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GLOBIX CORP
Form 10-K
December 31, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended September 30, 2001
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(g) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
-----	-----
Common Stock, \$.01 par value	Nasdaq National Market

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 [X] No

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. []

As of December 28, 2001, the aggregate market value of 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 Nasdaq National Market, was approximately \$5.6 million (calculated by excluding shares owned beneficially by directors and named executive officers).

Number of shares of registrant's common stock outstanding as of December 28, 2001 was 41,920,229.

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DOCUMENTS INCORPORATED BY REFERENCE: NONE

GLOBIX CORPORATION

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PART I

Item 1. Business

We are a leading full-service provider of sophisticated Internet solutions to businesses. Our solutions include:

- . secure and fault-tolerant Internet data centers;

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- . premium network services, which provide high performance network connectivity to the Internet;
- . complex Internet based managed and application services, which include dedicated hosting, streaming media, content delivery services, and messaging services.

These elements of our total Internet solution combine to provide our customers with the ability to create, operate and scale their increasingly complex Internet operations in a cost efficient manner.

Our business was recently reorganized into a single operating group to more effectively utilize our personnel and better serve our customers. This operating group has two key components, the Technology Services Group and the Application Services Group. The Technology Services Group is comprised of our Internet data centers and network services and incorporates our managed services offerings. The Application Services Group is comprised of our dedicated hosting, streaming media, content delivery services and messaging services.

Our customers primarily use our services to maintain complex computer equipment in a secure, fault-tolerant environment with connectivity to a high-speed, high-capacity, direct link to the Internet and to support complex Internet applications. We currently offer our services from our Internet data center facilities in New York City, London and Santa Clara, California. Our teams of account managers, computer system and network administrators and customer support specialists are located at each of these locations. We also maintain an Internet data center in Atlanta. Our strong local market presence enables us to evaluate the needs of our customers and quickly respond with tailored solutions. We also provide our customers the ability to outsource the systems administration and technical management of their Internet presence. Our products are flexible and scalable, allowing us to modify the size and breadth of the services we provide. We believe that our ability to offer a broad range of Internet services, combined with our local sales and support professionals and high performance Internet data center facilities and network, differentiates us from our competitors.

Recent Developments

On December 27, 2001, Globix announced that it is discussions with an informal committee of bondholders representing approximately 48% of the Company's outstanding \$600 million issuance of 12.5% Senior Notes. The discussions concern a financial reorganization of the Company through a pre-packaged bankruptcy proceeding that would be aimed at significantly reducing the Company's debt burden. The Company is in similar discussions with its preferred stockholders. While there can be no assurance that these discussions will lead to an agreement, it is likely that any such agreement would result in the bondholders and preferred stockholders owning nearly all of the equity in the reorganized company, resulting in a near total dilution of the existing common stockholders' interest in the Company.

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The Globix Solution

Globix provides its customers with a comprehensive range of Internet solutions. Many of Globix's customers do not have the network infrastructure or internal Internet expertise to build, maintain and support critical Internet operations. Globix's comprehensive range of services enable its customers to address their needs cost-effectively without having to assemble services from

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different suppliers, Internet service providers and information technology firms, thereby significantly increasing the customer's ability to take advantage of the Internet on a timely basis. Key components of the Globix solutions are:

Internet Data Centers

Internet Data Centers. Globix built and operates Internet data centers in New York City, London, and Santa Clara, as follows:

- . 340,000 approximate gross square feet facilities located in New York City;
- . 244,000 approximate gross square feet facilities located in London's West End district; and
- . 60,000 approximate gross square feet facility located in Santa Clara, California.

Through the acquisition of Comstar.net, Inc. in August 2000 we also acquired Internet data centers in Atlanta of approximately 10,000 gross square feet and the Washington, D.C. suburb of McLean, Virginia of approximately 12,000 gross square feet. In order to gain operational efficiencies, we have determined that it would be most cost effective to deactivate our McLean, Virginia data center and exit our space in 295 Lafayette Street in New York City. In addition we are in the process of reducing our office space in Atlanta and McLean, Virginia. These reductions in space will have no effect on the efficiency of our network and should not result in any significant loss of revenue.

The Globix Internet data centers in New York, Santa Clara and London have state-of-the-art facilities. Those facilities include electrical infrastructures, precision environmental control systems, fire suppression systems and comprehensive security systems. Globix offers co-location solutions for customers who choose to own and maintain their own servers, but require the physically secure, climate-controlled environment of the Globix Internet data centers and connectivity to the Globix network. A Globix customer can choose to co-locate in a cabinet, a cage or a GLOBOX, Globix's proprietary secured cage. A data cabinet, the smallest co-location service offering, can house multiple servers. The cabinet is locked and outfitted for multiple, redundant network hand-offs and two power feeds. A cage serves the needs of a larger customer usually deploying more complex solutions. The GLOBOX co-location offering is identical to the cage except that its walls are solid, two-ply steel and is available with a variety of security devices for the customer demanding the highest security and anonymity.

Globix supports a number of leading Internet networking, server, storage and application platforms, including those from Check Point Software, Cisco, Compaq, Critical Path, Juniper, Microsoft, MicroMuse, Network Appliance, Nortel, Storage Technologies and Sun Microsystems. This multi-vendor flexibility enables Globix to offer its customers a broad range of technology best suited to serve their particular needs.

Network Services

Network Infrastructure. The Globix network infrastructure is designed to meet the service and quality requirements of businesses with mission critical Internet-based operations. Globix's network infrastructure is designed for high availability and low latency, and utilizes a single autonomous system number globally performing "cold-potato" routing. Cold potato routing is a technique whereby Globix's network equipment monitors and interprets additional routing information supplied by its peers. By using this information, the Globix infrastructure carries the traffic on its network to common peering or traffic exchange points nearest the origination point of the traffic request. This way,

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traffic is carried on a Globix-controlled network to the greatest extent possible and therefore does not suffer from the congestion or high latency of public networks, which causes communications on the Internet to slow. In fact, the design and performance of the global network allows Globix to offer superior quality commitments and applications like our EarthCache content distribution network solution.

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Backbone. The domestic Globix backbone is a Packet over SONET Network that will operate at speeds up to OC-48 (2.4Gbs). The OC-48 Globix domestic backbone connects to the New York and Santa Clara data centers and the backbone points of presence (POPs) in Atlanta, Boston, Chicago, Los Angeles, Seattle and Washington, D.C.

The Globix European backbone is a Packet over SONET network currently connecting London, Amsterdam, Frankfurt, and Paris. The domestic and European networks are connected by three OC-3 transatlantic crossings.

Both of these Globix network sections interconnect to numerous network access points, commercial Internet exchanges, and other Internet, application, and network service providers.

Peering. Globix has established numerous peering relationships with other Internet, application, and network service providers. These peering relationships take the form of either public or private peering connections. Public peering takes place at a network access point or commercial Internet exchange, designed for the exchange of traffic between service providers. Private peering involves an agreement between service providers allowing traffic to pass between each other's networks using connections that do not have to traverse either the public Internet or public peering points. Globix currently has agreements to peer with more than 530 organizations that represent over 1,000 peering connections, making it one of the largest Internet peering networks.

Network Operations. Globix has constructed a global operations center located at the Internet data center in New York City. The global operations center serves as the command, control and communications center for all of Globix's network operations, customer support centers, and points of presence. The global operations center is staffed 24X7 by teams dedicated to maintaining the highest quality of service. Network administrators located in the global operations center monitor Globix's entire network infrastructure. The network administrators are able to identify and correct network problems either themselves or by dispatching system engineers located at Globix's customer support centers. The global operations center utilizes state-of-the-art equipment and technologies, including custom applications and commercial software for the monitoring and management of network and systems services, a suite of commercial tools customized for problem identification and resolution.

Customer Support Call Center. The customer support call center is operated 24X7, and equipped with advanced telecommunications systems capable of automatic call distribution, automatic number identification, quality assurance recording and archiving, and intelligent call routing. A sophisticated trouble ticketing and knowledge database of customer information and history aids to ensure that Globix's customer base is well serviced.

Dedicated Internet Access. Globix offers a variety of dedicated Internet access solutions, which provide businesses high-speed continuous access to the Internet. Globix provides dedicated Internet access services to customers at transmission speeds up to 155Mbps. Many of Globix's Internet access customers

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purchase 1.5Mbps or higher levels of bandwidth. In addition, Globix provides other valuable services, such as domain name registration, local loop provisioning, Internet address assignment, router configuration, e-mail configuration and management and technical consulting services. Globix also provides Internet-access technologies, such as digital subscriber lines, and intends to deploy additional connectivity-related enhanced services as such services become commercially viable.

