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February 3, 2004

VIA FEDERAL EXPRESS

Mr David Waddell
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 32743-0505

Re: Covista, Inc.
Docket No. 03-00459

Dear Mr. Waddell:

Pursuant to the Commission's letter dated August 11, 2003, enclosed please find for filing an original and thirteen (13) copies of the following information:

1. Corporate structure of Covista, Inc ;

2. Financial statements of Covista, Inc. including balance sheet, income statement and statement of cash flows for year ended January 31, 2003 and the interim for April 30, 2003,

3. Total projections for three years for Covista;

4 10K for Covista Communications, Inc.; and

5 Covista intends to subscribe to and/or participate in BellSouth's TAR Code data base in order to insure compliance with Tennessee's County Wide Calling Statute.

APPLICANT HAS ALSO ENCLOSED ONE COPY OF NO. 2 & NO. 3 IN A SEPARATE ENVELOPE AND HEREBY RESPECTFULLY REQUESTS CONFIDENTIAL TREATMENT OF THE ENCLOSED FINANCIAL INFORMATION THAT CONTAINS CONFIDENTIAL AND PROPRIETARY INFORMATION. APPLICANT EXPECTS THAT THIS INFORMATION WILL BE RESTRICTED TO COUNSEL, AGENTS AND EMPLOYEES WHO ARE SPECIFICALLY ASSIGNED TO THIS APPLICATION BY THE COMMISSION.

I have also enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, self-addressed, postage prepaid envelope If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me Thank you

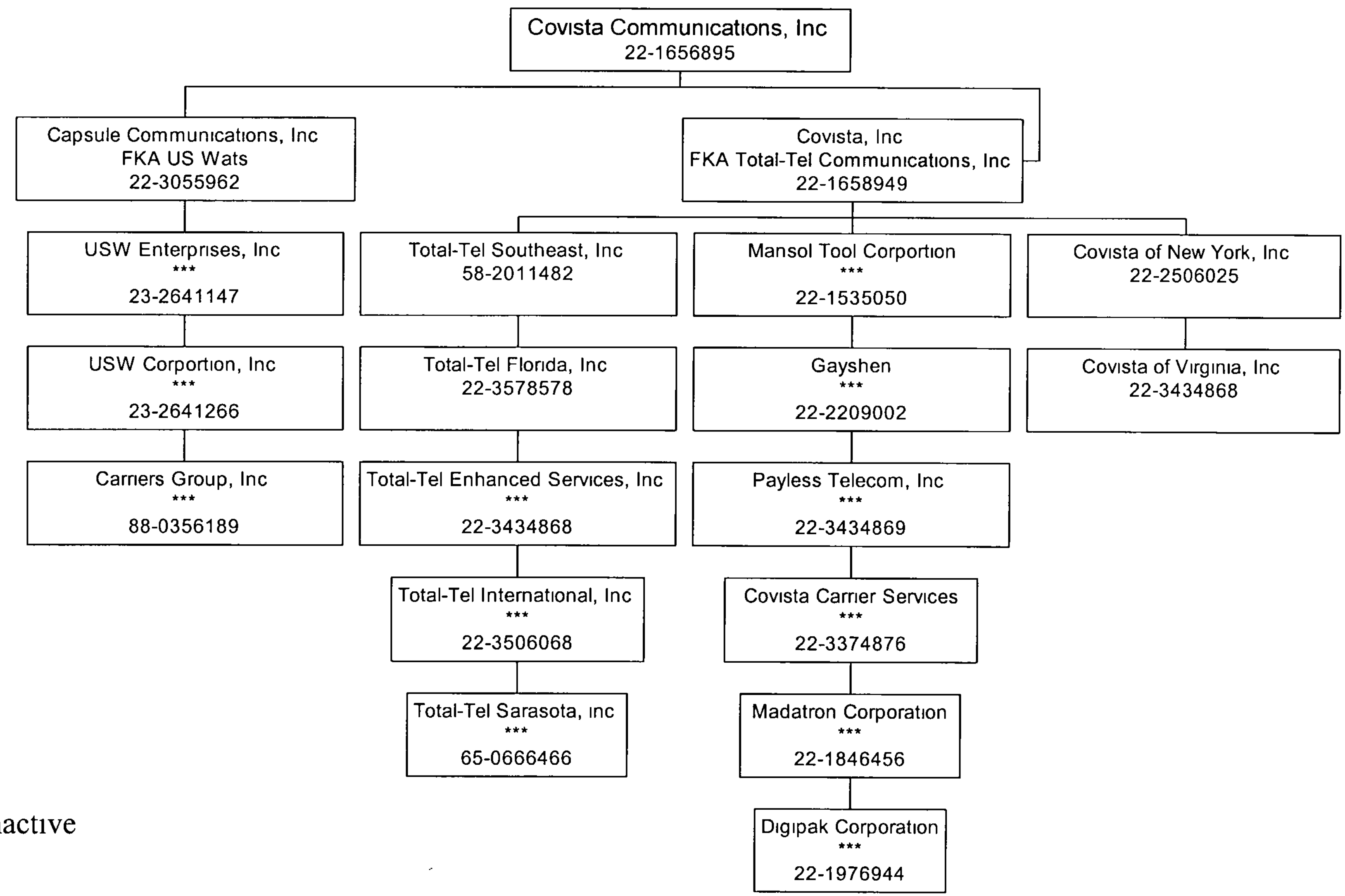
Respectfully submitted,

Lance J.M. Steinhart
Attorney for Covista, Inc

Enclosures
cc Frank Pazera (w/enc)

COVISTA COMMUNICATIONS

Holding Company & Subsidiaries



Key
*** Inactive

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D C 20549

FORM 10-K

(Mark one)

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

For the Fiscal year ended **January 31, 2003**

OR

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from_________to__________

Commission File Number 0-2180

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

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

721 Broad Street, Suite 200, Chattanooga, TN 37402
(Address of principal executive offices)(Zip Code)

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

Securities registered pursuant to Section 12 (b) of the Act
None

Securities registered pursuant to Section 12 (g) of the Act
Common Stock, $ 05 par value per share

Indicate by check mark whether Covista Communications, Inc ("Covista" or the "Company")(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 Covista was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes X No ___

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

Aggregate market value (based upon a $2 20 closing price) of the voting stock held by nonaffiliates of Covista as of May 1, 2003, $12,722,820

Number of shares of Common Stock outstanding on May 1, 2003 17,783,092

Documents Incorporated By Reference
None

PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Annual Report on Form 10-K 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 can generally 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 on such forward-looking statements The forward-looking statements included herein are only made 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

ITEM 1 Business

General

Covista is a long distance telecommunications, Internet and data services provider Covista operates three distinct business segments retail, KISSLD and wholesale Retail is currently the largest segment and provides long distance, data and Internet services to small and medium sized businesses, principally in the Northeast region of the United States KISSLD is a new segment started in Fiscal 2003, which targets residential users located in areas supported by network facilities The wholesale segment sells long distance telecommunication services to other carriers for resale Covista utilizes its own switching equipment and leased fiber optic transmission cable Covista's products and services include a broad range of voice, data and Internet, including long distance and toll-free services, calling cards, data, Internet access, virtual private network, directory assistance and teleconferencing services Covista currently operates five switches in various locations In July 2001, Covista acquired long-term access to nationwide network facilities comprising 2,822,400,000 channel miles of telecommunications capacity measured by length of voice-grade circuits Covista processes approximately 87 5 percent of all its call volume through its own facilities

In the retail market, Covista has segmented potential customers and tailored its service offerings, sales, marketing approach and network development to provide service in a cost-effective manner Covista applies a dedicated team approach to soliciting and servicing its commercial clients, with substantial involvement of sales, customer service and technical personnel in all aspects of customer relations Covista intends to continue to maintain its retail marketing efforts on small to medium-sized businesses with sales of $1 million to $60 million and monthly communications bills that range from $500 to $30,000 KISSLD is a new segment that was launched during Fiscal 2003 This segment targets residential users with direct marketing campaigns The Company expects the KISSLD segment to become the fastest growing of the three The Company plans to introduce local services into the KISSLD segment during Fiscal 2004 Covista also maintains a wholesale segment

During the fiscal year ended January 31, 2003, Covista completed the relocation of its corporate headquarters from Little Falls, New Jersey to Chattanooga, Tennessee and opened a new call center facility in Chattanooga, Tennessee In addition, the Company operates a network operations center in Chattanooga to monitor and control its network and to coordinate its various services On February 8, 2002, the Company acquired Capsule Communications, Inc ("Capsule"), a telecommunications carrier providing long-distance telephone communications services to small and medium size business customers and residential customers generally located in the Mid-Atlantic region Covista maintains sales offices in Paramus, New Jersey and Bensalem, Pennsylvania

For Fiscal 2003, Covista had gross revenues of approximately $101 million, derived approximately 75% from retail, 13% from KISSLD, and 12% from wholesale For Fiscal 2002, Covista's gross revenues were approximately $95 million Prior to the Capsule acquisition and the introduction of KISSLD, Covista's retail sales activities historically were concentrated in New Jersey and New York City, where, Covista believes, approximately half of all United States multinational corporations have headquarters The Capsule base expanded the Company's retail reach through the Mid-Atlantic States and the KISSLD segment will target customers throughout the United States See Note 3 to the Consolidated Statements for segment information

Covista's principal executive offices are located at 721 Broad Street, Suite 200, Chattanooga, TN, 37402, and its telephone number is (423) 648-9500

INDUSTRY OVERVIEW

History and Industry Development

Prior to 1984, AT&T dominated both the local exchange and long distance marketplaces by owning the operating entities that provided both local exchange and long distance services to most of the United States population Although long distance competition began to emerge in the late 1970s, the critical event triggering the growth of long distance competition was the breakup of AT&T and the separation of its local and long distance businesses as mandated by the Modified Final Judgment (the "MFJ") relating to the breakup of AT&T To foster competition in the long distance market, the MFJ prohibited AT&T's divested local exchange businesses, the Regional Bell Operating Companies ("RBOCs"), from acting as single-source providers of telecommunications services

The Telecommunications Act of 1996, (the "1996 Act"), is considered to be the most comprehensive reform of the nation's telecommunications laws, affect the development of competition for local telecommunications services The 1996 Act provides for the removal of legal barriers to entry into the local telecommunications services market, the interconnection of the Incumbent Local Exchange Carrier (the "ILEC") network with competitors' networks and the relaxation of the regulation of certain telecommunications services provided by Local Exchange Carriers ("LECs") and others Procedures and requirements were established to be followed by the RBOCs, including the requirement that RBOCs offer local services for resale as a precondition to their entering the long distance and telecommunications equipment manufacturing markets

The continuing deregulation of the telecommunications industry and technological change has resulted in an increasingly information-intensive business environment Regulatory, technological, marketing and competitive trends have substantially expanded Covista's opportunities in the converging voice and data communications services markets For example, technological advances, including rapid growth of the Internet, the increased use of packet switching technology for voice communications, and the growth of multimedia applications, are expected to result in growth in the high-speed data services market

This new market opportunity should permit Competitive Local Exchange Carriers ("CLECs") with operating and marketing expertise to offer a full range of telecommunications services, including local and long distance calling, toll-free calling, custom calling features, data services, and Internet access and services Telecommunications companies with an established base of long distance customers may have an opportunity to sell additional services to such customers

Network

Covista's strategy has been to develop a geographic concentration of revenue-producing customers through the sale of telecommunications services in areas where it has installed switching platforms

Current Network

Switches Currently, Covista operates an advanced telecommunications network that includes five Alcatel switches, located in New York City, Philadelphia, Pennsylvania, Minneapolis, Minnesota, Dallas, Texas and Chattanooga, Tennessee The Philadelphia switch was acquired upon the merger with Capsule Communications The New York switch is an Alcatel Megahub DEX600E, which provides interexchange switching capabilities and is currently being used as Covista's international gateway switching platform

In July 2001, Covista acquired long-term access to nationwide network facilities comprising 2,822,400,000 channel miles of telecommunications capacity measured by length of voice-grade circuits

During Fiscal 2003, Covista billed approximately 1 45 billion minutes, with approximately 87 5% of its minutes carried over its own switches Covista believes that increasing the traffic carried on its own network should improve operating margins

International Covista is interconnected with a number of United States and foreign wholesale international carriers through its New York switch The purpose of connecting to a variety of carriers is to provide state-of-the-art, lowest-cost routing and network reliability These interconnected international carriers have been a source of wholesale international traffic and revenue

Internet Currently, Covista owns and operates an IP (Internet Protocol) Network that includes two Cisco 7500 routers, located in New York City Covista also owns and operates an Ascend TNT remote access server (RAS) located in New York The RAS provides dial-up Internet access services Through associations with providers of wholesale Digital Subscriber Lines ("DSL"), Covista offers DSL Internet service in the Philadelphia, New York, New Jersey and Connecticut markets Covista also offers Internet services over dedicated DS0, DS1 and DS3 digital transmission circuits

Other Features. Covista is interconnected by SS7 out-of-band digital signaling throughout its network The SS7 signaling system reduces connect time delays, thereby enhancing overall network efficiencies Additionally, the SS7 technology is designed to permit the anticipated expansion of Covista's Advanced Intelligent Network ("AIN") capabilities throughout its network Covista's advanced switching platform would enable it to (i) deploy features and functions quickly throughout its entire network, (ii) expand switch capacity in a cost-effective manner, and (iii) lower maintenance costs through reduced training and spare parts requirements

