GLOBIX CORP
Form 10-K/A
April 11, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
(AMENDMENT NO. 1)

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002
COMMISSION FILE NO. 1-14168

GLOBIX CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	13-3781263
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(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

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

None.

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

Common Stock, par value $0.01 per share.

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 checkmark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. | |

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes | | No |X|

Indicate by checkmark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act subsequent to the distribution of securities under a plan confirmed by a court. Yes | | No |X|

The shares of the registrant's voting stock outstanding on March 29, 2002, the last business day of the registrant's most recently completed second fiscal quarter, were cancelled on April 25, 2002 in connection with the registrant's bankruptcy. Accordingly, the registrant does not believe that a calculation of the aggregate market value of the shares of its voting stock held by non-affiliates of the registrant as of March 29, 2002 would be relevant to investors. As of March 10, 2003, the aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, based upon the closing sales price for the registrant's common stock as reported on the OTC Bulletin Board, was approximately $23.2 million.

Number of shares of the registrant's common stock deemed to be outstanding as of March 24, 2003 was 16,460,000.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

This Amendment No. 1 amends the registrant's annual report on Form 10-K (the "Form 10-K") for the fiscal year ended September 30, 2002, filed with the Securities and Exchange Commission on March 26, 2003, (i) to include conformed signatures of PricewaterhouseCoopers LLP on the Reports of Independent Accountants appearing on pages F-2 through F-4 of the Form 10-K and (ii) to include the date of the Report of Independent Accountants issued by Arthur Andersen LLP, the registrant's former independent accountants, appearing on page F-5 of the Form 10-K, both of which were inadvertently omitted from the Form 10-K. These pages comprise part of Part II, Item 8, "Financial Statements and Supplementary Data." Accordingly, pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the complete text of Item 8, as amended (including pages F-6 through F-39 and page S-1 of the Form 10-K), is set forth below.

This Amendment No. 1 also amends the Form 10-K to delete from Part III, Item 14 the subsection entitled "Limitations on the Effectiveness of Disclosure Controls and Internal Controls." Pursuant to Rule 12b-15, the complete text of Part III, Item 14, as amended, is set forth below.

In addition, pursuant to Rule 12b-15 our principal executive officer and principal financial officer are providing the certifications required by Rule 13a-14 promulgated under the Exchange Act and are also furnishing, but not filing, written statements pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Except as described above, no other changes have been made to the Form 10-K. This Amendment No. 1 continues to speak as of the date of the Form 10-K, and the registrant has not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements are set forth herein beginning on page F-1.

ITEM 14. CONTROLS AND PROCEDURES

Our disclosure controls and procedures (as defined in Rule 13a-14(c) under the Exchange Act) ("Disclosure Controls") are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this annual report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure Controls are also designed with the objective of ensuring that this information is accumulated and communicated to our management, including our Chief Executive Officer and Acting Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Internal controls and procedures for financial reporting ("Internal Controls") are procedures that are designed with the objective of providing reasonable assurance that:

- our transactions are properly authorized;
- assets are safeguarded against unauthorized or improper use; and
- transactions are properly recorded and reported,
- in each case all to permit the preparation of our financial statements in conformity with U.S. generally accepted accounting principles.

Within the 90-day period prior to the filing of this annual report, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Acting Chief Financial Officer, of the effectiveness of the design and operation of our Disclosure Controls and Procedures. Based upon that evaluation, our Chief Executive Officer and Acting Chief Financial Officer concluded, subject to the limitations noted above, that:

- the design and operation of our Disclosure Controls were effective to ensure that material information related to our company which is required to be disclosed in reports filed under the Securities Exchange Act of 1934 is recorded processed, summarized and reported within the time periods specified in SEC rules and forms.
- our Internal Controls are effective to provide reasonable assurance that our financial statements are fairly presented in conformity with U.S. generally accepted accounting principles.

No significant changes were made to our Internal Controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

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EXHIBIT INDEX

Exhibit Number	Document Description
99.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
99.2	Certification of Acting Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

SIGNATURES

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

Date: April 11, 2003 GLOBIX CORPORATION

/s/ Peter K. Stevenson

Peter K. Stevenson
President and Chief Executive Officer

CERTIFICATIONS

I, Peter K. Stevenson, certify that:

1. I have reviewed this annual report on Form 10-K/A of Globix Corporation;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

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

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

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

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

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

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 11, 2003

/s/ Peter K. Stevenson

Name: Peter K. Stevenson
Title: President and Chief Executive Officer

I, John D. McCarthy, certify that:

1. I have reviewed this annual report on Form 10-K/A of Globix Corporation;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

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

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

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the

equivalent function):

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

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

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 11, 2003

/s/John D. McCarthy

Name: John D. McCarthy
Title: Acting Chief Financial Officer

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of Globix Corporation:

In our opinion, the accompanying consolidated balance sheet as of September 30, 2002 and the related consolidated statements of operations, cash flows and changes in stockholders' equity present fairly, in all material respects, the consolidated financial position of Globix Corporation and its subsidiaries (the Successor Company) at September 30, 2002 and the consolidated results of their operations and their consolidated cash flows for the five months ended September 30, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule as of and for the five months ended September 30, 2002 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the United States Bankruptcy Court for the District of Delaware confirmed the Company's Prepackaged Plan of Reorganization (the "plan") on April 8, 2002. Confirmation of the plan substantially alters rights and interests of equity security holders as provided for in the plan. The plan was substantially consummated on April 25, 2002 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting as of May 1, 2002.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York

February 3, 2003 (except with respect to the matters discussed in Note 24, in the fifth paragraph as of February 6, 2003, in the sixth paragraph as of February 24, 2003, in the seventh and eighth paragraphs as of March 14, 2003, and in the ninth paragraph as of March 19, 2003).

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of Globix Corporation:

In our opinion, the accompanying consolidated statements of operations, cash flows and changes in stockholders' deficit for the seven months ended April 30, 2002 present fairly, in all material respects, the consolidated results of operations and cash flows of Globix Corporation and its subsidiaries (the Predecessor Company) for the seven months ended April 30, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the seven months ended April 30, 2002 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The consolidated financial statements of Globix Corporation and its subsidiaries (the Predecessor Company) as of September 30, 2001, and for the years ended September 30, 2001 and 2000, prior to the adjustments discussed in Notes 3 and 4, were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements in their report (which included an explanatory paragraph indicating factors that raise substantial doubt about the Company's ability to continue as a going concern and an explanatory paragraph emphasizing a change in the Company's method of accounting for revenue recognition) dated December 31, 2001.

As discussed in Note 2, the Company filed a petition on March 1, 2002 with the United States Bankruptcy Court for the District of Delaware for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. The Company's Prepackaged Plan of Reorganization was substantially consummated on April 25, 2002 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting.

As discussed in Note 4, the Company changed the manner in which it accounts for goodwill and other intangible assets upon adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," on May 1, 2002.

As discussed above, the consolidated financial statements of Globix and its subsidiaries (the Predecessor Company) as of September 30, 2001, and for the years ended September 30, 2001 and 2000, were audited by other independent accountants who have ceased operations. As described in Note 3, these financial statements have been revised to include the transitional disclosures required by SFAS No. 142, "Goodwill and Other Intangible Assets", which was adopted by the Successor Company as of May 1, 2002. In addition, as described in Note 4, the Company adopted SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS 13, and Technical Corrections as of April 2002," as of May 1, 2002. As a result, the consolidated financial statements for the year ended September 30, 2000 have been restated to classify the loss on extinguishment of debt in accordance with SFAS No. 145. We audited the transitional disclosures in Note 3. We also audited the adjustments described in Note 4 which were applied to restate the consolidated financial statements for the year ended September 30, 2000. In our opinion, the transitional disclosures are appropriate and the adjustments referred to above are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the September 30, 2001 or 2000 consolidated financial statements of the Predecessor Company other than with respect to such transitional disclosures and adjustments and accordingly, we do not express an opinion or any other form of assurance on the September 30, 2001 or 2000 financial statements taken as a whole.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York

February 3, 2003 (except with respect to the matters discussed in Note 24, in the fifth paragraph as of February 6, 2003, in the sixth paragraph as of February 24, 2003, in the seventh and eighth paragraphs as of March 14, 2003, and in the ninth paragraph as of March 19, 2003).

This report is a copy of a report previously issued by Arthur Andersen LLP, which has not been reissued by Arthur Andersen LLP. The consolidated balance sheet at September 30, 2000 and the consolidated statements of operations, stockholders' (deficit) equity and cash flows for the year ended September 30, 1999 are not required to be presented in this Form 10-K. The note references in the opinion below are to the financial statements included in the Form 10-K for the year ended September 30, 2001. As discussed in Note 3 to the consolidated financial statements, the Company has revised its consolidated financial statements for the years ended September 30, 2001 and 2000 to include the transitional disclosures required by Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", and as discussed in Note 4 to the consolidated financial statements, to reclassify losses on the extinguishment of debt in compliance with SFAS No. 145, "Rescission of SFAS Nos. 4, 44 and 64, Amendment of SFAS 13 and Technical Corrections as of April 2002," which was adopted by the Company as of May 1, 2002. The Arthur Andersen LLP report does not extend to these changes. The revisions related to these transitional disclosures and reclassifications were reported on by PricewaterhouseCoopers LLP, as stated in their report appearing herein.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of Globix Corporation:

We have audited the accompanying consolidated balance sheets of Globix Corporation (a Delaware corporation) and Subsidiaries as of September 30, 2001 and 2000, and the related consolidated statements of operations, stockholders' (deficit) equity and cash flows for each of the three years in the period ended September 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Globix Corporation and Subsidiaries as of September 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001 in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred recurring net losses and net operating cash deficiencies and has a significant stockholders' deficiency. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for revenue recognition effective October 1, 2000.

