GLOBIX CORP
Form 10-Q
August 20, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2003

OR

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

Commission File No. 1-14168

Globix Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-3781263 (I.R.S. Employer Identification No.)

139 Centre Street, New York, New York 10013
(address of principal executive offices) (Zip Code)

Registrant's Telephone number, including area code: (212) 334-8500

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [ ] No [X]

Number of shares of the Registrant's common stock outstanding as of June 30, 2003 was 16,460,000.

GLOBIX CORPORATION AND SUBSIDIARIES

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GLOBIX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(All Amounts in Thousands, Except Share and Per Share Data)

(Unaudited)

Assets
Current assets:
Cash and cash equivalents........
Short-term investments........
Marketable securities........
Accounts receivable, net of allowance for doubtful accounts of $ 2,487 and $2,565, respectively........
Prepaid expenses and other current assets........
Restricted cash........
Total current assets........
Investments........
Investments, restricted........
Property, plant and equipment, net........
Intangible assets, net of accumulated amortization of $1,522 and $543 respectively
Other assets........
Total assets........
Liabilities and Stockholders' Equity
Current liabilities:
Capital lease and other obligations........
Accounts payable........
Accrued liabilities........
Total current liabilities........
Capital lease obligations, net of current portion........
Mortgage payable........
11 % Senior Notes ....
Accrued interest - 11 % Senior Notes........
Other long term liabilities........
Total liabilities........
Commitments and contingencies
Minority interest in subsidiary
Stockholders' Equity:
Common stock, $.01 par value; 500,000,000 shares authorized; 16,460,000 shares issued and outstanding........
Additional paid-in capital........
Accumulated other comprehensive income ....
Accumulated deficit........
Total stockholders' equity........
Total liabilities and stockholders' equity........

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

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GLOBIX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(All Amounts in Thousands, Except Share and Per Share Data)
(Unaudited)

	Successor Compan	
	Three Months Ended June 30 2003	Two Mont Ende June 200
Revenue	$14,519	$ 12,70
Operating costs and expenses:		
Cost of revenue (excluding depreciation, amortization, payroll and occupancy included below)	4,601	4,50
Selling, general and administrative	9,253	10,74
Loss on impairment of assets	--	--
Restructuring and other expense	--	--
Depreciation and amortization	4,057	2,45
Total operating costs and expenses	17,911	17,70
Loss from operations	(3,392)	(5,00
Other (expenses)income:		
Interest and financing expense	(3,758)	(2,67
Interest income	295	31
Gain on debt discharge	1,154	--
Minority interest in subsidiary	105	--
Reorganization items	--	--
Fresh start accounting adjustments	--	--
Other income (expense)	220	(14

Net (loss) income	(5,376)	(7,51
Dividends and accretion on preferred stock	--	--
Net (loss) income attributable to common stockholders	$(5,376)	$ (7,51
Basic net (loss) income per share attributable to common stockholders	$ (0.33)	$ (0.4
Weighted average common shares outstanding - basic	16,460,000	16,460,00
Diluted net (loss) income per share attributable to common stockholders	$(0.33)	$ (0.4
Weighted average common shares outstanding-diluted	16,460,000	16,460,00

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

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GLOBIX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(All Dollar Amounts in Thousands, Except Share and Per Share Data)
(unaudited)

	Successor Company	
	Nine Months Ended June 30 2003	Two Months Ended June 30 2002
Revenue	$ 46,367	$ 12,7
Operating costs and expenses:		
Cost of revenue (excluding depreciation, amortization, payroll and occupancy included below)	15,499	4,5

Selling, general and administrative	33,714	10,7
Loss on impairment of assets	-	
Restructuring and other expense	-	
Depreciation and amortization	11,900	2,4
Total operating costs and expenses	61,113	17,7
Other operating income	345	
Loss from operations	(14,401)	(5,0
Other income (expenses)		
Interest and financing expense	(11,223)	(2,6
Interest income	1,030	3
Gain on debt discharge	5,925	
Minority interest in subsidiary	333	
Reorganization items	-	
Fresh start accounting adjustments	-	
Other income (expense)	606	(1
Net (loss) income	(17,730)	(7,5
Dividends and accretion on preferred stock	-	
Net (loss) income attributable to common stockholders	$ (17,730)	$ (7,5
Basic net (loss) income per share attributable to common stockholders	$ (1.08)	$ (0.
Weighted average common shares outstanding - basic	16,460,000	16,460,0
Diluted net (loss) income per share attributable to common stockholders	$ (1.08)	$ (0.
Weighted average common shares outstanding-diluted	16,460,000	16,460,0

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

GLOBIX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(All Amounts in Thousands, Except Share and Per Share Data)

(Unaudited)

	Successor Company	
	Nine Months Ended June 30, 2003	Two Months Ended June 30, 2002
Cash flows from operating activities		
Net (loss) income	$(17,730)	$(7,514)
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,900	2,454
Provision for uncollectible accounts receivable	1,432	984
Services contributed to minority-owned subsidiary	--	--
Amounts charged in respect of warrant granted to consultant	1,051	--
Gain on debt discharge	(5,925)	--
Unrealized loss(gain) on investments	(356)	--
Non Cash Restructuring and other charges	--	--
Loss on impairment of operating assets	--	--
Loss on impairment of investments	--	25
Gain on sale of marketable securities	--	--
Amortization of debt issuance costs	--	--
Amortization of deferred compensation	--	--
Minority interest in subsidiary	(333)	--
Fresh start accounting adjustment	--	--
Changes in operating assets and liabilities:		
Accounts receivable	(336)	2,909
Prepaid expenses and other current assets	2,846	3,088
Other assets	--	--
Accounts payable	(265)	2,332
Accrued liabilities	(7,184)	(3,440)
Accrued interest	9,271	2,200
Other	(3,112)	(67)
Net cash (used in) provided by operating activities	(8,741)	2,971
Cash flows from investing activities		
Use of restricted cash and investments	2,727	511
Proceeds from sale of marketable securities	--	--
Return of strategic investments	--	--
Purchases of property, plant and equipment	(1,186)	(415)
Investment in short-term and long-term investments	(6,967)	--
Net cash (used in) provided by investing activities	(5,426)	96

GLOBIX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(All Amounts in Thousands, Except Share and Per Share Data)
(Unaudited)

	Successor Company	
	Nine Months Ended June 30, 2003	Two Months Ended June 30, 2002
Cash flows from financing activities		
Capital contribution from minority-owned subsidiary	6,094	--
Capital distribution to minority-owned subsidiary	(97)	--
Repayments of mortgage payable and capital lease obligations	(1,050)	(2,012)
Repurchase of Senior Notes	(14,612)	--
Net cash used in financing activities	(9,665)	(2,012)
Effects of exchange rate changes on cash and cash equivalents	636	308
Net (decrease) increase in cash and cash equivalents	(23,196)	1,363
Cash and cash equivalents, beginning of period	47,562	52,722
Cash and cash equivalents, end of period	$ 24,366	$ 54,085
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,755	$ 399
Non-cash investing and financing activities		
Equipment acquired under capital lease obligations	$ --	$ --
Capital expenditures included in accounts payable accrued liabilities and other long term liabilities	$ --	$ 378
Cumulative dividends and accretion on preferred stock	$ --	$ --
Restructuring of mandatorily redeemable convertible preferred stock	$ --	$ --
Issuance of 11% Senior Notes as payable in kind interest	$ 11,298	
Restructuring of debt	$ --	$ --

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

GLOBIX CORPORATION AND SUBSIDIARIES

UNAUDITED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All Amounts in Thousands, Except Share and Per Share Data)

1. Reorganization and Emergence from Chapter 11

Globix Corporation ("Globix", the "Company",) is a provider of Internet solutions to businesses. The solutions include secure and fault-tolerant Internet data centers with network services providing network connectivity to the Internet and Internet-based managed and application services, which include co-location, dedicated hosting, streaming media and messaging services. The Company currently offers services from facilities in New York City, New York, Santa Clara, California, Atlanta, Georgia and London, England.

On March 1, 2002, the Company and two of its wholly-owned subsidiaries, Comstar.net, Inc. and ATC Merger Corp., filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code, together with a prepackaged Plan of Reorganization (the "Plan") with the United States Bankruptcy Court for the District of Delaware. The Company continued to operate in Chapter 11 in the ordinary course of business and received permission from the bankruptcy court to pay its employees, trade, and certain other creditors in full and on time, regardless of whether these claims arose prior to or after the Chapter 11 filing.

On April 8, 2002, the bankruptcy court confirmed the Plan. Effective April 25, 2002 (the "Effective Date of the Plan"), all conditions necessary for the Plan to become effective were satisfied or waived and the Company emerged from Chapter 11 bankruptcy protection.

