, the Chairman of the Board has committed to loaning $2 million to the Company through at least the second quarter of fiscal 2004.

The increase in cash of approximately $2,568,000 was the result primarily of proceeds from the sale of Common Stock of $277,000; proceeds from a long term loan received from a major shareholder of approximately $6,375,000; the proceeds from the sale of marketable securities of approximately $440,000; cash acquired in the acquisition of Capsule Communications of approximately $1,179,000 and net proceeds from bank borrowings of approximately $141,000. . These increases were offset by cash used in operations of approximately $4,487,000; and purchases of property and equipment of approximately $1,345,000.

Capital Expenditures

Capital expenditures for the six-month period ended July 31, 2002 were approximately $1,345,000. The major expenditures were approximately $1,163,000 for new switches installed as part of Covista's network expansion; approximately $57,000 for equipment and fixtures for Covista's Tennessee call center; and approximately $125,000 for software and hardware upgrades to the local area network (LAN).

Capital expenditures for the remainder of Fiscal 2003 are estimated at approximately $125,000 and are expected to be financed from funds provided from operations.

Prepaid Network Capacity

On July 2, 2001, Covista received a loan from Henry G. Luken III, its Chairman of the Board and principal shareholder, in the amount of $4,000,000. This loan will be converted to equity upon shareholder approval which approval is expected to be sought at Covista's Annual Shareholder meeting planned to be held prior to the end of calendar year 2002. Covista currently has the necessary votes to approve the conversion. The proceeds of the loan were used to purchase a 10-year commitment for approximately 2.8 billion DS-0 channel miles of telecommunications network capacity from an unaffiliated party. The unaffiliated party has filed for Chapter 11 reorganization; however, as of the date of this report, is continuing to perform under the agreement, and therefore, management does not believe that this asset is impaired. However, management was unable to determine if this carriers' bankruptcy filing will impact the carrier's ability to fulfill its' obligation to Covista under the prepaid network capacity agreement.

As of the date hereof, Covista has used 30 million DS-0 channel miles of telecommunications network capacity against the 2.8 billion DS-0 total prepaid network capacity, of which $400,000 has been classified as a current asset and based on anticipated usage in the next 12 months the remainder of the prepaid capacity amount of approximately $ 3,200,000 is included in other assets.

Subsequent Event

Covista completed its move to Chattanooga and took a charge in the period of approximately $273,000 for severance costs for terminated employees, which this charge has been fully expensed in the current period.

Accounts Receivable and Credit Risk

Accounts receivable subjects Covista to the potential for credit risk with customers in the retail and wholesale segments. To reduce credit risk, Covista performs ongoing evaluations of its customers' financial condition and, except in situations where the risk warrants it, Covista does not require a deposit or other collateral. Accounts receivable of approximately $14,417,000, net of the reserve for uncollectible accounts totaling approximately $6,586,000, represents approximately 30.0% of the total assets of Covista.

No one customer accounts for greater than eight percent of the total revenues. In the wholesale segment, which contains Covista's largest customers, Covista has been able to reduce credit risk by using reciprocal arrangements with certain customers, which are also Covista's suppliers, to offset outstanding receivables. Covista has historically maintained a better than three percent ratio of bad debts to revenues. For the three-month period ended July 31, 2002, this ratio was less than 2.4%. Covista also measures accounts receivable turnover (as measured in days sales outstanding). For the periods ended July 31, 2002 and 2001 days sales outstanding were 89.6 days and 117.9 days, respectively.

The Company is in the process of integrating the Covista and Capsule customer service databases, and is currently processing the Capsule billing on the Covista billing platform.

Related Party Transactions

Jay J. Miller, a Director of Covista, has provided various legal services for Covista in Fiscal 2003. In the second quarter, Fiscal 2003, Covista accrued $16,000 to Mr., Miller for services rendered and accrued for in Fiscal 2003. As of July 31, 2002, Covista owed Mr. Miller $16,000. Covista believes that Mr. Miller's fees were reasonable for the services performed and were no less favorable to Covista than could have been obtained from an unrelated third party.