/S/ ARTHUR ANDERSEN LLP

New York, New York
December 31, 2001

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GLOBIX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2002 AND 2001
(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	September 30, 20 (SUCCESS COMPAN
ASSETS	
Current assets:	
Cash and cash equivalents	$ 47,56
Short-term investments	5,39
Marketable securities	1,32
Accounts receivable, net of allowance for doubtful accounts of $2,565 and $8,052, respectively	7,06
Prepaid expenses and other current assets	7,73
Restricted cash	1,76
Total current assets	70,83
Investments, restricted	7,33
Property, plant and equipment, net	174,71
Debt issuance costs, net of accumulated amortization of $1,896	-
Intangible assets, net of accumulated amortization of $543 and $2,485, respectively	9,61
Other assets	22
Total assets	$ 262,72
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	
Current liabilities:	
Current portions of capital lease obligations and mortgage payable	$ 1,52
Accounts payable	8,97
Accrued liabilities	16,09
Accrued restructuring	1,82
Accrued interest - 12.5% Senior Notes	-
Total current liabilities	28,41
Capital lease obligations, net of current portion	2,80
Mortgage Payable	20,18
12..5% Senior Notes	-
11% Senior Notes	120,00
Accrued Interest - 11% Senior Notes	5,68
Other long term liabilities	13,08
Total liabilities	190,17
Commitments and contingencies (Note 17):	
Minority interest in subsidiary	-
Mandatory Redeemable convertible preferred stock	-

STOCKHOLDERS' EQUITY (DEFICIT):	
Common stock, $.01 par value; 500,000,000 shares authorized; 16,460,000 and 41,920,229 shares issued and outstanding, respectively	16
Additional paid-in capital	93,11
Deferred compensation	-
Accumulated other comprehensive income (loss)	40
Accumulated deficit	(21,13
Total stockholders' equity (deficit)	72,54
Total liabilities and stockholders' equity (deficit)	$ 262,72

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

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GLOBIX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	SUCCESSOR COMPANY
	FIVE MONTHS ENDED SEPTEMBER 30, 2002
Revenue	$ 30,723
Operating costs and expenses:	
Cost of revenue (excluding depreciation, amortization, payroll and occupancy shown below)	10,458
Selling, general and administrative	29,313
Loss on impairment of assets	--
Restructuring and other charges	--
Depreciation and amortization	6,060
Total operating costs and expenses	45,831
Loss from operations	(15,108)
Interest and financing expense	(6,653)
Interest income	787
Other income	275
Other expense	(432)
Gain (loss) on discharge of debt	--
Minority interest in subsidiary	--
Reorganization items	--
Fresh start accounting adjustments	--
(Loss) Income before cumulative effect of a change in accounting principle	(21,131)
Cumulative effect of a change in accounting principle, net of tax	--
Net (loss) income	(21,131)
Dividends and accretion on preferred stock	--

Net (loss) income attributable to common stockholder	$ (21,131)
(Loss) earnings per common share:	
Basic: Before cumulative effect of a change in accounting principle	$ (1.28)
Cumulative effect of a change in accounting principle	--
Basic (loss) income per share attributable to common stockholders	$ (1.28)
Weighted average common shares outstanding--basic	16,460,000
Diluted: Before cumulative effect of a change in accounting principle	$ (1.28)
Cumulative effect of a change in accounting principle	--
Diluted (loss) income per share attributable to common stockholder	$ (1.28)
Weighted average common shares outstanding--diluted	16,460,000

	PREDECESSOR C	
	YEAR ENDED SEPTEMBER 30, 2001	Y SE
Revenue	$ 104,210	$
Operating costs and expenses:		
Cost of revenue (excluding depreciation, amortization, payroll and occupancy shown below)......................................	40,609	
Selling, general and administrative	124,821	
Loss on impairment of assets	3,500	
Restructuring and other charges	56,109	
Depreciation and amortization	36,657	
Total operating costs and expenses	261,696	
Loss from operations	(157,486)	
Interest and financing expense	(65,128)	
Interest income	13,282	
Other income	2,147	
Other expense	(3,526)	
Gain (loss) on discharge of debt	--	
Minority interest in subsidiary	--	
Reorganization items	--	
Fresh start accounting adjustments	--	
(Loss) Income before cumulative effect of a change in accounting principle	(210,711)	
Cumulative effect of a change in accounting principle, net of tax	(2,332)	
Net (loss) income	(213,043)	
Dividends and accretion on preferred stock	(7,104)	
Net (loss) income attributable to common stockholders	$ (220,147)	$
(Loss) earnings per common share:		
Basic: Before cumulative effect of a change in accounting principle	$ (5.66)	$

Cumulative effect of a change in accounting principle	(0.06)	
Basic (loss) income per share attributable to common stockholder	$ (5.72)	$
Weighted average common shares outstanding--basic	38,476,909	
Diluted: Before cumulative effect of a change in accounting principle	$ (5.66)	$
Cumulative effect of a change in accounting principle	(0.06)	
Diluted (loss) income per share attributable to common stockholder	$ (5.72)	$
Weighted average common shares outstanding--diluted	38,476,909	

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

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GLOBIX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY
AND COMPREHENSIVE INCOME (LOSS)
(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	DEFERR COMPENSAT
Balance, October 1, 1999 (Predecessor Company)	33,300,020	$ 333	$ 155,423	
Issuance of common stock in conjunction with acquisition	241,236	2	6,180	
Issuance of common stock upon exercise of options and warrants, net	3,766,059	38	10,055	
Dividends and accretion on preferred stock	--	--	(5,768)	
Comprehensive Income (Loss):				
Net loss	--	--	--	
Unrealized holding losses	--	--	--	
Foreign Currency translation adjustment	--	--	--	
Total Comprehensive Loss	--	--	--	
Balance, September 30, 2000 (Predecessor Company)	37,307,315	373	165,890	
Issuance of common stock in conjunction with acquisition	80,000	1	1,199	
Issuance of common stock upon exercise of options	1,559,424	15	2,486	
Issuance of restricted stock	3,063,490	31	8,968	(8,
Amortization of deferred compensation	--	--	--	1,
Cancellation of restricted stock	(90,000)	(1)	(263)	

Dividends and accretion on preferred stock	--	--	(7,104)	
Comprehensive Income (Loss):				
Net loss	--	--	--	
Unrealized holding losses	--	--	--	
Foreign Currency translation adjustment	--	--	--	
Total Comprehensive Loss	--	--	--	
Balance, September 30, 2001 (Predecessor Company)	41,920,229	419	171,176	(7,
Amortization of deferred compensation ...	--	--	--	7,
Cancellation of restricted stock	(23,750)	--	(70)	
Dividends and accretion on preferred stock	--	--	(3,178)	
Comprehensive Income (Loss):				
Net income	--	--	--	
Unrealized holding gains	--	--	--	
Foreign Currency translation adjustment	--	--	--	
Total Comprehensive Income	--	--	--	
Fresh start accounting adjustments	(25,436,479)	(254)	(74,816)	
Balance, May 1, 2002 (Successor Company)	16,460,000	165	93,112	
Comprehensive Income Loss:				
Net loss	--	--	--	
Unrealized holding losses	--	--	--	
Foreign Currency translation adjustment	--	--	--	
Total Comprehensive Loss	--	--	--	
Balance, September 30, 2002 (Successor Company)	16,460,000	$ 165	$ 93,112	$

	ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' (DEFICIT) EQUITY
Balance, October 1, 1999 (Predecessor Company)	$ 10,279	$ (59,630)	$ 106,405
Issuance of common stock in conjunction with acquisition	--	--	6,182
Issuance of common stock upon exercise of options and warrants, net	--	--	10,093
Dividends and accretion on preferred stock	--	--	(5,768)
Comprehensive Income (Loss):			

Net loss	--	(126,447)	--
Unrealized holding losses	(5,763)	--	--
Foreign Currency translation adjustment	(2,732)	--	--
Total Comprehensive Loss	--	--	(134,942)
Balance, September 30, 2000 (Predecessor Company)	1,784	(186,077)	(18,030)
Issuance of common stock in conjunction with acquisition	--	--	1,200
Issuance of common stock upon exercise of options	--	--	2,501
Issuance of restricted stock	--	--	--
Amortization of deferred compensation	--	--	1,638
Cancellation of restricted stock	--	--	--
Dividends and accretion on preferred stock	--	--	(7,104)
Comprehensive Income (Loss):			
Net loss	--	(213,043)	--
Unrealized holding losses	(5,539)	--	--
Foreign Currency translation adjustment	1,052	--	--
Total Comprehensive Loss	--	--	(217,530)
Balance, September 30, 2001 (Predecessor Company)	(2,703)	(399,120)	(237,325)
Amortization of deferred compensation ...	--	--	7,027
Cancellation of restricted stock	--	--	--
Dividends and accretion on preferred stock	--	--	(3,178)
Comprehensive Income (Loss):			
Net income	--	159,934	--
Unrealized holding gains	1,185	--	--
Foreign Currency translation adjustment	(1,807)	--	--
Total Comprehensive Income	--	--	159,312
Fresh start accounting adjustments	3,325	239,186	167,441
Balance, May 1, 2002 (Successor Company)	--	--	93,277
Comprehensive Income Loss:			
Net loss	--	(21,131)	--
Unrealized holding losses	(1,430)	--	--
Foreign Currency translation adjustment	1,831	--	--
Total Comprehensive Loss	--	--	(20,730)
Balance, September 30, 2002 (Successor Company)	$ 401	$ (21,131)	$ 72,547

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

GLOBIX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)

	SUCCESSOR COMPANY	
	FIVE MONTHS ENDED SEPTEMBER 30, 2002	SEVEN MONTHS ENDED APRIL 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) Income	$ (21,131)	$ 159,934
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,060	28,115
Provision for uncollectible receivables	1,904	4,284
Services contributed to minority-owned subsidiary	--	372
Gain on debt discharge	--	(427,066)
Cumulative effect of a change in accounting principle .	--	--
Restructuring and other charges (net of cash payments).	--	8,233
Gain on sale of short-term investments	--	--
Unrealized loss on short- term investment	57	--
Loss on impairment of investment	--	490
Loss on impairment of operating assets	--	2,578
Gain on sale of marketable securities	--	(27)
Amortization of debt issuance costs	--	650
Amortization of deferred compensation	--	7,027
Write-off of note receivable	4,078	--
Minority interest in subsidiary	--	(5,778)
Fresh start accounting adjustment	--	148,569
Changes in operating assets and liabilities:		
Accounts receivable	3,565	(3,449)
Prepaid expenses and other current assets	4,210	(4,574)
Other assets	16	54
Accounts payable	1,362	(5,181)
Accrued liabilities	(468)	1,950
Accrued restructuring	(1,294)	(7,117)
Accrued interest	5,500	31,431
Other	(180)	(179)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,679	(59,684)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in short-term investments	(5,449)	--

Proceeds from sale of short-term investments	--	--
Use of (investment in) restricted cash and investments	166	24,235
Proceeds from sale of marketable securities	--	64
Return of (investment in) strategic investments	51	193
Purchases of property, plant and equipment	(1,229)	(18,650)
Purchase of Comstar.net, Inc., net of cash acquired	--	--
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(6,461)	5,842
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options and warrants, net .	--	--
Capital contribution in minority-owned subsidiary	--	--
Proceeds from 12.5% Senior Notes offering, net of offering expenses	--	--
Repayments on 13% Senior Notes	--	--
Proceeds from issuance of preferred stock, net	--	--
Payments of dividends on preferred stock	--	--
Proceeds from mortgage payable, net	--	--
Repayments of mortgage payable and capital lease obligations	(2,279)	(4,946)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(2,279)	(4,946)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(99)	8
NET (DECREASES) INCREASES IN CASH AND CASH EQUIVALENTS	(5,160)	(58,780)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	52,722	111,502
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 47,562	$ 52,722
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 975	$ 2,101
Cash paid for income taxes	--	--
Non-cash investing and financing activities:		
Equipment acquired under capital lease obligations .	$ --	$ 1,036
Capital expenditures included in accounts payable, accrued liabilities and other long term liabilities	$ 168	$ 273
Cumulative dividends and accretion on preferred stock	$ --	$ 3,178
Mandatorily redeemable convertible preferred stock	$ --	$ 83,230
Restructuring of debt	$ --	$ 427,066

GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

1. BASIS OF PRESENTATION

Globix Corporation and its subsidiaries ("Globix", the "Company" or the

"Successor 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.