As of the Effective Date of the Plan, all of the Company's existing securities were cancelled and:

- each holder of the Company's 12.5% Senior Notes due 2010 (the "12.5% Senior Notes"), became entitled to receive, in exchange for its claims in respect of the 12.5% Senior Notes, its pro rata share of:

    - $120,000 in aggregate principal amount of the Company's 11% Senior Secured Notes due 2008 (the "11% Senior Notes"), and

    - 13,991,000 shares of the Company's common stock, representing 85% of the shares of the Company's common stock issued and outstanding following the Effective Date of the Plan;

- each holder of shares of the Company's preferred stock outstanding immediately prior to the Effective Date of the Plan became entitled to receive, in exchange for its claims in respect of these shares of preferred stock, its pro rata share of 2,304,400 shares of the Company's common stock, representing 14% of the shares of the Company's common stock issued and outstanding following the Effective Date of the Plan; and

- each holder of shares of the Company's common stock outstanding immediately prior to the Effective Date of the Plan became entitled to receive, in exchange for its claims in respect of these shares of common stock, its pro rata share of 164,600 shares of the Company's common stock, representing 1% of the shares of the Company's common stock issued and outstanding following the Effective Date of the Plan.

The Plan provides that all of the shares of the Company's common stock issued pursuant to the Plan are subject to dilution by the exercise of management incentive stock options, representing up to 10% of the shares of the Company's issued and outstanding common stock on a fully-diluted basis following the Effective Date of the Plan.

A total of 16,460,000 shares of the Company's common stock and $120,000 in aggregate principal amount of the 11% Senior Notes were deemed to be issued and outstanding on the Effective Date of the Plan pursuant to the terms of the Plan, and are deemed to be issued and outstanding for purposes of these financial statements. As of September 30, 2002, however, no shares of the Company's common stock or 11% Senior Notes had been distributed. In October 2002, the Company distributed a total of 16,295,400 shares of common stock and $120,000 in aggregate principal amount of 11% Senior Notes. Pursuant to the terms of a Stipulation and Order that the Company entered into with the lead plaintiffs in the class action lawsuit described in Note 14, 229,452 of these shares of common stock and $1,968 in aggregate principal amount of these 11% Senior Notes were placed in reserve in escrow pending the outcome of the class action lawsuit. In the event that any judgment or settlement entered into in connection with the class action lawsuit requires the Company to pay an amount in excess of its liability insurance, then the Company will be required to issue to the class action litigants and their attorneys all (in the event that this excess is $10,000 or greater) or a portion

of (in the event that this excess is less than $10,000) of the shares of common stock and 11% Senior Notes held in escrow. Distribution of the remaining 164,600 shares of common stock deemed to have been issued on the Effective Date of the Plan, which are allocable under the terms of the Plan to the holders of the Company's common stock outstanding immediately prior to the Effective Date of the Plan, will occur following the resolution of the shareholder derivative suit against the Company and certain of former officers and directors described in Note 14.

The Company historically has experienced negative cash flow from operations and has incurred net losses. The Company's ability to generate positive cash flow from operations and achieve profitability is dependent upon its ability to grow the Company's revenue and achieve further operating efficiencies. For the nine-month period ended June 30, 2003, the Company had a net loss of $17,730. The Company is dependent upon its cash on hand and cash generated from operations to support its capital requirements and meet its financing obligations as they come due. Although no assurances can be given, the Company's management believes that actions taken pursuant to the Plan, including company downsizing, headcount reductions and other cost reductions, as well as cost control measures and the restructuring of the Company's outstanding debt in connection with the Plan, have positioned the Company to maintain sufficient cash flows from operations to meet its operating, capital and debt service requirements for the next twelve months. There can be no assurance, however, that the Company will be successful in executing its business plan, achieving profitability, attracting new customers, or maintaining its existing customer base. Moreover, despite its restructuring the Company has continued to experience significant decreases in revenue and low levels of new customer additions in the period following its restructuring. In the future, the Company may make acquisitions or repurchase indebtedness of the Company, which, in turn, may adversely affect the Company's liquidity.

2. Basis of Presentation

The condensed consolidated financial statements have been prepared by the Company according to accounting principles generally accepted in the United States and the rules and regulations of the Securities and Exchange Commission.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instruction to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles in the United States of America for complete financial statements. In the opinion of management, the unaudited interim condensed consolidated financial statements furnished herein include all of the adjustments necessary for a fair presentation of the Company's financial position at June 30, 2003 and the three month and nine month periods ended June 30, 2003 and one month and seven month periods ended April 30, 2002 and two month period ended June 30, 2002. All such adjustments are of a normal recurring nature.

As a result of the application of fresh start accounting under the American Institute of Certified Public Accountants Statement of Position No. 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"), as of May 1, 2002, the Company's financial results for the three month and nine month periods ended June 30, 2003 and for the three month and nine month periods ended June 30, 2002 include two different bases of accounting and, accordingly, the operating results and cash flows of the Successor Company (as defined below) and the Predecessor Company (as defined below) have been separately disclosed. For the purposes of these financial statements, references to the "Predecessor Company" are references to the Company for periods prior to April 30, 2002 (the last day of the calendar month in which the Company emerged from bankruptcy) and references to the "Successor Company" are references to the Company for periods subsequent to April 30, 2002. The Successor Company's financial statements are not comparable to the Predecessor Company's financial statements. Results of operations for the three-month and nine month periods ended June 30, 2003 are not necessarily indicative of the operating results that may be expected for future periods.

The following table describes the periods presented in the financial statements and related notes thereto:

PERIOD	REFERRED TO AS
From May 1, 2002 through June 30, 2003	"Successor Company"
From October 1, 2001 through April 30, 2002	"Predecessor Company"

Certain amounts in the consolidated condensed financial statements of the prior period have been reclassified to conform to the current period presentation for comparative purposes.

USE OF ESTIMATES

The preparation of the Company's financial statements in accordance with generally accepted accounting principles in the United States requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities.

Significant estimates include estimates of the collectibility of accounts receivable, the useful lives and ultimate realizability of property, equipment, intangible assets, deferred tax assets and restructuring reserves. The market for the Company's services is characterized by intense competition and could impact the future realizability of the Company's assets. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the period that they are determined to be necessary. Actual results may vary from these estimates under different assumptions or conditions

The Company adopted Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141") and Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets "("SFAS 142") at the Effective Date of the Plan. SFAS 141 requires all business combinations to be accounted for using the purchase method of accounting and that certain intangible assets acquired in a business combination must be recognized as assets separate from goodwill. SFAS 142 addresses the recognition and measurement of goodwill and other intangible assets subsequent to their acquisition. SFAS 142 also addresses the initial recognition and measurement of intangible assets acquired outside of a business combination whether acquired individually or with a group of other assets. This statement provides that intangible assets with indefinite lives and goodwill will not be amortized but, will be tested at least annually for impairment. If an impairment is indicated then the asset will be written down to its fair value typically based upon its future expected discounted cash flows.

For the seven-months ended April 30, 2002 goodwill amortization amounted to $1,141. If the Company had adopted SFAS 142 as of October 1, 2001 and discontinued goodwill amortization, the Company's net income and loss per common share on a proforma basis would have been as follows:

PRO FORMA RESULTS

(All Amounts in Thousands, Except Share and Per Share Data)

	Predecessor Seven Months Ended April 30, 2002
Net income	$159,934
Addback of goodwill amortization	1,141
Adjusted net income	161,075
Dividends and accretions on preferred stock	(3,178)
Adjusted net income attributable to common shareholders	$157,897
Adjusted basic earnings per share attributable to common shareholders	$ 3.99
Adjusted diluted earnings per share attributable to common shareholders	$ 3.32

Stock Based Compensation

In December 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation, Transition and Disclosure, an amendment of FASB Statement No. 123 (SFAS 148). This statement provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock based compensation. It also amends the disclosure provisions of SFAS 123 to require prominent disclosure about the effects on reported net loss of an entity's accounting policy decisions with respect to stock-based employee compensation. Further, SFAS 148 amends Accounting Principles Board Opinion No. 28, Interim Financial Reporting, to require disclosure about those effects in interim financial information.

The following table illustrates the effect on net loss from continuing operations and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation. The estimated fair value of each Globix option is calculated using the Black-Scholes option-pricing model.

	Successor Company	
	Three months ended June 30, 2003	Two months June 30, 2
Net(loss) income attributable to common stockholders:	$(5,376)	$(7,51
Pro forma net (loss) income attributed to common stockholders:	$(5,960)	$(7,51
Pro forma basic (loss) income per per share attributable to common stockholders:	$ (0.36)	$ (0.4
Pro forma diluted (loss) income per share attributable to common stockholders:	$ (0.36)	$ (0.4

	Successor Company	
	Nine months ended June 30, 2003	Two months ended June 30, 2002
Net(loss) income attributable to common stockholders:	$ (17,730)	$(7,514)
Pro forma net (loss) income attributed to common stockholders	$ (18,863)	$(7,514)
Pro forma basic (loss) income per share attributable to common stockholders:	$ (1.15)	$ (0.46)
Pro forma diluted (loss) income per share attributable to common stockholders:	$ (1.15)	$ (0.46)

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

	2003		2002
	Ranges from		Average
Risk-free interest rate	2.12%	2.74%	4.18%
Expected Volatility	133%		133%
Expected Life	5 years		6 years
Contractual Life	10 years		10 years

(All Amounts in Thousands, Except Share and Per Share Data)

Expected dividend yield		0%	0%
Fair value of options granted	$1.41	$2.61	$0.41

The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts, as additional stock option awards are anticipated in future years.