Managed Services

Globix provides full-life-cycle system and network administration. At project inception, Globix installs and configures applications and equipment designed by Globix solutions architects, as specified by the customer. Generally, Internet business strategies require dedicated, highly-skilled technical resources available 24X7. Most of our customers do not have these resources internally available. Globix offers administration, maintenance, and problem resolution services for a variety of popular operating systems databases, Internet-based applications, Internet network devices, and hardware and software security solutions.

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Application Services

Dedicated Hosting. Globix offers hosting solutions on both the NT and UNIX platforms, in a dedicated server environment. Dedicated hosting is designed to meet a customer's price point and business requirement. This service includes providing hardware, software, bandwidth and application requests to meet customer-specific needs. Globix's dedicated hosting services are tailored to Internet presences that require high availability and scalability without significant infrastructure and related overhead costs.

Streaming Media. Globix is a leading provider of streaming media services to corporations who are utilizing this application as a business communications tool. Our core streaming media services are encoding, hosting and collaboration solutions, which are the mainstays of streaming media technology. This technology involves capturing video and/or audio recordings of an event, such as a music performance, conference calls, sports competitions or business meetings, converting the recorded or live audio/visual signal content into a format that can be transmitted over the Internet and providing hosting services which enable Internet users on the web to access the live or on-demand encoded content. Globix is certified at the highest level of the RealNetworks partnership program and is a certified Microsoft Windows Media Service Provider. Globix has delivered these services to a wide assortment of customers including: Microsoft, Cisco, Clear Channel, V2 Records, Giorgio Armani, Practicing Law Institute, MSN, Honeywell, Compaq, Razorfish, Space.com, and International Television Network (ITN).

EarthCache. The EarthCache content distribution system complements the existing Globix network infrastructure and provide businesses with improved web site and application performance, faster content delivery times, and better customer content management. Globix believes EarthCache has several advantages over other content delivery networks because of its ability to leverage the network infrastructure that Globix has built along with its extensive worldwide peering network of more than 1,000 peering-connection agreements with some 530 organizations. With the source content being transmitted over the Globix network infrastructure, Globix is able to maintain better control over the quality of service and the network's ability to redirect and manage customer content.

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Messaging Services. Globix offers a broad set of messaging solutions to meet its customer's needs. Globix's Messaging Services product line consists of GlobixMail, Microsoft Hosted Exchange and Value Added Services. GlobixMail is an open-standard compliant email application with a low cost of ownership. The GlobixMail service is designed to perform as a high availability application on a Globix-managed infrastructure. Globix launched its Microsoft Hosted Exchange service in June 2001 targeting the needs of its enterprise accounts. This service offers a robust set of messaging and collaboration features including e-mail, calendaring and instant messaging.

Customers

We have established a diversified base of customers in a variety of Internet-intensive industries, such as media and publishing, financial services, retail, healthcare and technology. Since we initiated Internet services in December 1995, our customer base has grown to over 2,800 business customer accounts, including Acclaim Entertainment, Clear Channel, Walmart.com, NY Post, Ebookers.com, EDGAR Online, Microsoft, ITN, Salvation Army, Major League Soccer, VNU, American Red Cross, BEA Systems, Comedy Central, Juvenile Diabetes Research Foundation, Charming Shoppes and Lifetime TV.

Business Strategy

Our primary objective is to become the leading provider of sophisticated Internet solutions to businesses in our three major markets, New York, London and Santa Clara, California. To achieve this objective, we intend to:

- . continue to identify business enterprise customers and grow our customer base;
- . expand our service offerings;
- . sell additional services to existing customers; and
- . enhance the Globix brand name in those markets.

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We believe our concentration in these three markets will provide us with a competitive advantage as we leverage our existing infrastructure and brand awareness to achieve our goals for revenue growth and profitability.

Government Regulation

In the United States and other countries in which Globix conducts its business, Globix's Internet services are not currently subject to direct regulation other than pursuant to laws applicable to businesses operating on the Internet. In certain jurisdictions in which Globix operates, however, Globix's provision of Internet-related telecommunications network services (for example, the provision of telecommunications network facilities used for Internet access) may be subject to laws and regulations governing telecommunications services. Such laws, as they apply to Internet-Related telecommunications facilities, are evolving in many jurisdictions. In jurisdictions where laws and regulations currently apply to the types of telecommunications network services that Globix provides, Globix will ensure that it complies with those laws and regulations, which often require that companies such as Globix obtain regulatory authorizations and pay fees each year to regulatory authorities. As these laws and regulations evolve in their applicability to the provision of Internet-related services, it is possible that Globix could be subject to further regulations with additional licensing

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requirements and/ or fee payment obligations.

In addition to the evolving set of laws and regulations that govern Globix's telecommunications network services in certain jurisdictions, it is likely that laws and regulations concerning the provisions of Internet services will be adopted, implemented, and challenged at the international, federal, state, or local levels. These laws might cover issues such as user privacy, obscenity, pricing, consumer protection, taxation, advertising, intellectual property rights, information security, liability for certain types of content, and the convergence of traditional telecommunications services with Internet communications. A number of laws and regulations are currently being considered by federal, state, and foreign legislatures with respect to such issues.

The nature of any new international, federal, state or local laws and regulations and the manner in which existing laws and regulations may be interpreted and enforced cannot be fully determined. The adoption of any future laws or regulations or adverse application of existing laws to the Internet industry might decrease the growth of the Internet, decrease demand for the services of Globix, impose taxes, fees or other types of charges or other costly technical requirements or otherwise increase the cost of doing business, or in some manner have a material adverse effect on Globix or its customers, each of which could have a material adverse effect on Globix's business, financial position, results of operations and cash flows.

Employees

As of November 30, 2001, Globix had approximately 605 full-time employees: approximately 480 in the United States and 125 outside the United States. In addition to its full-time employees, Globix also employs part-time personnel from time to time in various departments. None of Globix's employees are covered by a collective bargaining agreement. Globix believes that its employee relations are satisfactory.

The following is a list of our executive officers as of November 30, 2001:

Name	Age	Title
----	---	-----
Peter L. Herzig.....	39	Chief Executive Officer
Marc Jaffe.....	34	Chief Operating Officer
Anthony L. Previte....	36	Chief Technology Officer
Brian L. Reach.....	46	Chief Financial Officer
Shawn P. Brosnan.....	39	Senior Vice President, Corporate Controller
Christopher D. Peckham	36	Senior Vice President, Information Systems
Richard Rose.....	55	Senior Vice President, Technology and Applications Services

Item 2. Properties

Facilities in Operation

In July 1998, Globix purchased the land and the approximately 155,000 gross square foot building located at 139 Centre Street, New York, New York. Construction at this facility was completed in July 1999 and the building houses an Internet data center and offices for executive, technical, sales and administrative personnel.

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Globix also leases approximately 32,000 gross square feet at 295 Lafayette Street, New York, New York. To promote cost efficiency, Globix plans to exit from these premises.

In July 1998, Globix signed a lease commencing January 15, 1999 for approximately 60,000 gross square feet of space in Santa Clara, California. In October 1998, Globix signed a lease for the rental of approximately 38,000 gross square feet of space at Prospect House, 80 New Oxford Street, London, England. Construction at both of these facilities was completed in July 1999 and each houses an Internet data center and offices for technical, sales and administrative personnel.

In July 2000, Globix entered into a lease for its second London Internet data center, containing approximately 206,000 gross square feet of space. Construction and fit-out of one floor of Internet data center space has been completed and the facility became operational in June 2001.

In August 2000, Globix completed its acquisition of Comstar.net, Inc. which resulted in the acquisition of existing leases for Internet data centers containing approximately 10,000 gross square feet of space in Atlanta and approximately 12,000 gross square feet of space in the Washington D.C. area. Also acquired were leases for office facilities in Atlanta. In order to gain operational efficiencies, Globix has determined that it would be more cost effective to close its McLean, Virginia data center and to close certain office facilities in Atlanta. These closings will have no effect on the efficiency of Globix's network and should not result in any significant loss of revenue.

In September 2000, Globix purchased the land and the approximately 185,000 gross square foot building located at 415 Greenwich Street, New York, New York to serve as its newest New York City Internet data center. Reconstruction of two floors of Internet data center space have been completed and Globix opened the facility to customers in June 2001.

Additionally, leases were entered into during 2000 in Boston, Seattle and Los Angeles for planned Internet data centers. However, as a result of the tightening in the capital markets and the increased costs and capital investment associated with Internet data center construction, Globix has entered into lease termination agreements with respect to the Boston and Los Angeles facilities; and it intends to terminate or otherwise reduce its obligations with respect to the Seattle facility.