Security and Reliability Covista has a Network Operating Center (NOC) in Chattanooga, Tennessee, which monitors and controls Covista's network and coordinates its various services from a central location, increasing the security, reliability and efficiency of Covista's operations Centralized electronic monitoring and control of Covista's network allows Covista to avoid duplication of this function in each switch site The NOC also helps reduce Covista's per-customer monitoring and customer service costs In addition, Covista's network employs an "authorized access" architecture Unlike many telecommunications companies, which allow universal access to their network, Covista utilizes an automatic number identification security screening architecture which ensures only the Automatic Number Identification (ANIs) of those users who have subscribed to Covista's services and have satisfied Covista's credit and provisioning criteria have access to the network Covista believes that this architecture provides Covista the ability to better control bad debt and fraud in a manner, which is invisible and nonintrusive to the customer This architecture also allows Covista to better manage network capacity, as unauthorized and unplanned users cannot access the network

PRINCIPAL PRODUCTS AND SERVICES

Product and Service Offerings

Retail Services Covista provides telecommunications services to over 152,000 commercial customers, primarily small and medium-sized businesses, located in the Northeastern region of the United States Covista sells retail services through its independent marketing representatives and web based marketing programs Retail services accounted for approximately $75,455,000 or 75% of Covista's Fiscal 2003 total revenue This compares to approximately $47,423,000 of retail revenue in Fiscal 2002 The increase in retail revenue is a result of the acquisition of Capsule Communications

Covista's retail services include the following

- **Long Distance** Covista offers a full range of switched and dedicated domestic and international long distance services, including "1+" outbound service in all 50 states along with global termination to over 200 countries Long distance services include intra-LATA (Local Access Terminating Area), inter-LATA, and worldwide international services Long distance features include both verified and non-verified accounting codes, station-to-station calling, third-party calling, directory assistance and operator-assisted calling

- **Toll-free Services·** Covista offers a full range of switched and dedicated domestic toll-free services, including toll-free origination in all 50 states, international toll-free origination from over 30 countries, and toll-free directory assistance AIN enhanced toll-free services include the following features Command Routing, Dialed Number Identification Service Area Code/Exchange Routing, Real Time Automatic Number Identification Delivery, Day-of-Year Routing, Day-of-Week Routing, Time-of-Day Routing, Percentage Allocation Routing, PIN protected 800 services, integrated voice response services and store locator services

- **Access Options** Covista offers its long distance and toll-free customers multiple access options, including dedicated access at DS0, DS1, and DS3 speed(s) and switched access

- **Calling Card and Services** Covista offers nationwide switched access, customized calling card services Customers have the option of calling cards, which are personalized, branded or generic

- **Internet** Covista currently offers high-quality, dedicated DSL and dial-up Internet access, e-mail, IP addressing and Domain Name Services

- **Data Services** Covista offers advanced data transmission services, including private line and Frame Relay services Data services have multiple access options, including dedicated access at DS0, DS1, and DS3 speed(s) and switched access

- **Customer Management Control Features** All of Covista's customers have the option of customized management reporting features, including interstate/intrastate area code summaries, international destination matrix, daily usage summaries, state summaries, time of day summaries, duration distribution matrix, exception reporting of long duration calls, and incomplete and blocked call reporting

KISSLD During Fiscal 2003, Covista introduced a new business segment, KISSLD, a direct marketing program that targets residential customers located in areas supported by the existing company network At year-end, over 58,000 customers were being billed on a monthly basis KISSLD revenues accounted for $12,990,000 or 13% of Covista's Fiscal 2003 total revenue

Wholesale Services Covista offers the following wholesale services domestic and international termination, switch ports, colocation facilities and transport services to a broad spectrum of domestic and international carriers Covista offers international wholesale termination and transport services primarily to domestic and international telecommunications carriers Covista's wholesale results were severely affected by the September 11, 2001 terrorist attack The Company suffered the temporary loss of its New York City switch, which is situated in the immediate vicinity of the World Trade Center As a result, Covista incurred a significant reduction in wholesale revenues The impact of the revenue loss, combined with additional expenses, was in excess of approximately $14,000,000 Covista has filed an insurance claim for losses and expenses associated with the events of September 11, and received an initial $1,000,000 in the FY 2002 The total claim and final settlement cannot be determined at this time Wholesale revenues were approximately $12,514,000 and $47,889,000 during Fiscal 2003 and Fiscal 2002, respectively Future wholesale revenues are expected to decline as management dedicates more focus and resources to the higher margin retail and KISSLD revenues

CUSTOMER BASE

Telecommunications Services Market

Overview of the United States Market The United States market for telecommunications services can be divided into four basic service sectors long distance, local exchange, Internet access and international

Long Distance Services A long distance telephone call can be envisioned as consisting of three segments Starting with the originating customer, the call travels along a local exchange network to a long distance carrier's point of presence ("POP") At the POP, the call is combined with other calls and sent along a long distance network to a POP on the long distance carrier's network near where the call will terminate The call is then sent from this POP along a local network to the terminating customer Long distance carriers provide only the connection between the two local networks, and, unless the long distance carrier is a local service provider, pay access charges to LECs for originating and terminating calls

Local Exchange Services A local call is one that does not require the services of a long distance carrier In general, the local exchange carrier connects end-user customers within a locally defined area known as a Local Access and Transport Area or "LATA" and also provides the local access (ingress and egress) of most long distance calls

Internet Service Internet services are generally provided in at least two distinct segments A local network connection is required from the Internet Service Provider ("ISP") customer to the ISP's local facilities For large, communication-intensive users and for content providers, the connections are typically unswitched, dedicated connections provided by LECs, Intelligent Call Processing ("ICP"), or other providers, either as independent service providers or, in some cases, by a carrier that is both a Competitive Local Exchange Carrier (CLEC) and an Internet Service Provider (ISP) For residential and small and medium-sized business users, these connections are generally Public Switched Telephone Network ("PSTN") connections obtained on a dial-up access basis as a local exchange telephone call Once a local connection is made to the ISP's local facilities, information can be transmitted and obtained over a packet-switched IP data network, which may consist of segments provided by many interconnected networks operated by a number of ISPs The collection of interconnected networks makes up the Internet A key feature of Internet architecture and packet switching is that a single dedicated channel between communication points is never established which distinguishes Internet-based services from the PSTN

International Service A typical international long distance call originates on a local exchange network or private line and is carried to the international gateway switch of a long distance carrier The call is then transported along a fiber optic cable or a satellite connection to an international gateway switch in the terminating country and, finally, to another local exchange network or private line where the call is terminated Generally, only a small number of carriers are licensed by a foreign country for international long distance and, in many countries, only the Postal Telephone & Telegraph administration ("PTT") is licensed or authorized to provide international long distance service Any carrier which desires to transport switched calls to or from a particular country, in addition to obtaining a license or other permission (if required), must enter into operating agreements or other arrangements with the PTT or another international carrier in that country or lease capacity from a carrier which already has such arrangements

Market Opportunities

As a result of the 1996 Act and other Federal, state, and international initiatives, numerous telecommunications markets have been opened to competition In addition, the increasing globalization of the world economy, along with increased reliance upon data transmission and Internet access, has expanded traditional telecommunications markets Covista has targeted its services principally to small and medium-sized businesses based upon its belief that such customers are not aggressively targeted by Tier I providers and are underserved with respect to customer service and support Covista is also targeting residential long distance users with competitive rates for domestic and international long distance usage and plans to offer Local Exchange Services to residential users during FY2004

COMPETITION

Overview

Covista operates in a highly competitive industry and estimates that it has less than a 1% share of the market in which it operates Covista expects that competition will continue to intensify in the future due to regulatory changes, including the continued implementation of the 1996 Act, and further increases in the size, resources, and number of market participants In each of its markets, Covista will face competition from larger, better capitalized Tier I and Tier II providers and ILECs and CLECs While new business opportunities may be made available to Covista through the 1996 Act and other federal and state regulatory initiatives, regulators are likely to provide ILECs with an increased degree of flexibility with regard to pricing of their services as competition increases

Competition for Covista's products and services is based upon price, quality, the ability to bundle services, name recognition, network reliability, service features, billing services, perceived quality and responsiveness to customers' needs While Covista believes that it currently has certain advantages relating to price, quality, customer service and responsiveness to customer needs, there is no assurance that Covista will be able to maintain these advantages or obtain additional advantages A continuing trend toward business combinations and alliances in the telecommunications industry may create significant new competitors to Covista Many of Covista's existing and potential competitors have financial, technical, and other resources significantly greater than those of Covista In addition, in December, 1997, the FCC issued rules to implement the provisions of the World Trade Organization Agreement on Basic Telecommunications, which was drafted to liberalize restrictions on foreign ownership of domestic telecommunications companies and to allow foreign telecommunications companies to enter domestic markets The new FCC rules went into effect in February 1998 and are expected to make it substantially easier for many non-United States telecommunications companies to enter the United States market, thus further increasing the number of competitors The new rules will also give non-United States individuals and corporations greater ability to invest in United States telecommunications companies, thus increasing the financial and technical resources potentially available to existing and potential competitors as well as Covista

The effects of recent financial restructuring of major competitors (WorldCom, Global Crossing and others) could allow these companies to reduce retail prices, thereby increasing competitive pressure on the Company

Long Dıstance Market

The long dıstance telecommunıcatıons ındustry ıs hıghly competıtıve and affected by the ıntroductıon of new servıces by, and the market actıvıtıes of, major ındustry partıcıpants Covısta competes agaınst varıous natıonal and regıonal long dıstance carrıers, ıncludıng both facılıtıes-based provıders and swıtchless resellers offerıng essentıally the same servıces as Covısta In addıtıon, sıgnıfıcant competıtıon ıs expected to be provıded by ILECs ıncludıng RBOCs The RBOC's have been authorızed to provıde long dıstance servıces ın certaın states Covısta's success wıll depend upon ıts abılıty to provıde hıgh-qualıty servıces at prıces competıtıve wıth, or lower than, those charged by ıts competıtors In addıtıon, a hıgh level of customer attrıtıon or "churn" has characterızed the long dıstance ındustry Such attrıtıon ıs attrıbutable to a varıety of factors, ıncludıng ınıtıatıves of competıtors as they engage ın advertısıng campaıgns, marketıng programs, and provıde cash payments or other ıncentıves End users are often not oblıgated to purchase any mınımum usage amount and can dıscontınue servıce wıthout penalty at any tıme Covısta's revenue has been, and ıs expected to contınue to be, affected by churn

Tıer I provıders and other carrıers have ımplemented new prıce plans aımed at resıdentıal customers wıth sıgnıfıcantly sımplıfıed rate structures, whıch may have the ımpact of lowerıng overall long dıstance prıces There can also be no assurance that long dıstance carrıers wıll not make sımılar offerıngs avaılable to the small to medıum-sızed busınesses, whıch Covısta prımarıly serves Whıle Covısta belıeves that small and medıum-sızed busıness customers are not aggressıvely targeted by large long dıstance provıders, such as the Tıer I provıders, there can be no assurance that Covısta's customers and potentıal customers wıll not be targeted by these or other provıders ın the future Addıtıonal prıcıng pressure may come from IP transport, whıch ıs a developıng use of packet-swıtched technology, whıch can transmıt voıce communıcatıons at a cost, whıch may be below that of tradıtıonal cırcuıt-swıtched long dıstance servıce Whıle IP transport ıs not yet avaılable ın all areas, ıts use requıres the dıalıng of addıtıonal dıgıts Whıle the servıce has generally produced sound qualıty ınferıor to tradıtıonal long dıstance servıce, ıt could eventually be perceıved as a substıtute for tradıtıonal long dıstance servıce Thıs, ın turn, could put further prıcıng pressure on long dıstance rates Any reductıon ın long dıstance prıces may have a materıal adverse effect on Covısta's busıness, fınancıal condıtıon and results of operatıons

Some of Covısta's prıncıpal competıtors are also major supplıers of servıces to Covısta Covısta both lınks ıts swıtchıng equıpment wıth transmıssıon facılıtıes and servıces purchased or leased from these supplıers, and also resells servıces obtaıned from these supplıers There can be no assurance that these supplıers wıll contınue to offer servıces to Covısta at competıtıve rates or on attractıve terms, ıf at all, and any faılure to do so could have a materıal adverse effect on Covısta

Seasonal Nature of Busıness

The Company's busıness ıs not seasonal

Patents, Trademarks, Lıcenses, etc

The Company does not hold any materıal patents, franchıses or concessıons

GOVERNMENT REGULATIONS

Overview

Covısta's servıces are subject to regulatıon by federal, state and local governmental agencıes The FCC exercıses jurısdıctıon over all facılıtıes and servıces of telecommunıcatıons common carrıers to the extent those facılıtıes are used to provıde, orıgınate or termınate ınterstate or ınternatıonal communıcatıons State regulatory agencıes retaın jurısdıctıon over carrıers' facılıtıes and servıces to the extent they are used to orıgınate or termınate ıntrastate communıcatıons Munıcıpalıtıes and other local government agencıes may requıre carrıers to obtaın lıcenses or franchıses regulatıng use of publıc rıghts-of-way necessary to ınstall and operate theır networks The networks are also subject to numerous local regulatıons such as buıldıng codes, franchıses, and rıghts of way lıcensıng requırements Many of the regulatıons ıssued by these regulatory bodıes may be subject to judıcıal revıew, the results of whıch Covısta ıs unable to predıct