The financial statements presented have been prepared by the Company in accordance with generally accepted accounting principles in the United States and the rules and regulations of the Securities and Exchange Commission. As a result of the application of fresh start accounting under the American Institute of Certified Public Accountants Statement of Position No. 90-7 ("SOP 90-7") "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," as of May 1, 2002 the Company's financial results for the fiscal year ended September 30, 2002 include two different bases of accounting and, accordingly, the operating results and cash flows of the Successor Company and the Predecessor Company 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. Although April 25, 2002 was the Effective Date of our emergence from bankruptcy, for financial reporting convenience purposes, we accounted for the consummation of the Plan as of April 30, 2002, which is our normal financial closing period for the month of April.

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 continue to grow its revenue and achieve further operating efficiencies. For the five month period ended September 30, 2002, the Company had a net loss of approximately $21,100. The Company is dependent upon its cash on hand and cash generated from operations to support its capital requirements. Although no assurances can be given, the Company's management believes that actions taken by the Company pursuant to the Plan, including company downsizing, headcount reductions and other cost reductions, as well as cost control measures and the restructuring of its 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 12 months. There can be no assurance, however, that the Company will be successful in executing its business plan, achieving profitability, or in attracting new customers, or in maintaining its existing customer base. Moreover, despite the Company's restructuring, it 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.

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

PERIOD	REFERRED TO AS
From May 1, 2002 through September 30, 2002	"Successor Company"
From October 1, 2001 through April 30, 2002 and for the fiscal years ended September 30, 2001 and 2000	"Predecessor Company"

2. REORGANIZATION AND EMERGENCE FROM CHAPTER 11

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"), 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.

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 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 17, 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, 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 17.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management Estimates

The preparation of the Company's financial statements in accordance with accounting principles generally accepted 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.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Included in the Company's consolidated results is a 0.01% owned subsidiary, 415 Greenwich GC Tenant, LLC. The Company controls all financial aspects of this entity. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition

Revenue consists primarily of managed hosting and dedicated Internet access fees, sales of systems administration and application services such as streaming media, network security and administration and network monitoring.

The Company recognizes revenue in accordance with the Securities and Exchange Commission's Staff Accounting Bulletin, or SAB, No. 101 "Revenue Recognition in Financial Statements," as amended. SAB No. 101 expresses the view of the Securities and Exchange Commission's staff in applying U.S. generally accepted accounting principles to certain revenue recognition issues. Under the provisions of SAB No. 101, set up and installation revenue are deferred and recognized over the estimated length of the customer relationship, which in the case of the Company's business is approximately 36 months. Prior to April 30, 2002, the estimated length of the customer relationship was 12-18 months. Effective October 1, 2000, the Company changed its revenue recognition method for set up and service installation fees upon the adoption of SAB No. 101. Prior to the Company's adoption of SAB No. 101, the Company recognized revenue immediately upon completion of set up or installation. The change in accounting principle resulted in a revenue deferral and cumulative effect charge totaling $2,332, or $0.06 per share, which was reflected in the Company's consolidated statements of operations for the fiscal year ended September 30, 2001. The Company's adoption of SAB No. 101 decreased the Company's net loss by $547 for the fiscal year ended September 30, 2001. The effect of the Company's adoption of SAB No. 101 for the fiscal year ended September 30, 2000 was not material.

Monthly service revenue related to managed hosting and Internet access is recognized over the period that services are provided. Revenue derived from application services is recognized at the completion of a project. Projects are generally completed within a month. Payments received in advance of providing services are deferred until the period that these services are provided.

The Company provided $802 and purchased $551 of data center services from a telecommunications operator during the year ending September 30, 2002. $318 of the transactions billed were settled monetarily, with the balance of $445 settled by offsetting or netting the remainder

Cost of Revenue

Cost of revenue consists primarily of telecommunications costs for Internet access and managed hosting

and includes the cost of hardware and software purchased for resale to customers. Cost of revenue excludes payroll, occupancy and depreciation and amortization. Telecommunications costs include the cost of providing local loop for connecting dedicated access customers to the Company's network, leased line and associated costs related to connecting with the Company's peering partners and costs associated with leased lines connecting the Company's facilities to its backbone and aggregation points of presence.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of salaries and occupancy costs for executive, financial, operational and administrative personnel and related operating expenses associated with network operations, customer service and field services as well as marketing expenses, professional fees and bad debt expense.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, restricted cash and investments, marketable securities and accounts receivable. The Company maintains cash and cash equivalents, short-term investments and restricted cash and investments with various major financial institutions, which invest primarily in U.S. Government instruments, high quality corporate obligations, certificates of deposit and commercial paper.

The Company believes that concentrations of credit risk with respect to trade accounts receivable are limited due to the large number and geographic dispersion of the Company's customers. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential losses. The Company's management makes estimates of the uncollectibility of its trade accounts receivable on a monthly basis. No single customer of the Company individually comprised more than 10% of the Company's revenues in the seven month period ended April 30, 2002 and in the five month period ended September 30, 2002.

In December 2000, the Company received a note for $4,100 relating to the settlement of a lease of a data center property. This note was to be paid on either the sale of the property, the lease of at least 95% of the property, or two years from the date of the note. The obliger has indicated that it has insufficient funds to satisfy the debt and does not intend to make payment. While the Company has made demand and intends to vigorously pursue legal remedy, in light of the financial condition of the obliger, the Company has written off the entire amount.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Included in restricted cash are funds held in escrow related to a mortgage on the Company's property located at 139 Centre Street, collateral funds for the Company's corporate credit card and required share capital held in escrow for the Company's European subsidiaries. These funds are primarily invested in highly liquid investments with an original maturity of three months or less. The classification is determined based on the expected term of the collateral requirement and not the maturity date of the underlying securities.

Marketable Securities

Investments in marketable securities are reported at fair value. Unrealized gains and losses from those securities, which are classified as available-for-sale, are reported as "unrealized holding gains and losses" as a separate component of stockholders' equity. At September 30, 2002, marketable securities had a cost basis of approximately $2,800.

Investments

Short-term investments consist of an investment in a limited partnership which invests in fixed income securities and certain investments which do not meet the requirements to be reported as cash and cash equivalents. The limited partnership is accounted for on a "mark-to-market" basis. At September 30, 2002 the limited

partnership had a cost basis of $5,000 and the unrealized loss from the "mark to market" adjustment of $57 was recorded in the Company's consolidated statement of operations.

Also included in short-term investments are investments in mortgage and asset backed securities which do not meet the requirements to be reported as cash and cash equivalents. These investments are classified as available for sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income or loss in stockholders' equity. At September 30, 2002, these investments had a cost and fair value of $449.

Included in restricted investments as of September 30, 2002 are collateral funds for the note payable of $2,600, collateralized funds for the Rabbi Trust obligation of $2,756 described in Note 11 which is included in other long-term liabilities and amounts held in escrow related to the lease of the Company's facility located at Prospect House, 80 New Oxford Street, London, United Kingdom of $1,981. These funds are primarily invested in highly liquid investments with an original maturity of three months or less. The classification is determined based on the expected term of the collateral requirement and not the maturity date of the underlying securities.

Included in restricted investments as of September 30, 2001 are collateral funds for the note payable of $2,600, collateralized funds for the Rabbi Trust obligation of $2,292 described in Note 9 which is included in accrued liabilities, amounts held in escrow related to the lease of the Company's facility located at Prospect House, 80 New Oxford Street, London, United Kingdom of $1,872, amounts held in escrow related to the lease of the Company's facility located at 1 Oliver's Yard, 55-71 City Road, London, United Kingdom of $18,406 and amounts held in escrow related to the lease of the Company's other facilities of $1,716. These funds are primarily invested in highly liquid investments with an original maturity of three months or less. The classification is determined based on the expected term of the collateral requirement and not the maturity date of the underlying securities.

Property, Plant and Equipment

Property, plant and equipment are stated at depreciated historical cost for the Predecessor Company adjusted for impairment and include fresh start adjustments for the Successor Company . All identifiable assets recognized in accordance with fresh start accounting were recorded at the Effective Date of the Plan based upon an independent appraisal. Depreciation is provided using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. The estimated useful lives of property are as follows:

Buildings and building improvements	10 to 44 years
Computer hardware and software and network equipment	two to seven years
Office furniture and equipment	three to seven years

Leasehold improvements are amortized over the term of the lease or life of the asset, whichever is shorter. Maintenance and repairs are charged to expense as incurred. The cost of additions and betterments are capitalized. The cost and related accumulated depreciation of property retired or sold are removed from the applicable accounts and any gain or loss is taken into income.

INTANGIBLE ASSETS

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 month period ended April 30, 2002 and the fiscal years ended September 30, 2001 and 2000, goodwill amortization amounted to $1,141, $2,604 and $190, respectively. If the Company had adopted SFAS 142 as of October 1, 1999 and discontinued goodwill amortization, the Company's net income and loss per common share on a pro forma basis would have been as follows:

PRO FORMA RESULTS	PREDEC	
	SEVEN MONTHS ENDED APRIL 30, 2002	SEPTE
Net income (loss)	$ 159,934	
Addback of goodwill amortization	1,141	
Adjusted net income (loss)	161,075	
Dividends and accretion on preferred stock	(3,178)	
Adjusted net income (loss) attributable to common stockholders	$ 157,897	
Adjusted earnings (loss) per common share:		
Basic earnings (loss) per share attributable to common stockholders	$ 3.99	
Diluted earnings (loss) per share attributable to common stockholders	$ 3.32	

Intangible assets of the Successor Company are as follows:

- trademark and trade name;
- network build-out/know-how; and
- customer contracts.

The trademark and trade name and identifiable assets are considered indefinite-lived intangible assets. Accordingly, trademarks and trade name are not amortized but are periodically reviewed for impairment. The network build-out/know-how and customer contracts identifiable assets are considered finite-lived intangible assets. Finite-lived intangible assets are amortized over their useful lives. The network build-out/know-how intangible asset is being amortized over eight years and the customer contracts intangible assets are being amortized over three years.

