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September 26, 2001

BY OVERNIGHT DELIVERY

Thomas Dorman, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Re: Notification of Covista Communications, Inc. and Capsule Communications, Inc.
of the Transfer of Control of Capsule to Covista

Dear Mr. Dorman:

Covista Communications, Inc. ("CCI") and Capsule Communications, Inc. ("Capsule")(collectively, the "Parties"), by their undersigned counsel hereby notifies the Commission of a transaction whereby control of Capsule will be transferred to CCI. Capsule will become a wholly-owned subsidiary of CCI, and thus an affiliate of CCI's operating subsidiary, Covista, Inc. ("Covista").

As discussed more fully below, the transaction is being conducted pursuant to an Agreement and Plan of Merger ("Agreement") between Capsule, CCI and CCI Acquisitions Corp., an entity established specifically for the purpose of completing this transaction. The transaction will not involve any transfer of the certificates, assets or customers of Capsule to a new entity. Accordingly, this transaction will be virtually transparent to Capsule's customers.

Upon a review of Kentucky statutes and Commission rules, the Parties understand that prior Commission approval is not required to complete the transfer of control described herein. The Parties therefore submit this notification letter for the Commission's information and ask that it be retained by the Commission in the appropriate file.

DESCRIPTION OF THE PARTIES

Capsule is a Delaware corporation with its principal business office located at 2 Greenwood Square, 3331 Street Road, Suite 275, Bensalem, Pennsylvania. Capsule is a publicly-traded company that trades as an over the counter stock under the symbol "CAPS.OB". Capsule was authorized to provide intrastate interexchange services in Kentucky by the

Commission in Case No. 93-266.¹ Information demonstrating Capsule's legal, technical, managerial and financial qualifications to provide service was submitted with Capsule's certification application and is therefore already a matter of public record, and is incorporated by reference. Capsule also holds licenses issued by the Federal Communications Commission ("FCC") to provide domestic interstate and international telecommunications service.

CCI is a New Jersey corporation with its principal business office located at 150 Clove Road, Little Falls, New Jersey. CCI, through its operating subsidiary, Covista, provides domestic interstate and intrastate, as well as international, long distance voice, data, local and value-added services. CCI is strictly a holding company, and does not hold any authorizations to provide telecommunications services with any state commissions or the FCC. CCI is publicly traded on the NASDAQ stock exchange under the symbol "CVST". Covista is authorized to provide resold intrastate interexchange and/or competitive local exchange services in 48 states pursuant to certification, registration, tariff requirements, or deregulation. Covista also provides interstate and international telecommunications services as a non-dominant common carrier pursuant to authority of the FCC.

DESCRIPTION OF TRANSACTION

CCI and Capsule have determined that various operational efficiencies will be realized by conducting a transaction whereby Capsule will become a wholly-owned subsidiary of CCI. The transaction will occur in several steps. CCI will create a wholly-owned subsidiary, CCI Acquisitions Corp., created specifically for the purpose of conducting this transaction. CCI Acquisitions Corp. will merge with and into Capsule, with Capsule surviving. Shareholders of Capsule will receive shares of CCI, or cash for fractional shares. After the completion of the transaction, Capsule will be a sister corporation of CCI's operating subsidiary, Covista, although the companies will have a close operating relationship by contract.

Although the proposed acquisition will result in a transfer of control of Capsule, the Agreement will not involve a change in the manner in which Capsule's customers will receive their telecommunications services, and will be virtually transparent to customers. Specifically, customers will continue to receive the high quality, affordable telecommunications services that they presently receive with no change in the manner in which services are delivered. As a result, the proposed acquisition will not adversely affect service to Capsule's customers. Indeed, the acquisition will be virtually transparent to Capsule's customers in terms of the rates, terms and conditions of services that these consumers receive.

¹ The initial order granted authority to US WATS, Inc. The company subsequently filed a Notification of Reincorporation whereby the name of the certificated company was changed to Capsule.

CONCLUSION

An original and ten (10) copies of this letter are enclosed. Kindly date stamp and return the enclosed extra copy of this letter. The Parties hope to close the transaction described as soon as possible after receipt of necessary approvals. Therefore, the Parties respectfully request that the Commission notify the Parties promptly if it has any questions regarding the proposed transaction or believes that further action is required.

Respectfully Submitted,



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