RECENT ACCOUNTING PRONOUNCEMENTS

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS No. 149"). SFAS No. 149 clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative as discussed in Statement No. 133. It also specifies when a derivative contains a financing component that warrants special reporting in the Consolidated Statement of Cash Flows. SFAS No. 149 amends certain other existing pronouncements in order to

improve consistency in reporting these types of transactions. The new guidance is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The Company does not expect this standard to have a material impact on its consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150 ("SFAS No. 150"), Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 specifies that instruments within its scope embody obligations of the issuer and that, therefore, the issuer must classify them as liabilities. SFAS No. 150 requires issuers to classify as liabilities the following three types of free standing financial instruments: (1) mandatorily redeemable financial instruments; (2) obligations to repurchase the issuer's equity shares by transferring assets and (3) certain obligations to issue a variable number of shares. SFAS No. 150 defines a "freestanding financial instrument" as a financial instrument that (1) is entered into separately and apart from any of the entity's other financial instruments or equity transactions or (2) is entered into in conjunction with some other transaction and can be legally detached and exercised on a separate basis. For all financial instruments entered into or modified after May 31, 2003, SFAS No. 150 is effective immediately. For all other instruments of public companies, SFAS No. 150 goes into effect at the beginning of the first interim period beginning after June 15, 2003. For contracts that were created or modified before May 31, 2003 and still exist at the beginning of the first interim period beginning after June 15, 2003, entities should record the transition to SFAS No. 150 by reporting the cumulative effect of a change in an accounting principle. SFAS No. 150 prohibits entities from restating financial statements for earlier years presented. The Company does not expect the adoption of SFAS No. 150 to have a material impact on its financial statements.

3. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	June 30, 2003	September 30, 2002
Land	$ 2,713	$ 2,713
Building and building improvements	84,380	84,094
Leasehold improvements	75,404	71,322
Computer hardware and software and network equipment	16,750	15,607
Furniture and equipment	3,761	3,660
	183,008	177,396
Less: Accumulated depreciation and amortization	(16,618)	(5,549)
Add: Construction in progress	--	2,863
Property, plant and equipment, net	$ 166,390	$ 174,710

Certain computer and network equipment are recorded under capital leases that aggregated approximately $4,466 and $4,466 as of June 30, 2003 and September 30, 2002, respectively. Accumulated amortization on the assets recorded under capital leases aggregated approximately $1,302 and $465 as of June 30, 2003 and September 30, 2002, respectively.

ATC Merger Corp. a wholly owned subsidiary of the Company, owns the land and building located at 139 Centre Street, New York, New York. The nine-story building houses the Company's corporate headquarters and one of its Internet data center facilities. A former owner of the right to purchase the Centre Street property may be entitled to additional consideration if Globix sells the property. Such amount will be equal to the greater of (a) $1.0 million (subject to increase after June 1, 2018 by ten percent and an additional ten percent every fifth year thereafter), or (b) ten percent of the gross sales price of the property if such sales price is greater than $17.5 million.

4. Minority Interest

In September 2000, the Company purchased the land and the eight-story building located at 415 Greenwich Street, New York, New York (the "Property"). The Property, which serves as the Company's second New York City Internet data center, is a certified historic structure eligible for historic tax credits ("Tax Credits") based on qualified expenditures, as defined in the Internal Revenue Code.

In June 2001, the Company had entered into an agreement whereby the Tax Credits generated from the renovation of the Property would be utilized by a third party (the "Investor") via a subsidiary (the "LLC"), in consideration for a capital contribution to the LLC of approximately $16,549, which represents a 99.9% interest in the LLC. As of June 30, 2003, the LLC had received $11,872 of such capital contribution. The balance of the capital contribution is due from the Investor in annual installments as follows:

GLOBIX CORPORATION AND SUBSIDIARIES

UNAUDITED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All Amounts in Thousands, Except Share and Per Share Data)

Year Ending September 30,	Contribution
2004	$ 1,557
2005	1,479
2006	1,400
2007	241
Total	$ 4,677

In connection with the above transaction, the Investor has a put option with the Company. The put option provides that during the six months following the 61st month after the date of the certification of the qualifying rehabilitation expenditures (the "Certification Date"), which occurred on September 17, 2002, the Investor may require the Company to purchase the Investor's interest in the LLC for an amount equal to 25% of the Investor's capital contribution in the LLC. If the Investor does not exercise its put option, the Company may exercise a call option during a period of 24 months following the 73rd month after the Certification Date. The call option allows the Company to acquire the Investor interest in LLC for the greater of the fair market value of the Investor interest in the LLC or an amount equal, on an after tax basis, to taxes payable by the Investor upon the sale of its investment.

Upon certain events including the sale of the Property at any time after 2007 (to the extent the above mentioned put/call options have not been exercised), the Company is obligated to pay the Investor 30% of any proceeds received in excess of the cost of the Property. In the event that the Property is sold anytime before 2007, the Company is obligated to pay to the Investor its capital contribution (less any unrecaptured Tax Credits available to the Investor), plus any loss attributable to the projected economic benefits to the Investor and any other amounts owed to the Investor (as defined). The above potential commitment is mitigated during the initial 60 months following the Certification Date by the Company's right to terminate the transaction by paying the difference between a 20% annual return on the Investor's capital contributions up to the termination date and the Investor's actual return up to the termination date.

The Put Option that the Company has written has been recorded at its fair value and will be marked to fair value through earnings. At June 30, 2003, the fair value of this option is negligible.

5. Accrued Liabilities

Accrued liabilities consist of the following:

	June 30, 2003	September 30, 2002
Franchise tax, sales tax, and property tax	$ 767	$ 2,177
Salaries, benefits and commissions	868	1,636
Telecommunications accrual	2,185	1,706
Technology licenses and maintenance contracts	249	1,205
Deferred Revenue	2,434	1,503
Restructuring	1,105	1,828
Other	3,401	7,869
	$11,009	$17,924

GLOBIX CORPORATION AND SUBSIDIARIES

UNAUDITED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All Amounts in Thousands, Except Share and Per Share Data)

6. Restructuring and Other

The following table displays the activity and balances of the restructuring reserve account from inception to June 30, 2003:

	Restructuring		
	Employee Terminations	Contract Settlements	Facility Closings
September 30, 2001 Balance (Predecessor Company)	$ 1,006	$ 4,050	$ 1,953
Additional Restructure Charge	2,946	16,407	2,120
Deductions - Non-cash	(889)	--	(422)
Deductions - Cash	(2,520)	(18,480)	(1,669)
Reversal to Fiscal 2001 Plan	-	(678)	(701)
April 30, 2002 Balance (Predecessor Company)	543	1,299	1,281
Deductions - cash	(340)	--	(710)
June 30, 2002 Balance (Successor Company)	203	1,299	571
Deductions - Cash	(60)	--	(185)
September 30, 2002 Balance (Successor Company)	143	1,299	386

Deductions - Cash	(143)	(485)	(95)
June 30, 2003 Balance (Successor Company)	$ -	$ 814	$ 291

The above deductions to the restructuring reserve represent primarily cash payments and write-offs of previously capitalized costs.

7. Other Long-Term Liabilities

Other long-term liabilities consist of the following:

	June, 30 2003	September 30 2002
Note Payable	$ 2,600	$ 2,600
Rabbi Trust Obligation	--	2,777
Negative Leasehold Liability	7,369	7,607
Deferred Rent	261	100
	$10,230	$13,084

The Company has a $2,600 note payable, due November 15, 2005. The note bears interest, payable monthly, at 4.75%. The note is collateralized by an irrevocable standby letter of credit. The related funds are included in investments, restricted on the accompanying consolidated balance sheet.

On July 21, 1999, the Company established a trust for the benefit of a former executive. The trust agreement was for three years beginning in April 1999 through March 1, 2002. The agreement was amended on March 21, 2001, and provided for payments from the trust commencing April 2001. Payments were made from the Trust until March 1, 2002, when the Company and two of its wholly owned subsidiaries filed for Chapter 11 bankruptcy protection. The Company was in litigation over the trust which was settled pursuant to court order confirmation of the settlement dated June 13, 2003. Pursuant to this settlement, Mr. Bell received a distribution of $990 and the Company received a distribution of approximately $1,700. The amount of approximately $100 was retained by the trustee to cover the costs of winding up the trust.

8. Senior Notes

As of the Effective Date of the Plan, all of the existing 12.5% Senior Notes were cancelled and each holder of the 12.5% Senior Notes became entitled to receive, in exchange for its 12.5% Senior Notes, its pro rata share of $120,000 in aggregate principal amount of the 11% Senior Notes and 13,991,000 shares of the Company's common stock, representing 85% of the shares of the Company's common stock issued and outstanding following the Effective Date of the Plan, subject to dilution by the exercise of management incentive

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options representing up to 10% of the Company's issued and outstanding common stock on a fully-diluted basis following the Effective Date of the Plan. The interest of $11,507 on the 12.5% Senior Notes for the period March 1, 2002 through the Effective Date of the Plan was not accrued in accordance with SOP 90-7.