Long-Lived Assets

The Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", on the Effective Date of the Plan. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and of Long-Lived Assets to be Disposed Of", and portions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", and amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements". SFAS No. 144 generally conforms, among other things, impairment accounting for assets to be disposed of, including those in discontinued operations.

At September 30, 2001, in accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", the Company recorded an estimated loss on impairment of operating assets of $3,500. In the seven month period ended April 30, 2002, the Company determined that impaired assets previously held for disposal were to be used in operations and, accordingly, $643 of this charge was not impaired. In addition, the Company recorded a loss on the impairment of intangible assets in the amount of $3,221 for the seven month period ended April 30, 2002. The impairment was due to the acquisition of Comstar.net, Inc., which ceased operations.

The Company reviews the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is indicated if the sum of the expected net cash flows is less than the carrying amount of the long-lived assets being evaluated. Measurement of any impairment is calculated as the difference between the carrying amount of the long-lived assets being evaluated and the fair value. The Company determines the estimated fair market value of the assets based on the anticipated future cash flows discounted at rates commensurate with the risks involved.

Income Taxes

Deferred income taxes are provided for differences between financial statement and income tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. The Company provides a valuation allowance on net deferred tax assets when it is more likely than not that these assets will not be realized. Certain tax benefits existed as of the Effective Date of the Plan but were offset by valuation allowances. The utilization of these benefits to reduce income taxes paid to U.S. Federal and state and foreign jurisdictions does not reduce the Company's income tax expense. Realization of net operating loss, tax credits and other deferred tax benefits from pre-emergence attributes will first reduce intangible assets until exhausted, and thereafter will be credited to additional paid in capital.

Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income", requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting method that

includes amounts that historically have not been recognized in the calculation of net income. Comprehensive Income and Accumulated Other Comprehensive Income (Loss) includes net income, foreign currency translation, and unrealized gain (loss) on financial instruments and is included in the Consolidated Statements of Stockholders' Equity (Deficit).

Foreign Currency Translation

The financial statements of the Company's foreign subsidiaries have been translated in accordance with SFAS No. 52, "Foreign Currency Translation". These subsidiaries' assets and liabilities are translated into U.S. Dollars at the year-end rate of exchange. Income and expense items are translated at the average exchange rate for the year. The resulting foreign currency translation adjustment is included in stockholders' equity as a component of accumulated other comprehensive income. Transaction gains and losses are recorded in the consolidated statement of operations.

Stock-Based Compensation

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation", which establishes a fair value based method of accounting for stock-based compensation plans, the Company has elected to follow Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB No. 25") for recognizing stock-based compensation expense for financial statement purposes. Under APB No. 25, the Company applied the intrinsic value method of accounting and therefore does not recognize compensation expense for options granted to employees, because options are only granted at a price equal to or higher than fair value on the day of grant. For companies that choose to continue applying the intrinsic value method, SFAS No. 123 mandates certain pro forma disclosures as if the fair value method had been utilized.

The following table illustrates the effect on income 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.

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	PREDECESSOR COMPANY		
	SEVEN MONTH PERIOD ENDED APRIL 30, 2002	2001	
Pro forma net income (loss) attributable to common stockholders	$ 151,621	$ (228,599)	$
Pro forma basic earnings (loss) per share attributable to common stockholders	$ 3.83	$ (5.94)	$
Pro forma diluted earnings (loss) per share attributable to common stockholders	$ 3.19	$ (5.94)	$

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, and awards prior to the Effective Date have been cancelled.

Earnings (Loss) Per Share

Basic earnings or 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 earnings or 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. The following table summarizes the equivalent number of common shares assuming the related securities that were outstanding for each of the periods presented had been converted, but not included in the calculation of diluted loss per share because such shares are antidilutive:

	PREDECESSOR COMPANY		
	SEVEN MONTHS ENDED	SEPTEMBER 30,	
	APRIL 30, 2002	2001	2000
Convertible preferred stock	--	8,617,300	8,000,000
Stock Options	10,021,258	10,394,781	10,298,692
Warrants	194,797	194,797	194,797

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

10,216,055	19,206,878	18,493,489

All options and warrants outstanding on the Effective Date of the Plan were cancelled as of the Effective Date of the Plan. At September 30, 2002 there were no dilutive securities outstanding. Although the Successor Company's common stock was not distributed until after September 30, 2002, the Plan provides that the 16,460,000 shares of the Company's common stock issuable under the Plan were deemed to be issued and outstanding as of the Effective Date of the Plan. Accordingly, for purposes of these financial statements 16,460,000 shares of the Company's common stock are deemed to have been issued and outstanding as of September 30, 2002.

In April 1998, the Company completed a $160.0 million debt financing consisting of 160,000 units, each unit consisting of a note in the principal amount of one thousand dollars and one warrant to purchase 14.08 shares of common stock (total of 2,252,800 shares of common stock) at a purchase price of $3.51 per share. Of the 2,252,800 shares underlying the original 160,000 warrants, 194,797 shares remained, until the Effective Date.

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

	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

Recent Accounting Pronouncements

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN 45"), "Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". FIN 45 requires a liability to be recognized at the time a company issues a guarantee for the fair value of the obligations assumed under certain guarantee agreements. Additional disclosures about guarantee agreements are also required in the interim and annual financial statements. Under current operations, adoption of FIN 45 is not expected to have a material impact on the Company's results of operations or financial position. FIN 45 will be effective for the Company's fiscal year ending September 30, 2003.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123", which provides optional transition guidance for those companies electing to voluntarily adopt the accounting provisions of SFAS No. 123. In addition, SFAS No. 148 mandates certain new disclosures that are incremental to those required by SFAS No. 123. The Company will continue to account for stock-based compensation in accordance with APB No. 25. Consequently, the Company does not expect this standard to have a material impact on its consolidated financial position or results of operations.

4. FRESH START ACCOUNTING

Although April 25, 2002 was the effective date of the Company's emergence from bankruptcy, for financial reporting purposes the Company accounted for the consummation of the Plan as of April 30, 2002. The Company employed an independent third party to determine the enterprise value of the Company as of the emergence date. The third party determined the enterprise value to be $240,000. This amount was based upon several generally accepted valuation methodologies including discounted cash flows, comparable public company analysis and comparable mergers and acquisitions analysis. The assigned equity values are based upon the reorganized value of the ongoing business and include significant estimates made by management based on information available as of the Effective Date. Valuation methodologies require the input of highly subjective assumptions. Actual future results and events could differ substantially from current estimates and assumptions. Any changes in valuation could affect the Company's balance sheet.

In accordance with the principles of fresh start accounting, the Company has adjusted the value of its assets and liabilities to their fair values as of April 30, 2002. The equity value of the Successor Company at May 1, 2002 was calculated as follows:

Enterprise Value	$ 240,000
11% Senior Notes	(120,000)
Mortgage Payable	(20,536)
Capitalized Leases	(6,187)
Equity value of Successor Company	$ 93,277

GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

We engaged the services of an independent third party to perform a valuation analysis of certain tangible and intangible assets. The valuation of the subject assets was performed following standards promulgated by the American Society of Appraisers and is in compliance with the Uniform Standards of Professional Appraisal Practices. The tangible assets were valued using the costs and market comparables methods. The intangible assets were valued using the income approach and the cost approach methods.

The net effect of all fresh start accounting adjustments resulted in a charge of $148,569 which is reflected in the Predecessor Company's statement of operations for the seven month period ended April 30, 2002. The interest of $11,507 on the 12.5% Senior Notes for the period March 1, 2002 through the Effective Date was not accrued in accordance with SOP 90-7.

On the Effective Date of Plan, the Company recognized a gain of $427,066 associated with the exchange of the 12.5% Senior Notes for the 11% Senior Notes and shares of the Company's common stock under the Plan. The Successor Company's gain on discharge of debt at April 30, 2002 was calculated as follows:

Carrying value of 12.5% Senior Notes	$ 600,000
Carrying value of related accrued interest	43,750
Carrying value of 11% Senior Notes	(120,000)
Carrying value of capitalized costs associated with 12.5% Senior Notes	(17,398)
85% of equity value of Successor Company	(79,286)
Gain on discharge of debt	$ 427,066

The effects of the transactions contemplated by the Plan and the application of fresh start accounting on the Company's consolidated balance sheet are as follows:

	Predecessor Company April 30, 2002	Debt Discharge
ASSETS		
Cash and cash equivalents	$ 52,722	$ --
Marketable securities	2,757	--
Accounts receivable, net	11,959	--
Prepaid expenses and other current assets	17,264	--
Restricted cash	4,018	--

Total current assets	88,720	--
Investments, restricted	5,114	--
Property, plant and equipment, net	333,063	--
Debt issuance costs, net	18,250	(17,398)(a)
Intangible assets, net	--	--
Other assets	500	--
TOTAL ASSETS	$ 445,647	$ (17,398)
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current portions of capital lease obligations and mortgage payable	$ 5,239	$ --
Accounts payable	7,782	--
Accrued liabilities	26,067	(2,713)(b)
Accrued restructuring	3,122	--
Total current liabilities	42,210	(2,713)
Liabilities not subject to compromise:		
Capital lease obligations, net of current portion	6,383	--
Mortgage payable	20,291	--
11% Senior Notes	--	120,000(c)
Other long term liabilities	232	--
Total liabilities not subject to compromise	69,116	117,287
Liabilities subject to compromise	643,750	(643,750)(c),(
Total liabilities	712,866	(526,463)
Mandatorily Redeemable Convertible Preferred Stock	83,695	(83,695)(e)
Total stockholders' (deficit) equity	(350,914)	592,760
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	$ 445,647	$ (17,398)

(a) To remove debt issuance cost associated with the 12.5% Senior Notes.
(b) To remove accrued dividends payable on mandatorily redeemable convertible preferred stock.
(c) To exchange 12.5% Senior Notes for 11.0% Senior Notes.
(d) To remove accrued interest on 12.5% Senior Notes.
(e) To remove mandatorily redeemable convertible preferred stock.

(1) To adjust assets and liabilities to fair value.

GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Pursuant to the requirements of SOP 90-7, which requires entities subject to fresh start accounting to adopt, in the fresh start reporting period, new accounting principles that will be required in the financial statements of the emerging entity within 12 months of the fresh start reporting period. The Company adopted the provisions of new accounting standards upon emergence from bankruptcy.

In July 2001,the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 141 "Business Combinations". SFAS No. 141 requires that the purchase method of accounting be used for business combinations, establishes specific criteria for the recognition of intangible assets separately from goodwill, and requires that unallocated negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. The Company adopted SFAS No 141 on May 1, 2002, which had no impact on the Company's results of operations or financial condition.