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As of September 30, 2001 the following table sets forth additional information concerning Globix's facilities:

Location	Leased property expiration date	Approximate gross
		square feet
139 Centre Street New York, New York	Owned	155,000
415 Greenwich Street New York, New York	Owned	185,000

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295 Lafayette Street New York, New York	2007	32,000
2807 Mission College Boulevard Santa Clara, California	2014	60,000
Prospect House 80 New Oxford Street London, England	2014	38,000
1 Oliver's Yard 55-71 City Road London, England	2030	206,000
Data Center and Sales Offices Atlanta, Georgia	2004	10,000
Washington, DC Data Center and Sales Offices 8201 Greensboro Drive McLean, Virginia	2010	12,000
100/150 Andover Park West Seattle, Washington	2021	201,000

The Company considers that, in general, its physical properties are well maintained, in good operating condition and adequate for its purposes.

Item 3. Legal Proceedings

We are not party to any material legal proceedings.

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

During the fourth quarter of Globix's fiscal year ended September 30, 2001 there were no matters submitted to a vote of security holders.

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PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

(a) Globix's Common Stock is traded on the Nasdaq National Market System under the symbol GBIX. The following table indicates high and low bid prices for the periods indicated based upon information supplied by Nasdaq, Inc. Such over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. The following bid prices are for the fiscal year ended September 30:

	Low	High
2001	-----	-----
first quarter.	\$ 2.63	\$22.75
second quarter	\$ 2.56	\$ 8.00
third quarter.	\$ 1.29	\$ 3.80

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fourth quarter \$ 0.42 \$ 2.14

	Low	High
2000	-----	-----
first quarter.	\$ 7.62	\$30.59
second quarter	\$25.69	\$67.13
third quarter.	\$14.00	\$38.50
fourth quarter	\$18.00	\$37.50

(b) Number of Holders of Common Stock. The number of holders of record of Globix's Common Stock on December 3, 2001 was 240. In addition, management believes Globix common stock is held by in excess of 33,000 other shareholders whose shares are held in street name for the beneficial owners by various banks and securities firms.

(c) Dividends. Globix split its common stock two-for-one in December 1999 and January 2000. These were accomplished by way of a stock dividend. Globix paid cash dividends totaling \$1.5 million on its Series A Convertible Preferred Stock during the fiscal year ended September 30, 2001 which was accrued and unpaid at September 30, 2000. In addition, Globix paid "in kind" dividends totaling 6,173 shares of its Series A Convertible Preferred Stock during the fiscal year ended September 30, 2001. There were no cash dividends paid by Globix on its Common Stock during the fiscal year ended September 30, 2001. Under the terms of the Globix's 12.5% Senior Notes due 2010, Globix's ability to pay cash dividends is contractually limited. It is not anticipated that cash dividends will be paid to the holders of Globix's Common Stock in the foreseeable future.

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Item 6. Selected Financial Data

The following table sets forth for the periods indicated selected consolidated financial and operating data for Globix. The consolidated balance sheet data and consolidated statement of operations data as of and for the years ended September 30, 1997, 1998, 1999, 2000 and 2001 have been derived from our Consolidated Financial Statements. The following selected consolidated financial and operating data are qualified by and should be read in conjunction with our more detailed Consolidated Financial Statements and notes thereto and the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part II, Items 7 and 8 of this Form 10-K.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA (In thousands of U.S. dollars, except share and per share data)

	1997	1998	1999
	-----	-----	-----
STATEMENT OF OPERATIONS DATA:			
Revenue.....	\$ 17,400	\$ 20,595	\$ 33,
Operating costs and expenses:			
Cost of revenue.....	13,699	13,322	22,
Selling, general and administrative.....	6,036	10,696	36,

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Restructuring charges.....	--	--	
Depreciation and amortization.....	675	1,310	6,
	-----	-----	-----
Total operating costs and expenses.....	20,410	25,328	65,
Loss from operations.....	(3,010)	(4,733)	(31,
Interest and financing expense.....	(177)	(8,376)	(18,
Interest income.....	72	1,953	6,
Other income.....	--	--	
Other expense.....	--	--	
	-----	-----	-----
Loss before extraordinary loss and cumulative effect of a change in accounting principle.....	(3,115)	(11,156)	(43,
Extraordinary loss on early extinguishment of debt.....	--	--	
Cumulative effect of a change in accounting principle.....	--	--	
Net loss.....	(3,115)	(11,156)	(43,
Dividends and accretion on preferred stock.....	--	--	
	-----	-----	-----
Net loss attributable to common stockholders.....	\$ (3,115)	\$ (11,156)	\$ (43,
	=====	=====	=====
Basic and diluted loss per share attributable to common stockholders' before extraordinary loss and cumulative effect of a change in accounting principle.....	\$ (0.25)	\$ (0.77)	\$ (1
Extraordinary loss per share.....	--	--	
Cumulative effect of a change in accounting principle.....	--	--	
	-----	-----	-----
Basic and diluted loss per share attributable to common stockholders.....	\$ (0.25)	\$ (0.77)	\$ (1
	=====	=====	=====
Weighted average common shares outstanding--basic and diluted.....	12,300,840	14,503,176	25,116,
	=====	=====	=====
	1997	1998	1999
	-----	-----	-----
OTHER FINANCIAL DATA:			
Cash flows provided by (used in) operating activities.....	\$ 2,532	\$ 115	\$ (36,
Cash flows used in investing activities.....	\$ 1,542	\$ 97,387	\$ 58,
Cash flows provided by financing activities.....	\$ 4,133	\$ 156,344	\$ 135,
Capital expenditures.....	\$ 2,082	\$ 31,085	\$ 98,
	1997	1998	1999
	-----	-----	-----
BALANCE SHEET DATA:			
Cash, cash equivalents, short term investments and marketable securities.....	\$ 2,401	\$ 76,111	\$ 111,
Restricted cash and investments.....	\$ 325	\$ 60,480	\$ 45,
Working capital.....	\$ 1,980	\$ 75,859	\$ 101,
Total assets.....	\$ 11,025	\$ 182,226	\$ 302,
Current portion of long term debt.....	\$ 2,336	\$ 2,398	\$ 2,
Long-term debt, less current portion.....	\$ 923	\$ 159,091	\$ 161,
Stockholders' (deficit) equity.....	\$ 5,014	\$ 2,719	\$ 106,

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of Operations

The following discussion and analysis should be read together with the consolidated financial statements and notes to the financial statements appearing elsewhere in this Annual Report. The following discussion contains forward-looking statements based on Globix's current expectations, assumptions, estimates and projections about Globix and its industry. Globix's results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks and uncertainties discussed in "Risk Factors" and elsewhere in this Annual Report and appearing in our other periodic reports and documents filed with the Securities and Exchange Commission. The results shown herein are not necessarily indicative of the results to be expected in any future periods.

Overview

Globix was founded in 1989 as a value-added reseller primarily focused on providing custom computer hardware and software solutions for desktop publishing. By 1995, Globix recognized the growing demand by businesses for electronic information delivery and began to re-shape its corporate strategy to focus on offering Internet products and services. In early 1996, Globix raised net proceeds of approximately \$7.4 million through an initial public offering of its common stock and subsequently began to offer Internet access products and services to business customers. In 1997, Globix expanded its product and service offerings beyond Internet access and began to offer a range of end-to-end Internet solutions designed to enable its customers to more effectively capitalize on the Internet as a business tool.

In 1998, Globix undertook a major expansion plan in order to more aggressively pursue opportunities resulting from the tremendous growth of the Internet. In April 1998, Globix completed a \$160.0 million offering of 13% senior notes. In June and July 1999, Globix completed construction of its initial Internet data center facilities in New York City, London and Santa Clara, California and began operations at each facility.

In March 1999, Globix completed a public offering of 16,000,000 shares of its common stock, resulting in net proceeds to Globix of approximately \$136.6 million.

In December 1999, Globix completed the private placement of 80,000 shares of Series A Preferred Stock to affiliates of Hicks, Muse, Tate & Furst Incorporated, resulting in net proceeds of \$75.3 million.

In February 2000, Globix completed a \$600.0 million debt financing to fund (a) the continued expansion of its facilities and network and (b) the tender offer to purchase all of the outstanding 13% Senior Notes, \$160.0 million principal amount. The purchase price of the tender, completed on February 8, 2000, was 106.5% of principal amount plus all accrued and unpaid interest.