Leon Genet, a Director of Covista, has provided agent services for Covista through his wholly-owned Registrant, LPJ, Inc. During the second quarter, Fiscal 2003, LPJ, Inc. was paid commissions of $15,024. The commissions paid to LPJ, Inc. were computed on the same basis as other independent agents retained by Covista.

Covista has entered into a lease agreement for approximately 28,000 square feet of office space in Chattanooga, Tennessee, with Henry G. Luken III Chairman of the Board and a principal shareholder of Covista. The term of the lease is for five years beginning September 1, 2001. The lease provides for annual rent of $86,400 from September 1, 2001 to August 30, 2002; $115,200 from September 1, 2002 to August 30, 2003; $144,000 from September 1, 2003 to August 30, 2004, with the last two years to be $144,000 annually adjusted for the Consumer Price Index. Covista believes that such premises are leased on terms not less favorable than an arm's length transaction. For the second quarter FY 2003 Covista has paid Henry G. Luken III $21,600 for rent of office space.

As of July 31, 2002, Covista received loans from Henry G. Luken III, its Chairman of the Board and principal shareholder, in the amount of $7,000,000. These loans will be converted to equity upon shareholder approval which approval is expected to be sought at Covista's Annual Shareholder meeting planned to be held prior to the end of calendar year 2002. Covista currently has the necessary votes to approve the conversion.

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

Covista's revenues, net of sales discounts, are recognized in the period in which the service is provided, based on the number of minutes of telecommunications traffic carried, and a rate per minute. Access and other service fees charged to customers, typically monthly, are recognized in the period in which service is provided.

Deferred Line Installation Costs

Deferred line installation costs are costs incurred by Covista for new facilities and costs incurred for connections from within the Covista's network to the network of other telecommunication suppliers (such as Verizon, MFS and other carriers). Amortization of such line installation costs is provided using the straight-line method over the contract life of the lines ranging from three to five years.

Long-Lived Assets

Covista accounts for the impairment of long-lived assets and for long-lived assets to be disposed of by evaluating the carrying value of its long-lived assets in relation to the operating performance and future undiscounted cash flows of the underlying businesses annually and when indications of impairment are present. Long-lived assets to be disposed of, if any, are evaluated in relation to the net realizable value. If impairment is indicated, the amount of the impairment is typically calculated using discounted expected future cash flows. The discount rate applied to these cash flows is based on Covista's weighted average cost of capital. If the carrying value of the asset exceeds the fair value of the asset, the difference will be charged to the results of operations in the period in which the impairment occurred. Based on Covista's analysis of future undiscounted cash flow, which are in excess of the carrying value of its long-lived assets, there does not appear to be an impairment as of July 31, 2002.

On July 2, 2001, Covista received a loan from Henry G. Luken III, its Chairman of the Board and principal shareholder, in the amount of $4,000,000. This loan will be converted to equity upon shareholder approval which approval is expected to be sought at Covista's Annual Shareholder meeting planned to be held prior to the end of calendar year 2002. Covista currently has the necessary votes to approve the conversion.
The proceeds of the loan were used to purchase a 10-year commitment for approximately 2.8 billion DS-0 channel miles of telecommunications network capacity from an unaffiliated party. The unaffiliated party has filed for Chapter 11 reorganization; however, as of the date of this report, is continuing to perform under the agreement, and therefore, management does not believe that this asset is impaired. However, management was unable to determine if this carriers' bankruptcy filing will impact the carrier's ability to fulfill its' obligation to Covista under the prepaid network capacity agreement.

As of the date hereof, Covista has used 30 million DS-0 channel miles of telecommunications network capacity against the 2.8 billion total prepaid network capacity, of which $400,000 has been classified as a current asset and based on anticipated usage in the next 12 months the remainder of the prepaid capacity amount of approximately $ 3,200,000 in included in other assets.