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." The Company adopted the requirements of SFAS No. 142 effective May 1, 2002. SFAS No. 142 requires companies to cease amortization of certain assets and provides a methodology to test these assets for impairment on a periodic basis. The company adopted SFAS No. 142 on May 1, 2002, which had no impact on the company's results of operations or financial condition.

On April 30, 2002, SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS 13, and Technical Corrections as of April 2002" was issued. SFAS No. 145 is effective for transactions occurring after May 15, 2002. In rescinding SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt", and SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements", SFAS No. 145 eliminates the requirement that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. However, pursuant to SFAS No. 145, an entity would not be prohibited from classifying such gains and losses as extraordinary items so long as they meet the criteria in paragraph 20 of APB No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". Further, SFAS No. 145 amends paragraph 14(a) of SFAS No. 13, "Accounting for Leases", to eliminate an inconsistency between the accounting for sale-leaseback transactions and certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The amendment requires that a lease modification (1) results in recognition of a gain or loss in the financial statements, (2) is subject to SFAS No. 66, "Accounting for Sales of Real Estate", if the leased asset is real estate (including integral equipment), and (3) is subject (in its entirety) to the sale-leaseback rules of SFAS No. 98, "Accounting for Leases: Sale-Leaseback Transactions Involving Real Estate, Sales-Type Leases of Real Estate, Definition of the Lease Term, and Initial Direct Costs of Direct Financing Leases". The adoption of SFAS No. 145, on the Effective Date, resulted in the classification of the $427,066 gain on extinguishment of debt in the Predecessor Company's seven month period ended April 30, 2002 Statement of Operations as a component of other income as gain on discharge of debt and not as an extraordinary items as had been previously required under SFAS No. 4. Additionally, in accordance with SFAS 145, the $17,577 loss on the extinguishment of debt previously recorded in fiscal year 2000 as an extraordinary item has been reclassified to loss on discharge of debt.

In July 2002, FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. The Company adopted SFAS 146 upon the Effective Date and it did not have an effect on the Company's consolidated financial position, results of operations or liquidity. Prior to adoption of SFAS No. 146 the Company accounted for these activities under Emerging Issues Task Force No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)" (EITF 94-3).

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

5. REORGANIZATION ITEMS

Reorganization expenses are expenses incurred by the Predecessor Company in connection with its reorganization under Chapter 11 of the Bankruptcy Code. Reorganization items included in the Predecessor Company's statement of operations include professional fees directly related to the Predecessor Company's bankruptcy. Reorganization expenses included in the Statement of Operations were approximately $7,762 for the

seven month period ended April 30, 2002 and zero for the five month period ended September 30, 2002. No amounts were incurred in years ended September 30, 2001 and 2000.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	SUCCESSOR COMPANY	PREDECESSOR COMPANY
	SEPTEMBER 30, 2002	SEPTEMBER 30, 200
Land	$ 2,713	$ 1,997
Building and building improvements	84,094	108,216
Leasehold improvements	71,322	145,617
Computer hardware and software and network equipment	15,607	134,767
Furniture and equipment	3,660	9,693
	177,396	400,290
Less: Accumulated depreciation and amortization	(5,549)	(54,499)
Add: Construction in progress	2,863	10,358
Property, plant and equipment, net	$ 174,710	$ 356,149

Certain computer and network equipment are recorded under capital leases that aggregated approximately $4,466 and $23,545 as of September 30, 2002 and 2001, respectively. Accumulated amortization on the assets recorded under these capital leases aggregated $465 and $6,566 as of September 30, 2002 and 2001, respectively.

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

ATC Merger Corp. ("ATC 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, with approximately 160,000 square feet of floor space, houses the Company's corporate headquarters and one of its Internet data center facilities. A former owner of the right to purchase the 139 Centre Street property is entitled to additional consideration if the Company sells the property in an amount equal to the greater of (a) $1,000 (subject to increase after June 1, 2018 by ten percent and an additional ten percent every fifth year thereafter) and (b) 10% of the gross sales price of the property if the sales price is greater than $17,500.

7. 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 will 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 September 30, 2002, the LLC had received $5,778 of such capital contribution. The LLC received an additional $4,458 in October 2002 and an additional $1,636 in January 2003. The remaining balance of the capital contribution is due from the Investor in annual installments as follows:

YEAR ENDING SEPTEMBER 30,	CONTRIBUTION
2004	1,557
2005	1,479
2006	1,400
2007	241
Total	$4,677

Although the Company's ownership of the LLC is 0.1%, the Company has consolidated the financial statements of the LLC since inception, due to effective control of the LLC by the Company resulting in a minority interest in subsidiary in the accompanying consolidated financial statements. The following table reflects the summary statement of operations data for the LLC for the five months ended September 30, 2002, the seven months ended April 30, 2002, and for the period from inception to September 30, 2001:

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	SUCCESSOR COMPANY	PREDECESSOR COMPAN	
	FIVE MONTH PERIOD ENDED SEPT. 30, 2002	SEVEN MONTH PERIOD ENDED APRIL 30, 2002	PERIOD (JUN SEPT
Revenue	$3,208	$4,492	
Net Loss	(195)	(7,374)	
Basic and diluted loss per share attributable to common stockholders ..	$(0.01)	$(0.19)	

In connection with the above transaction, the Investor has a Put Option with the Company. The Put Option provides that during the 6 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.

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 September 30, 2002, the fair value of this option is negligible.

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.

8. INTANGIBLE ASSETS

Intangible assets consist of the following components at September 30, 2002:

	Estimated Useful Lives	Successor Company September 30, 2002
Finite-lived intangible assets:		
Network Build-out/Know-how	8 years	$ 7,453
Customer Contracts	3 years	1,118
		$ 8,571
Indefinite-lived intangible assets:		
Trademarks and trade name	--	1,584
		$ 10,155
Less: Accumulated amortization		(543)
Intangible assets, net		$ 9,612

Amortization expense, including Predecessor Company goodwill amortization, was $1,141 for the seven months ended April 30, 2002 and $543 for the five months ended September 30, 2002, respectively. Estimated future annual amortization expense of intangibles is as follows:

Year Ending September 30,	
2003	$1,304
2004	1,304
2005	1,149
2006	932
2007	932
Thereafter	2,407
Total	$8,028

9. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	SUCCESSOR COMPANY	PREDECESSOR COMPANY
	SEPTEMBER 30,	
	2002	2001
Franchise tax, sales tax and property tax ...	2,177	1,048
Salaries, benefits and commissions	1,636	1,284
Rabbi Trust Obligation	--	2,378
Telecommunications accrual	1,706	993
Technology licenses and maintenance contracts	1,205	114

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Deferred revenue	1,503	2,692
Accrued construction costs	147	6,175
Other	7,722	6,266
	$16,096	$20,950

10. RESTRUCTURING AND OTHER

The Company has announced a number of restructuring actions to reduce expenses and streamline operations. These actions included a workforce reduction and rationalization of data center and sales locations. The Company recorded restructuring charges of $56,109 in fiscal 2001. The Company recorded net restructuring of $24,834 in the seven month period ended April 30, 2002. This amount is comprised of $28,395, offset by reversals of $3,561, related to revised estimates and a $1,184 vendor settlement related to an asset impaired in the prior year. The Company believes these actions will result in ongoing annual operating expense savings of approximately $24,000.

During the quarter ended December 31, 2000, the Company's board of directors approved a restructuring plan to modify its Internet data center expansion plan to delay, scale back and eliminate certain facilities. The restructuring plan included the termination of certain lease obligations, associated surplus power and environmental equipment related to the proposed expansion of Globix Internet data centers in Boston, MA; Seattle, WA; and Los Angeles, CA. When initiated, the restructuring plan was expected to take approximately one year to complete. The Company recorded a $38,109 charge associated with this restructuring plan in the fiscal quarter ending December 31, 2000. Approximately $18,460 of this charge was recorded as a write-off of construction in progress, which included capitalized interest, consulting and legal fees, construction and pre-construction related costs previously capitalized. Approximately $17,019 was recorded for landlord contract settlements and $2,630 for facilities closings.

During the quarter ending September 30, 2001, the Company further modified its business plan to eliminate certain additional Internet data center and sales office facilities, resulting in the termination of certain employees, lease obligations and write-off of certain equipment, leasehold improvements and intangible assets and other costs. In connection with this modification, additional restructuring charges of $18,000 were recorded, of which $9,947 was a write-off of equipment, leasehold improvements and intangible assets, $4,150 for landlord contract settlements, $2,703 for facility closings and $1,200 associated with employee terminations (106 employees).

During the quarter ended March 31, 2002, the Company made an additional modification to its business plan pursuant to the Plan, in order to reduce certain Internet data center lease obligations and 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, the Company recorded a restructuring charge of $28,395, of which $16,407 was for the write-off of previously escrowed lease deposit and landlord inducement and legal payments, $6,922 was for the write-off of equipment and leasehold improvements, $2,120 for facilities closings and $2,946 was associated with employee terminations (148 employees).

Reversals related to fiscal 2001 contract settlement charges and facility closings were primarily for settling certain facility contracts and purchase commitments for amounts lower than originally planned. Reversals related to fiscal 2001 asset write downs were primarily related to adjustments to estimated Plant, Property and Equipment impairment. Actual impairment amounts were less than the original estimates.

The following table displays the activity and balances of the restructuring reserve account from inception to September 30, 2002:

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	Restructuring			Other
	Employee Terminations	Contract Settlements	Facility Closings	As Writ
Restructure Charge	1,200	21,169	5,333	28
Deductions-Non-Cash	--	--	--	(22
Deductions-Cash	(194)	(17,119)	(3,380)	(3
September 30, 2001 Balance (Predecessor Company)	1,006	4,050	1,953	2
Additional Restructure Charge	2,946	16,407	2,120	6
Deductions-Non-Cash	(889)	--	(422)	(6
Deductions-Cash	(2,520)	(18,480)	(1,669)	
Reversal to Fiscal 2001 Plan	--	(678)	(701)	(2
April 30, 2002 Balance (Predecessor Company)	543	1,299	1,281	
Deductions-Cash	(400)	--	(895)	
September 30, 2002 Balance (Successor Company)	143	1,299	386	

The remaining liability is expected to be settled in cash.

11. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

	SUCCESSOR COMPANY	PREDECESSOR COMPANY
	SEPTEMBER 30,	

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	2002	2001
Note Payable	$ 2,600	$ 2,600
Rabbi Trust Obligation	2,777	--
Negative Leasehold Liability	7,607	--
Contractual Obligation	--	3,900
Deferred Rent	100	1,077
	$13,084	$ 7,577

The Company has a $2,600 note payable, due January 15, 2004. 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 restricted investments on the accompanying consolidated balance sheet.