The Company issued the 11% Senior Notes on the Effective Date of the Plan in one series that is initially limited to $120,000 aggregate principal amount of 11% Senior Notes. However, none of the 11% Senior Notes had been distributed as of September 30, 2002. In October 2002, the Company distributed $120,000 in aggregate principal amount of the 11% Senior Notes, which included $1,968 in aggregate principal amount of Notes placed in reserve in escrow pursuant to a Stipulation and Order entered into with the lead plaintiffs in the class action lawsuit described in Note 14.

The 11% Senior Notes will mature on May 1, 2008. The 11% Senior Notes will bear interest at 11% per annum, payable annually in May of each year, commencing on May 1, 2003. Interest on the 11% Senior Notes for the first year of the two year period following the initial date of issuance was paid in May of 2003 in kind by the issuance of additional notes in the amount of $11,300. The terms of the notes issued in payment of interest are identical to the 11% Senior Notes (other than the date of issuance). For the third and fourth years following issuance, interest is payable in cash or, at the Company's option when authorized by its board of directors, in additional notes with terms identical to the 11% Senior Notes (other than the date of issuance), or in any combination of cash and additional notes. For the remaining two years until maturity, interest is payable in cash.

The 11% Senior Notes were issued under an indenture dated as of April 23, 2002 (the "Indenture"), among the Company, HSBC Bank USA, as trustee (the "Trustee") and Bluestreak Digital, Inc., Gamenet Corporation, NAFT Computer Service Corporation, NAFT International Ltd., PFM Communications, Inc., GRE Consulting, Inc., 415 Greenwich GC, LLC, 415 Greenwich GC Tenant, LLC, 415 Greenwich GC MM, LLC, Comstar.net, Inc. and Comstar Telecom & Wireless, Inc., as the initial Subsidiary Guarantors. The Company has merged each of these subsidiary guarantors, other than 415 Greenwich GC, LLC, 415 Greenwich GC Tenant, LLC, 415 Greenwich GC MM, LLC, with and into the Company.

The Indenture governing the 11% Senior Notes contains a number of covenants that impose significant operating and financial restrictions on the Company and its subsidiaries. These restrictions significantly limit, and in some cases prohibit, among other things, the ability of the Company and certain of its subsidiaries to incur additional indebtedness, create liens on assets, enter into business combinations or engage in certain activities with the Company's subsidiaries.

In December 2002, the Company repurchased in the open market for $7,030 a portion of its outstanding 11% Senior Notes, which had a principal value of approximately $9,130 and associated accrued interest of $627. The repurchase resulted in a gain on the discharge of debt of approximately $2,727. Such gain is included in the Consolidated Statement of Operations in the nine months ended June 30, 2003.

In February 2003, the Company repurchased in the open market for $4,913 a portion of its outstanding 11% Senior Notes, which had a principal value of approximately $6,380 and associated accrued interest of $577. The repurchase resulted in a gain on the discharge of debt of approximately $2,044. Such gain is included in the Consolidated Statement of Operations for the nine months ended June 30, 2003.

In April 2003, the Company repurchased on the open market for $2,669 a portion of its outstanding 11% Senior Notes, which had a principal value of approximately $3,466 and associated accrued interest of $357. The repurchase resulted in a gain on the discharge of debt of approximately $1,154. Such gain is included in the Consolidated Statement of Operations for the three and nine months ended June 30, 2003.

9. Mortgage Interest

On January 25, 2000, the Company borrowed $21,000 from a financial institution pursuant to a mortgage note secured by the Company's property at 139 Centre Street, New York. Interest is payable at 9.16% (subject to adjustment on February 11, 2010) based on a 25 year amortization schedule. Principal and interest payments of $178.5 are payable monthly and any balance of the principal and all accrued and unpaid interest is due and payable in February 2025.

10. Stockholders Equity

As of the Effective Date of the Plan, all of the outstanding shares of the Company's common stock were cancelled, and each holder of shares of the Company's common stock outstanding immediately prior to the Effective Date of the Plan became entitled to receive, in exchange for its claims in respect of such shares, its pro rata share of 164,400 shares of the Company's common stock, representing 1% of the shares of the Company's common stock issued and outstanding following the Effective Date of the Plan, subject to dilution by the exercise of management incentive options representing up to 10% of the Company's issued and outstanding common stock on a fully-diluted basis following the Effective Date of the Plan.

Pursuant to the terms of the Successor Company's Amended and Restated Certificate of Incorporation, the Company is authorized to issue 500,000,000 shares of common stock with a par value of $0.01 per share. A total of 16,460,000 shares of the Company's common stock were deemed to be issued and outstanding on the Effective Date of the Plan. As of September 30, 2002, however, no shares of the Company's common stock had been distributed pursuant to the terms of the Plan. In October 2002, a total of 16,295,400 shares of common stock were distributed in accordance with the terms of the Plan. 229,452 of these shares were placed in reserve in escrow pursuant to a Stipulation and Order entered into with the lead plaintiffs in the class action lawsuit described in Note 14. Distribution of the remaining 164,600 shares of common stock deemed to have been issued on the Effective Date of the Plan, which are allocable under the terms of the Plan the holders the Predecessor Company's common stock, will occur following the resolution of the shareholder derivative suit described in Note 14 against the Company and certain of its present and former officers and directors.

On March 14, 2003, the Company's board of directors approved the 2003 Stock Option Plan, authorized the issuance of options to acquire 1,828,889 shares of the Company's common stock and granted options to acquire 1,128,943 shares of the Company's common stock. The compensation committee of the Company's board of directors had previously approved the 2003 Stock Option Plan on November 5, 2002, and set the fair value strike price of options granted under the 2003 Stock Option Plan at $3.04.

On June 13, 2003, the Company's board of directors granted the issuance of options to acquire 182,000 shares of the Company's common stock. During the third quarter 2003, options covering 279,828 shares were forfeited by former employees.

On March 14, 2003, the Company's board of directors approved the sale to Communication Technology Advisors, LLC ("CTA") of a warrant exercisable for 500,000 shares of the Company's common stock at an exercise price of $3.00 per share. CTA provides consulting services to the Company. CTA's Chairman, Jared Abbruzzese, was a member of our board of directors until June 24, 2003. The purchase price of the warrants is $25. Although CTA has not yet purchased this warrant, it currently has the right to do so. If CTA elects to purchase this warrant, it will be immediately exercisable for a period of 10 years from the date of issuance. CTA is a provider of services to the Company and as such, the value of the warrant is expensed as determined by using the Black Scholes valuation model. The assumptions used in the Black- Scholes model include the risk free rate of 2.92%, volatility of 133%, nil dividend yield, a contractual life of 10 years and an expected life of five years with a fair market value of $2.50. The fair value of the warrant $ 1,051 was expensed as part of SG&A in the quarter ended March 30, 2003.

In October 2002, a total of 16,295,400 shares of common stock were distributed in accordance with the terms of the Plan. 164,600 shares of common stock will be distributed following resolution of the shareholder derivative suit discussed in Note 14. For purposes of these financial statements, however, and consistent with the provisions of the Plan, a total 16,460,000 shares have been treated as outstanding.

11. Loss per Share

Basic loss per share is calculated by dividing net loss attributable to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted loss per share is calculated by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for potentially dilutive securities. In accordance with the requirements of Statement of Financial Accounting Standard No. 128, the following common stock equivalents have been excluded from the calculation of diluted net loss per common share as their inclusion would be antidilutive.

	Successor Company	Predece Compa

	Nine months ended June 30, 2003	Two months ended June 30, 2002	Seven mont April 2002
Stock Options.................	1,031,115	--	10,021
Warrants	500,000	--	194
	1,531,115	--	10,216

The following is a reconciliation of basic earnings per share to diluted earnings per share:

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	Predecessor Company		
	Seven months ended April 30, 2002		
	Numerator Income or (loss)	Denominator Shares	Per Share Amount
Basic earnings per share			
Net income	$ 159,934		
Dividends and accretion on preferred stock	(3,178)		
Net income attributable to common stockholders	156,756	39,618,856	$ 3.96
Addback of dividends on preferred stock	3,178	8,888,600	
Diluted earnings per share			
Net income attributable to common stockholders	$ 159,934	48,507,456	$ 3.30

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	Predecessor Company		
	One month ended April 30, 2002		
	Numerator Income or (loss)	Denominator Shares	Per Share Amount
Basic earnings per share			
Net income	$ 269,825		
Dividends and accretion on preferred stock	-		
Net income attributable to common stockholders	269,825	41,395,781	$ 6.52
Addback of dividends on preferred stock		8,888,600	
Diluted earnings per share			
Net income attributable to common stockholders	$ 269,825	50,284,381	$ 5.37

12. Segment Reporting

The Company reports segment information under SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" which establishes standards for reporting information about operating segments in annual financial statements, and requires selected information about operating segments in interim financial reports issued to stockholders. It also establishes standards for disclosures about products and services and geographic areas. Operating segments are components of an enterprise for which separate financial information is available and which is evaluated regularly by the Company's chief operating decision-maker, or decision-making group, in deciding how to allocate resources and assess performance. The Company is a full service provider of sophisticated Internet solutions. The Company operates several Internet data centers throughout the United States of America and Europe. Each Internet data center provides the same internet related services to similar type of customers.