For fiscal periods ended on or before March 31, 2001 Globix reported its results of operations in two operating segments: the "Internet Division" and the "Server Sales and Integration Division." The Internet Division provides, complex managed hosting, dedicated Internet access and application services, (such as, streaming media, network security and server administration and network monitoring). The Server Sales and Integration Division provides Internet-related hardware and software, systems and network integration. Revenue from the Internet Division has grown significantly as a percentage of total revenue, increasing from 6% in 1996 to 94% in the three-month period ended March 31, 2001. 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.

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The largest component of Globix's total revenue is complex hosting services and connectivity including both minimum committed amounts and overages. In addition to fees based on bandwidth usage, Globix charges certain customer's monthly fees for the use of its physical facilities. Globix's complex hosting contracts typically range from one to three years. The second largest component of Globix's total revenue is dedicated Internet

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access services to business customers. Globix's dedicated access customers typically sign one or two-year contracts that provide for fixed, monthly-recurring service fees and a one-time installation fee. Application services are charged on a monthly, fixed price or time and materials basis.

Cost of revenue consists primarily of telecommunications costs for Internet access and managed hosting customers. Telecommunications costs include the cost of providing local loop costs for connecting dedicated access customers to the Globix network, leased line and associated costs related to connecting with our peering partners, and costs associated with leased lines connecting our facilities to our backbone and aggregation points of presence.

Selling, general and administrative expenses consist primarily of sales and marketing, personnel and related occupancy costs; advertising costs; salaries and occupancy costs for executive, financial, personnel recruitment and administrative personnel and related operating expenses associated with network operations, customer service and field services.

Globix depreciates its capital assets on a straight-line basis over the useful life of the assets, ranging from 3 to 40 years. Globix amortizes its identifiable intangible assets (primarily customer lists) on a straight-line basis over periods ranging up to 36 months. In addition, Globix amortizes debt issuance costs associated with its debt financings over the term of those obligations using the effective interest method.

Globix historically has experienced negative cash flow from operations and has incurred net losses. Globix's ability to generate positive cash flow from operations and achieve profitability is dependent upon Globix's ability to continue to grow its revenue base and achieve further operating efficiencies. For the years ended September 30, 2001, 2000 and 1999 Globix generated negative cash flows from operations of approximately \$140.5 million, \$94.3 million and \$36.9 million, respectively, and incurred net losses of approximately \$213.0 million, \$126.4 million and \$43.4 million, respectively. As of September 30, 2001, Globix had an accumulated deficit of approximately \$399.1 million.

Year Ended September 30, 2001 As Compared To The Year Ended September 30, 2000

Revenue. Revenue for the year ended September 30, 2001 increased 28.2% to \$104.2 million from \$81.3 million for the year ended September 30, 2000. This increase was primarily attributable to availability of data center space, which provided the growing number of account managers with an opportunity to increase the number of customers and up sell existing accounts.

Cost of Revenue. Cost of revenue for the year ended September 30, 2001 was \$40.6 million or 39.0% of revenue as compared to \$42.5 million or 52.3% total revenue for the year ended September 30, 2000. The decrease in cost of revenue was primarily attributable to a shift in product mix toward recurring revenue streams with higher margins. As utilization of the network increases in future years, we expect to realize a reduction in this cost as a percent of revenue due to the network's scalability and fixed cost structure.

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Selling, General and Administrative. Selling, general and administrative expenses for the year ended September 30, 2001 were \$128.3 million or 123.1% of revenue as compared to \$98.1 million or 120.6% of revenue for the year ended September 30, 2000. Approximately \$15.0 million or 49.5% of the increase was attributable to an increase in salaries and benefits necessitated by the anticipated growth in the business, however, the downturn in the telecommunications and technology sectors in the last half of fiscal year ended September 30, 2001 required a reduction in facilities and personnel. The number of employees decreased from approximately 850 as of September 30, 2000 to approximately 650 as of September 30, 2001. The majority of the headcount reductions occurred in the fourth quarter of the 2001 fiscal year. Approximately \$3.1 million or 10.1% of the increase was attributable to an increase in rent expense associated with the additional Internet data center and sales office facilities in the current fiscal year. In addition, approximately \$11.4 million or 37.8% of the increase in SG&A was attributable to an increase in bad debt expense necessitated by the deterioration in the

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business environment and increased customer churn throughout the second half of the fiscal year. Selling, general and administrative expenses for the year ended September 30, 2001 also includes a one-time non-cash charge of \$3.5 million associated with the write-off of certain operating assets associated with an IRU capacity on a wavelength ring purchased from a supplier whose financial viability impaired the recoverability of these assets. These increases in selling, general and administrative expenses were offset by a \$5.1 million reduction in marketing expenses and a \$3.0 million reduction in professional fees for the year ended September 30, 2001 as compared to the same period last year.

Restructuring Expenses. These charges totaling approximately \$56.1 million are attributable to the restructuring expenses associated with the execution of our revised business plan, whereby we plan to construct fewer Internet data centers and have taken estimated charges associated with the termination of certain Internet data center and sales office facilities, reduction of certain commitments for surplus power and environmental equipment related to the Internet data center expansion and includes estimated lease termination costs, employee termination costs, write-off of equipment, capitalized interest, consulting and legal fees, construction and pre-construction related costs previously capitalized, as well as, leasehold improvements and intangible assets and other costs.

Depreciation and Amortization. Depreciation and amortization increased to \$36.7 million for the year ended September 30, 2001 as compared to \$18.2 million for the year ended September 30, 2000. The increase was primarily related to the increase in construction costs and equipment purchases related to the construction and renovation of Internet data centers facilities and network infrastructure enhancements.

Interest and Financing Expense and Interest Income. Interest and financing expense increased to \$65.1 million for the year ended September 30, 2001 as compared to \$57.8 million for the year ended September 30, 2000. The increase is a result of interest costs associated with the \$600 million 12.5% senior notes and the interest costs associated with the \$21 million mortgage for the year ended September 30, 2001 being included for the full year in 2001 compared to the interest cost associated with this debt for only a portion of the year ended September 30, 2000, off-set by increased capitalized interest in connection with the build-out of the network infrastructure and Internet data centers totaling \$12.4 million for the year ended September 30, 2001 as compared to \$2.2 for the year ended September 30, 2000. The decrease in

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interest income to \$13.3 million for the year ended September 30, 2001 reflects the reduced cash position derived from the net proceeds of the February 2000 debt financing and the December 1999 issuance of the Series A Convertible Preferred Stock and the impact of declining interest rates compared to the same period in the prior year.

Other Income. The decrease in other income to \$2.1 million for year ended September 30, 2001 as compared to \$2.8 million for the year ended September 30, 2000 is a result of decreased gains realized on the sale of short-term investments and marketable securities.

Other Expense. The increase in other expense to \$3.5 million for the year ended September 30, 2001 is a result of the loss recognized on the impairment of certain strategic investments.

Net Loss and Net Loss Attributable To Common Stockholders. As a result of the above, Globix reported a net loss of \$213.0 million and net loss attributable to common stockholders of \$220.1 million for the year ended September 30, 2001 or \$5.72 per share (including the cumulative effect change of accounting principle associated with the adoption of SAB No. 101 of \$2.3 million or \$0.06 per share) as compared to a net loss before extraordinary item of \$108.8 million or \$3.23 per share and a net loss attributable to common stockholders of \$132.2 million or \$3.73 per share (including the extraordinary loss associated with the \$17.6 million or \$0.50 per share impact of the early extinguishment of the Company's 13% Senior Notes) for the year ended September 30, 2000.

Year Ended September 30, 2000 As Compared To The Year Ended September 30, 1999

Revenue. Total revenue for the year ended September 30, 2000 increased 140.4% to \$81.3 million from \$33.8 million for the year ended September 30, 1999. Revenue from the Internet Division for the year ended

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September 30, 2000 increased 307.3% to \$53.1 million from \$13.0 million for the year ended September 30, 1999. This increase was primarily attributable to having a full year of operations for three Internet data centers opened during the prior year. Availability of new data center space provided the growing number of account managers with an opportunity to increase the number of customers and upsell existing accounts. Revenue from the Server Sales and Integration Division increased 35.7% to \$28.2 million for the year ended September 30, 2000 from \$20.8 million for the year ended September 30, 1999. This increase was primarily attributable to a planned shift in product mix toward higher priced and higher margin products. The increase in Internet Division revenue as a percentage of total revenue reflects our continued shift in product mix toward Internet related sales.

Cost of Revenue. Cost of revenue for the year ended September 30, 2000 was \$42.5 million or 52.3% of total revenue as compared to \$22.2 million or 65.6% of total revenue for the year ended September 30, 1999. The increase in cost of revenue was primarily attributable to an increase in data transmission costs because of higher network operating and maintenance expenses associated with the expansion of the network backbone. As utilization of the network increases in future years, we expect to realize a reduction in per unit data transmission costs due to the network's scalability and fixed cost structure.