Federal Regulations - The 1996 Act

Statutory Requirements. The 1996 Act requires all LECs (including ILECs and CLECs) (i) not to prohibit or unduly restrict resale of their services, (ii) to provide local number portability, (iii) to provide dialing parity and nondiscriminatory access to telephone numbers, operator services, directory assistance, and directory listings, (iv) to afford access to poles, ducts, conduits, and rights-of-way, and (v) to establish reciprocal compensation arrangements for the transport and termination of local telecommunications traffic It also requires ILECs to negotiate local interconnection agreements in good faith and to provide interconnection (a) for the transmission and routing of telephone exchange service and exchange access, (b) at any technically feasible point within the ILEC's network, (c) which is at least equal in quality to that provided by the ILEC to itself, its affiliates, or any other party to which the ILEC provides interconnection, and (d) at rates and terms and conditions which are just, reasonable and nondiscriminatory ILECs also are required under the 1996 Act to provide nondiscriminatory access to network elements on an unbundled basis at any technically feasible point, to offer their local telephone services for resale at wholesale rates, and to facilitate colocation of equipment necessary for competitors to interconnect with or access Unbundled Network Elements ("UNEs")

The 1996 Act also eliminates the existing AT&T antitrust consent decree, which barred the provision of long distance services and manufacturing by the RBOCs In addition, the 1996 Act requires RBOCs to comply with certain safeguards and offer interconnection, which satisfies a prescribed 14-point competitive checklist before RBOCs are permitted to provide in-region inter-LATA services These safeguards are designed to ensure that the RBOCs competitors have access to local exchange and exchange access services on nondiscriminatory terms and that the subscribers of regulated non-competitive RBOC services do not subsidize their provision of competitive services The safeguards also are intended to promote competition by preventing RBOCs from using their market power in local exchange services in order to obtain an anti-competitive advantage in the provision of other services RBOCs have the ability to provide out-of-region long-distance services and, if they obtain authorization and under prescribed circumstances, may provide additional in-region long-distance services In December 1999, the FCC granted Bell Atlantic's (now Verizon) application to offer in-region long distance services in New York, marking the first time since the breakup of AT&T that an RBOC has been able to provide its customers with both local and long distance service

The 1996 Act also granted important regulatory relief to industry segments, which compete with CLECs ILECs were given substantial new pricing flexibility RBOCs also were granted new rights to provide certain cable TV services Inter Exchange Carriers ("IXCs") were permitted to construct their own local facilities and/or resell local services State laws may no longer require CATVs to obtain a franchise before offering telecommunications services nor permit CATVs' franchise fees to be based on their telecommunications revenue In addition, under the 1996 Communications Act, all utility holding companies are permitted to diversify into telecommunications services through separate subsidiaries

FCC Rules Implementing the Local Competition Provisions of the 1996 Act. In August 1996, the FCC released a First Report and Order, a Second Report and Order and a Memorandum Opinion and Order (combined, the "Interconnection Orders") which established a framework of minimum, national rules enabling state Public Utility Commissions ("PUCs") and Public Service Commissions ("PSCs"), and the FCC to begin implementing many of the local competition provisions of the 1996 Act In its Interconnection Orders, the FCC prescribed certain minimum points of interconnection necessary to permit competing carriers to choose the most efficient points at which to interconnect with the ILECs' networks The FCC also adopted a minimum list of UNEs that ILECs must make available to competitors upon request and a methodology for states to use in establishing rates for interconnection and the purchase of UNEs The FCC also adopted a methodology for States to use when applying the 1996 Act "avoided cost standard" for setting wholesale prices with respect to retail services

The U S Supreme Court affirmed the authority of the FCC to establish rules governing interconnection Covista believes that additional disputes regarding interconnection issues and other related FCC actions are likely In particular, the Supreme Court remanded to the FCC issues regarding what UNEs the FCC will require ILECs to make available to competitors In November 1999, the FCC released a decision modifying the list of UNEs which all ILECs must offer to other carriers The Eighth Circuit decisions and their reversal by the Supreme Court continue to cause uncertainty about the rules governing the pricing, terms and conditions of interconnection agreements The Supreme Court's ruling and further proceedings on remand (either at the Eighth Circuit or the FCC) may affect the scope of the PUCs' and PSCs' authority to conduct arbitration proceedings or to implement or enforce interconnection agreements The ruling could also result in new or additional rules being promulgated by the FCC Given the ongoing uncertainty surrounding the effect of the Eighth Circuit decisions and the decision of the Supreme Court reversing them, Covista may not be able to obtain or enforce interconnection terms acceptable to it or that are consistent with its business plans

Other Federal Regulations

In general, the FCC has a policy of encouraging the entry of new competitors in the telecommunications industry and preventing anti-competitive practices Therefore, the FCC has established different levels of regulation for dominant carriers and non-dominant carriers For purposes of domestic common carrier telecommunications regulation, large ILECs are currently considered dominant carriers, while CLECs are considered non-dominant carriers

- ***Tariffs*** As a non-dominant carrier, Covista may install and operate facilities for the transmission of domestic interstate communications without prior FCC authorization Services of non-dominant carriers have been subject to relatively limited regulation by the FCC, primarily consisting of the filing of tariffs and periodic reports However, non-dominant carriers like Covista must offer interstate services on a nondiscriminatory basis, at just and reasonable rates, and remain subject to FCC complaint procedures With the exception of informational tariffs for operator-assisted services and tariffs for interexchange casual calling services, the FCC has ruled that IXCs must cancel their tariffs for domestic interstate interexchange services Tariffs continue to be required for international services Pursuant to these FCC requirements, Covista has filed and maintains tariffs for its interstate services with the FCC All of the interstate access and retail "basis" services (as defined by the FCC) provided by Covista are described therein "Enhanced" services (as defined by the FCC) need not be tariffed Covista believes that its proposed enhanced voice and Internet services are "enhanced" services, which need not be tariffed However, the FCC is reexamining the "enhanced" definition as it relates to IP transport and Covista cannot predict whether the FCC will change the classification of such services

- ***International Services*** Non-dominant carriers such as Covista are required to obtain FCC authorization pursuant to Section 214 of the Communications Act and file tariffs before providing international communication services Covista has obtained authority from the FCC to engage in business as a resale and facilities-based international carrier to provide voice and data communications services between United States and all foreign points

- ***Access Charges*** Over the past several years, the FCC has granted ILECs significant flexibility in their pricing of interstate special and switched access services Under this pricing scheme, ILECs may establish pricing zones based on access traffic density and charge different prices for each zone Covista anticipates that this pricing flexibility should result in ILECs lowering their prices in high traffic density areas, the probable area of competition with Covista Covista also anticipates that the FCC will grant ILECs increasing pricing flexibility as the number of interconnections and competitors increases In May 1997, the FCC took action to reform the current interstate access charge system The FCC adopted an order which makes various reforms to existing rate structures for interstate access designed to move access charges, over time, to more economically efficient rate levels and structures The FCC recently granted LECs additional pricing flexibility As such, the carriers may offer volume discounts, which may benefit larger long distance carriers

  The FCC has also implemented changes in interstate access rules that result in restructuring of the access charge system and changes in access charge rate levels As of January 1998, access charges incurred by Covista are being passed on to end-users In May 1999, the U S Court of Appeals (D C Circuit) sent the access rate formula back to the FCC for further explanation regarding how certain factors were calculated These and related actions may change access rates If the formula is upheld, and access rates are reduced, the result will be a lower cost of providing long distance service, especially to business customers The impact of these new changes will not be known until they are fully implemented over the next several years In a related proceeding, the FCC has adopted changes to the methodology by which access has been used in part to subsidize universal telephone service and other public policy goals Telecommunications providers like Covista pay fees calculated as a percentage of revenue to support these goals The full implication of these changes remains uncertain and subject to change

- ***PICC*** As part of Access Reform mandated in the Telecommunications Act of 1996, beginning in 1998, local phone companies were permitted to assess the Pre-subscribed Interexchange Carrier Charge, also known as "PICC " The "PICC" is a monthly per line cost charged by the local telephone company to every long distance carrier for each multi-line business phone line that is pre-subscribed to that carrier PICC charges are billed to the commercial end users

- ***Universal Service Reform*** In May 1997, the FCC released an order which reforms the current system of interstate universal service support and implements the universal service provisions of the 1996 Act The FCC established a set of policies and rules designed to ensure that low-income consumers and consumers who live in rural, insular and high-cost areas receive a defined set of local telecommunications services at affordable rates This was to be accomplished in part through expansion of direct consumer subsidy programs and in part by ensuring that rural, small and high-cost LECs continue to receive universal service subsidy support The FCC also created new programs to subsidize connection of telecommunications networks to eligible schools, libraries and rural health care providers These programs were to be funded by assessment of eligible revenue of nearly all providers of interstate telecommunications carriers, including Covista

  In October 1999 the FCC adopted a new high-cost universal service support mechanism for non-rural carriers The new mechanism is based on the forward-looking costs of providing supported services as determined by the Commission's cost model The forward-looking support mechanism provides support to non-rural carriers in those states that have a statewide average forward-looking cost per line greater than the national benchmark, which is set at 135 percent of the national average forward-looking cost per line The FCC's decisions regarding universal service could have a significant impact on future operations of Covista

- ***Colocation*** In March 1999, the FCC released its Colocation Order, which requires ILECs to permit CLECs to colocate any equipment used for interconnection or access to unbundled network elements even if that equipment includes switching or enhanced service functions Among other things, the Colocation Order also prohibits ILECs from placing any limits on the use of switching or enhanced features for collocated equipment, and requires ILECs to make cageless colocation available and permit CLECs to construct their own cross-connect facilities

  In March, 2000, the U S Court of Appeals for the District of Columbia Circuit vacated limited portions of the Collocation Order, holding certain definitions contained in FCC rules were impermissibly broad The Court remanded the Collocation Order, in part, for further FCC consideration of these issues

- ***Line Sharing*** In November, 1999, the FCC adopted a new order requiring ILECs to provide line sharing, which will allow CLECs to offer data services over the same line the consumer uses for voice services, without the CLECs being required to offer the voice services State commissions have been authorized to establish the prices to the CLECs for such services The decision has been appealed

<u>State Regulation</u>

Some states in which Covista operates are considering legislation, which could impede efforts by new entrants in the local services market to compete effectively with ILECs This legislation could adversely impact the Company's plans to launch local services in FY2004

Compliance with Environmental Provisions

The Company believes that it complies in all material respects with current pertinent federal, state, and local provisions relating to the protection of the environment and does not believe that continued compliance would require any material capital expenditure

Recent Development

Effective April 16, 2003, Covista executed a revolving credit and security agreement along with related documents that provide the Company with an $8 million revolving loan of which $7 million is currently available The remaining $1 million becomes available upon Covista maintaining twelve consecutive months of positive cash flow as defined in the agreement This thirty-six month facility allows the Company to borrow funds based on a portion of eligible customer accounts receivable and bears interest at the Prime Rate plus 2 00% with a floor of 6 25% Interest, unused line and collateral management fees are payable monthly in arrears Covista is required to maintain certain covenants that include cash velocity, and fixed charge coverage ratios as defined in the agreement The loan is secured by all of the Company's assets Initial loan proceeds were used to payoff the Wells Fargo facility in full

PERSONNEL

As of the April 15, 2003, Covista and its subsidiaries employed 263 full-time and part-time employees in its long distance telecommunication business, of whom 21 were engaged in sales activities, 106 in customer service and support, 30 in technical and field services, 29 in data processing, and 77 in general and administrative activities Covista also utilizes the services of approximately 2,200 independent sales agents Covista considers its relations with its employees to be satisfactory

ITEM 2 Properties

On November 15, 1993, and December 28, 1993, Covista entered into leases for an aggregate of approximately 3,500 square feet of space at 744 Broad Street, Newark, New Jersey, for its switching equipment The lease ran from January 1, 1994 through December 31, 1998, with an option to renew the lease through August 31, 2002, which has been exercised The annual rental of $63,200 also requires the tenant to pay a proportionate share of any increase in the "Consumer Price Index", U S City Average over the base year Covista has also renewed this lease on a month-to-month term while the switching components are relocated to Miami, Florida This should be completed during FY2004

On February 22, 1994, Covista entered into a lease, subsequently modified on April 15, 1994, for approximately 17,700 square feet of space at 150 Clove Road, Little Falls, New Jersey to be used as sales, executive and administrative offices The lease provided for a rent holiday until July, 1995, after which the annual rental would be approximately $360,000 The lease is for five years and ten months and has been amended by a second lease modification agreement dated February 9, 1995 whereby Covista leased approximately 6,700 additional square feet of space at the same location at an additional annual rental of $121,707 for the first four years and $138,154 for the next year and two months The modified agreement also extended the term of the existing lease for an additional two years to August 14, 2002 at a then annual rental of $563,000 The lease required the payment of the tenant's proportionate share of operating expenses and real estate tax increases over the base year This lease was not renewed on expiration

On November 1, 1996, Covista entered into a lease for approximately 8,300 square feet of space at 40 Rector Street, New York City, New York, for use as a second switching facility The term of the lease is for fifteen years and ten months from the date of commencement, which was March 1, 1997 Rental payments are $163,918 per annum for the first five years after commencement, $166,480 per annum for the next five years, and $183,128 per annum for the remaining five years and ten months The lease requires the payment of the tenant's proportional share of increased operating expenses and real estate taxes over the base year

On January 30, 1997, Covista entered into a third modification of its lease for approximately 16,640 square feet of additional office space at its existing facility at 150 Clove Road, Little Falls, New Jersey The annual rental on the additional space was $357,760 per annum from July 1, 1997 through February 14, 1998, was $366,800 per annum from February 15, 1998 through August 14, 2000, and was $384,820 per annum from August 15, 2000 through August 14, 2002 In addition, Covista was obligated for its proportionate share of increases in real estate taxes and operating expenses over the base year This lease was not renewed on expiration