The Company's activities fall within one operating segment. The following table sets forth geographic segment information for the three months and the nine months ended June 30, 2003 (Successor Company), two months ended June 30, 2002 (Successor Company) and the one month and seven months ended April 30, 2002 (Predecessor Company):

	Successor Company		Predecessor Company	Successor
	Three Months Ended June 30, 2003	Two Months Ended June 30, 2002	One Month Ended April 30, 2002	Nine Months Ended June 30, 2003
Revenue:				
United States	$8,785	$ 8,581	$4,697	$ 28,764
Europe	5,734	4,121	1,808	17,603
Consolidated	$ 14,519	$ 12,702	$ 6,505	$ 46,367
Identifiable Tangible Assets:				
United States	$ 176,714			
Europe	45,624			
Consolidated	$ 222,338			

13. Comprehensive Income (Loss)

The Company reports comprehensive loss under the provisions of SFAS No. 130. Accumulated other comprehensive loss is reported as a component of stockholders equity in the consolidated balance sheets. The Company primarily has two components of comprehensive loss: cumulative translation adjustments from the Company's operations in foreign countries and unrealized gains and losses on marketable securities classified as available for sale. The following table summarizes the components of other comprehensive loss for the three-month and nine-month periods ended June 30, 2003 and for the two months ended June 30, 2002 and the seven months ended April 30, 2002:

	Successor Company	
	Three months ended June 30, 2003	Two months ended June 30, 200
Net (loss) income......................................	$(5,376)	$(7,51
Other comprehensive income (loss):		
Unrealized gain (loss) on marketable securities available for sale....................................	3	(1,04
Foreign currency translation adjustment................	1,482	1,32
Comprehensive (loss) income	$ (3,891)	$(7,23

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	Nine months Ended June 30, 2003 (Successor)	Two months Ended June 30, 200 (Successor)
Net (loss) income	$ (17,730)	$(7,51
Other comprehensive income (loss):		
Unrealized gain (loss) on marketable securities available for sale	(316)	(1,04
Foreign currency translation adjustment	1,743	1,32
Comprehensive (loss) income:	$ (16,303)	$(7,23

14 . Contingencies

On January 28, 2002, a derivative suit was filed in the United States District Court for the Southern District of New York against the Company, as nominal defendant, and certain of the Company's current and former directors and officers. The Company believes that the allegations in this lawsuit are without merit and intends to vigorously defend against them. In addition, the plaintiff in this lawsuit has not pursued her claims against the Company since the filing of the lawsuit. Although there can be no assurance as to the outcome or effect of this lawsuit, the Company's management does not believe, based on currently available information, that the ultimate liabilities (if any) resulting from this lawsuit will have a material adverse impact on its business, financial condition, results of operations or cash flows.

There is a putative class action lawsuit pending in the United States District Court for the Southern District of New York titled; In re: Globix Corp Securities Litigation, No.02-CV-00082. This lawsuit names as defendants the Company and the Company's former officers Marc Bell, Peter Herzig (who remains a director of the Company) and Brian Reach, and asserts claims under sections 10(b) and 20(a) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder on behalf of all persons or entities who purchased the Company's securities between November 16, 2000 and December 27, 2001.

On June 25, 2002, the Company entered into a Stipulation and Order with the lead plaintiffs in the class action lawsuit. The Stipulation and Order provides that 229,452 shares of the Company's common stock and $1,968 in aggregate principal amount of the 11% Senior Notes will be held in reserve in escrow pending the outcome of the class action lawsuit. In the event that any judgment or settlement entered into in connection with the class action lawsuit requires the Company to pay an amount in excess of its liability insurance, the Company will be required to issue to the class action litigants and their attorneys all (in the event that this excess is $10,000 or greater) or a portion of (in the event that this excess is less than $10,000) the shares of the Company's common stock and the 11% Senior Notes being held in escrow.

A consolidated amended complaint was filed in this lawsuit on June 28, 2002. The Company has filed a motion to dismiss the consolidated amended complaint. Briefing of that motion is not yet complete. If the motion is denied, the case will proceed to the discovery stage. The Company believes that the allegations in this lawsuit are without merit and intends to vigorously defend against them. Although there can be no assurance as to the outcome or effect of this lawsuit, the Company's management does not believe, based on currently available information, that the ultimate liabilities (if any) arising from this lawsuit will have a material adverse impact on the Company's business, financial condition, results of operations or cash flows.

On June 12, 2002, Robert B. Bell, a former officer and director of the Company, filed a complaint in the United States District Court for the Southern District of New York entitled Robert B. Bell v. Arnold M. Bressler, as Trustee, and Globix Corporation, alleging breach-of-contract claims related to the failure to make payments under a trust (the "Rabbi Trust") that the Company formed pursuant to an employment agreement with Mr. Bell. This action was settled on June 13, 2003. As a result of the settlement Mr. Bell received a distribution of $990 from the Rabbi Trust.

In addition, in connection with the same underlying issues, on July 24, 2002 the Company filed a complaint in the United States Bankruptcy Court for the District of Delaware entitled Globix Corporation v. Arnold N. Bressler, as Trustee of the Globix Corporation Rabbi Trust and Robert B. Bell. This action was also settled on June 13, 2003. As a result of the settlement the company received a distribution of $1,700 from Rabbi Trust.

From time to time, the Company is a party to legal proceedings arising in the normal course of its business operations. Although there can be no assurance as to the outcome or effect of any legal proceedings to which the Company is a party, the Company's management does not believe, based on currently available information, that the ultimate liabilities (if any) arising from any such legal proceedings will have a material adverse impact on the Company's financial condition, results of operations or cash flows.

(All Amounts in Thousands, Except Share and Per Share Data)

15. Reclassification information:

In the three months ended December 31, 2002 Condensed Consolidated Statements of Cash Flows, the repurchase of Senior Notes of $7,030 were presented as cash flows from investing activities. For the nine-months ended June 30, 2003 such amounts have been reclassified to financing activities.

In the seven months ended April 30, 2002 Condensed Consolidated Statement of Cash Flows presented previously, the purchase of $4.7 million of fixed assets was presented as cash flows from operating activities. Such amounts have been reclassified to investment activities.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this Form 10-Q, under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures about Market Risk," and "Legal Proceedings," constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve unknown and uncertain risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Forward-looking statements are identified by the use of forward looking words or phrases such as "anticipates," "intends," "expects," "believes," "estimates," or words or phrases of similar import. These forward-looking statements are subject to numerous assumptions, risks, and uncertainties, and the statements looking forward beyond 2003 are subject to greater uncertainty because of the increased likelihood of changes in underlying factors and assumptions. Actual results could differ materially from those anticipated by the forward-looking statements. Among these factors are the Company's high degree of leverage and history of operating losses, its ability to retain existing customers and attract new customers, its ability to achieve cost-savings and generate positive cash flow, risks associated with potential acquisitions and divestitures and other factors affecting the Company's business generally. Such factors are more fully described herein and in the Company's Annual Report on Form 10-K for the year ended December 31, 2002, which should be considered in connection with a review of this report. For a general discussion of risks affecting the Company's business, see "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended September 30, 2002.

As is more fully discussed in Note 2 ("Basis of Presentation") to the condensed consolidated financial statements included in this quarterly report, we reported under fresh start accounting pursuant to American Institute of Certified Public

Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7") during the third quarter of the fiscal year ended September 30, 2002 resulting in a change in the basis of accounting in the underlying assets and liabilities of our company at the effective date (the "Effective Date") of our prepackaged plan of reorganization which we entered into in connection with our Chapter 11 filing discussed below. Accordingly, the financial statements of the Successor Company (as defined below) and the Predecessor Company (as defined below) are not comparable. For purposes of this Management's Discussion and Analysis:

- references to the "Predecessor Company" are references to the Company for periods prior to April 30, 2002 (the last day of the calendar month in which the Company emerged from bankruptcy) and references to the "Successor Company" are references to the Company for periods subsequent to April 30, 2002.

- we have combined the actual results of operations for the Successor Company for the two months ended June 30, 2002 and the Predecessor Company for the one month and seven months ended April 30, 2002 as pro forma combined 2002 operating results in order to present a more meaningful comparative analysis to the current operating results for the three and nine month periods ended June 30, 2003. Successor Company and Predecessor Company financial data are derived from the condensed consolidated financial statements that appear elsewhere in this quarterly report.