Selling, General and Administrative. Selling, general and administrative expenses for the year ended September 30, 2000 were \$98.1 million or 120.7% of total revenue as compared to \$36.5 million or 107.9% of total revenue for the

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year ended September 30, 1999. Approximately \$37.6 million or 61.0% of the increase was attributable to an increase in sales and marketing, engineering, recruiting, finance and administrative personnel necessitated by the growth in Internet-related operations. The number of employees increased from approximately 450 as of September 30, 1999 to approximately 850 as of September 30, 2000. Marketing expenses increased to \$11.5 million for the year ended September 30, 2000 from \$4.8 million for the year ended September 30, 1999. The marketing increase is primarily attributable to costs related to a branding and advertising campaign.

Depreciation and Amortization. Depreciation and amortization increased to \$18.2 million for the year ended September 30, 2000 as compared to \$6.3 million for the year ended September 30, 1999. The increase was primarily related to the increase in construction costs and equipment purchases related to the network infrastructure enhancements of the three Internet data centers during the year ended September 30, 2000.

Interest and Financing Expense and Interest Income. Interest and financing expense increased to \$57.8 million for the year ended September 30, 2000 as compared to \$18.4 million for the year ended September 30, 1999. The increase is a result of interest costs associated with the 13% senior notes being recorded for six months of fiscal 2000 until the tender offer for such debt in March 2000 in addition to the interest costs associated with the 12.5% senior notes from February 2000 through September 2000. The increase in interest income to \$24.7 million for the year ended September 30, 2000 reflects the increased cash position derived from the net proceeds of the February 2000 debt financing and the December 1999 issuance of the Series A Convertible Preferred Stock.

Other Income. The increase in other income to \$1.8 million for the year ended September 30, 2000 is a result of the gain realized on the sale of investments and marketable securities.

Net Loss and Net Loss Attributable To Common Stockholders. As a result of the above, Globix reported a net loss of \$126.4 million and net loss attributable to common stockholders of \$132.2 million for the year ended September 30, 2000 or \$3.73 per share (including the extraordinary loss of \$17.6 million or \$0.50 per share impact from the loss on early extinguishment of the Company's 13% Senior Notes due in 2005) as compared to a net loss and a net loss attributable to common stockholders of \$43.4 million or \$1.73 loss per share for the year ended September 30, 1999.

Year Ended September 30, 1999 As Compared To The Year Ended September 30, 1998

Revenue. Total revenue for the year ended September 30, 1999 increased 64.2% to \$33.8 million from \$20.6 million for the year ended September 30, 1998. Revenue from the Internet Division for the year ended September 30, 1999 increased 102% to \$13.0 million from \$6.4 million for the year ended September 30, 1998.

This increase was primarily attributable to the opening of three Internet data centers and the related increase in the number of customers to which we provide Internet connectivity, hosting and co-location services. Also contributing to the increase is an improvement in the average annual revenue realized per new business customer and an increase in the business account retention rate. Revenue from the Server Sales and Integration Division increased 47% to \$20.8 million for the year ended September 30, 1999 from \$14.1 million for the year ended September 30, 1998. This increase was primarily attributable to a planned

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shift in product mix toward higher priced and higher margin products. The increase in Internet Division revenues as a percentage of total revenues reflects our continued shift in product mix toward Internet related sales.

Cost of Revenue. Cost of revenue for the year ended September 30, 1999 was \$22.2 million or 65.6% of total revenues as compared to \$13.3 million or 64.7% of total revenue for the year ended September 30, 1998. The increase in cost of revenue was primarily attributable to an increase in data transmission costs because of higher network operating and maintenance expenses associated with the expansion of the network backbone. As utilization of the network increases in future years, we expect to realize a reduction in per unit data transmission costs due to the network's scalability and fixed cost structure.

Selling, General and Administrative. Selling, general and administrative expenses for the year ended September 30, 1999 were \$36.5 million or 108% of total revenue as compared to \$10.7 million or 51.9% of total revenue for the year ended September 30, 1998. Approximately \$14.0 million or 56% of the increase was attributable to an increase in sales and marketing, engineering, training and administration personnel necessitated by the growth in Internet-related operations. The number of employees increased from approximately 170 as of September 30, 1998 to approximately 450 as of September 30, 1999. Marketing expenses increased to \$4.8 million for the year ended September 30, 1999 from \$1.3 million for the year ended September 30, 1998. The marketing increase is primarily attributable to costs related to a branding and advertising campaign.

Depreciation and Amortization. Depreciation and amortization increased to \$6.3 million for the year ended September 30, 1999 as compared to \$1.3 million for the year ended September 30, 1998. The increase was primarily related to the construction costs and equipment purchased for the network infrastructure enhancements of the three Internet data centers facilities during the year ended September 30, 1999. We anticipate that our depreciation and amortization expenses will continue to increase significantly as we expand our network and data centers.

Interest and Financing Expense and Interest Income. The increase in interest expense is a result of interest costs associated with the 13% senior notes being recorded for a full year in fiscal 1999. This interest expense was partially offset by an increase in interest income related to the increased cash position derived from the net proceeds of the public equity offering in March 1999. We amortized debt discount and issuance costs of \$8.9 million associated with the 13% senior notes over seven years using the effective interest method.

Net Loss and Loss Per Share. As a result of the above, we reported a net loss of \$43.4 million or \$1.73 per share for fiscal 1999 as compared to a net loss of \$11.2 million or \$0.77 per share for the year ended September 30, 1998.

Cash Flows for the Years Ended September 30, 2001, 2000 and 1999

Cash flows used in operating activities were \$140.5 million in 2001, \$94.3 million in 2000 and \$36.9 million in 1999. Cash flows from operating activities can vary significantly from period to period depending upon the timing of operating cash receipts and payments, especially accounts receivable, prepaid expenses and other assets, and accounts payable and accrued liabilities. In all three years, our net losses were the primary component of cash used in operating activities, offset by non-cash depreciation and amortization expenses relating to our build out of our network and facilities, non-cash amortization of debt issuance costs and provisions for uncollectible accounts receivable. In 2001, our net losses were also offset by non-cash restructuring charges, losses on impairment of certain investments and operating assets and the cumulative effect of a change in accounting principle.

Cash flows used in investing activities were \$113.3 million for 2001, \$149.9 million for 2000 and \$58.8 million for 1999. Investments in capital expenditures related to our network and facilities were \$166.4 million for 2001, \$150.9 million for 2000, \$98.1 million for 1999. Of this amount, \$134.2 million for 2001, \$142.6 million for 2000, \$83.4 million for 1999 was expended in cash and the balance was financed under financing arrangements or remained in accounts payable and accrued liabilities at each year-end.

Cash flows provided by financing activities were \$0.39 million for 2001, \$509.4 million for 2000, \$135.6 million for 1999. In 2001, Globix received net proceeds of \$2.5 million from the exercise of stock options and a \$5.4 million capital contribution in a minority owned subsidiary, partially offset by principal payments on mortgage and lease obligations and cash dividends on the preferred stock. In 2000, Globix received net proceeds from the 12.5% senior notes of \$580.0 million, \$75.3 million proceeds from issuance of preferred stock, \$20.1 million net proceeds from mortgage financing and \$10.1 million of proceeds from the exercise of stock options and warrants, partially offset by the use of cash of \$170.4 million associated with the tender offer for the 13% senior notes, principle payments on mortgage and lease obligations and cash dividends on the preferred stock. In 1999, Globix received net proceeds from the issuance of common stock of \$136.6 million and \$1.9 million of proceeds from the exercise of stock options and warrants.

Liquidity and Capital Resources

Globix has historically had losses from operations, which have been funded primarily through the issuance of debt and equity securities. In fiscal 1999, Globix received net proceeds of approximately \$136.6 million from equity financings.

In December 1999 Globix issued \$80.0 million in new Series A Convertible Preferred Stock to affiliates of Hicks, Muse, Tate & Furst Incorporated ("Hicks Muse") to expand our build-out of Internet data centers and other facilities. The Company incurred approximately \$4.75 million of issuance costs associated with the Series A Convertible Preferred Stock transaction, of which \$3.2 million was a fee paid to Hicks Muse. The preferred stock is convertible into common stock at any time and cannot be called for redemption for five years. Under the agreement, the Series A Convertible Preferred Stock is subject to mandatory redemption in 2014 and yields an annual dividend rate of 7.5% payable quarterly in cash or additional preferred stock at the option of Globix.