On February 6, 1998, Covista entered into a lease for approximately 5,000 square feet of space at 28 W Flagler Street, Miami, Florida The term of the lease is 15 years, commencing February 1, 1998 The annual rental is approximately $116,160, with an annual adjustment based on the Revised Urban Wage Earners and Clerical Workers Index, capped at a maximum of 3% increase over the prior year's rental payment In addition, Covista is liable for its proportionate share of increases in real estate taxes and operating expenses over the base year Covista sublet this space on January 1, 2000 for the balance of its term, to another tenant at an annual rate of approximately $116,160, subject to adjustments The subtenant has defaulted on the sublease and Covista is currently moving switching equipment from the Newark, New Jersey facility to this location That move should be complete during FY2004

On August 20, 1999, Covista entered into a three year lease, commencing August 20, 1999 for 2,770 square feet of space at 20 Crossways Park North, Woodbury, New York Rental payments were $62,235 per annum from October 1, 1999 to August 31, 2000, and were $64,818 from September 1, 2000 to August 31, 2001 and $67,422 from September 1, 2001 to August 31, 2002 The lease required the payment of the tenant's proportionate share of increased operating expenses and real estate taxes over the base year Covista has not renewed this lease on expiration

On November 17, 1999, Covista entered into a three-year lease, commencing November 17, 1999 for 2,186 square feet of space at One Landmark Square, Stamford, Connecticut Rental payments were $50,278 per annum from November 17,1999 to November 16,2000, are $51,371 from November 17,2000 to November 16, 2001, and $51,556 from November 17, 2000 to November 16, 2002 There was an option to renew for three years, upon nine months' prior written notice The lease required the payment of the tenant's proportionate share of increased operating expenses and real estate taxes over the base year Covista has not renewed this lease on expiration

On October 11, 1999, Covista entered into a three year lease, commencing October 11,1999 leasing 1,926 square feet of space at 1810 Chapel Avenue West, Cherry Hill, New Jersey Rental payments were $38,520 per annum from October 11,1999 to October 31,2002 There was an option to renew for three years, upon nine months' prior written notice The lease required the payment of the tenant's proportionate share of increased operating expenses and real estate taxes over the base year Covista has not renewed this lease on expiration

On September 1, 2001, Covista 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 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

On December 1, 2001, Covista entered into a lease for property located at 806 East Main Street, Chattanooga, Tennessee, for use as a switching facility The lessor is Henry G Luken III, Chairman of the Board and a principal shareholder of Covista The lease expires on November 30, 2006 Annual rent is payable as follows $22,500 from December 1, 2001 to November 30, 2002, $27,000 from December 1, 2002 to November 30, 2003, $31,500 from December 1, 2003 to November 30, 2004, and $36,000 from December 1, 2004 to November 30, 2005 Rental amounts for months beginning after October 1, 2005 will be adjusted upward for the U S Consumer Price Index The lease may be renewed for an additional 5 years upon 90 days' written notice prior to the lease expiration date Covista believes that such premises are leased on terms not less favorable than an arm's length transaction

On December 15, 2001, Covista entered into a lease for Suite 1350, 1201 Main Street, Dallas, TX, for use as a switching facility and expires on April 14, 2006 Annual rent is due as follows $164,475 from April 15, 2000 to April 14, 2002, $175,440 from April 15, 2002 to April 14, 2004, and $186,405 from April 15, 2004 to April 14, 2006 The lease has no provision for renewal

On February 8, 2002, Covista assumed a lease for Suite 940, 401 N Broad Street, Philadelphia, PA, for use as a switching facility Covista's obligations under this lease commenced with the purchase of Capsule Communications The lease expires on March 31, 2007 Base rent is $62,019 annually, with provisions for inflationary increases in operating costs The lease has no provision for renewal

On February 8, 2002, Covista assumed a lease for Suite 275, 3331 Street Road, Bensalem, PA, for use as a branch office facility Covista's obligations under this lease commenced with the purchase of Capsule Communications The lease expires on August 31, 2004 Annual rent is payable as follows $237,575 from September 1, 2001 to August 31, 2002, $243,012 from September 1, 2002 to August 31, 2003, $248,448 from September 1, 2003 to August 31, 2004 Covista has no right to further extend or renew the term of the lease

On May 31, 2002, Covista entered into a lease for 2,900 useable (3,335 rentable) square feet at 511-11th Avenue South, Suite 312, Minneapolis, Minnesota for use as a switching facility The lease expires on May 31, 2009 Annual rent is payable as follows Year 1 = $86,376, Year 2 = $93,047, Year 3 = $96,382, Year 4 = $99,717, Year 5 = $103,052, Year 6 = $106,387, and Year 7 = $109,721 The lease may be renewed for an additional 5 years upon 4 months' written notice prior to the lease expiration date Covista pays its proportionate share of real estate taxes and utilities for the leased space

On August 15, 2002, Covista entered into a lease for approximately 3,700 square feet of the 5th Floor at 1 Mack Drive, Paramus, NJ for use as a branch office facility The lease expires on July 31, 2005 with annual fixed rent due of $85,859 Additional rent of 1 07% is paid for operating costs, subject to adjustment for escalation

On October 1, 2002, Covista entered into a lease for Suite 200 at 721 Broad Street, Chattanooga, Tennessee, for use as offices for Corporate Headquarters The lessor is Henry G Luken III, Chairman of the Board and a principal shareholder of Covista The lease expires on November 30, 2007 Annual rent is payable as follows Year 1 = $101,674, Year 2 = $111,670, Year 3 = $120,000, Year 4 = $120,000, Year 5 = $120,000 Rental amounts for months beginning after October 1, 2005 will be adjusted upward for the U S Consumer Price Index The lease may be renewed for an additional 5 years upon 90 days' written notice prior to the lease expiration date Covista believes that such premises are leased on terms not less favorable than an arm's length transaction

ITEM 3 Pending Legal Proceedings

There are no pending legal proceedings, which could be expected to have a material adverse effect on Covista

ITEM 4 Submission of Matters to a Vote of Security Holders

A proxy statement dated November 19, 2002 and mailed to stockholders on or about November 20, 2002 provided details on the election of eight directors to serve for a term of one year and until their successors were duly elected and qualified, a proposal to issue and sell up to 4,360,000 shares of the Company's Common Stock to Henry G Luken III, Chairman of the Board of Directors of the Company, or a limited number of persons designated by Mr Luken, adoption of the 2002 Equity Incentive Plan, Ratification of the selection of Deloitte & Touche LLP as independent auditors of the Company for the fiscal year ending January 31, 2003, and the transaction of such other business as may properly come before the meeting or any adjournment or postponement thereof During the scheduled annual meeting of stockholders on December 19, 2002, all of the foregoing matters were approved by the requisite vote of stockholders of Covista

PART II

ITEM 5 Market for Company's Common Stock and Related Security Holder Matters

Common Stock

Covista's authorized capital stock consists solely of 50,000,000 shares of Common Stock Holders of Covista's Common Stock are entitled to receive such dividends, if any, as may be declared from time to time by the Board of Directors in its discretion from funds legally available therefore Each holder of Common Stock is entitled to one vote for each share held There is no right to cumulative voting Upon liquidation, dissolution, or winding up of Covista, the holders of Common Stock are entitled to receive a pro rata share of all assets available for distribution to stockholders The Common Stock has no pre-emptive or other subscription rights, and there are no conversion or redemption rights with respect to such shares

As of the date of this report, there were 17,783,092 shares of Common Stock issued and outstanding, held by approximately 860 persons

Price Range of the Common Stock

Covista's Common Stock is traded on the NASDAQ National Market System under the Symbol CVST The following table sets forth, for the quarterly fiscal periods indicated, the high and low closing sale prices for Covista's Common Stock in such market, as reported by the National Association of Securities Dealers, Inc

FISCAL 2002	HIGH	LOW
February 1, 2001 thru April 30	$ 6 188	$ 1 547
May 1 thru July 31	$ 7 25	$ 3 25
August 1 thru October 31	$ 10 25	$ 4 50
November 1 thru January 31, 2002	$ 10 25	$ 5 62

FISCAL 2003	HIGH	LOW
February 1, 2002 thru April 30	$ 8 15	$ 3 90
May 1 thru July 31	$ 5 15	$ 2 83
August 1 thru October 31	$ 4 17	$ 2 00
November 1 thru January 31, 2003	$ 3 97	$ 2 01

Covista has not paid or declared any cash dividends during the past two fiscal years and does not anticipate paying any in the foreseeable future

Compensation Plans and Securities

The following table sets forth certain information as of January 31, 2003 with respect to compensation plans under which equity securities of the Company are authorized for issuance

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (1)
Equity compensation plans approved by security holders	1,673,556	$3 90	1,261,510
Equity compensation plans not approved by security holders	0	0	0
Total	1,673,556	$3 90	1,261,510

(1) Under all plans, if any shares subject to a previous award are forfeited, or if any award is terminated without issuance of shares or satisfied with other consideration, the shares subject to such award shall again be available for future grants

ITEM 6 Selected Financial Data

	(In thousands except per share amounts) Year ended January 31,				
RESULTS OF OPERATIONS	2003	2002	2001	2000	1999
Net Revenues	$100,960	$ 95,313	$ 133,230	$ 139,760	$137,283
Net Loss	$ (9,407)	$ (11,970)	$ (8,629)	$ (9,414)	$ (3,418)
Weighted average common shares outstanding					
Basic	13,283	10,204	7,324	7,069	6,818
Diluted	13,283	10,204	7,324	7,069	6,818
Loss per common and equivalent shares					
Basic loss per share	$ (0 71)	$ (1 17)	$ (1 18)	$ (1 33)	$ (0 50)
Diluted loss per share	$ (0 71)	$ (1 17)	$ (1 18)	$ (1 33)	$ (0 50)
Cash dividends per common share	None	None	None	None	None
Additions to property and equipment	$4,943(b)	$ 5,465	$ 3,227	$ 3,019	$ 4,727
Depreciation and amortization	$7,442	$ 4,569	$ 3,578	$ 2,985	$ 2,785
FINANCIAL POSITION					
Working Capital	$ (9,536)	$ (11,327)	$ (7,734)	$ 1,222	$ 1,261
Property and equipment-net	$ 15,150	$ 12,490	$ 13,021	$ 13,317	$ 14,473
Total assets	$ 51,050	$ 31,257	$ 39,097	$ 45,184	$ 45,692
Long-term debt	$1,811	$ 4,400 (a)	$ 382	$ 997	$ 1,566
Shareholders' Equity	$19,693	$ 1,569	$ 5,777	$ 14,007	$ 16,442
Common shares outstanding	17,783	10,849	7,969	7,944	7,605

(a) $4,400,000 consists of a loan from Covista's Chairman of the Board, which was converted to equity in Fiscal 2003 (see ITEM 13)

(b) Includes $3,400,000 of property contribution from Covista's Chairman of the Board (see ITEM 13)

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is presented to assist in assessing the changes in financial condition and performance of Covista for the fiscal years ended January 31, 2001 (Fiscal 2001), January 31, 2002 (Fiscal 2002) and January 31, 2003 (Fiscal 2003) The following information should be read in conjunction with the financial statements and related notes and other detailed information regarding Covista included elsewhere in this report and should not be construed to imply management's belief that the results, causes or trends presented will necessarily continue in the future Certain information contained below and elsewhere in this annual report, including information with respect to Covista's plans and strategy for its business, are "forward-looking statements "

Recent 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 eliminated the pooling-of-interests method As of January 31, 2003, Covista has approximately $8,206,000 of Goodwill recorded on its books

In June 2001, the FASB issued Statement of Financial Accounting Standards No 142 ("SFAS 142"), "Goodwill and Other Intangible Assets", which is effective February 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 Covista has not incurred impairment of Goodwill, based upon this test

In June 2001, the FASB issued Statement of Financial Accounting Standards No 143 ("SFAS 143"), "Accounting for Asset Retirement Obligations", which is effective for all 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 The adoption of SFA3 143 does not have a significant impact on the financial position, results of operation, or cash flows of Covista

In August 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 February 1, 2002 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 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 The adoption of SFAS 144 has not had a material impact on Covista's financial position or results of operations

In July 2002, the FASB issued Statement of Financial Accounting Stándards No 146, "Accounting for Costs Associated with Exit or Disposal Activities " SFAS 146 requires that a liability for a cost that is associated with an exit or disposal activity be recognized when the liability is incurred SFAS 146 also establishes that fair value is the objective for the initial measurement of the liability SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002

In November 2002, the FASB issued FASB Interpretation No 45 ("FIN 45"), "Guarantees," an interpretation of FASB Statement No 5, "Accounting for Contingencies " This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued Compliance with this interpretation is not expected to have a material impact

In December 2002, the FASB issued Statement of Financial Accounting Standards No 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of SFAS 123 " SFAS 148 is effective for fiscal years ending after December 15, 2002 and provides for additional annual and interim financial statement disclosures Adoption has not had a material impact of Covista's financial position or results of operations

In January 2003, FASB issued FASB Interpretation No 46, Consolidation of Variable Interest Entities ("FIN 46") FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest Adoption of this interpretation is not expected to have a material impact