Overview

Our Company was founded in 1989 and undertook a major expansion plan in 1998 in order to more aggressively pursue opportunities resulting from the growth of the Internet. In April 1998, we completed a $160.0 million offering of 13.0% Senior Notes due 2005 (the "13.0% Senior Notes"). In July 1999, we completed construction of our initial Internet data center facilities in New York City, New York; London, England and Santa Clara, California and began operations at each facility.

In March 1999, we completed a public offering of 16,000,000 shares of common stock, resulting in net proceeds to our company of approximately $136.5 million.

In December 1999, we completed the private placement of 80,000 shares of preferred stock to affiliates of Hicks, Muse, Tate & Furst Incorporated, resulting in net proceeds to our company of $75.3 million.

In February 2000, we issued $600 million in aggregate principal amount of 12.5% Senior Notes due 2010 (the "12.5% Senior Notes") to fund the continued expansion of our facilities and network and to consummate a tender offer to purchase all of the outstanding 13.0% Senior Notes. The purchase price of the tender, completed on February 8, 2000, was 106.5% of the $160.0 million in aggregate principal amount of the 13.0% Senior Notes outstanding, plus all accrued and unpaid interest.

On March 1, 2002, our company and two of our wholly owned subsidiaries, Comstar.net, Inc. and ATC Merger Corp., filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code, together with the Plan, in the United States Bankruptcy Court for the District of Delaware. We continued to operate in Chapter 11 in the ordinary course of business and received permission from the bankruptcy court to pay our employees, trade and certain other creditors in full and on time, regardless of whether these claims arose prior to or after the Chapter 11 filing.

On April 8, 2002, the bankruptcy court confirmed the Plan. Effective April 25, 2002, all conditions necessary for the Plan to become effective were satisfied or waived and we emerged from Chapter 11 bankruptcy protection.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in the notes to the consolidated financial statements for the fiscal year ended September 30, 2002 and critical accounting policies are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the fiscal year ended September 30, 2002. This Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements requires us to make estimates that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We base our accounting estimates on historical experience and other factors that are believed to be reasonable under the circumstances. However, actual results may vary from these estimates under different assumptions or conditions.

Quarter Ended June 30, 2003 Compared To The Quarter Ended June 30, 2002

Revenue. Revenue for the quarter ended June 30, 2003 decreased 24.4% or $4.7 million to $14.5 million from $19.2 million for the three-month period ended June 30, 2002. This decrease was primarily attributable to customer churn. We define churn as contractual revenue losses due to customer cancellations and downgrades, net of upgrades, and additions of new services. Cancellations refer to customers that have either stopped using our services completely or remained a customer but terminated a particular service. Downgrades are a result of customers taking less of a particular service or renewing their contract for identical services at a lower price. During the quarter ended June 30, 2003 our monthly churn averaged 1.7% as compared to 2.5% for the quarter ended June 30, 2002. Of this average monthly churn, 2.5% was related to downgrades, 2.2% was related to cancellations, offset by 1.4% and 1.7% related to new and upgraded contracts, respectively.

Cost of Revenue. Cost of revenue for the quarter ended June 30, 2003, decreased to $4.6 million from $7.2 million for the quarter ended June 30, 2002. A decrease of $2.5 million, representing 95.3% of the total decrease in cost of revenue, was realized within non-hardware related costs. This decrease was primarily attributable to our continued focus on deriving efficiencies and cost savings from our network.

Selling, General and Administrative. Selling, general and administrative expenses were $9.3 million, or 64.1% of revenue for the quarter ended June 30, 2003, as compared to $21.8 million, or 113.5% of revenue for the quarter ended June 30, 2002. The decrease in selling, general and administrative expenses as a percentage of revenue was primarily attributable to a decrease in salaries and benefits in connection with our restructuring efforts, which focused on significant reductions in facilities and personnel. In the quarter ended June 30, 2003, salaries and benefits were $5.0 million, representing 34.7% of revenue, as compared with $13.4 million, or 70.0% of revenue, in the quarter ended June 30, 2002. Our average number of employees decreased from approximately 350 as of quarter ending June 30, 2002 to 230 as of quarter ending June 30, 2003. In the quarter ended June 30, 2003, rent expense was $1.7 million, representing 11.0% of revenue, as compared to $1.5 million, or 8.0% of revenue, for the quarter ended June 30, 2002. In the quarter ended June 30, 2003, bad debt expense was $177 thousand, representing 1.0% of revenue, as compared to $1.7 million, or 9.0% of revenue, for the quarter ended June 30, 2002. This decrease was attributable to improvements in our collections process as well as proactive reduction in the number of high risk customer account receivable balances from 2001. Selling, general and administrative expenses were reduced by $1.7 million in the quarter ended June 30, 2003 due to the receipt of $1.7 million from the settlement of the Rabbi Trust litigation.

Loss on Impairment of Intangibles. The $(0.6) million credit in the one month ended April 30, 2002 was associated with the partial reversal of an estimated write-off in the fiscal year ended September 30, 2001 of certain assets associated with an indefeasible right of use, or IRU, capacity on a wavelength purchased from a supplier whose financial viability was originally thought to have impaired the recoverability of these assets.

Depreciation and Amortization. Depreciation and amortization decreased to $4.1 million for the quarter ended June 30, 2003, as compared to $6.4 million in the quarter ended June 30, 2002. The decrease was primarily attributable to the impact of fresh start accounting, in particular the revaluation of our property, plant and equipment as of April 30, 2002.

Interest and Financing Expense. Interest and financing expense for the quarter ended June 30, 2003 was $3.8 million, or 26.2% of revenue, as compared to $3.1 million, or 16.3% of revenue, for the quarter ended June 30, 2002. In April 2003, the Company repurchased on the open market a portion of its outstanding 11% Senior Notes, which had a principal value of approximately $3,466 and associated accrued interest of $357, reducing its interest expense.
In the quarter ended June 30, 2002 interest expense was not recorded in April due to the bankruptcy filing thus reducing interest expense.

Interest Income. The decrease in interest income to $295 thousand in the quarter ended June 30, 2003 from $497 thousand in the quarter ended June 30, 2002 reflected our reduced cash balance in the quarter ended June 30, 2003 and the impact of declining interest rates as compared to the same period of the prior year.

Gain on Debt Discharge. Gain on debt discharge was $1.2 million for the quarter ended June 30, 2003, as compared to $427.1 million for the quarter ended June 30, 2002. The gain in the quarter ended June 30, 2003 is a direct result of the repurchase of 11.0% Senior Notes. The gain of $427.1 million in the quarter ended June 30, 2002 is a direct result of the exchange of 12.5% Senior Notes for 11% Senior Notes as prescribed in the Plan.

Reorganization Items. Reorganization expenses of $ 2.2 million in the quarter ending June 30,2002 were attributable to expenses incurred by the Predecessor Company in connection with its bankruptcy filing.

Fresh Start Accounting Adjustments. Pursuant to fresh start accounting principles, we have adjusted the value of our assets and liabilities to their fair values as of April 30, 2002. The net effect of all fresh start accounting adjustments in the quarter ended June 30, 2002 resulted in a charge of $148.6 million.

Other Income (Expense). Other income in the quarter ended June 30, 2003 was $220 thousand, as compared to an expense of $258 thousand in the quarter ended June 30, 2002 an increase of $458 thousand. The primary reason for the increase was the recognition of $175 thousand gain on investments in the quarter ended June 30, 2003 and the recognition of $175 thousand loss on investments in the quarter ended June 30, 2002.

Nine Months Ended June 30, 2003 Compared To The Nine Months Ended June 30, 2002

Revenue. Revenue for the nine months ended June 30, 2003 decreased 27.5% or $17.6 million to $46.4 million from $64.0 million for the nine months ended June 30, 2002. This decrease was primarily attributable to customer churn. During the nine months ended June 30, 2003 our monthly churn averaged 2.0% as compared to approximately 2.6% for the nine months ended June 30, 2002. Of this average monthly churn, 1.9% was related to downgrades, 3.0% was related to cancellations, offset by 1.4% and 1.6% related to new and upgraded contracts, respectively. Hardware and software sales decreased $1.5 million, or 73.0%, as a result of our shift away from lower margin hardware and software revenue. This decrease accounted for 8.7% of our total revenue decline.

Cost of Revenue. Cost of revenue for the nine-months ended June 30, 2003, decreased to $15.5 million from $26.6 million for the nine-months ended June 30, 2002. A decrease of $11.1 million, representing 86.8% of the total decrease in cost of revenue, was realized within non-hardware related costs. This decrease was primarily attributable to our continued focus on deriving efficiencies and cost savings from our network. Decreases of $1.5 million, representing 13.2% of the total decrease in cost of revenue, was attributable to lower hardware costs as a result of our shift away from lower margin hardware sales.