In January 2000, Globix obtained a \$21.0 million loan secured by a first mortgage on the building at 139 Centre Street housing Globix's New York Internet data center. The loan accrues interest at a rate of 9.16% (subject to adjustment on February 11, 2010) annually using a 25-year amortization schedule and is due February 2010.

In February, 2000, Globix completed its offering for \$600.0 million 12.5% Senior Notes due 2010 in a private placement resulting in net proceeds of approximately \$580.0 million. In March 2000 Globix completed its tender offer to purchase for cash all of its outstanding 13% Senior Notes due 2005, \$160.0 million in principal amount. The purchase price in the tender offer was 106.5% of the principal amount, plus accrued and unpaid interest.

In addition certain computer and network equipment has been financed through vendors and financial institutions under capital and operating lease

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arrangements. At September 30, 2001 there were no unused equipment financing arrangements with vendors or financial institutions.

As of September 30, 2001, we had \$147.0 million of cash, cash equivalents, short-term investments, restricted cash, restricted investments and marketable securities. At September 30, 2001, we had working capital of approximately \$78.3 million.

The Company has incurred net losses and net operating cash deficiencies and has a significant stockholders' deficiency. With regards to these matters, the Company is currently exploring restructuring alternatives. However, there can be no assurance that the Company will be successful in executing a viable restructuring alternative. These factors raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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Operating losses are expected to decrease in fiscal 2002 versus the prior year due principally to reductions in headcount and other cost savings initiatives. However, such cost savings will be insufficient to offset lower than expected revenue growth in fiscal 2002 resulting from a deteriorating business climate in the Company's fiscal 2001 fourth quarter. Capital expenditures for the year ending September 30, 2002 are also expected to be significantly less than the prior three fiscal years. Notwithstanding these reductions in the use of cash, it is not likely that the cash and cash equivalents on hand at September 30, 2001 would be sufficient to meet all of the Company's cash obligations in fiscal 2002 including \$75.0 million in cash pay interest expense on the \$600 million 12.5% Senior Notes due 2010. As such, on December 27, 2001 Globix announced that it is in discussions with an informal committee of bondholders representing approximately 48% of the Company's outstanding \$ 600 million issuance of 12.5% Senior Notes. The discussions concern a financial reorganization of the Company through a pre-packaged bankruptcy proceeding that would be aimed at significantly reducing the Company's debt burden. The Company is in similar discussions with its preferred stockholders. While there can be no assurance that these discussions will lead to an agreement, it is likely that any such agreement would result in the bondholders and preferred stockholders owning nearly all of the equity in the reorganized company, resulting in a near total dilution of the existing common stockholders' interest in the Company.

Segment Information

The Company's activities fall within one operating segment. The following table sets forth geographic segment information for the years ended September 30, 1999, 2000 and 2001:

	Year ended September 30,		
	1999	2000	2001
Revenue:			
United States...	\$ 33,674	\$ 73,697	\$ 82,020
Europe.....	143	7,590	22,190
Consolidated.	\$ 33,817	\$ 81,287	\$ 104,210

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	=====	=====	=====
Operating loss:			
United States...	\$ (27,590)	\$ (64,477)	\$ (142,713)
Europe.....	(3,601)	(13,090)	(14,773)
	-----	-----	-----
Consolidated.	\$ (31,191)	\$ (77,567)	\$ (157,486)
	=====	=====	=====
Tangible assets:			
United States...	\$276,896	\$692,075	\$ 436,262
Europe.....	20,039	10,649	89,953
	-----	-----	-----
Consolidated.	\$296,935	\$702,724	\$ 526,215
	=====	=====	=====

Income Taxes

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 \$350 million at September 30, 2001. These income tax loss carryforwards expire between 2011 and 2021. Pursuant to Section 382 of the Internal Revenue Code, the use of these net operating loss carryforwards may be limited due to changes in ownership that have occurred. The Company is evaluating the impact, if any, that changes in ownership could have on net operating loss carryforwards. As of September 30, 2001, the Company also has net operating loss carryforwards of approximately \$31 million from its United Kingdom subsidiaries, which do not expire under U.K. tax rules. For financial reporting purposes, income tax benefits through September 30, 2001 related to both U.S. Federal and foreign income tax losses 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.

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Capital Structure

Globix's capital structure at September 30, 2001 consisted of 12.5% Senior Notes, mortgage and capital lease obligations, Series A Redeemable Convertible Preferred Stock and common stock. Prior to the December 1999 closing of the Hicks Muse investment there were no outstanding shares of preferred stock.

Total borrowings at September 30, 2001 were \$640.0 million, which included \$6.7 million in current obligations and \$633.3 million in Senior Notes, mortgage and other notes payable and long-term capital lease obligations.

Commitments

As of September 30, 2001, Globix had commitments to certain telecommunications carriers totaling \$36.3 million payable in various years through 2010. Additionally, as of September 30, 2001, Globix has various agreements to lease facilities and equipment and is obligated to make future minimum lease payments of approximately \$249.6 million on operating leases expiring in various years through 2036.

In connection with the construction and maintenance of Internet data centers, Globix is contractually committed as of September 30, 2001 to various equipment manufacturers and building contractors for equipment and construction services totaling approximately \$18.0 million.

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As of September 30, 2001 Globix had issued collateralized letters of credit aggregating \$24.6 million. The related funds are included in restricted cash and investments on the consolidated balance sheet.

Conversion to the Euro

On January 1, 1999, eleven of the fifteen member countries of the European Union established a fixed conversion rate between their existing sovereign currencies and a new currency called the "Euro." These countries have agreed to adopt the Euro as their common legal currency on that date. The Euro trades on currency exchanges and is available for non-cash transactions. Thereafter and until January 1, 2002, the existing sovereign currencies will remain legal tender in these countries. On January 1, 2002, the Euro is scheduled to replace the sovereign legal currencies of these countries.

Globix does not anticipate that the implementation of the Euro will have a material adverse effect on its business operations as the operations of Globix expands into other European countries. However there are no assurances that the implementation of the Euro will not have a material adverse affect on Globix's business, financial condition and results of operations. In addition, Globix cannot predict the impact the Euro will have on currency exchange rates or Globix's currency exchange risk.

Recent Technical Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 144 entitled "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 will be effective for financial statements of fiscal years beginning after December 15, 2001. Globix expects the adoption of SFAS No. 144 will not have a material impact on the Globix consolidated financial position results of operations or cash flows.

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In June 2001, the FASB issued SFAS Nos. 141 and 142 entitled, "Business Combinations" and "Goodwill and Other Intangible Assets", respectively. SFAS No 141, among other things, eliminates the pooling of interests method of accounting for business acquisitions entered into after June 30, 2001. SFAS No. 142 requires companies to use a fair-value approach to determine whether there is an impairment of existing and future goodwill. SFAS No. 142 is effective beginning October 1, 2002. Globix expects the adoption of SFAS Nos. 141 and 142 will not have a material impact on Globix's consolidated financial position, results of operations or cash flows.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

At September 30, 2001, we had financial instruments consisting of fixed rate debt, mortgage payable marketable securities, short-term investments and other investments. The substantial majority of our debt obligations consist of the Senior Notes, which bear interest at 12.5% and mature May 1, 2010. Annual maturities of our capital lease obligations are as follows: \$7.8 million in 2002, \$6.8 million in 2003, \$3.4 million in 2004, \$0.8 million in 2005, \$0.3 million in 2006 and thereafter. The mortgage 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.

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Marketable securities include Globix's strategic investment in Edgar On-Line and Globecomm Systems Inc., publicly traded entities, which are recorded at fair market value. Globix does not hedge its exposure to fluctuations in the value of its equity securities.

Our other investments are generally fixed rate investment grade and government securities denominated in U.S. dollars. At September 30, 2001, all of our investments are due to mature within twelve months except \$26.9 million and the carrying value of such investments approximates fair value. At September 30, 2001, \$24.6 million of our cash and investments were restricted in accordance with the terms of certain collateral obligations.

We actively monitor the capital and investing markets in analyzing our capital raising and investing decisions.

Globix is also subject to market risk associated with foreign currency exchange rates. Globix's business plan includes the expansion of the U.K. operation. To date, Globix has not utilized financial instruments to minimize its exposure to foreign currency fluctuations. Globix will continue to analyze risk management strategies to minimize foreign currency exchange risk in the future.

Globix believes it has limited exposure to financial market risks, including changes in interest rates. The fair value of our investment portfolio or related income would not be significantly impacted by a 100 basis point increase or decrease in interest rates due mainly to the short-term nature of the major portion of our investment portfolio. An increase or decrease in interest rates would not significantly increase or decrease interest expense on debt obligations due to the fixed nature of the substantial majority of our debt obligations.