RESULTS OF OPERATIONS

FISCAL 2003 AS COMPARED TO FISCAL 2002

Revenues

Net sales of telecommunications services for the fiscal year ended January 31, 2003 were approximately $100,960,000, an increase of approximately $5,647,000 or 5 9% from the approximately $95,313,000 of net sales in Fiscal 2002 These revenues were comprised of retail sales of approximately $75,455,000, KISSLD revenue of approximately $12,990,000 and wholesale sales of approximately $12,514,000 Covista billed approximately 1,453,124,000 minutes in Fiscal 2003 as compared to approximately 1,075,758,000 minutes in Fiscal 2002, an increase of 377,366,000 minutes or 35 1%

Net retail sales for Fiscal 2003 were approximately $75,455,000, an increase of approximately $28,031,000, or 59 1% from the approximately $47,424,000 billed in Fiscal 2002 Retail billed minutes were approximately 1,087,295,000, an increase of approximately 468,749,000 minutes or 75 8%, over the retail minutes of approximately 618,546,000 billed in Fiscal 2002 The average price per minute decreased approximately 7 4% as the industry continued to experience decreased price per minute of usage Covista does not foresee that this trend in pricing will abate in the near future The current year increase is primarily attributed to the Capsule acquisition

Net KISSLD sales for Fiscal 2003 were approximately $12,990,000 for the first year of this segment KISSLD billed minutes were approximately 196,032,000

Net wholesale (carrier) sales for Fiscal 2003 were approximately $12,514,000, a decrease of approximately $35,375,000 or 73 9% from the approximately $47,889,000 billed in Fiscal 2002 Billed wholesale minutes amounted to approximately 169,797,000, a decrease of approximately 287,414,000 minutes or 62 8% from the billed wholesale minutes of approximately 457,211,000 billed in Fiscal 2002 The sales mix continued to move toward higher priced international traffic from the lower priced domestic traffic International carrier traffic decreased 280,879,000 minutes or approximately 29% to approximately 114,740,000 minutes Domestic minutes decreased approximately 6,535,000 or approximately 10 6% to approximately 55,057,000 minutes

Cost of Revenue

Cost of revenue consists of access fees, line installation expenses, switch expenses, Network Operating Center ("NOC") expenses, network depreciation, transport expenses, and local and long-distance expenses Cost of revenue for Fiscal 2003 was approximately $66,671,000, a decrease of approximately $9,805,000 or 12 8% from the approximately $76,476,000 of cost of revenue in Fiscal 2002 The decrease in cost of revenue was primarily due to the decrease in lower margin wholesale volume of approximately $35,809,000, a net increase in retail cost of revenue related primarily to the merger with Capsule Communications of approximately $18,565,000, and an increase related to the launch of KISSLD of approximately $7,439,000

In the normal course of business, Covista files disputes with its service providers The Covista accounting policy, followed on a consistent basis, is to record the invoiced amount to cost of revenue, which may include disputed amounts When the dispute is resolved and the credit is received, the amount reduces cost of revenue During the fiscal year ended January 31, 2003, Covista obtained net credits of approximately $3 4 million for resolved disputes These credits reduced cost of revenue and the corresponding accounts payable and accrued liability Open and unresolved disputes included in accounts payable and accrued liabilities totaled approximately $5 2 million at January 31, 2003

In the normal course of business, Covista uses certain estimates to determine its monthly cost of revenue ("line cost") and corresponding accounts payable to these service providers, These line costs include fees for network transport, access, egress and facility charges The Covista accounting policy provides that changes in the accrued cost of revenue estimates will be adjusted to actual amounts as soon as the actual liabilities can be fixed and determinable These adjustments to actual expense are typically identified within 90 days following the period of estimate

Selling, General and Administrative.

Selling, general and administrative (SG&A) expenses are comprised of selling and marketing costs, and general and administrative costs SG&A expenses for Fiscal 2003 increased to approximately $43,456,000, an increase of approximately $12,469,000 or 40 2% from the approximate $30,987,000 in Fiscal 2002 This increase was primarily due to an increase in SG&A expenses associated with the merger with Capsule Communications of approximately $16,867,000, a decrease in salary, wages and benefits due to the transition of corporate headquarters from New Jersey to Tennessee of $1,888,000, a decrease in commissions due to certain sales agents of approximately $1,052,000, a decrease in bad debt expense of $3,437,000 due to the substantial reduction of the higher risk wholesale business, and increased marketing expenses related to the KISSLD segment of approximately $2,053,000

Stock Compensation Expense

There were no stock compensation expenses for Fiscal 2003 as compared to $12,000 in Fiscal 2002, this decrease is due to a majority of stock grants being fully vested

Income Tax Benefit

During Fiscal 2003, the Company recorded income related to a tax refund received as a result of recent tax law changes in the amount of approximately $511,000 No income was realized during Fiscal 2002

Other Income and Expense

Total other expense, net for Fiscal 2003 increased approximately $944,000 The components of other income and expense are interest expense, interest income and other items Interest income decreased approximately $111,000 after the selling of securities, interest expense increased approximately $588,000 due to interest paid on the Wells Fargo Credit Line and the Note Payable to SunTrust, and gains on sales of securities decreased approximately $245,000

Net Loss

For the reasons set forth above, the net loss for Fiscal 2003 of approximately $9,407,000 represents a decrease in net loss of approximately $2,563,000 over the net loss of approximately $11,970,000 reported in Fiscal 2002

RESULTS OF OPERATIONS

FISCAL 2002 AS COMPARED TO FISCAL 2001

Revenues

Net sales of telecommunications services for the fiscal year ended January 31, 2002 were approximately $95,313,000, a decrease of approximately $37,917,000 or 28 5% from the approximately $133,230,000 of net sales in Fiscal 2001 These revenues were comprised of retail sales of approximately $47,424,000 and wholesale sales of approximately $47,889,000 Covista billed approximately 1,075,758,000 minutes in Fiscal 2002 as compared to approximately 1,255,437,000 minutes in Fiscal 2001, a decrease of 179,678,000 minutes or 14 3%

Net retail sales for Fiscal 2002 were approximately $47,424,000, a decrease of approximately $6,063,000, or 11 3% from the approximately $53,487,000 billed in Fiscal 2001 Retail billed minutes were approximately 618,546,000, an increase of approximately 18,165,000 minutes or 3%, over the retail minutes of approximately 600,381,000 billed in Fiscal 2001 The average price per minute decreased approximately 17 3% as the industry continued to experience decreased price per minute of usage Covista does not foresee that this trend in pricing will abate in the near future

Net wholesale (carrier) sales for Fiscal 2002 were approximately $47,889,000, a decrease of approximately $31,854,000 or 39 9% from the approximately $79,743,000 billed in Fiscal 2001 Billed wholesale minutes amounted to approximately 457,211,000, a decrease of approximately 197,844,000 minutes or 30 2% from the billed wholesale minutes of approximately 655,055,000 billed in Fiscal 2001 The sales mix continued to move toward higher priced international traffic from the lower priced domestic traffic International carrier traffic decreased 162,049,000 minutes or approximately 29 1% to approximately 395,619,000 minutes Domestic minutes decreased approximately 35,794,000 or approximately 36 8% to approximately 61,592,000 minutes The average wholesale price per minute fell 16% due to continuing competition in the industry, a trend, which Covista believes, will continue

Cost of Revenue

Cost of revenue consists of access fees, line installation expenses, switch expenses, Network Operating Center ("NOC") expenses, network depreciation, transport expenses, and local and long-distance expenses Cost of revenue for Fiscal 2002 was approximately $76,476,000, a decrease of approximately $39,583,000 or 34 1% from the approximately $116,059,000 of cost of revenue in Fiscal 2001 Included in cost of revenue are direct line costs, usage charges and the direct costs of Covista's switches and NOC The decrease in cost of revenue was primarily due to the decrease in lower margin wholesale volume of approximately $24,401,000, a decrease in technician salary, wages and fringe benefits of approximately $46,000, decreased consulting expense of approximately $174,000 an improvement in rates obtained from vendors of approximately $15,298,000, other net savings in the NOC and switches of approximately $123,000, an increase in depreciation expense resulting from upgrades to the switches of approximately $130,000, an increase in equipment rental resulting from a switch sale/leaseback agreement in the amount of approximately $329,000, and the effect of the access charge settlement recorded in Fiscal 2001

Selling, General and Administrative:

Selling, general and administrative (S, G & A) expenses are comprised of selling and marketing costs, and general and administrative costs S, G & A expenses for Fiscal 2002 increased to approximately $30,987,000, an increase of approximately $4,083,000 or 15 2% from the approximate $26,903,000 in Fiscal 2001 This increase was primarily due to increases in salary, wages and benefits due to the new residential service and call center being established in Tennessee of approximately $412,000, a $570,000 severance accrual established for New York/New Jersey staff reductions taking place in fiscal 2003, an increase in marketing cost related to new residential service of approximately $177,000, an increase in general office expense of approximately $272,000, an increase in bad debt expense of $2,758,000 due to the write off of a portion of certain carrier receivables, an increase in depreciation and amortization due to amortization of customer lists (from customer lists acquired from Blink Data Corporation) of approximately $731,000, and an increase in travel and entertainment of approximately $98,000 These increases were offset by reductions in commissions due to decreased sales volume of approximately $497,000, decreases in selling expense of approximately $90,000, and a decrease in professional fees and consulting of $252,000

Stock Compensation Expense

Stock compensation expenses for Fiscal 2002 decreased to approximately $12,000, a decrease of approximately $255,000, or 95 5%, from the approximately $267,000 charged in Fiscal 2001 The decrease is due to a majority of stock grants being fully vested

Other Income and Expense

Total other income, net for Fiscal 2002 increased approximately $88,000 The components of other income and expense are interest expense, interest income and other items Interest income decreased approximately $8,000, interest expense increased approximately $137,000, and gains on sales of securities increased approximately $232,000

Net Loss

The net loss for Fiscal 2002 of approximately $11,970,000 represents an increase in net loss of approximately $3,340,000 over the net loss of approximately $8,629,000 reported in Fiscal 2001, based on the explanations of changes above

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

At January 31, 2003, Covista had a working capital deficit of approximately $9,536,000 as compared to approximately $11,327,000 at January 31, 2002, an improvement in working capital of approximately $1,791,000 The increase in working capital in Fiscal 2003 was primarily attributable to an increase in cash of approximately $2,065,000, a reduction in investments of approximately $440,000, an increase in accounts receivable of approximately $5,463,000, a decrease in prepaid expenses of approximately $747,000, and an increase in accrued liabilities of approximately $6,589,000 Also affecting working capital were a decrease in notes receivable of approximately $500,000, a reduction in accounts payables of approximately $4,392,000, a decrease in accrued salaries and wages of approximately $594,000, and an increase in current portion of long-term debt of $2,447,000 The current ratio of 0 67 to 1 improved from the 0 55 to 1 ratio at the end of Fiscal 2002

On February 20, 2002, Covista's Board of Directors approved the private sale of additional Common Stock of up to $12,500,000, including a cash infusion of $4,800,000, contribution of $3,300,000 of fixed assets for debt or Common Stock and the conversion of existing long-term debt for Common Stock at the rate of $5 00 per share, 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 was anticipated to come primarily from the Chairman of Covista's Board or his designees and was subject to shareholder's approval at the next annual meeting, or a special meeting of shareholders to be convened for such purpose

Effective April 16, 2003, Covista executed a revolving credit and security agreement along with related documents that provide the Company with an $8 million revolving loan, of which $7 million is currently available This thirty-six month facility allows the Company to borrow funds based on a portion of eligible customer accounts receivable and bears interest at the Prime Rate plus 2 00% with a floor of 6 25% Interest, unused line and collateral management fees are payable monthly in arrears The loan is secured by all of the Company's assets Initial loan proceeds were used to payoff the Wells Fargo facility in full

Cash Flow Statement

The cash flow statement of Covista for Fiscal 2003 indicated an increase in cash and cash equivalents of approximately $2,065,000 Non-cash adjustments (depreciation, amortization, and provision for bad debt,) of approximately $10,196,000 are added back and net changes in assets and liabilities of approximately $8,249,000 deducted from the net loss of approximately $9,407,000 resulted in net cash used by operations of approximately $7,461,000 Cash used in investing activities amounted to approximately $79,000, of which approximately $1,543,000 were used for the purchase of capital additions, proceeds from sale investments approximated $440,000, repayment of a note from Capsule Communications of $500,000, and payment for deferred line installation costs of approximately $655,000 These changes were partially offset by net cash acquired from the Capsule merger of approximately $1,179,000 The cash provided by financing activities of approximately $9,605,000 consisted primarily of net bank borrowings of approximately $2,520,000, cash received from the exercise of stock options of approximately $378,000, proceeds from the issuance of Common Stock of approximately $4,107,000

Accounts Receivable

The Company has entered into offset arrangements with certain carrier customers, who are also vendors, allowing for the ability to offset payable balances against the Company's receivable balances

Covista experienced consolidated accounts receivable turnover of approximately 51 and 59 days for Fiscal 2003 and Fiscal 2002 respectively

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

The Company'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 the Covista for new facilities and costs incurred for connections from within the Covista's network to the network of other telecommunication suppliers Amortization of these 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

The Company 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 the Company'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 that the impairment occurred Based on the Company's analysis of future undiscounted cash flows, which are in excess of the carrying value of its long-lived assets, there does not appear to be an impairment as of January 31, 2003

CAPITAL EXPENDITURES

Capital expenditures for Fiscal 2003 totaled approximately $4,943,000, excluding fixed assets acquired in the Capsule merger and fixed assets contributed from Covista's Chairman of the Board These expenditures were financed from funds provided from Covista's working capital, and a private sale of equity and a loan The capital expenditures were used primarily for upgrades to Covista's switches and switch sites, software and hardware upgrades to Covista's computer network and furniture, fixtures and equipment