Goodwill

Goodwill consists of the excess purchase price over the fair value of identifiable net assets of acquired businesses. Goodwill added subsequent to January 1, 2002 is not being amortized in accordance to SF142. The carrying value of goodwill is evaluated for impairment on an annual basis. Management also reviews goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. If it is determined that an impairment in value has occurred, goodwill will be written down to the present value of the expected future operating cash flows to be generated by the respective reporting unit.

Vendor Disputes

In the normal course of business Covista will file disputes with its service suppliers. Covista accounting policy is to record the invoiced amount to cost of sales, which may include disputed amounts. When the dispute is resolved and the credit is received, the amount is credited to cost of sales. Open disputes included in cost of sales for the six-month period and the three-month period ended July 31, 2002 are approximately $109,000 and $55,000, respectively.

Intangible Assets

Intangible assets are carried at cost, less accumulated amortization, and are amortized on a double-declining or straight-line basis over their expected lives based upon managements' expectation regarding the timing of future realization. Covista does not currently have any indefinite-lived intangible assets, which are not subject to amortization.

Market Risk

Market risk represents the risk of changes in value of a financial instrument, derivative or non-derivative, caused by fluctuations in interest rates, foreign exchange rates and equity prices. As Covista holds no marketable securities at July 31, 2002, the exposure to interest rate risk relating to marketable securities no longer exists. Covista does not hold any derivatives related to its interest rate exposure. Covista also maintains long-term debt at fixed rates. Due to the nature and amounts of Covista's note payable, an immediate 10% change in interest rates would not have a material effect in Covista's results of operations over the next fiscal year. Covista's exposure to adverse changes in foreign exchange rates is also immaterial to the consolidated statements as a whole.

COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

ITEMS 1 - 6 Not applicable

I, A. John Leach, Jr., certify that;

1) I have reviewed this quarterly report on Form 10-Q of Covista;

2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3) Based on my knowledge, the financial statements, and other financial information included in quarterly annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Covista as of, and for, the periods presented in this annual report;

4) Covista's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Covista are have;

    a) designed such disclosure controls and procedures to ensure that material information relating to Covista, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) evaluated the effectiveness Covista's disclosure controls and procedures as of a date with 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5) Covista's other certifying officers and I have disclosed, based on our most recent evaluation, to Covista's auditors and the audit committee of Covista's board of directors (or persons performing the equivalent functions);

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect Covista's ability to record, process, summarize, and report financial data, and I have identified for Covista's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in Covista's internal controls; and

6) Covista's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 20, 2002

By: /s/ A. John Leach, Jr.
A. John Leach, Jr.
President and Chief
Executive Officer

I, Thomas P. Gunning., certify that;

1) I have reviewed this quarterly report on Form 10-Q of Covista;

2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3) Based on my knowledge, the financial statements, and other financial information included in quarterly annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Covista as of, and for, the periods presented in this annual report;

4) Covista's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Covista are have;

    a) designed such disclosure controls and procedures to ensure that material information relating to Covista, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) evaluated the effectiveness Covista's disclosure controls and procedures as of a date with 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5) Covista's other certifying officers and I have disclosed, based on our most recent evaluation, to Covista's auditors and the audit committee of Covista's board of directors (or persons performing the equivalent functions);

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect Covista's ability to record, process, summarize, and report financial data, and I have identified for Covista's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in Covista's internal controls; and

6) Covista's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 20, 2002

By: /s/ Thomas P. Gunning
Thomas P. Gunning,
Vice President, Chief Financial
Officer and Principal Accounting
Officer

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Covista Communications, Inc. on Form 10-Q for the period ending July 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, A. John Leach, Jr., President and CEO of Covista Communications, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

1) The report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Covista Communications, Inc.