Selling, General and Administrative. Selling, general and administrative expenses were $33.7 million, or 72.6% of revenue for the nine-months ended June 30, 2003, as compared to $68.0 million, or 106.3% of revenue for the nine-months ended June 30, 2002. The decrease in selling, general and administrative expenses as a percentage of revenue was primarily attributable to a decrease in salaries and benefits in connection with our restructuring efforts, which focused on significant reductions in facilities and personnel. In the nine-months ended June 30, 2003, salaries and benefits were $16.4 million, representing 35.3% of revenue, as compared with $39.1 million, or 55.6% of revenue, in the nine-months ended June 30, 2002. Our average number of employees decreased from approximately 485 as of nine-months ending June 30, 2002 to 240 as of nine-months ended June 30, 2003. In the nine-months ended June 30, 2003, rent expense was $4.9 million, representing 10.6% of revenue, as compared to $7.3 million, or 11.5% of revenue, for the nine-months ended June 30, 2002. This decrease was the result of the mid 2002 lease renegotiation for Globix House, one of our data centers in London, and the impact of lower lease expenses resulting from a revaluation of the lease values in conjunction with negative leasehold adjustments as a result of fresh start accounting. In the nine-months ended June 30, 2003, bad debt expense was $1.4 million, representing 3.1% of revenue, as compared to $5.3 million, or 8.2% of revenue, for the nine-months ended June 30, 2002. This decrease was attributable to improvements in collections as well as the impact of the deterioration in the internet business environment, which resulted in our proactive reduction in the number of high risk customer account receivable balances from 2001. Selling, general and administrative expenses were reduced by $1.7 million in the quarter ended June 30, 2003 due to the receipt of $1.7 million from the settlement of the

Rabbi Trust litigation.

Loss on Impairment of Intangibles. This non cash expense during the nine-months ended June, 2002 was attributable to the write-down, in accordance with SFAS No. 121 of goodwill generated from our acquisition of Comstar.net, Inc., totaling $2.6 million.

Restructuring and Other Expense. During the nine-months ended June 30, 2002, the Company made an additional modification to its business plan, under the Plan of Reorganization, to reduce certain Internet data center lease obligations, close certain network access points and network aggregation points, resulting in the termination of certain employees, lease obligations and write-off of certain equipment, leasehold improvements and other costs. In connection with this modification, a restructuring charge of $24.8 million was recorded, of which $17.2 million was for the write-off of previously escrowed lease deposit and landlord inducement and legal payments, $ 4.7 million was a write-off of equipment and leasehold improvements and $2.9 million associated with employee terminations.

Depreciation and Amortization. Depreciation and amortization decreased to $11.9 million for the nine-months ended June 30, 2003, as compared to $30.6 million in the nine-months ended June 30, 2002. The decrease was primarily attributable to the impact of fresh start accounting, in particular the revaluation of our property, plant and equipment as of April 30, 2002.

Other Operating Income. This increase is due to the sale of DSL customer accounts in the amount of $345 thousand during the nine months ended June 30, 2003.

Interest and Financing Expense. Interest and financing expense for the nine-months ended June 30, 2003 was $11.2 million, or 24.1% of revenue, as compared to $37.2 million, or 58.1% of revenue, for the nine-months ended June 30, 2002. The decrease in interest and financing expense was primarily attributable to the reduction in our outstanding indebtedness pursuant to the Plan. The reduction in the principal amount of outstanding Bonds from $600 million to $120 million in May 2002 reduced interest expense.

Interest Income. The decrease in interest income to $1.0 million in the nine-months ended June 30, 2003 from $2.3 million in the nine-months ended June 30, 2002 reflected our reduced cash balance in the nine-months ended June 30, 2003 and the impact of declining interest rates as compared to the same period of the prior year.

Gain on Debt Discharge. Gain on debt discharge was $5.9 million for the nine-months ended June 30, 2003, as compared to $427.1 million for the nine-months ended June 30, 2002. The gain in the nine-months ended June 30, 2003 is a direct result of the repurchase of 11.0% Senior Notes. The gain of $427.1 million in the nine-months ended June 30, 2002 is a direct result of the exchange of 12.5% Senior Notes for 11% Senior Notes as prescribed in the Plan.

Reorganization Items. Reorganization expenses of $ 7.8 million in the nine-months ended June 30, 2002 were attributable to expenses incurred by the predecessor company in connection with its bankruptcy filing.

Fresh Start Accounting Adjustments. Pursuant to fresh start accounting principles, we have adjusted the value of our assets and liabilities to their fair values as of April 30, 2002. The net effect of all fresh start accounting adjustments in the nine-months ended June 30, 2002 resulted in a charge of $148.6 million.

Other Income/Expense. Other income in the nine-months ended June 30, 2003 was $606 thousand, as compared to an expense of $654 thousand in the nine months ended June 30, 2002, an increase of $1.3 million. This increase is due primarily to write-offs of strategic investments in the amount of $490 thousand in the prior period and insurance receipts in the amount of $88 thousand associated with the September 11th, 2001 terrorist attack in the current period.

Liquidity and Capital Resources

On March 1, 2002, our company and two of our wholly-owned domestic subsidiaries, Comstar.net, Inc. and ATC Merger Corp., filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code, together with the Plan, with the United States Bankruptcy Court for the District of Delaware. We continued to operate in Chapter 11 in the ordinary course of business and received permission from the bankruptcy court to pay our employees, trade, and certain other creditors in full and on time, regardless of whether these claims arose prior to or after the Chapter 11 filing.

On April 8, 2002, the bankruptcy court confirmed the Plan. Effective April 25, 2002, all conditions necessary for the Plan to become effective were satisfied or waived and we emerged from Chapter 11 bankruptcy protection.

As of the Effective Date of the Plan, all of our existing securities were cancelled and:

- each holder of the 12.5% Senior Notes became entitled to receive, in exchange for its claims in respect of the 12.5% Senior Notes, its pro rata share of:

  - $120 million in aggregate principal amount of our 11% Senior Secured Notes, due 2008 (the "11% Senior Notes"); and

  - 13,991,000 shares of our common stock, representing 85% of the shares of our common stock issued and outstanding following the Effective Date of the Plan; and

- each holder of shares of our preferred stock outstanding immediately prior to the Effective Date of the Plan became entitled to receive, in exchange for its claims in respect of these shares of preferred stock, its pro rata share of 2,304,400 shares of our common stock, representing 14% of the shares of our common stock issued and outstanding following the Effective Date of the Plan; and

- each holder of shares of our common stock outstanding immediately prior to the Effective Date of the Plan became entitled to receive, in exchange for its claims in respect of its shares of common stock, its pro rata share of 164,600 shares of our common stock, representing 1% of the shares of our common stock issued and outstanding following the

Effective Date of the Plan.

The Plan provides that all of the shares of our common stock issued pursuant to the Plan are subject to dilution by the exercise of management incentive stock options, representing up to 10% of the shares of our issued and outstanding common stock on a fully-diluted basis following the Effective Date of the Plan.

A total of 16,460,000 shares of our common stock and $120 million in aggregate principal amount of the 11% Senior Notes were deemed to be issued and outstanding on the Effective Date pursuant to the terms of the Plan. As of September 30, 2002, however, no shares of our common stock or 11% Senior Notes had been distributed. In October 2002, we distributed a total of 16,295,400 shares of common stock and $120 million in aggregate principal amount of 11% Senior Notes. Pursuant to the terms of a Stipulation and Order that we entered into with the lead plaintiffs in the class action lawsuit described in the section of Part II of this quarterly report entitled "Item 1 - Legal Proceedings", 229,452 of these shares of common stock and $1,968,000 in aggregate principal amount of these 11% Senior Notes were placed in reserve in escrow pending the outcome of the class action lawsuit. In the event that any judgment or settlement entered into in connection with the class action lawsuit requires us to pay an amount in excess of our liability insurance, then we will be required to issue to the class action litigants and their attorneys all (in the event that this excess is $10 million or greater) or a portion of (in the event that this excess is less than $10 million) of the shares of common stock and 11% Senior Notes held in escrow. Distribution of the remaining 164,600 shares of common stock deemed to have been issued on the Effective Date, which are allocable under the terms of the Plan to the holders of our common stock outstanding immediately prior to the Effective Date of the Plan, will occur following the resolution of the shareholder derivative suit against our company and certain of our former officers and directors described in section of Part II of this quarterly report entitled "Item 1 - Legal Proceedings". At present, we are unable to estimate when the resolution of this lawsuit will take place or whether any shares will be available for distribution to the holders of our common stock outstanding immediately prior to the Effective Date, once the lawsuit is resolved.

Net cash used in operating activities was $8.7 million in the nine-months ended June 30, 2003, compared to $52.0 million in the nine months ended June 30, 2002. The improvement in our operating cash flow was primarily the result of the decrease in our net loss after giving effect to the non cash items of

depreciation and amortization of $18.8 million, gain on debt discharge of $421.1 million, the fresh start accounting adjustment of $148.6 million in 2002 and non cash restructuring charges of $8.2 million in 2002.

Net cash used in investing activities was $5.4 million in the nine-months ended

June 30, 2003, compared to net cash provided by investing activities of $1.2 million in the nine months ended June 30, 2002. The decrease in cash flows from investing activities of $11.3 million was primarily attributable to the decrease in restricted deposits related to net settlements of prior year leases of approximately $22 million, increased investments of $7 million, partially offset by lower capital spending of $22.6 million.