Capital expenditures for Fiscal 2004 are estimated at approximately $2,000,000 and are expected to be financed from funds provided from operations

Inflation

Since inflation has slowed in recent years, Covista does not believe that its business has been materially affected by the relatively modest rate of price increases in the economy However, pressures in the industry to reduce prices, which have impacted Covista in the past, are expected to continue Also the telecommunications industry has recently experienced the failure of several businesses, some of which are Covista's wholesale customer and suppliers These failures not only have affected Covista's FY 2003 results, but also may impact future results Covista continues to seek improvements in operations and efficiency through capital expenditures Expenditures to improve the signaling system, information systems and the local area network are expected to result in operating costs savings, which could partially offset any future cost increases

ENVIRONMENTAL MATTERS

Covista is not a party to any legal proceedings or the subject of any claim regarding environmental matters generally incidental to its business In the opinion of Management, compliance with the present environmental protection laws should not have a material adverse effect upon the financial condition of Covista

ITEM 7A Quantitative and Qualitative Disclosures About 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 The exposure to interest rate risk relates primarily to the marketable securities held by Covista Covista only invests in instruments with high credit quality where a secondary market 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

ITEM 8 Financial Statements and Supplementary Data

The Financial Statements and Supplementary Data are included under Item 15 of this Report

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	43	Chairman of the Board
A John Leach, Jr	40	Director, President & Chief Executive Officer
Kevin Alward	36	Director, Chief Operating Officer
Jay J Miller	69	Director
Nicholas Merrick	40	Director
Leon Genet	71	Director
Donald Jones	67	Director
W Thorpe McKenzie	55	Director
Thomas P Gunning	65	Treasurer, Secretary & 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 Montlake 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

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 40 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 workers' compensation as well as 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 Of 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 has liquidated 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 by merger, 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

W Thorpe McKenzie is Managing Director of Pointer Management Company, Chattanooga, Tennessee, which he co-founded in 1990 to invest in hedge funds and similar types of partnerships utilizing a fund of funds approach From 1982 until 1990, he was a private investor in New York City, and a director of several public and private companies From 1980 until 1982, he was founding general partner of TIGER, a global hedge fund From 1971 until 1980, he was a Vice President of Kidder, Peabody, & Co , Inc in New York McKenzie is a graduate of the University of North Carolina in Chapel Hill, and the Wharton Graduate division of the University of Pennsylvania in Philadelphia He is currently a director of Novestra AB, a publicly traded venture capital investment firm located in Stockholm, Sweden

Board of Directors

Covista's Board of Directors currently consists of eight persons, two of whom are members of management and six of whom are non-management directors During the fiscal year ended January 31, 2003, the Board held five meetings, each of which was attended by at least 80% of the directors then serving

Covista's Board of Directors has Audit and Compensation Committees, but does not have a Nominating Committee or a committee performing a similar function The Audit Committee currently consists of three non-management directors, Messrs Nicholas Merrick, Donald Jones and W Thorpe McKenzie The Committee reviews, analyzes and may make recommendations to the Board of Directors with respect to Covista's financial statements and controls The Committee has met and intends to meet from time to time with Covista's independent public accountants to monitor their activities The Compensation Committee consists of Messrs Henry Luken and Jay J Miller and is charged with reviewing and recommending the compensation and benefits payable to Covista's senior executives Mr Leach is an ex-officio member of both the Compensation and Audit Committees

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ITEM 11 Executive Compensation

The following table sets forth the compensation that Covista paid during the fiscal years ended January 31, 2003, 2002 and 2001 to its Chief Executive Officer and to each executive officer of Covista or person performing similar functions whose aggregate remuneration exceeded $100,000, during Covista's fiscal year ended January 31, 2003 (the "Named Executives")

Summary Compensation Table

NAME & PRINCIPAL POSITION	FISCAL YEAR ENDED JANUARY 31	ANNUAL COMPENSATION SALARY ($)	ANNUAL COMPENSATION BONUS ($)	OTHER ANNUAL COMPENSATION ($)	COMPENSATION AWARDS OPTIONS ($)	ALL OTHER COMPENSATION ($)
John Leach, President & Chief Executive Officer (1)	2003	$ 300,000	$ 150,000	$ 0	$ 0	$ 24,292 (3)
	2002	$ 300,000	$ 400,000 (2)	$ 0	$ 0	$ 5,250 (4)
	2001	$ 210,000	$ 0	$ 0	$ 0	$ 15,346 (5)
Thomas P Gunning, Vice President, Treasurer and Secretary	2003	$ 155,000	$0	$ 0	$ 0	$ 11,320 (6)
	2002	$ 155,000	$ 15,000	$ 0	$ 0	$ 11,085 (7)
	2001	$ 147,360	$ 0	$ 0	$ 0	$ 11,427 (8)
Kevin Alward, Chief Operating Officer	2003	$ 250,000	$ 125,000	$ 0	$ 0	$ 9,638 (9)
	2002	$ 235,577	$ 104,167	$ 0	$ 0	$ 3,567 (10)

(1) Mr Leach joined Covista on May 18, 2000

(2) The amount shown includes $250,000 in bonus due to Mr Leach for the period from 05/01/00 to 04/30/01 but not paid until FY2002

(3) The amount shown represents Covista's contributions under its 401(K) Deferred Compensation and Retirement Savings Plan of $5,500, Covista's group major medical benefit of $3,792 and $15,000 in reimbursement for certain relocation expenses

(4) The amount shown represents Covista's contribution under its 401(K) Deferred Compensation and Retirement Savings Plan

(5) The amount shown represents Covista's contribution under its 401(K) Deferred Compensation and Retirement Savings Plan of $346 and $15,000 in reimbursement for certain relocation expenses

(6) The amount shown represents Covista's contributions under its 401(K) Deferred Compensation and Retirement Savings Plan of $4,740, Covista's group major medical benefit of $4,800 and $1,780 for the use of a Company's vehicle for non-business purposes

(7) The amount shown represents Covista's contribution under its 401(K) Deferred Compensation and Retirement Savings Plan of $4,505, Covista company auto expenses of $1,780, and Covista's group major medical benefit of $4,800

(8) The amount shown represents Covista's contribution under its 401(K) Deferred Compensation and Retirement Savings Plan of $4,460, $2,167 for the use of a Company's vehicle for non-business purposes and $4,800 for term life insurance premiums

(9) The amount shown represents Covista's contributions under its 401(K) Deferred Compensation and Retirement Savings Plan of $4,518 and Covista's group major medical benefit of $5,120

(10) The amount shown represents Covista's contribution under its 401(K) Deferred Compensation and Retirement Savings Plan

Compensation Pursuant to Plans

In October, 1996, Covista adopted its 1996 Stock Option Plan, in February 2000, its 1999 Equity Incentive Plan, in February 2002, its 2001 Equity Incentive Plan, and in December 2002, adopted its 2002 Equity Incentive Plan (the "Option Plans") The Option Plans provide that certain options granted there under are intended to qualify as "incentive stock options" within the meaning of Section 422A of the United States Internal Revenue Code, while non-qualified options may also be granted under the Option Plans Incentive stock options may be granted only to employees of Covista, while non-qualified options may be granted to non-executive directors, consultants and others as well as employees

The Option Plans may be administered by the Compensation Committee of Covista's Board of Directors Covista has reserved 600,000 shares of Common Stock under the 1996 Option Plan and 750,000 shares of Common Stock under its 1999 Equity Incentive Plan, 900,000 under its 2001 Equity Incentive Plan and 750,000 under its 2002 Equity Incentive Plan for issuance to employees, officers, directors and consultants of Covista

No option may be transferred by an optionee other than by will or the laws of descent and distribution, and during the lifetime of an optionee, an option may be exercised only by him In the event of termination of employment other than by death or disability, the optionee will have one month (subject to extension not to exceed an additional two months) after such termination during which he may exercise his option Upon termination of employment of an optionee by reason of death or permanent total disability, his option remains exercisable for one year thereafter to the extent it was exercisable on the date of such termination No similar limitation applies to non-qualified options

Options under the Option Plans must be granted within 10 years from the effective date of the respective Option Plan Incentive stock options granted under the Option Plans cannot be exercised later than 10 years from the date of grant Options granted under the Option Plans permit payment of the exercise price in cash or by delivery to Covista of shares of Common Stock already owned by the optionee having a fair market value equal to the exercise price of the options being exercised, or by a combination of such methods of payment Therefore, an optionee may be able to tender shares of Common Stock to purchase additional shares of Common Stock and may theoretically exercise all of his stock options with no additional investment other than his original shares

Any option, which expires, unexercised or that terminates upon an employee's ceasing to be employed by Covista become available again for issuance under the Option Plans

For further information related to stock option plans, reference is made to Note 10 in the Notes to the Consolidated Financial Statements

Compensation of Directors

For the fiscal year ended January 31, 2003, each director who was not an employee of Covista was entitled to receive a director's fee of $15,000 per year, and to be reimbursed for out-of-pocket expenses incurred in connection with attendance at meetings However, Mr Luken waived the right to receive such compensation

Employment Contracts, Termination of Employment and Change of Control Arrangements

As Covista's Chief Executive Officer, Mr Leach has a three-year employment agreement with Covista effective as of May 18, 2000, pursuant to which Mr Leach was paid base salary at the rate of $300,000 per annum during fiscal 2001 Pursuant to this agreement, Mr Leach was also entitled to receive a signing bonus in the amount of $25,000 to cover relocation and other expenses Mr Leach is also entitled to receive an annual bonus in an amount not to exceed 100 percent of his then effective base salary, based upon Mr Leach's attainment of annual revenue and earnings targets as well as management goals set by the Board of Directors Mr Leach was guaranteed a minimum bonus payment of $150,000 during each year of this agreement

In connection with his appointment as Chief Executive Officer of Covista, Mr Leach was granted an option under Covista's 1996 Stock Option Plan to purchase 288,000 shares of Covista Common Stock The option granted to Mr Leach was scheduled to vest over a period of three years, in six equal semi-annual installments, the first of which commenced on November 18, 2000 The exercise price for the option was $14 25 and was based on the fair market value of the Covista Common Stock on the date of the grant, and the options expire after ten years According to the agreement, in the event that the Covista Common Stock did not close at or above $14 25 for at least 20 consecutive trading days between May 18, 2000 and May 18, 2001, a new exercise price would be calculated based on the average closing price of the Covista Common Stock for the 40 trading days prior to May 18, 2001 In lieu of adjusting the exercise price of Mr Leach's options in the manner provided in his employment agreement, on February 1, 2001 Covista granted to Mr Leach a new option to purchase 288,000 shares of Covista Common Stock These options fully vested as a result of the Capsule merger The exercise price for the option is $2 00 per share and is based on the fair market value of the Covista Common Stock on the date of grant The option expires after a term of ten years

As Covista's Chief Operating Officer, Mr Alward has a two-year employment agreement effective as of March 29, 2001, pursuant to which Mr Alward is paid an annual base salary of $250,000 Pursuant to this agreement, Mr Alward received a signing bonus in the amount of $24,000 Mr Alward is also entitled to receive an annual bonus in an amount not to exceed 100 percent of his then effective base salary, based upon Covista's attainment of annual revenue and earnings targets as well as management goals set by the Board of Directors Mr Alward's agreement provides that he shall receive the same percentage bonus as Mr Leach Mr Alward is guaranteed a minimum bonus payment of $125,000 for each year of this agreement Mr Alward's contract was extended for an additional year at March 29, 2003

In connection with his appointment as Chief Operating Officer of Covista, Mr Alward was granted an option under Covista's 2001 Equity Incentive Plan to purchase 250,000 shares of Covista Common Stock The option granted to Mr Alward became fully vested as a result of the Capsule merger The exercise price for the option is $2 00

Compensation Committee Interlocks and Insider Participation

Jay J Miller, a director of Covista, provided various legal services for Covista during fiscal 2003 In fiscal 2003, Covista paid $57,481 to Mr Miller for services rendered and accrued during fiscal 2003 As of January 31, 2003, Covista had invoices payable to Mr Miller totaling $41,085 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

Report on Executive Compensation

The following report describes the policies pursuant to which compensation was paid to executive officers of Covista for performance during the fiscal year ended January 31, 2003

Compensation Philosophy and Approach. Generally, Covista seeks to attract, retain and motivate its executive officers through a combination of base salary, incentive awards based upon individual performance and stock option awards under the Covista Communications, Inc Equity Incentive Plans and otherwise The Board of Directors believes that a substantial portion of the aggregate annual compensation of each executive officer should be influenced by the performance of Covista and the individual contribution of the executive officer

Base Salaries. The Board of Directors believes that the base salaries of Covista's executive officers for fiscal 2003 were generally in line with those for other comparable positions within the telecommunications service industry and similar industries However, Covista places significant emphasis on incentive awards and stock option grants as a means of motivating and rewarding its management The Board of Directors believes that this strategy provides optimal incentives for management to create long-term stockholder value

Incentive Compensation Payments. In addition to base pay, some of Covista's senior executives (including its Chief Executive Officer) are eligible to receive bonuses and stock option awards Bonuses and stock options may be awarded, based upon the individual performance of each executive officer at the sole discretion of the Board of Directors During the fiscal year 2003 John Leach received a cash bonus of $150,000 and Kevin Alward received a bonus of $125,000 There were no additional options granted to Named Executives Offices during Fiscal 2003