On July 21, 1999, the Company established a trust (the "Rabbi 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 Rabbi Trust commencing April 2001. Payments were made from the Trust until March 1 2002, when Globix and two of its wholly-owned subsidiaries filed for Chapter 11. The Company is currently in litigation over the Trust, as described further in Note 17.

In connection with fresh start accounting at the Effective Date, the Company recorded a Negative Leasehold Liability associated with three of its Internet data centers. The Negative Leasehold Liability amount was determined by independent appraisal and based upon research of the local market conditions in each market and estimation of the net effective market rental rates in comparison to the Globix contractual lease rates through expiration of the lease. Such liability will be amortized to reduce lease expense over the remaining life of the lease as follows:

YEAR ENDING SEPTEMBER 30	
2003	$653
2004	653
2005	653
2006	653

2007	653
Thereafter	4,994
Total	8,259

Less: Current Portion	(652)

Long-term Portion	$ 7,607
	=======

12. 12.5% SENIOR NOTES AND 11% SENIOR NOTES

In February 2000, the Company issued $600,000 in aggregate principal amount of its 12.5% Senior Notes in a private placement resulting in net proceeds of approximately $580,000, after underwriting fees and offering expenses. In March 2000 the Company completed a tender offer to purchase all of its outstanding 13% Senior Notes due 2005, $160,000 in aggregate principal amount. The purchase price in the tender offer for the 13% Senior Notes was 106.5% of the principal amount, plus accrued and unpaid interest.

In connection with the offer of the 12.5% Senior Notes the Company incurred costs of approximately $20,000 that were being amortized over ten years using the effective interest method.

As of the Effective Date, 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, 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. The interest of $11,507 on the 12.5% Senior Notes for the period March 1, 2002 through the Effective Date was not accrued in accordance with SOP 90-7.

The Company is deemed to have issued the 11% Senior Notes on the Effective Date 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 17.

The 11% Senior Notes will mature on December 31, 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 two year period following the initial date of issuance is, payable in kind by the issuance of additional notes with terms identical to the 11% Senior Notes (other than the date of issuance) in a principal amount equal to the interest payment then due. For the two year period thereafter, 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. See Note 21 for additional disclosures related to the Subsidiary Guarantors.

In the event that:

- subject to certain exceptions, any person, entity or group of persons or entities becomes the beneficial owner, directly or indirectly, of 50% or more of the Company's outstanding voting securities;

- at any time during the two-year period following the distribution of the 11% Senior Notes, the individuals that comprise a majority of the Company's board of directors on the date of distribution of the 11% Senior Notes, plus any new directors elected to the Company's board of directors during this two-year period, cease to comprise a majority of the Company's board of directors;

- subject to certain exceptions, the Company consolidates with or merges with or into another entity, the Company sells or leases all or substantially all of its assets to another entity or any entity consolidates with or merges with or into the Company, in each case pursuant to a transaction in which the Company's outstanding voting securities are changed into or exchanged for cash, securities or other property, unless no person, entity or group of persons or entities owns, immediately after the transaction, more than 50% of the Company's outstanding voting stock,

then each holder of the 11% Senior Notes will have the right to require the Company to repurchase all or a portion of its 11% Senior Notes for a purchase price equal to 101% of the principal amount of that holder's 11% Senior Notes plus accrued and unpaid interest to the date of repurchase.

The indenture governing the 11% Senior Notes (the "Indenture") 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 subsidiaries.

As of September 30, 2002, the Company was in compliance with the material operating and financial restrictions imposed upon the Company contained in the Indenture. However, as of the date of these financial statements, the Company was not in compliance with the provisions of the Indenture which require the Company to:

- file reports and documents with the Securities and Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; specifically the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, Annual Report on Form 10-K for the fiscal year ended September 30, 2002 and Quarterly Report on Form 10-Q for the quarter ended December 31, 2002;

- file copies of these reports with the Indenture trustee (the "Trustee");

- cause these reports to be mailed to the holders of the 11% Senior Notes;

- deliver to the Trustee a certificate from the Company's public accountants related to the Company's compliance with certain provisions of the Indenture; and

- deliver to the Trustee an officer's certificate with respect to the Company's failure to satisfy the obligations set forth above.

The Company's failure to comply with each of the obligations described above constitutes a default, but not an event of default, under the Indenture. See Note 24 for a description of events related to these defaults which occurred subsequent to September 30, 2002.

13. MORTGAGE PAYABLE

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.

14. REDEEMABLE CONVERTIBLE PREFERRED STOCK

On December 3, 1999, the Company sold 80,000 shares of preferred stock (the "Preferred Stock") to affiliates of Hicks, Muse, Tate & Furst Incorporated ("Hicks Muse") for a purchase price of $80,000. The Company used the proceeds from the sale to expand the build-out of its Internet data centers and other facilities. The Preferred Stock paid a dividend of 7.5%.

The Preferred Stock was recorded in the Company's consolidated balance sheet outside of the stockholders' equity section due to its mandatory redemption feature. The Company incurred approximately $4,750 of issuance costs in connection with the sale of the Preferred Stock. These costs were recorded as a reduction of the carrying amount of the Preferred Stock and were being accreted through a charge to additional paid in capital over the five-year period to the earliest redemption date.

As of the Effective Date of the Plan each holder of shares of the Preferred 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 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, 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.

15. 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.

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 17. 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 the Predecessor Company's common stock, will occur following the resolution of the shareholder derivative suit described in Note 17 against the Company and certain of its present and former officers and directors.

Restricted Stock Grant

In December 2000, the Company granted 3,063,490 shares of restricted stock to certain employees and directors. The restricted stock awards vested 25% per year over a four-year period on the anniversary date of the grant. In connection with this restricted stock grant, the Company recorded a deferred compensation charge of $8,999 in stockholders' equity. This deferred compensation was to be recorded as compensation expense over the four-year vesting period. In April 2002, the Company's board of directors approved the vesting of 100% of the remaining unvested restricted shares. This resulted in a non-cash charge to compensation expense of $5,100 in April 2002. Compensation expense recorded in the seven month period ended April 30, 2002 was $7,027.

Stock Splits

On December 10, 1999, the Company announced a two-for-one stock split of its outstanding shares of common stock, which was completed on December 30, 1999. On January 10, 2000, the Company announced an additional two-for-one stock split of its outstanding shares of common stock on January 31, 2000. Stockholders' equity has been restated to give retroactive recognition to both stock splits for all periods presented in the accompanying financial statements by reclassifying from additional paid-in-capital to common stock the par value of the additional shares arising from the splits. In addition, all references to number of shares, per share amounts and stock options data have been restated to reflect the stock splits.

16. EMPLOYEE BENEFITS PLAN

Stock Option Plans (Successor Company)

As of September 30, 2002, no stock option plan has been approved by the Successor Company's board of directors or stockholders. Accordingly, no stock options were issued or outstanding as of September 30, 2002. As a result of the Company's reorganization, effective April 25, 2002 all unexercised options and warrants were canceled.

Stock Option Plans (Predecessor Company)

In April 2001, the Company's stockholders approved, the 2001 Stock Option Plan (the "2001 Option Plan"), which provided for the grant of stock options to purchase up to 2,000,000 shares of common stock to any employee, non-employee director, or consultant at the discretion of the Company's board of directors (the "Board"). Under the 2001 Option Plan, these options could not be exercised after ten years from the date of grant. Options issued to employees were exercisable ratably over a five-year period.

In April 2000, the Company's stockholders approved the 2000 Stock Option Plan (the "2000 Option Plan"), which provided for the grant of stock options to purchase up to 1,675,000 shares of the Company's common stock to any employee, non-employee director or consultant at the Board's discretion. Under the 2000 Option Plan, these options could not be exercised after ten years from the date of grant. Options issued to employees were exercisable ratably over a five-year period.

In April 1999, the Company's stockholders approved the 1999 Stock Option Plan (the "1999 Option Plan"), which provided for the grant of stock options to purchase up to 6,000,000 shares of the Company's common stock to any employee, non-employee director or consultant at the Board's discretion. Under the 1999 Option Plan, these options could not be exercised after ten years from the date of grant. Options issued to employees were exercisable ratably over a five-year period.

In April 1998, the Company's stockholders approved the 1998 Stock Option Plan (the "1998 Option Plan"), which provided for the grant of stock options to purchase up to 4,800,000 shares of the Company's common stock to any employee, non-employee director, or consultant at the Board's discretion. Under the 1998 Option Plan, these options could not be exercised after ten years from the date of grant. Options issued to employees were exercisable ratably over a five-year period.

Under the 2001, 2000, 1999 and 1998 Option Plans, options were granted to non-employee directors upon election at the annual meeting of stockholders at a purchase price equal to the fair market value on the date of grant. In addition, the non-employee director stock options were exercisable in full twelve months after the date of grant unless determined otherwise by the compensation committee of the Board.

In 1995, the Company's stockholders approved the 1995 Stock Option Plan (the "1995 Option Plan"), which reserved 1,440,000 shares of common stock for issuance under the 1995 Option Plan. Under the 1995 Option Plan, the term of the options issued were determined by the stock option committee and ranged from five to ten years from the date of the grant. Options issued to directors were immediately exercisable and options issued to employees were exercisable ratably over a three-year period.

Fair Value of Stock Options

For disclosure purposes under SFAS No. 123, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option valuation model with the following weighted-average assumptions:

		PREDECESSOR COMPANY	
	SEVEN MONTH PERIOD ENDED APRIL 30, 2002	FISCAL YEAR ENDED SEPTEMBER 30, 2001	FISCAL Y SEPTEM 2
Expected life (in years)	6.0	6.0	6
Risk-free interest rate	4.7%	5.0%	6
Volatility	133%	133.0%	122
Dividend yield	0.0%	0.0%	0

Utilizing these assumptions, the weighted average fair value of options granted is $2.83 and $20.80 for the years ended September 30, 2001 and 2000, respectively, and $0.41 for the seven months ended April 30, 2002.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

SUMMARY STOCK OPTION ACTIVITY

The following table summarizes stock option information with respect to all stock options for the two years ended September 30, 2001 and seven months ended April 30, 2002:

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	Number of Shares	Weighted Average Exercise Price

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Options outstanding, September 30, 1999	10,723,580	$	6.33
Granted	1,864,150		23.37
Canceled	(834,403)		12.55
Exercised	(1,454,635)		1.79
Options outstanding, September 30, 2000	10,298,692	$	9.54
Granted	2,784,160		3.11
Canceled	(1,128,647)		12.77
Exercised	(1,559,424)		1.61
Options outstanding, September 30, 2001	10,394,781	$	8.66
Granted	3,219,200		0.45
Canceled	(3,592,723)		5.83
Exercised	--		--
Options outstanding, April 30, 2002	10,021,258	$	7.03
Canceled	(10,021,258)	$	7.03
Options outstanding, May 1, 2002	--		--

401(k) Plan

The Company offers its eligible U.S. employees the opportunity to participate in a defined contribution retirement plan qualifying under the provisions of Section 401(k) of the Internal Revenue Code ("the 401(k) Plan"). Each employee is eligible to contribute, on a tax-deferred basis, a portion of annual earnings not to exceed certain federal income tax limitations. The Company made discretionary contributions for all eligible employees who contribute to the 401(k) Plan in an amount not exceeding 50% of each participant's first 4% of compensation contributed as elective deferrals for the Plan year. The Company contributed approximately $110 and $390 to the 401(k) Plan during the periods ended April 30, 2002 and September 30, 2001, respectively. The Company contributed approximately $110 to the 401(k) Plan during the three-months ended December 31, 2001. The Company ceased making contributions to the 401(k) Plan effective January 1, 2002.