Net cash used in financing activities was $9.7 million in the nine-months ended June 30, 2003, as compared to $7 million in the nine-months ended June 30, 2002. The increase in net cash used in financing activities of $2.7 million is primarily attributable to the repurchase in the open market for $14.6 million a portion of our outstanding 11% Senior Notes in the nine months ended June 30, 2003, offset by a capital contribution into a minority-owned subsidiary of $6.1 million and a decrease in repayments of mortgage and capital lease obligations of $5.9 million.

As of June 30, 2003, we had $24.4 million of cash and cash equivalents, $9.4 million of short-term investments and $1.1 million of marketable securities.

We have also issued collateralized letters of credit aggregating approximately $2.6 million. The related collateral funds are included in restricted cash and investments on our consolidated balance sheet at June 30, 2003.

As of June 30, 2003, we had no material commitments for capital expenditures.

As of June 30, 2003, we had contractual obligations due in future periods as follows:

		Payments Due by Period (In thousan		
Contractual Obligations	Total	Less than 1 year	1-3 years	4
11% Senior Notes	$ 112,321	$ -	$ -	$
11% Senior Notes - Accrued Interest	2,094	-	-	
Mortgage Payable	20,248	268	627	
Capital Lease Obligations	2,473	1,187	1,286	
Operating Leases	64,592	4,460	8,042	
Telecommunications Commitments	45,013	13,883	18,698	
Note Payable	2,600	-	2,600	
Total Contractual Cash Obligations	$ 249,341	$ 19,798	$ 31,253	$

We historically have experienced negative cash flow from operations and have incurred net losses. Our ability to generate positive cash flow from operations and achieve profitability is dependent upon our ability to grow the Company's revenue and achieve further operating efficiencies. We are dependent upon our cash on hand and cash generated from revenues to support our capital requirements and financing obligations. Although no assurances can be given, our management believes that actions taken pursuant to the Plan, including company downsizing, headcount reductions and other cost reductions, as well as cost control measures and the restructuring of our outstanding indebtedness in connection with the Plan, have positioned us to maintain sufficient cash flows to meet our operating, capital and debt service requirements for the next 12 months. There can be no assurance, however, that we will be successful in executing our business plan, achieving profitability, attracting new customers or maintaining our existing customer base. Moreover, despite our restructuring we have continued to experience significant decreases in revenue and low levels of new customer additions in the period following our restructuring. In the future, we may make acquisitions or repurchase indebtedness of our company, which, in turn, may adversely affect liquidity.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

At June 30, 2003, short-term investments consisted of an investment in a limited partnership that invests in fixed income securities. Marketable securities include our investments in two publicly traded entities, Edgar On-Line and Globecomm Systems Inc., which are recorded at fair market value. We do not hedge our exposure to fluctuations in the value of our investments in equity securities.

Our other investments are generally fixed rate investment grade and government securities denominated in U.S. dollars. At June 30, 2003, all of our investments were due to mature within twelve months and the carrying value of these investments approximated fair value. At June 30, 2003, $6.5 million of our cash and investments were restricted in accordance with the terms of certain collateral obligations.

We are also subject to market risk associated with foreign currency exchange rates. To date, we have not utilized financial instruments to minimize our exposure to foreign currency fluctuations. We will continue to analyze risk management strategies to minimize foreign currency exchange risk in the future.

We believe that we have limited exposure to financial market risks, including changes in interest rates. The fair value of our investment portfolio or related income would not be significantly impacted by a 100 basis point increase or decrease in interest rates, due mainly to the short-term nature of the majority of our investment portfolio and the current interest rates for short to medium term investments. An increase or decrease in interest rates would not significantly increase or decrease interest expense on debt obligations, due to the fixed nature of the substantial majority of our debt obligations.

Item 4. Controls and Procedures

Since the Company's emergence from bankruptcy effective April 25, 2002, the Company has had to face many challenging and complex accounting and financial reporting issues, including fresh start accounting, restructuring and restatements. In addition, the Company has experienced significant turnover in its financial reporting staff, as well as limited management resources. The

Company fell behind in its SEC reporting for the year ended September 30, 2002, and has experienced difficulty in catching up with its filing obligations for the year ended September 30, 2002 while fulfilling its responsibilities for current periods. While the Company is attempting to address these challenges and fulfill its reporting obligations for the current and prior year, the combined effect of these challenges has created weaknesses in the Company's accounting and reporting environment.

Based on their evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this report, the Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures were effective as of that date, except as noted above. In addition, except as noted above, there were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On January 28, 2002, a derivative suit was filed in the United States District Court for the Southern District of New York against our company, as nominal defendant, and certain of our current and former directors and officers. We believe that the allegations in this lawsuit are without merit and we intend to vigorously defend against them. In addition, the plaintiff has not pursued her claims since the filing of the lawsuit. Although there can be no assurance as to the outcome or effect of this lawsuit, we do not believe, based on currently available information, that the ultimate liabilities, if any, resulting from this lawsuit will have a material adverse impact on our business, financial condition, results of operations or cash flows.

On March 1, 2002, our company and two of our wholly owned subsidiaries, Comstar.net, Inc. and ATC Merger Corp., filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code, together with the Plan, with the United States Bankruptcy Court for the District of Delaware. On April 8, 2002, the bankruptcy court confirmed the Plan. Effective April 25, 2002, all conditions necessary for the Plan to become effective were satisfied or waived and we emerged from Chapter 11 bankruptcy protection.

There is a putative class action lawsuit pending in the United States District Court for the Southern District of New York entitled In re Globix Corp Securities Litigation, No.02-CV-00082. This lawsuit names as defendants our company and our former officers Marc Bell, Peter Herzig (who remains a director of our company) and Brian Reach, and asserts claims under sections 10(b) and 20(a) of the Securities Exchange Act and Rule 10b-5 promulgated there under on behalf of all persons or entities who purchased our securities between November 16, 2000 and December 27, 2001.

On June 25, 2002, we entered into a Stipulation and Order with the lead plaintiffs in the class action lawsuit. The Stipulation and Order provides that 229,452 shares of our common stock and $1,968,000 in aggregate principal amount of the notes will be held in reserve in escrow pending the outcome of the class action lawsuit. In the event that any judgment or settlement entered into in connection with the class action lawsuit requires us to pay an amount in excess of our liability insurance, we will be required to issue to the class action litigants and their attorneys all (in the event that this excess is $10 million or greater) or a portion of (in the event that this excess is less than $10 million) of the shares of our common stock and the notes being held in escrow.

A consolidated amended complaint was filed in this lawsuit on June 28, 2002. We have filed a motion to dismiss the consolidated amended complaint. Briefing of that motion is not yet complete. If the motion is denied, the case will proceed to the discovery stage. We believe that the allegations in this lawsuit are without merit and we intend to vigorously defend against them. Although there can be no assurance as to the outcome or effect of this lawsuit, we do not believe, based on currently available information, that the ultimate liabilities, if any, resulting from this lawsuit will have a material adverse impact on our business, financial condition, results of operations or cash flows.

On February 6, 2003, a putative derivative suit was filed in New York State Supreme Court (County of New York) against our company, as nominal defendant, and Lehman Brothers Inc., Chase Securities, Inc., Credit Suisse First Boston Corporation, Merrill Lynch Pierce Fenner & Smith Incorporation, Salomon Smith Barney Inc. and ABN Amro Securities LLC (as successor to ING Barings, LLC), the initial purchasers in our February 2000 offering of the 12.5% Senior Notes. The suit alleges that the underwriting discount granted to the initial purchasers of the 12.5% Notes violated Section 5-531 of the New York General Obligations Law, which limits the amount that can be charged by a loan broker. The plaintiff and the initial purchasers have entered into a tolling agreement pending resolution of a similar case involving debt securities issued by another corporation. On March 13, 2003 the court dismissed the action involving our company without prejudice.

We are from time to time involved in legal proceedings in the ordinary course of our business operations. Although there can be no assurance as to the outcome or effect of any legal proceedings to which we are a party, we do not believe, based on currently available information, that the ultimate liabilities, if any, resulting from any such legal proceedings will have a material adverse impact on our business, financial condition, results of operations or cash flows.

Item 2. Changes in Securities and Use of Proceeds

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

Current Report on Form 8-K filed April 25, 2003, relating to the Company's press release issued under Item 9 of Form 8-K

Current Report on Form 8-K filed May 14, 2003, relating to the appointment of the Company's Chief Financial Officer

Current Report on Form 8-K filed May 20, 2003, relating to the Company's earnings press release

SIGNATURES

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

GLOBIX CORPORATION

By: /s/ PETER K. STEVENSON

Peter K. Stevenson, Chief Executive Officer

Date: August 20, 2003

By: /s/ Robert M. Dennerlein

Robert Dennerlein, Chief Financial Officer (principal financial officer and principal accounting officer)

Date: August 20, 2003

STATEMENT OF DIFFERENCES

The section symbol shall be expressed as...................................'SS'