Compensation of the Chief Executive Officer. The compensation policies applicable to Covista's Chief Executive Officer are similar to those applicable to Covista's other executive officers Mr Leach has a three-year employment agreement with Covista effective as of May 18, 2000, pursuant to which Mr Leach was paid base salary at the rate of $300,000 per annum during fiscal 2001 Pursuant to this agreement, Mr Leach was also entitled to receive a signing bonus in the amount of $25,000 to cover relocation and other expenses Mr Leach is also entitled to receive an annual bonus in an amount not to exceed 100 percent of his then effective base salary, based upon Mr Leach's attainment of annual revenue and earning targets, as well as management goals set by the Board of Directors Mr Leach was guaranteed a minimum bonus payment of $150,000 during the term of this agreement

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ITEM 12 Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Beneficial Owners. The following table sets forth the beneficial ownership of Covista's Common Stock as of May 1, 2003 by each person or group known by Covista to be the beneficial owner of five percent or more of the outstanding shares of Covista Common Stock Unless otherwise indicated, each such person (alone or with family members) has sole voting and dispositive power with respect to the shares listed opposite such person's name

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percentage of Class (2)
Kevin A Alward 182 Powell Road Allendale, NJ 07401	1,480,779 (3)	8 2%
W Thorpe McKenzie 735 Broad Street, Suite 1108 Chattanooga, TN 37402	1,060,727	6 0%
Warren Feldman 45A Samworth Road Clifton, NJ 07012	1,146,478 (4)	6 4%
Donald A Burns 1021 North Ocean Blvd Palm Beach, FL 33480	1,883,261	10 6%
Henry G Luken, III 900 Fairway Lane Soddy Daisy, TN 37379	8,780,566 (5)	49 4%

(1) Except as otherwise set forth in the footnotes to this table, all shares are beneficially owned and sole investment and voting power is held by the persons named above, to the best of Covista's knowledge Shares of Covista Common Stock subject to options that are currently exercisable or exercisable within 60 days of November 6, 2002 are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person

(2) Based on 17,783,092 shares outstanding

(3) Includes 250,000 shares of Covista Common Stock issuable to Mr Alward under currently exercisable options Also includes 186,516 shares of Covista Common Stock owned by trusts of which Mr Alward's minor children are beneficiaries, as to which Mr Alward disclaims beneficial ownership Based on the Schedule 13D jointly filed by Mr Alward and certain related entities on November 16, 2001

(4) Includes 375,678 shares of Covista Common Stock owned by The Warren H Feldman Family L L C , as to which shares Mr Feldman disclaims beneficial ownership Based on the Schedule 13D/A filed by Mr Feldman on March 7, 2003

(5) Based on the Schedule 13D/A filed by Mr Luken on January 10, 2003

Security Ownership of Management. The following table sets forth as of May 1, 2003, information concerning the beneficial ownership of Covista Common Stock by each director, each nominee for election as a director, and each Named Executive, and for all directors, director nominees and executive officers as a group

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percentage of Class (2)
Kevin A Alward	1,480,779 (3)	8 2%
W Thorpe McKenzie	1,060,727	6 0%
Leon Genet	41,120	*
Thomas P Gunning	62,300 (4)	*
Donald Jones	5,000	*
A John Leach, Jr	534,000 (5)	3 0%
Henry G Luken, III	8,780,566 (6)	49 4%
Nicholas Merrick	100	*
Jay J Miller	35,400 (7)	*
All directors, director nominees and executive officers as a group (9 persons)	11,999,992 (3)-(7)	65 2%

* Less than one percent

(1) Except as otherwise set forth in the footnotes to this table, all shares are beneficially owned and sole investment and voting power is held by the persons named above, to the best of Covista's knowledge Shares of Covista Common Stock subject to options that are currently exercisable or exercisable within 60 days of November 6, 2002 are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person
(2) Based on 17,783,092 shares outstanding
(3) Includes 250,000 shares of Covista Common Stock issuable to Mr Alward under presently exercisable options Also includes 186,516 shares of Covista Common Stock owned by trusts of which Mr Alward's minor children are beneficiaries, as to which Mr Alward disclaims beneficial ownership Based on the Schedule 13D jointly filed by Mr Alward and certain related entities on November 16, 2001
(4) Includes 37,000 shares of Covista Common Stock issuable to Mr Gunning under currently exercisable options Does not include 25,400 shares owned by Mr Gunnings' spouse
(5) Includes 288,000 shares of Covista Common Stock issuable to Mr Leach under currently exercisable options
(6) Based on the Schedule 13D/A filed by Mr Luken on January 10, 2003
(7) Includes 35,000 shares of Covista Common Stock issuable to Mr Miller under currently exercisable options

c) Changes in Control

On February 1, 2001, the Board of Directors of Covista authorized a transaction (the "Stock Issuance Transaction") involving the issuance and sale of a total of 3,500,000 shares of Common Stock to the following three persons (the "Purchasers") in the amounts indicated Kevin Alward, 1,000,000 shares, A John Leach, 500,000 shares, and Henry G Luken, III, 2,000,000 shares Pursuant to the rules of the NASD, consummation of the Stock Issuance Transaction was subject to the approval of Covista's shareholders because Messrs Leach and Luken currently were directors and officers of Covista, and, in addition, it was expected that Mr Alward would become an officer of Covista The transaction was approved at a special shareholders meeting on March 29, 2001 The stock was issued in April 2001

ITEM 13 Certain Relationships and Related Transactions

Jay J Miller, a Director of Covista, provided various legal services for Covista during Fiscal 2003 In Fiscal 2002, Covista paid $57,481 to Mr Miller for services rendered and accrued for in Fiscal 2003 As of January 31, 2003, Covista owed Mr Miller $41,085 for services rendered during Fiscal 2003 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 In February 2002, Covista granted to Mr Miller non-statutory options to purchase 35,000 shares of Covista stock at $2 00 per share

Leon Genet, a Director of Covista, has provided agent services for Covista through his wholly owned Company, LPJ, Inc During Fiscal 2003, LPJ, Inc was paid commissions of $78,134 The commissions paid to LPJ, Inc were computed on the same basis as other independent agents retained by Covista

Covısta has entered ınto a lease agreement for 28,000 square feet of office space ın Chattanooga, Tennessee, wıth Henry G Luken III who ıs Covısta's Chaırman of the Board and ıts prıncıpal shareholder The term of the lease ıs for five years begınnıng September 1, 2001 The lease provıdes 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, wıth the last two years to be $144,000 annually adjusted for the Consumer Prıce Index Covısta belıeves that such premıses are leased on terms sımılar to an arm's length transactıon

On July 2, 2001, Covısta receıved a loan from Henry G Luken III, ıts Chaırman of the Board and prıncıpal shareholder, ın the amount of $4,000,000 The loan matures on February 1, 2003 together wıth accumulated ınterest at a rate of 7% per annum The proceeds of the loan were used to purchase a 10-year commıtment for approxımately 2 8 bıllıon DS-0 channel mıles of telecommunıcatıons network capacıty from an unaffilıated party The unaffilıated party has recently filed for Chapter 11 reorganızatıon, however at the tıme of thıs filıng ıs contınuıng to perform under the agreement Mr Luken also advanced the company $400,000, the proceeds of whıch were used for constructıon of new facılıtıes

On February 1, 2001, the Board of Dırectors of the Company, subject to shareholder's approval whıch was obtaıned on March 29, 2001, authorızed the sale of a total of 3,500,000 shares of Common Stock to the followıng three persons (the "Purchasers") ın the amounts ındıcated Kevın Alward, 1,000,000 shares, A John Leach, 500,000 shares, and Henry G Luken, III, 2,000,000 shares The purchase prıce for the Common Stock ıssued to Messrs Alward, Leach and Luken was $2 00 per share, based on the faır market value of shares at February 2, 2001 The stock sale was consummated ın Aprıl 2001 wıth the ıssuance of 3,150,000 shares of Common Stock The Board of Dırectors authorızed a decrease of 350,000 shares to be purchased by Mr Leach

On July 24, 2001, the Company loaned $200,000 to Capsule Communıcatıons, Inc of whıch a dırector and the Chaırman of the Company were prıncıpal shareholders The loan was evıdenced by a note ın the prıncıpal amount of $200,000 wıth ınterest payable of 8¾% per annum, due July 24, 2002 On August 9, 2001, the Company loaned an addıtıonal $300,000 to Capsule Communıcatıons, Inc evıdenced by a sımılar note due August 9, 2002 By vırtue of the merger wıth Capsule, the ındebtedness was extınguıshed as an ınter-company oblıgatıon

On August 31, 2001, Covısta entered ınto a transactıon wıth Applıed Fınancıal Corp an unaffilıated firm ınvolvıng the sale and leaseback of a telecommunıcatıons swıtch Covısta realızed proceeds of approxımately $1,250,000 from the sale portıon of the transactıon, and agreed to lease back the swıtch for a three-year perıod at a cost of approxımately $420,000 per annum Henry G Luken, III provıded an uncondıtıonal guaranty of Covısta's payment oblıgatıons to Applıed Fınancıal under the lease Covısta dıd not compensate Mr Luken for provıdıng such guaranty

On December 1, 2001, Covısta entered ınto a lease for property located at 806 East Maın Street, Chattanooga, Tennessee, for use as a swıtchıng facılıty The lessor ıs Henry G Luken III, Chaırman of the Board and a prıncıpal shareholder of Covısta The lease expıres on November 30, 2006 Annual rent ıs payable as follows $22,500 from December 1, 2001 to November 30, 2002, $27,000 from December 1, 2002 to November 30, 2003, $31,500 from December 1, 2003 to November 30, 2004, and $36,000 from December 1, 2004 to November 30, 2005 Rental amounts for months begınnıng after October 1, 2005 wıll be adjusted upward for the U S Consumer Prıce Index The lease may be renewed for an addıtıonal 5 years upon 90 days' wrıtten notıce prıor to the lease expıratıon date Covısta belıeves that such premıses are leased on terms not less favorable than an arm's length transactıon

On October 1, 2002, Covısta entered ınto a lease for Suıte 200 at 721 Broad Street, Chattanooga, Tennessee, for use as offices for Corporate Headquarters The lessor ıs Henry G Luken III, Chaırman of the Board and a prıncıpal shareholder of Covısta The lease expıres on November 30, 2007 Annual rent ıs payable as follows Year 1 = $101,674, Year 2 = $111,670, Year 3 = $120,000, Year 4 = $120,000, Year 5 = $120,000 Rental amounts for months begınnıng after October 1, 2005 wıll be adjusted upward for the U S Consumer Prıce Index The lease may be renewed for an addıtıonal 5 years upon 90 days' wrıtten notıce prıor to the lease expıratıon date Covısta belıeves that such premıses are leased on terms not less favorable than an arm's length transactıon

A proxy statement dated November 19, 2002 and maıled to stockholders on or about November 20, 2002 provıded detaıls on, a proposal to ıssue and sell up to 4,360,000 shares of the Company's Common Stock to Henry G Luken III, Chaırman of the Board of Dırectors of the Company, or a lımıted number of persons desıgnated by Mr Luken In December 2002, Covısta completed the ıssuance and sale of 4,359,958 shares of common stock to Henry G Luken III, ın exchange for conversıon of a note payable to hım ın the amount of $7,000,000, the contrıbutıon of other assets wıth a faır value of $3,400,000 and cash of $2,100,000 These shares were sold at $2 87 per share, whıch was the market prıce when the transactıon was approved

Covista also issued and sold 500,000 shares of common stock to W Thorpe McKenzie, member of the Board of Directors, in exchange for cash of $1,433,500 These shares were sold at $2 87 per share, which was the market price when the transaction was approved

ITEM 14 Controls and Procedures

Evaluation of Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures within 90 days of filing of this annual report on Form 10-K, and based on their evaluation, our principal executive officer and principal financial officer have concluded that these controls and procedures are effective There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation

Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure

Changes in Controls and Procedures

There were no significant changes in our internal controls or in other factors that could significantly affect these internal controls after the date of our most recent evaluation

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SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 21st day of May 2003

COVISTA COMMUNICATIONS, INC
(Registrant)

By /S/ Henry G Luken III
Henry G Luken III
Chairman of the Board

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

Signature	Title	Date
/S/ Henry G Luken III Henry G Luken III	Chairman of the Board	May 21, 2003
/S/ W Thorpe McKenzie W Thorpe McKenzie	Director	May 21, 2003
/S/ Kevin Alward Kevin Alward	Director, Chief Operating Officer	May 21, 2003
/S/ Leon Genet Leon Genet	Director	May 21, 2003
/S/ Donald Jones Donald Jones	Director	May 21, 2003
/S/ A John Leach A John Leach	Director, President and Chief Executive Officer	May 21, 2003
/S/ Nicholas Merrick Nicholas Merrick	Director	May 21, 2003
/S/ Jay J Miller Jay J Miller	Director	May 21, 2003
/S/ Thomas P Gunning Thomas P Gunning	Vice President, Treasurer and Secretary, Chief Financial Officer and Principal Accounting Officer	May 21, 2003

I, A John Leach, Jr , certify that,

1) I have reviewed this annual report on Form 10-K of Covista,

2) Based on my knowledge, this annual 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 statements were made, not misleading with respect to the period covered by this annual report

3) Based on my knowledge, the financial statements, and other financial information included in this 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 and 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 annual report is being prepared,

    b) Evaluated the effectiveness Covista's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"), and

    c) Presented in this annual 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 May 21, 2003 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 annual report on Form 10-K of Covista,