17. COMMITMENTS AND CONTINGENCIES

Leases

The Company has minimum monthly usage/maintenance levels with certain of its telecommunications carriers expiring in various years through 2008. The Company also leases certain of its facilities and various equipment under non-cancelable operating leases expiring in various years through 2030. Total lease expense for all operating leases for the fiscal year ended September 30, 2001 and 2000 was $7,128 and $4,075, respectively. Total lease expense for all operating leases for the seven months-ended April 30, 2002 and five months-ended September 30, 2002 was $6,101 and $2,993, respectively.

Future minimum payments due under these operating leases and telecommunications carrier usage commitments are as follows:

YEAR ENDING SEPTEMBER 30,	TELECOM	LEASES	TOTAL
2003	$ 13,606	$ 5,810	$ 19,416
2004	13,943	5,198	19,141
2005	11,171	4,054	15,225
2006	7,830	6,046	13,876
2007	4,288	6,093	10,381
Thereafter	4,203	48,348	52,551
Total	$ 55,041	$ 75,549	$130,590

Capital Lease Obligations

Future minimum lease payments due under capital leases are as follows:

YEAR ENDING SEPTEMBER 30,	
2003	$ 1,551
2004	1,667
2005	1,210
2006	268
Less: Amount representing interest	(624)
Present value of net minimum lease payments	$ 4,072
Less: Current	(1,551)
Total Long-term	$ 2,521

Letters of Credit

As of September 30, 2002 the Company had collateralized letters of credit aggregating $2,600. The related funds are included in restricted investments on the accompanying consolidated balance sheet.

Employment and Other Contractual Agreements

Peter K. Stevenson

Effective April 15, 2002, the Company entered into an employment agreement with Peter K. Stevenson for his services as the Company's President and Chief Executive Officer. Mr. Stevenson's employment agreement expires in July 2003, and may be extended with the mutual consent of the Company and Mr. Stevenson for successive six-month periods thereafter. Mr. Stevenson's base salary is $280,000 per year. Mr. Stevenson is also eligible for an annual bonus equal to up to 50% of his base salary which is contingent upon the Company meeting certain performance targets and a bonus equal to between 1.75% and 2.0% of the proceeds from the disposition of certain of the Company's assets, including the 415 Greenwich Street and 139 Centre Street facilities located in

New York City, New York. In addition, under the terms of Mr. Stevenson's employment agreement, we agreed to grant

to Mr. Stevenson options to acquire approximately 548,667 shares of the Company's common stock, or 3% of the outstanding shares of the Company's common Stock on a fully diluted basis (including shares of the Company's common stock underlying options eligible for grant under the 2003 Stock Option Plan, but excluding shares of the Company's common stock underlying any other outstanding convertible securities). Fifty percent of these options vest based on the length of time that the options are held by Mr. Stevenson and 50% of these options vest if certain performance targets specified in Mr. Stevenson's employment agreement are met. However, as of September 30,2002 these options had not yet been granted.

Mr. Stevenson's employment agreement provides that in the event that the Company terminates his employment for any reason other than cause, if Mr. Stevenson terminates his employment for good reason or if Mr. Stevenson's employment terminates as a result of his death or permanent disability, then Mr. Stevenson is entitled to six months' salary.

In connection with employment arrangements with certain other employees, the Company is also committed to minimum compensation obligations for severance of approximately $200.

The Company is also committed as of September 30, 2002 for other non employment-related obligations totaling approximately $600. These obligations relate primarily to marketing expenses.

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 the Company's 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) of 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 this the ultimate liabilities (if any) resulting 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. The Rabbi Trust is described in more detail in Note 11. Mr. Bell is seeking damages in excess of $2.0 million plus costs, disbursements and legal fees. This action is currently being stayed pending resolution of the Company's lawsuit against Mr. Bell and Arnold N. Bressler, the Trustee of the Rabbi Trust, described below.

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. In this action, the Company has requested that the assets of the Rabbi Trust be turned over to the Company. The Company has also requested that Mr. Bressler, as Trustee of the Rabbi Trust, be enjoined from dissipating the assets of the Rabbi Trust pending resolution of the Company's claims by the court and has filed a motion for a declaratory judgment to establish the maximum amount of Mr. Bell's claims. Mr. Bressler has asserted counter claims in this action, and both Mr. Bressler and Mr. Bell have submitted objections in this action, which is currently in the discovery phase. The Company is vigorously pursing its claims in this action and defending against Mr. Bressler's counterclaims.

The Company and Mr. Bell are currently in settlement discussions to resolve both of these lawsuits.

From time to time, the Company is a party to legal proceedings arising in the ordinary 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) resulting from any such legal proceedings would have a material adverse impact on the Company's financial condition, results of operations or cash flows.

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

18. INCOME TAXES

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes". This statement applies an asset and liability approach that requires the recognition of deferred tax assets and liabilities with respect to the expected future tax consequences of events that have been recognized in the consolidated financial statements and the Company's tax returns.

The provision for income taxes for the periods below differs from the amount computed by applying the federal statutory rate due to the following:

	Successor Company		Predec
	For The Five Months Ended September 30, 2002	For The Seven Months Ended April 30, 2002	For Fiscal Y Septembe
Statutory federal income tax rate	(35)%	35%	(
State and local taxes, net of federal benefit	(10)%	14%	(
Other	--	5%	
Valuation Allowance	45%	(54)%	
Effective income tax rate	--	--	

Significant components of the deferred tax assets and liabilities are as follows:

	For The Five Months Ended September 30, 2002	For The Fiscal Year Ended September 30, 2001
Net deferred tax assets:		
Net operating loss carryforwards	$ 32,717	$ 158,666
Restructuring reserve	823	3,670
Allowance for doubtful accounts	477	2,395
Depreciation and amortization	53,893	1,316

Deferred rent	1,403	174
Deferred compensation	429	916
Deferred revenue	52	284
Other	383	--
	90,177	167,421
Less: Valuation allowance	(90,177)	(167,421)
Total Net deferred tax assets	--	--

The Company is in an accumulated loss position for both financial and income tax reporting purposes. The Company has U.S. Federal income tax loss carryforwards of approximately $42,000 at September 30, 2002. These income tax loss carryforwards expire through 2021. The U.S. Federal income tax loss carryforwards were reduced upon emergence from bankruptcy due to the Internal Revenue Code's rules and regulations related to cancellation of indebtedness income that is excluded from taxable income. Since the Plan provided for substantial changes in the Company's ownership, the Company's use of its net operating loss carryforwards may be limited. The Company has not yet determined the impact, if any, that changes in the Company's ownership have on net operating loss carryforwards. As of September 30, 2002 the Company also had net operating loss carryforwards of approximately $46,000 from its United Kingdom subsidiaries, which do not expire under U.K. tax rules. For financial reporting purposes, income tax benefits through September 30, 2002 related to both U.S. Federal and U.K. income tax loss carryforwards are fully offset by a valuation allowance due to the uncertainty of the Company's ability to realize income tax benefits by generating taxable income in the future.

The Company's emergence from bankruptcy in fiscal 2002 did not create a new tax reporting entity. Accordingly, the adjustments required to adopt fresh start accounting are not applicable for the Company's tax reporting and therefore, deferred tax items were recognized concurrently with the recognition of the respective fresh start accounting adjustments. In addition pursuant to SOP 90-7, reversals of the valuation allowance recorded against deferred tax assets that existed as of the emergence date will first reduce intangibles, until exhausted, and thereafter are reported as additional paid in capital as opposed to income tax expense. The balance of the valuation allowance for which this treatment is required was approximately $80,400 at September 30, 2002.

19. SEGMENT REPORTING

The Company reports segment information under SFAS No. 131, 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 and Europe. Each Internet data center provides the same internet related services to similar type of customers. Effective April 1, 2001 and for the fiscal year ended September 30, 2001, Globix reports its results of operations in one operating segment under the provisions of SFAS No. 131. Previously the Company reported under two operating segments.

GLOBIX CORPORATION AND SUBSIDIARIES

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	SUCCESSOR COMPANY	PREDECESSOR COMPANY		
	FIVE MONTH PERIOD ENDED SEPTEMBER 30, 2002	SEVEN MONTH PERIOD ENDED APRIL 30, 2002	YEAR ENDED SEPTEMBER 2001	
Revenue:				
United States	$ 20,410	$ 37,747	$ 82,020	$
Europe	10,313	13,526	22,190	
Consolidated	$ 30,723	$ 51,273	$ 104,210	$
Operating loss:				
United States	$ (15,069)	$ (54,433)	$(142,713)	$
Europe	(39)	(29,150)	(14,773)	
Consolidated	$ (15,108)	$ (83,583)	$(157,486)	$
Tangible assets:				
United States	$ 210,521		$ 439,667	
Europe	42,587		89,953	
Consolidated	$ 253,108		$ 529,620	

The tangible assets reflected in the table above exclude intangible assets.

20. RELATED PARTY TRANSACTIONS

Consulting Agreement with Communication Technology Advisors

The Company and Communication Technology Advisors LLC ("CTA"), are party to a consulting agreement dated as of April 19, 2002. Jared E. Abbruzzese, a member of the Company's board of directors, is the Founder and Chairman of CTA and is actively engaged in all aspects of CTA's business.

Under this agreement, the Company engaged CTA to act as the Office of the Chief Restructuring Officer, providing the Company with a wide range of business advisory services. The initial term of the agreement ended on October 31, 2002. On November 1, 2002, the Company extended the CTA consulting agreement through January 31, 2003 and on February 1, 2003 the Company further extended the CTA consulting agreement through April 30, 2003. As consideration for the services provided by CTA, the Company pays CTA a monthly fee of $65. The Company also reimburses CTA for its out-of-pocket expenses incurred in connection with rendering services to the Company during the term of the agreement. In addition to the monthly fee and expense reimbursement, CTA is also entitled to a success fee in the amount of $1,500 upon the achievement of certain success milestones.