Item 8. Financial Statements

Financial Statements are attached hereto following page F-2.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

During fiscal years 2001 and 2000 there were no changes in or disagreements with Globix's independent accountant on accounting or financial disclosure.

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Forward Looking Information and Risk Factors

This Report on Form 10-K contains certain forward-looking statements concerning, among other things, the Company's plans and objectives for future operations, planned products and services, potential expansion into new markets, and anticipated customer demand for our existing and future products and services. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage the inclusion of prospective information so long as those statements are accompanied by meaningful cautionary statements identifying factors that could cause actual results to differ materially. Among the factors that could cause actual results, performance or achievement to differ materially from those described or implied in the forward-looking statements are:

- . potential marketplace or technology changes, rendering existing products and services obsolete,

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- . changes in or the lack of anticipated changes in the regulatory environment in various countries, including potential legislation increasing our exposure to content distribution and intellectual property liability,
- . changes in customer purchasing policies and practices,
- . Globix's ability to recruit and retain sufficient and qualified personnel needed to staff our expanding operations,
- . the ability of Globix to raise additional capital to finance expansion,
- . the sufficiency of existing cash and cash flow to complete our business plan and fund our working capital and debt service,
- . Globix's large existing debt obligations and history of operating losses,
- . the ability of Globix to integrate, operate and further expand and upgrade our network, and
- . the continued growth, use and improvement of the Internet, along with the risks inherent in new product and service introductions and the entry into new geographic markets.

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PART III

Item 10. Directors and Executive Officers of the Registrant

The directors, executive officers, and other key employees of Globix, and their ages and positions as of November 30, 2001, are as follows:

Name	Age	Position
----	---	-----
Marc H. Bell.....	34	Chairman and Director
Peter L. Herzig.....	39	Chief Executive Officer
Marc Jaffe.....	34	Chief Operating Officer
Anthony L. Previte....	36	Chief Technology Officer
Brian L. Reach.....	46	Chief Financial Officer
Lord Anthony St. John.	44	President of Worldwide Sales and Marketing and Director
William Austin.....	54	General Counsel and Corporate Secretary
Shawn P. Brosnan.....	39	Senior Vice President and Corporate Controller
Christopher D. Peckham	36	Senior Vice President, Information Systems
Richard Rose.....	55	Senior Vice President, Technology and Application Services
Robert B. Bell.....	62	Director
Peter Brodsky.....	30	Director
Martin Fox.....	68	Director
Jack D. Furst.....	41	Director
Sid Paterson.....	59	Director
Harshad Shah.....	51	Director
Dr. Richard Videbeck..	76	Director

Marc H. Bell, has served as non-executive Chairman since August 2001. Prior

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to that he served as President and Chief Executive Officer and a Director since he founded Globix in 1989. Under his leadership and vision, the Company developed into a leading full-service provider of sophisticated Internet solutions to businesses, including hosting, network and application services. Mr. Bell has founded numerous companies in his career and has been a seed investor in several start-up entities. He has appeared on numerous television broadcasts and has been quoted in several national publications regarding Internet-related topics. He is a member of the Board of Trustees of and New York University and Babson College. He is also a Trustee of the Citizens Budget Commission. He has a Bachelor of Science degree in accounting from Babson College and a Masters in real estate from New York University. Mr. Bell is the son of Robert B. Bell.

Peter L. Herzig, has served as Chief Executive Officer since August 2001. Prior to that he served as Chief Operating Officer since March 2001 and prior to that as Senior Vice President and Chief Operating Officer-Application Services Group since joining Globix in October 2000. Prior to joining Globix, Mr. Herzig was Executive Vice President and Chief Financial Officer at iWon.com, from March 2000 to October 2000, where his responsibilities included managing iWon's relationship with Globix. Previously, Mr. Herzig was a Senior Managing Director and Head of Global Capital Markets Services for Bear, Stearns & Co., from 1998 to March 2000 where he provided strategic capital-structure advisory services to a broad spectrum of domestic and international clients, including many new media technology companies experiencing growth with the expansion of the Internet. Prior to that he was employed by Goldman Sachs since 1989. Mr. Herzig has a Bachelor of Arts degree from Dartmouth College and a Masters from Columbia University.

Marc Jaffe, has served as Chief Operating Officer since August 2001. Prior to that he served as Senior Vice President, Chief Operating Officer--Field Operations, since joining Globix in January 1995. Prior to joining Globix, Mr. Jaffe was a department manager at Sid Paterson Advertising Inc. in New York City, which he joined in 1989. Mr. Jaffe graduated from Colgate University, where he received a Bachelor of Arts degree.

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Anthony L. Previte, has served as Chief Technology Officer since joining Globix in October 1998. From July 1991 to October 1998, Mr. Previte was the Vice President, Special Projects for Emcor Group, Inc., a publicly traded electrical and mechanical engineering and construction firm. While at Emcor Group, Mr. Previte was involved in the design and construction of over one million square feet of secure data center facilities for companies such as Prudential Securities, Morgan Stanley and Nomura Securities. Mr. Previte has a degree in aerospace engineering from Polytechnic Institute of New York.

Brian L. Reach, has served as Chief Financial Officer since joining Globix in September 1999. From May 1997 to August 1999, Mr. Reach was the Chief Financial Officer of IPC Communications, a provider of integrated telecommunications equipment and services to the financial industry. During his tenure at IPC, Mr. Reach successfully guided IPC through its leveraged recapitalization and financially restructured IPC enabling it to invest in strategic acquisitions and next generation technologies. Prior to IPC, Mr. Reach was the Chief Financial Officer of Celadon Group, Inc. and Cantel Industries, Inc. Mr. Reach is a certified public accountant and received his Bachelor of Science degree in accounting from the University of Scranton.

Anthony St. John, Lord St. John of Bletso, has served as President of Worldwide Sales and Marketing since August 2001. Prior to that he served as Vice President, Business Development and has been a director of Globix since

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October 1997. In September 1999, Lord St. John became Globix's Vice President, Business Development. Since 1978, Lord St. John has served as a sitting member of the House of Lords of the Parliament of the United Kingdom and an Extra Lord-in-Waiting to Her Majesty the Queen. He is also a member of The House of Lords' European Union Sub-Committee on Economic and Financial Affairs, Trade and External Relations. Since 1993, he has served as a consultant to Merrill Lynch and is a Registered Representative of the London Stock Exchange. Lord St. John is also a director of Globix's U.K. subsidiary and serves as its Director of Business Development. He received his Bachelor of Arts and Bachelor of Science degrees from Capetown University and Bachelor of Laws from the University of South Africa and a Masters of Law from the London School of Economics.

William Austin, joined Globix in April 2001 as General Counsel and has served as Corporate Secretary since August 2001. Mr. Austin previously was General Counsel for the Americas at ING Barings for 10 years. There he helped convert the American arm of the Amsterdam-based bank into an investment bank and handled financing work, underwriting, compliance functions, litigation management and the like. Formerly, Mr. Austin had been Associate General Counsel for eight years at The Chase Manhattan Bank, where he specialized in commercial lending. Before that, he worked for Herzog, Calamari & Gleason as an associate attorney dealing with civil litigation and corporate matters. Mr. Austin has a law degree from Fordham Law School and a bachelor's degree in economics from Cornell University.

Shawn P. Brosnan, has served as Senior Vice President and Corporate Controller since August 2001. Prior to that he served as Vice President and Corporate Controller since joining Globix in November 1999. Prior to joining Globix, Mr. Brosnan spent over 15 years with Ernst & Young, one of the leading professional services organizations worldwide. During his tenure at Ernst & Young, he was a business advisor with extensive experience in the areas of accounting, finance, financial reporting, mergers and acquisitions and process improvement. Mr. Brosnan is a certified public accountant and received his Bachelor of Science degree in accounting from Providence College.

Christopher D. Peckham, has served as Senior Vice President, Information Systems since August 2001. Prior to that he served as Vice President, Information Technology since rejoining Globix in February 1999. From August 1997 to February 1999, Mr. Peckham was Manager of Network Engineering for ICON, a national Internet service provider. From August 1995 through August 1997, Mr. Peckham served as Senior Systems and Networking Administrator for Globix. From May 1995 through August 1995, he held the position of Director of Technology for the Interactive Media Division of Database America. Mr. Peckham has Doctoral, Master and Bachelor of Science degrees in electrical engineering from the New Jersey Institute of Technology.