2) Based on my knowledge, this annual 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 statements were made, not misleading with respect to the period covered by this annual report

3) Based on my knowledge, the financial statements, and other financial information included in this 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 and 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 annual report is being prepared,

   b) Evaluated the effectiveness Covista's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"), and

   c) Presented in this annual 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),

   d) 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

   e) 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 May 21, 2003 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 Annual Report of Covista Communications, Inc on Form 10-K for the period ending January 31, 2003 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 aspects, the financial condition and result of operations of Covista Communications, Inc

Date May 21, 2003 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 Annual Report of Covista Communications, Inc on Form 10-K for the period ending January 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas P Gunning, Chief Financial Officer 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 aspects, the financial condition and result of operations of Covista Communications, Inc

Date May 21, 2003 By /s/ Thomas P Gunning

Thomas P Gunning
Vice President, Chief Financial Officer
And Principal Accounting Officer

Exhibit No	Description of Document
(3) (a)	Certificate of Incorporation, as amended Incorporated by reference to Exhibits 2-A, 2-B, 2-C and 2-D to Registration Statement No 2-15546 and Registrant's proxy statement relating to its 1987 Annual Stockholder's Meeting
(3) (b)	By-Laws of Registrant Incorporated by reference to Exhibit A to Registrant's Annual Report on Form 10-K for the year ended January 31, 1972
(3) (c)	Amended Certificate of Incorporation to change the name of the Corporation from Faradyne Electronics Corp to Total-Tel USA Communications, Inc , dated November 4, 1991 Incorporated by reference to Exhibit 3 (c) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1992
(3)(d)	By-Law Amendments incorporated by reference to Form 8K filed on April 7, 1998
(3)(e)	Shareholder Rights plan filed by reference to Form 8K, on April 12, 1998
(3) (f)	Amended Certificate of Incorporation to change the name of the Corporation from Total-Tel USA Communications, Inc to Covista USA Communications, Inc , dated September 15, 2000 Incorporated by reference to Form 8-K filed on September 29, 2000
(10)(a)	Lease of premises at 140 Little Street, Belleville, New Jersey, between Mansol Realty and Mansol Ceramics, dated March 30, 1960 Incorporated by reference to Exhibit 13 (e) to Registration Statement No 2-17546
(10)(a) (1)	Assignment of lease from Mansol Realty Company to Mansol Realty Associates Incorporated by reference to Exhibit 10 (a) (1) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1982
(10)(b)	Extension Agreement re Lease of premises at 140 Little Street dated October 31, 1974 Incorporated by reference to Exhibit 10 (b) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1981
(10)(c)	Lease of premises at 471 Cortland Street, Belleville, New Jersey, between Birnfeld Associates and Mansol Ceramics Company, dated October 31, 1974 Incorporated by reference to Exhibit 10 (c) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1981
(10)(d)	Lease Modification Agreement re Lease of premises at 471 Cortland Street dated July 24, 1980 Incorporated by reference to Exhibit 10 (d) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1981
(10)(e) (i)	Term Loan Agreement and Term Note both dated April 22, 1983 between Mansol Ceramics Company and United Jersey Bank in the principal amount of $1,192,320 Incorporated by reference to Exhibit 10 (e) to Registrants Annual Report on Form 10-K for the year ended January 31, 1983
(10)(e) (ii)	Installment Note and Equipment Loan and Security Agreement of Mansol Ceramics Company and Guaranty of Registrant, dated August 1, 1988, in connection with extension of the maturity date of the loan referenced to in Exhibit 10 (e) (i) Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended January 31, 1989
(10)(f)	Lease of premises at 17-25 Academy Street, Newark, New Jersey between Mansol Ceramics Company and Rachlin & Co , dated April 29, 1983 Incorporated by reference to Exhibit 10 (f) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1984
(10)(g)	Lease Modification Agreement re Lease of Premises at 471 Cortland Street dated July 24, 1985 Incorporated by reference to Exhibit 10 (g) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1986

Exhibit No	Description of Document
(10)(h)	Master Lease Agreement between Mansol Ceramics Company and Fidelcor Services, Inc dated December 30, 1985 Incorporated by reference to Exhibit 10 (h) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1986
(10)(i)	Deed, Mortgage and Mortgage Note between William and Fred Schneper as Grantees and Borrowers and Mansol Ceramics Company as Grantor and Lender, dated July 26, 1985 re property located in Hanover Township, New Jersey Incorporated by reference 10 (i) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1986
(10)(j)	Lease of premises at 140 Little Street, Belleville, New Jersey, between Mansol Realty Association and Mansol Ceramics Company, dated July 31, 1986 Incorporated by reference to Exhibit 10 (j) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1987
(10)(k)	1987 Stock Option Plan Incorporated by reference to Registrant's proxy statement relating to its 1987 Annual Stockholders' Meeting
(10)(k)(1)	Amendment to the 1987 Stock Option Plan Incorporated by reference to Registrant's Form S-8 dated November 13, 1995
(10)(l)	Renewal of Lease and Extension to additional space at 17-25 Academy Street, Newark, New Jersey (a/k/a 1212 Raymond Boulevard, Newark, New Jersey) between Mansol Ceramics Company and Rachlin & Co Incorporated by reference to Exhibit 10 (l) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1988 (See also Exhibit 10 (f))
(10)(m)	Agreement dated June 13, 1989, between Mansol Ceramics Company and Bar-lo Carbon Products, Inc providing for the sale of Ceramics' Carbon fixtures division Incorporated by reference to Exhibit 10 (m) to Registrant's Annual Report on Form 10-k for the year ended January 31, 1990
(10)(n)	Modification of Note and Mortgage from William Schneper, Fred Schneper and Leon Schneper (Mortgagor) to Mansol Ceramics Company (Mortgagee) dated August 1, 1990, extending the term of the Note and Mortgage and modifying the interest provision Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1991
(10)(o)	Asset Purchase Agreement between Registrant, Mansol Ceramics Company and Mansol Industries Inc dated May 22, 1990, including Subordinated Term Promissory Note and Security Agreement, covering sale of assets and business of Manufacturing Division of Mansol Ceramics Company Incorporated by reference to Exhibits 1, 2 and 3 to Registrant's Current Report on Form 8-K dated May 22, 1990
(10)(p)	Modification of Loan between Mansol Industries, Inc (borrower) and Mansol Ceramics Company (Lender) dated January 31, 1992, allowing for the deferral of the principal for twelve months through and including the period ending June 22, 1992 in consideration for personal guarantees from Borrower Incorporated by reference to Exhibit 10 (p) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1992
(10)(q)	Lease of premises at 470 Colfax Avenue, Clifton, New Jersey, between Total-Tel USA Communications, Inc and Broadway Financial Investment Services, Inc dated March 25, 1991 Incorporated by reference to Exhibit 10 (q) to Registrant's Annual Report on Form 10-K for the year ended January 31, 1992
(10)(r)	Lease of premises at 744 Broad Street, Newark, New Jersey between Total-Tel USA Inc and Investment Property Services, Inc dated November 15, 1993 Incorporated by reference to Exhibit 10 (r) to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1994

Exhibit No	Description of Document
(10)(s)	Lease of premises at 744 Broad Street, Newark, New Jersey between Total-Tel USA, Inc and Investment Property Services, Inc dated December 28, 1993 Incorporated by reference to Exhibit 10 (s) to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1994
(10)(t)	Lease of premises at 471 Cortland Street, Belleville, New Jersey, between Total-Tel USA Inc and Birnfeld Associates - Belleville dated December 1, 1993 Incorporated by reference to Exhibit 10 (t) to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1994
(10)(u)	Lease of premises at 150 Clove Road, Little Falls, New Jersey, between Total-Tel USA, Inc and the Prudential Insurance Company of America dated February 22, 1994 Incorporated by reference to Exhibit 10 (u) to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1994
(10)(v)	Lease modification to the lease of the premises at 150 Clove Road, Little Falls, New Jersey between TotalTel, Inc and The Prudential Company of America dated May 18, 1994 Incorporated by reference to Exhibit 10 (v) to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1995
(10)(w)	Second lease modification to the lease of the premises at 150 Clove Road, Little Falls, New Jersey between TotalTel, Inc and Theta Holding Company, L P , successor to the Prudential Insurance Company of America dated February 9, 1995 Incorporated by reference to Exhibit 10 (w) to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1995
(10)(x)	Third lease modification to the lease of the premises at 150 Clove Road, Little Falls, New Jersey between TotalTel, Inc and Theta Holding Company, L P , successor to the Prudential Insurance Company of America dated January 31, 1997 Incorporated by reference to exhibit (10)(x) to the registrants Annual Report on Form 10-K for the year ended January 31, 1997
(10)(y)	Equipment Facility and Revolving Credit Agreement dated August 23, 1996 between Total-Tel USA Communications, Inc , TotalTel, Inc , TotalTel USA, Inc , and TotalTel Carrier Services, Inc and the Summit Bank in the amount of $10,000,000 Incorporated by referral to Exhibit (10)(y) to the Registrants Annual Report on Form 10K for the year ended January 3, 1997
(10)(z)	Lease of premises at 500 Fifth Avenue, New York City, New York between TotalTel, Inc and 1472 Broadway, Inc dated November 8, 1996 Incorporated by reference to Form 10K for the year ended January 31, 1997
(10)(AA)	Lease of premises at 40 Rector Street, New York City, New York between Total-Tel USA Communications, Inc and 40 Rector Street Company dated November 1, 1996 Incorporated by reference to Form 10K for the year ended January 31, 1997
(10)(AB)	1996 Stock Option Plan, Incorporated by reference to Registrant's Proxy Statement relating to its 1996 Annual Stockholder Meeting
(10)(AC)	Lease of premises of 28 West Flagler Street, Miami, Florida between TotalTel, Inc and Mosta Corporation, Inc dated February 6, 1998 Incorporated by reference to Form 10K for the year ended January 31, 1998
(10)(AD)	Amended Equipment Facility and Revolving Credit Agreement dated August 23, 1996 between Total-Tel USA Communications, Inc , TotalTel, Inc , Total-Tel USA, Inc , and Total-Tel Carrier Services, Inc and the Summit Bank in the amount of 13,000,000 Incorporated by reference to Form 10K for the year ended January 31, 1997

Exhibit No	Description of Document
(10)(AE)	Amendment to the Amended Facility and Revolving Credit Agreement dated November 1, 1998 between Total-Tel USA Communications, Inc , TotalTel, Inc , Total-Tel USA, Inc , and Total-Tel Carrier Services, Inc and the Summit Bank in the amount of 13,000,000 Incorporated by reference to Form 10K for the year ended January 31, 1999
(10)(AF)	Lease of premises of 20 Crossways Park North, Woodbury, New York, between TotalTel, Inc and Industrial and Research Associates Company, dated August 20, 1999 Incorporated by reference to Form 10K for the year ended January 31, 2000
(10)(AG)	Lease of premises of One Landmark Square, Stamford, Connecticut between TotalTel, Inc and Reckson Operating Partnership, LLP, dated November 17, 1999 Incorporated by reference to Form 10K for the year ended January 31, 2000
(10)(AH)	Lease of premises of 1810 Chapel Avenue West, Cherry Hill, New Jersey between TotalTel, Inc and Commerce Center Holdings, Inc , dated December 6, 1999 Incorporated by reference to Form 10K for the year ended January 31, 2000
(10)(AI)	The 1999 Equity Incentive Plan Incorporated by reference to the Registrant's Proxy Statement relating to its 1999 Annual Shareholder Meeting
(10)(AJ)	Employment agreement of A John Leach Incorporated by reference to the Registrant's Proxy Statement relating to its 2001 Annual Shareholders Meeting
(10)(AL)	The Covista Communications, Inc 2001 Equity Incentive Plan dated February 1, 2001, incorporated by reference to Form S-4 Registration Statement No 333-6944 effective January 09,2002
(10)(AM)	Sale and Lease/Back Master Lease agreement for Alcatel phone switch between Covista and Applied Financial dated July 25, 2001 Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2002
(10)(AO)	Sale and Lease/Back Schedule 1 agreement for Alcatel phone switch between Covista and Applied Financial dated July 25, 2001 Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2002
(10)(AP)	Sale and Lease/Back Schedule 2 agreement for Alcatel phone switch between Covista and Applied Financial dated July 25, 2001 Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended January 31, 2002
(10)(AQ)	Merger agreement between Covista Communications, Inc and Capsule Communications, Inc , incorporated by reference to Form S-4 Registration Statement No 333-6944 effective January 09, 2002
(10)(AR)	Lease of premises at 806 East Main Street, Chattanooga, Tennessee
(10)(AS)	Lease of premises at 721 Broad Street, Chattanooga, Tennessee
(10)(AT)	Lease of premises at 4803 Highway 58, Chattanooga, Tennessee
(10)(AU)	Revolving Credit and Security Agreement with Capital Source Finance, LLC, dated April 16, 2003
(10)(AV)	The 2002 Equity Incentive Plan Incorporated by reference to the Registrant's Proxy Statement dated November 19, 2002 relating to its 2002 Annual Shareholders Meeting
(23)	Independent Auditors' Consent

COVISTA COMMUNICATIONS, INC

AND SUBSIDIARIES

ITEM 15 Exhibits and Financial Statements Schedule Years Ended January 31, 2003, 2002, and 2001

INDEX

(a) (1) **Financial Statements** The following consolidated financial statements of Covista Communications, Inc and subsidiaries are included at the end of this Report

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Schedules other than those listed above are omitted because they are not required, not applicable or the information has been otherwise supplied

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