CTA was originally introduced to the Company as a financial advisor to the unofficial committee of holders of the 12.5% Senior Notes prior to the commencement of the Company's Chapter 11 case. CTA received a total of $594 in fees in connection with its service as financial advisor to the unofficial committee and to the Company and was reimbursed a total of $46 for out-of-pocket expenses through September 30, 2002. As a result of this engagement, the Company was introduced to Peter K. Stevenson, currently the Company's president and Chief Executive Officer, who was among several CTA representatives providing advisory services to the unofficial committee and to several other clients of CTA unrelated to the Company. Mr. Stevenson does not own an equity interest in CTA, nor is he actively consulting for or employed by CTA.

Neither CTA, nor any of its principals or affiliates as of September 30, 2002 was a stockholder of the company, nor does it hold any debt of the Company (other than indebtedness as a result of consulting fees and expense reimbursement owed to CTA in the ordinary course under its existing agreement with the Company).

From September 2002 through December 2002, CTA subleased office space from Net One Group, Inc., a company founded by Mr. Stevenson. CTA paid a total of $4.8 in rent to Net One Group under the sublease.

CTA has advised the Company that in connection with the conduct of its business in the ordinary course it routinely advises clients in, and appears in restructuring cases involving, telecommunications companies

throughout the country. CTA has also advised us that certain holders of the Company's common stock and/or debt securities and/or certain of their respective affiliates or principals are current clients of CTA in matters unrelated to the Company, former clients of CTA in matters unrelated to the Company and affiliates of clients who are (or were) represented by CTA in matters unrelated to the Company.

The consulting services described above were approved by a majority of the Company's disinterested directors. The Company's board of directors believes that these consulting services are at rates and on terms that are at least as favorable as those that would have been available to the Company from unaffiliated third parties under the circumstances.

Life Insurance and Disability for Peter K. Stevenson

Peter K. Stevenson, the Company's President and Chief Executive Officer, receives life insurance and disability insurance benefits in excess of the benefits that are offered to the Company's other employees. These benefits are payable to an entity controlled by Mr. Stevenson. The premiums for these benefits totaled $6.3 for the five month period ended September 30, 2002. These benefits were approved by a majority of the Company's disinterested directors.

21. SUBSIDIARY GUARANTORS

Under the terms of the indenture governing the 11% Senior Notes, the following subsidiaries of the Company have fully and unconditionally and jointly and severally guaranteed the full and prompt performance of the Company's obligations under the 11% Senior Notes and the Indenture, including the payment of principal of and premium, if any, on and interest on the 11% Senior Notes: 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. The Company is in the process of merging each of these subsidiary guarantors, other than 415 Greenwich GC, LLC, 415 Greenwich GC Tenant, LLC and 415 Greenwich GC MM, LLC, with and into the Company.

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

22. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value and estimated fair values of cash, cash equivalents, restricted cash, investments, receivables, payables, debt maturing within one year, and the mortgage payable contained in the consolidated balance sheets approximates fair value.

The fair market value of the 11% Senior Notes are approximately $92,400 based on the Company's repurchase of $9,100 in principle value notes for $7,000 in December 2002 (see Note 24).

23. SELECTED INTERIM FINANCIAL DATA (UNAUDITED)

	P
	THREE MONTHS ENDED DECEMBER 31, 2001
Revenue	$ 23,379
Operating costs and expenses:	
Cost of revenue (excluding depreciation, amortization, payroll and occupancy shown below)	9,663
Selling, general and administrative	24,748
Loss (gain) on impairment of assets	--
Restructuring charges	--
Depreciation and amortization	12,012
Total operating costs and expenses	46,423
Loss from operations:	(23,044)
Interest and financing expense, net	(19,058)
Other income (expense)	110
Gain on debt discharge	--
Minority interest in subsidiary	389
Reorganization items	--
Fresh start accounting adjustments	--

Net (loss) income	(41,603)
Dividends and accretion on preferred stock	(1,848)
Net (loss) income attributable to common stockholders	$ (43,451)
Earnings (loss) per common share:	
Basic (loss) earnings per share attributable to common stockholders	$ (1.11)
Weighted average common shares outstanding - basic	38,979,005
Diluted (loss) earnings per share attributable to common stockholders	$ (1.11)
Weighted average common shares outstanding - diluted	38,979,005

	Su
	Two months Ended June 30, 2002
Revenue	$ 12,7
Operating costs and expenses:	
Cost of revenue (excluding depreciation, amortization, payroll and occupancy shown below)	4,5
Selling, general and administrative	10,7
Loss (gain) on impairment of assets	--
Restructuring charges	--
Depreciation and amortization	2,4
Total operating costs and expenses	17,7
Loss from operations	(5,0
Interest and financing expense, net	(2,3
Other income/(expense)	(1
Gain on debt discharge	--
Minority interest in subsidiary	--
Reorganization items	--
Fresh start accounting adjustments	--
Net (loss) income	(7,5
Dividends and accretion on preferred stock	--
Net (loss) income attributable to common stockholders	$ (7,5
Earnings (loss) per common share:	
Basic (loss) earnings per share attributable to common stockholders	$ (0.
Weighted average common shares outstanding - basic	16,460,0

Diluted (loss) earnings per share attributable to common stockholders	$	(0.
Weighted average common shares outstanding - diluted		16,460,0

The following is a reconciliation of the net loss attributable to common stockholders from the three months ended March 31, 2002 previously filed to the restated three months ended March 31, 2002.

	THREE MONTHS ENDED MARCH 31, 2002
Net loss attributable to common stockholders (previously filed)	$(87,598)
Change in restructuring and other charges	23,612(1)
Adjustments to reorganization items	(5,631)(2)
Net loss attributable to common stockholders (restated)	$(69,617)

(1) The change in restructuring and other charge was comprised of the following:

o The reversal of $22,428 of asset impairments that were not recorded in compliance with the requirements of SFAS No. 121.

o A reversal of $1,184 related to assets previously written-off by the Company for which the Company received a subsequent settlement payment from the vendor. The Company had previously increased the restructuring accrual in connection with the settlement payment.

(2) The adjustment to reorganization items included the following:

o $6,181 write-off of deferred reorganization costs the Company subsequently determined should have been expensed as incurred in conformity with SOP 90-7.

o A gain of $550 related to a settlement of an obligation under a software purchase agreement that had not been previously recorded.

	PREDECESSO	
	THREE MONTHS ENDED DECEMBER 31, 2000	THREE MONTHS ENDED MARCH 31, 2001
Revenue	$ 26,237	$ 26,782
Operating costs and expenses:		

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Cost of revenue (excluding depreciation, amortization, payroll and occupancy shown below)	10,468	10,480
Selling, general and administrative	31,014	28,308
Loss on impairment of assets	--	--
Restructuring charges	38,109	--
Depreciation and amortization	7,597	7,951
Total operating costs and expenses	87,188	46,739
Loss from operations:	(60,951)	(19,957)
Interest and financing expense, net	(10,004)	(11,679)
Other income/(expense)	--	(330)
Loss before cumulative effect of a change in accounting principle	(70,955)	(31,966)
Cumulative effect of a change in accounting principle	(2,332)	--
Net loss	(73,287)	(31,966)
Dividends and accretion on preferred stock	(1,735)	(1,761)
Loss attributable to common stockholders	$ (75,022)	$ (33,727)
Basic and diluted loss per share attributable to common stockholders before cumulative effect of a change in accounting principle	$ (1.95)	$ (0.87)
Cumulative effect of a change in accounting principle	(0.06)	--
Basic and diluted loss per share attributable to common stockholders	$ (2.01)	$ (0.87)
Weighted average common shares outstanding -- basic and diluted	37,328,496	38,709,658

24. SUBSEQUENT EVENTS

On November 5, 2002, the compensation committee of the Company's board of directors approved the Company's 2003 Stock Option Plan and set the fair value strike price of options granted under the 2003 Stock Option Plan at $3.04.

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. This gain will be included in the Company's Consolidated Statement of Operations for the quarter ending December 31, 2002.

In January 2003, the Company retained the services of a real estate broker to explore the Company's options with respect to the land and eight story building located at 415 Greenwich Street, New York, New York, including the sale or lease of the facility. (See also Note 7, Minority Interest for further discussion regarding certain obligations upon the sale of the property.) In January 2003, the Company also retained the services of a real estate broker to lease approximately one third of its facility located at 139 Centre Street.

In January 2003, the Company's board of directors concluded that Mr. Stevenson had met certain of the performance targets set forth in his employment agreement. However, for purposes of the provisions of Mr. Stevenson's employment agreement related to Mr. Stevenson's bonus and the vesting of options granted to Mr. Stevenson, the Company's board of directors deemed all of these performance targets to have been met.

On February 6, 2003, a putative derivative suit was filed in New York State Supreme Court (County of New York) against the 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 the Company's 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. On March 6, 2003, the plaintiff and the initial purchasers entered into a tolling agreement that would result in the dismissal of the action without prejudice pending action on a motion to dismiss an amended complaint submitted in a similar case involving debt securities issued by another corporation. On March 13, 2003, the court dismissed this action without prejudice.

On February 24, 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. This gain will be included in the Company's Consolidated Statement of Operations for the quarter ended March 31, 2003.

On March 14, 2003, the Company's board of directors approved the sale to CTA of a warrant exercisable for 500,000 shares of the Company's common stock at an exercise price of $3.00 per share. The purchase price of the warrant 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, this warrant 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, using the Black Scholes valuation model, the fair value of the warrant will be expressed in the quarter ended March 31, 2003.

The Plan provides for the grant of up to 1,828,889 stock options to be issued pursuant to the Company's 2003 Stock Option Plan. On March 14, 2003, the Company's board of directors approved the 2003 Stock Option Plan as submitted by the Compensation Committee, authorized 1,828,889 shares for distribution, and granted 1,128,976 shares.

On March 19, 2003, holders of approximately 58% of the outstanding 11% Senior Notes (excluding 11% Senior Notes repurchased by the Company) waived the defaults under the Indenture described in Note 12.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

COLUMN A	COLUMN B	COLUMN C	
		ADDITIONS	
	BALANCE AT BEGINNING OF PERIOD	CHARGES TO COSTS AND EXPENSES	CHARGES OTHER ACCOUNT
Allowance for Doubtful Accounts:			
Predecessor Company (October 1, 2001 to April 30, 2002)	8,052	4,284	94
Successor Company (May 1, 2002 to September 30, 2002)	2,812	1,904	80
Deferred Tax Valuation Allowance:			
Predecessor Company (October 1, 2001 to April 30, 2002)	167,421	40,400	66,021
Successor Company (May 1, 2002 to September 30, 2002)	80,440	9,737	--