Date: September 20, 2002

By: /s/ A. John Leach, Jr.
A. John Leach, Jr.
President and Chief
Executive Officer

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Covista Communications, Inc. on Form 10-Q for the period ending July 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas P. Gunning, CFO of Covista Communications, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

3) The report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

4) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Covista Communications, Inc.

Date: September 20, 2002

By: /s/ Thomas P. Gunning
Thomas P. Gunning,
Vice President, Chief Financial Officer and Principal Accounting Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COVISTA COMMUNICATIONS, INC.
(Registrant)

Date: September 20, 2002 By: /s/ A. John Leach, Jr.
A. John Leach, Jr.
President and Chief
Executive Officer

Date: September 20, 2002 By: /s/ Thomas P. Gunning
Thomas P. Gunning,
Vice President, Chief Financial
Officer and Principal Accounting
Officer

MANAGEMENT INFORMATION

ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

ITEM 10. Directors and Executive Officers of Covista

The directors and officers of Covista are as follows:

Name	Age	Position
Henry G. Luken III	40	Chairman of the Board
A. John Leach, Jr.	38	Director, President, Chief Executive Officer
Kevin Alward	35	Chief Operating Officer and Director
Jay J. Miller	68	Director
Nicholas Merrick	38	Director
Walt Anderson	46	Director
Leon Genet	70	Director
Donald Jones	66	Director
Thomas P. Gunning	64	Treasurer, Secretary and Chief Financial Officer

Covista's directors all serve for one year terms and until their successors are elected and qualify. Officers serve at the pleasure of the Board of Directors.

Henry G. Luken, III was elected a Director of Covista in February, 1999, and Chairman of the Board in February, 2001. Currently, he is President of Mont Lake Properties, Inc., a real estate development firm;a director of Equity Broadcasting Corp., a TV network; a director of ACNTV, a home shopping company selling through TV; Managing Agent of Henry IV LLC, an aircraft sales company. A co-founder of Telco Communications Group inc., he served as Chief Executive Officer and Treasurer from July, 1993 to April, 1996, and Chairman from July, 1993 to October, 1997. Mr. Luken has also served as Chairman of Tel-Labs, Inc., a telecommunications billing firm ("Tel-Labs") since 1991, and as Chairman of Telco Development Group, Inc., a computer systems firm owned by Mr. Luken, since 1987, both of which entities he founded.

Walt Anderson was elected a Director of Covista in February, 1999, and as Chairman of the Board in November , 1999. He stepped down as Chairman in February, 2001. He has been Manager of Revision LLC from June 1998 to the present; President and Chairman of Entree International Ltd. (Financial Consulting Services) from July, 1997 to the present; Chairman of Capsule Communications, Inc, as of April 2001, Chairman of Teleport UK Ltd. (Satellite Communications) from May, 1996 to the present; Chairman of Espirit Telecom Group plc. (Telecom Services) from October, 1992 to November, 1998 and President and Chairman, Mid Atlantic Telecom (Telecom Services), from May, 1984 to December, 1993. Mr. Anderson is also a director of American Technology Labs (Network Equipment) and Aquarius Holdings Ltd. (Water Transport Systems),

Leon Genet has served as a Director since October, 1996. For more than the past five years, he has been a partner in Genet Realty, a commercial and industrial real estate brokerage firm. He serves as a member of the National Commerce and Industry Board for the State of Israel Bonds Organization and is a shareholder, director and officer of LPJ Communications, Inc., which has earned commissions from Covista on the same basis as other independent sales representatives. See "Certain Relationships and Related Transactions".

A. John Leach, Jr. was appointed President and Chief Executive Officer and a Director of Covista on May 18,2000. He had been Senior Vice President of Sales at BTI Telecomm, Inc., from December, 1999 to May, 2000; Senior Vice President of Teleglobe, Inc. from June, 1996 to December, 1999, where he assumed responsibility for US and Canadian commercial sales markets. He was promoted to this position from Senior Vice President of Wholesale and Agent Markets, Telco Communications (a subsidiary of Teleglobe, Inc.) June, 1996 to February, 1999. Prior to that, Mr. Leach was Vice President of Agent Services at BTI Telecomm, from December, 1989 to June, 1996. Regional Sales Manager of Mobilecomm (a Bell South Company) where he started in sales and rose to a Regional Sales Manager position May, 1985 to December, 1989.

Jay J. Miller, Esq. has served as a Director since 1983. He has been a practicing attorney for more than 35 years in New York. He is Chairman of the Board of AmTrust Pacific Ltd., a New Zealand real estate company. He is also a director of Technology Insurance Company, Inc., a provider of various insurance products to the technology industry, and certain of its affiliates. Mr. Miller has performed legal services on behalf of Covista. See "Certain Relationships and Related Transactions."

Thomas P. Gunning was appointed Vice President, Secretary / Treasurer of Covista in May 1999. He was appointed Chief Financial Officer in September, 1994 and served in that capacity until May 0f 1999. He was again appointed Chief Financial Officer in May of 2000. He was appointed Secretary of Covista in January of 1995. He has served as Controller of Covista since September, 1992. He is a Certified Public Accountant licensed by the States of New York and New Jersey. From 1989 until joining Covista, Mr. Gunning was the Senior Audit Manager at Rosenberg Selsman & Company, a certified public accounting firm. From 1976 to 1989, he was Chief Financial Officer of Flyfaire, Incorporated, a travel wholesale operator. Prior to such time, Mr. Gunning held various positions in both public and private accounting firms.

Donald Jones recently retired from his position as Senior Vice President for Chapter Services of the American Red Cross, for which he worked since 1991. Prior to joining the Red Cross, Mr. Jones was Deputy Assistant Secretary of Defense for Military Manpower and Personnel Policy. Mr. Jones served in the United States Army for over 35 years and retired in 1991 with the permanent rank of Lieutenant General.

Nicholas Merrick currently serves as President of Mt Vernon Investments, LLC, an investment company, which he has served as President since January 2002. Mr. Merrick served as Senior Vice President and Chief Financial Officer of Telergy, Inc., a high-speed fiber optic communications network company, from May, 2000 to July, 2001. Telergy filed for reorganization under the bankruptcy laws in October 2001 and is currently in the process of liquidation. Prior to joining Telergy, Mr. Merrick was Chief Executive Officer of Up2 Technologies, Inc. and Executive Vice President of Excel Communications, each of which is a subsidiary of Teleglobe, Inc. (global communications, e-business services), from 1998 until 2000. From 1996 to 1997, he was Vice President and Chief Financial Officer of Telco Communications Group, Inc., and from 1985 to 1996, he was Vice President of Corporate Finance at the Robinson-Humphrey Company, Inc. and Managing Director of R-H Capital Partners.

Kevin A. Alward was appointed Chief Operating Officer of Covista on March 29, 2001 and was elected a director of Covista on July 17, 2001. He had previously served TotalTel USA as President and Chief Operating Officer from 1994 to 1998, when he left the company to become President of North America for Destia Communications, Inc. (formerly known as Econophone, Inc.) and its successor bymerger, Viatel, Inc. In April 2000, he co-founded Blink Data Corp., a telecommunications and data services provider headquartered in northern New Jersey, where he was President and Chief Executive Officer until his return to Covista.

STATEMENT OF FINANCIAL CAPABILITY

Capsule Communications, Inc. has sufficient financial capability to provide the requested service in the State of Florida and has sufficient financial capability to maintain the requested service and to meet its lease or ownership obligations. In support of Capsule Communications, Inc.'s stated financial capability, a copy of the Form 10-Q for quarterly period ended July 31, 2002, for Applicant's parent company, Covista Communications, Inc. is attached to its application. Capsule Communications, Inc. intends to fund the provision of service through internally generated cash flow. Capsule Communications, Inc. also has the ability to borrow funds, if required, based upon its financial capabilities, and the parent company is committed to providing any necessary capital if needed to provide service in the State of Florida.