Richard Rose, has served as Senior Vice President, Technology and Application Services since August 2001. Prior to that he served as Vice President, Business Development, since joining Globix in May 2000. Prior to joining Globix, Mr. Rose was with British Telecom Plc (BT) from September 1995, working as a General

Manager in BT's Outsourcing and Customized Solutions Division, where he led the successful negotiation and implementation to run the largest telecommunications outsourced contract in Europe. In May 1997, he joined the International M&A Development Group where he was responsible for managing a number of European fixed line and Internet and Multimedia transactions. He has a Masters Degree in Mathematics from London University.

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Robert B. Bell, has served as Director of International Affairs of Globix since July 2000. Prior to that he served for more than five years as Executive Vice President of Globix. Mr. Bell is also the Managing Director of Globix's U.K. subsidiary. Mr. Bell spent three years at Coopers & Lybrand. Thereafter, he was a practicing attorney in New York City at the firm of Bell, Kalnick, Beckman, Klee and Green, which Mr. Bell founded in the early 1970s, and specialized in taxation, investments and international real estate joint ventures. He is the author of Joint Ventures in Real Estate published by John Wiley & Sons. Prior to 1994, Mr. Bell was for many years an Adjunct Professor at New York University. He has a Bachelor of Science degree from New York University and a J.D. degree from the University of California at Berkeley. Mr. Bell is the father of Marc H. Bell.

Peter S. Brodsky, has been a director of Globix since October 2001, when he replaced Mr. Michael Levitt as the second Board member representing HMTF. Mr. Brodsky is a Partner of Hicks, Muse, Tate & Furst Incorporated ("HMTF") and has been with HMTF since 1995. At HMTF, Mr. Brodsky has focused on the Firm's media investments, specifically in radio, television, sports and software. Prior to joining HMTF, Mr. Brodsky was employed for two years in the investment banking department of CS First Boston Corporation in New York. Mr. Brodsky serves as a director of several of the Firm's portfolio companies. He received his Bachelor of Arts degree from Yale University.

Martin Fox, has been a director of Globix since October 1995. Mr. Fox has been, for more than five years, the President, Chief Executive Officer, and a director of Initio, Inc., a publicly owned company, which has been an electronic commerce and catalogue specialty retailer of consumer products.

Jack D. Furst, has been a director of Globix since December 1999. Mr. Furst has been a partner of Hicks, Muse, Tate & Furst Incorporated since 1989. Mr. Furst serves as a director of American Tower Corporation, Cooperative Computing, Inc., Hedstrom Holdings, Inc., Home Interiors & Gifts, Inc., International Wire Group, Inc., LLS Corp., Triton Energy Limited and Viasystems, Inc. Mr. Furst received his B.S. degree from the College of Business Administration at Arizona State University and his M.B.A. from the Graduate School of Business at the University of Texas.

Sid Paterson, has been a director of Globix since February 1998. He has been President and Chief Executive Officer of Sid Paterson Advertising Inc. for more than five years.

Harshad Shah, has been a director of Globix since April 2000. Mr. Shah has been involved in real estate investment and development since 1982. Mr. Shah has been President of Leyland Equities Corp. since December 1995. From 1982 to 1985, Mr. Shah was President of Crescent Equities, Inc. From 1970 to 1982 he was a Vice President of Manufacturers Hanover Trust Company (now Chase Manhattan Bank). Mr. Shah attended the Elphinstone College in Bombay, India where he received a B.A. in Economics and the Indian Institute of Management where he received a Masters Degree in Business Administration.

Dr. Richard Videbeck, has been a director of Globix since October 1995. Since 1983, Dr. Videbeck has been an independent consultant in consumer risk analysis, particularly for retailers and banks. From 1974 until 1986, he was a Professor of Sociology at the University of Illinois at Chicago. From 1974 until 1977, Dr. Videbeck was the Dean of the Doctor of Arts Program of the Graduate College of the University of Illinois at Chicago.

The Securities and Exchange Commission (the "SEC") has adopted rules relating to the obligation of directors, certain officers and five percent shareholders to file beneficial ownership reports under Section 16 (A) of the Securities Exchange Act of 1934. One such rule requires disclosure by the Registrant of filings which, under the SEC's rules, are not deemed to be

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timely. During its review with respect to fiscal 2001, Globix determined that certain directors (Messrs. Fox, Shah, and St. John) did not file all such reports on a timely basis.

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Item 11. Executive Compensation

The following Summary Compensation Table sets forth the total compensation for the years ended September 30, 2001, 2000 and 1999 for Globix's Chief Executive Officer and its four most highly compensated executive officers (other than the Chief Executive Officer) (collectively referred to as the "Named Executive Officers"):

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards	Restricted Stock Award
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Underlying Securities Options (#)	
Marc H. Bell.....	2001	323,563	--	--	--	6,016,
President and	2000	367,500	831,125	--	--	
Chief Executive Officer	1999	350,000	331,875	--	4,788,244	
Peter L. Herzig.....	2001	200,000	100,000	--	200,000	
Chief Executive Officer						
Marc Jaffe.....	2001	250,000	--	--	120,000	705,
Chief Operating Officer	2000	250,000	--	--	--	
	1999	215,685	--	--	480,000	
Anthony L. Previte.....	2001	200,000	--	--	90,000	528,
Chief Technology Officer	2000	200,000	--	--	--	
	1999	141,585	--	--	400,000	
Brian L. Reach.....	2001	250,000	--	--	100,000	587,
Chief Financial Officer	2000	250,000	50,000	--	--	
	1999	20,000	--	--	400,000	
Richard Rose.....	2001	247,292	49,500	--	12,500	73,
Senior Vice President, Technology and Application Services	2000	91,456	--	--	50,000	

Mr. Bell resigned as Chief Executive Officer on August 1, 2001 and became non-executive chairman.

Mr. Herzig became Chief Executive Officer on August 1, 2001. Mr. Herzig joined Globix on October 16, 2000.

Mr. Rose joined Globix on May 9, 2000.

Mr. Reach joined Globix on September 1, 1999.

Option Grants in Last Fiscal Year

The following table summarizes options granted during the year ended September 30, 2001 to the Named Executive Officers:

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Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (\$)	
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$)	Expiration Date	5%	10%
Marc H. Bell.....	--	--	--	--	--	--
Peter L. Herzig...	200,000	7.2	4.00	12/18/10	1,303,116	2,074,994
Marc Jaffe.....	120,000	4.3	2.81	12/21/10	549,263	874,610
Anthony L. Previte	90,000	3.2	2.81	12/21/10	411,947	655,957
Brian L. Reach....	100,000	3.6	2.81	12/21/10	457,719	728,842
Richard Rose.....	12,500	0.4	2.81	12/21/10	57,215	91,105

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The options on the preceding table have been granted pursuant to Globix's Stock Option Plans and vest ratably over a five year period at each anniversary of the date of the grant. During the year ended September 30, 2001, Globix granted employees options to purchase 2,784,160 shares of common stock under the various Stock Option Plans.

The amounts shown as potential realizable value represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. The 5% and 10% assumed annual rates of compounded stock price appreciation are mandated by rules of the Securities and Exchange Commission and do not represent Globix's estimate or projection of Globix's future common stock prices. These amounts represent certain assumed rates of appreciation in the value of Globix's common stock from the fair market value on the date of grant. Actual gains, if any, on stock option exercises are dependent on the future performance of the common stock. The amounts reflected in the table may not necessarily be achieved.

Option Exercises and Fiscal Year-End Option Values

The following Named Executive Officers exercised options during the fiscal year ended September 30, 2001:

Mr. Marc H. Bell, exercised options to purchase 1,426,464 shares at prices ranging from \$2.56 to \$3.25 per share which resulted in realized value of \$1,391,230.

The following table shows the number of shares covered by both exercisable and unexercisable stock options held by the named executive officers as of the year ended September 30, 2001, and the values for exercisable and unexercisable options. Options are in-the-money if the market value of the shares covered thereby is greater than the option exercise price. This calculation is based on the fair market value at September 30, 2001 of \$0.42 per share, less the exercise price.

Fiscal Year-End Option Values

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Name	Number of Securities Underlying Unexercised Options at September 30, 2001		Value of Unexercised In-the-Money Options at September 30, 2001 (\$)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Marc H. Bell.....	4,207,780	--	--	--
Peter L. Herzig...	40,000	160,000	--	--
Marc Jaffe.....	252,000	488,000	--	--
Anthony L. Previte	160,000	330,000	--	--
Brian L. Reach....	160,000	340,000	--	--
Richard Rose.....	10,000	52,500	--	--

Employment Agreements

Marc H. Bell. Effective June 1, 1998, Globix entered into a seven year employment agreement with Mr. Marc H. Bell. Under this agreement his base salary for fiscal year 2000 was \$367,500, which increases annually at the rate of five percent. In addition, Mr. Bell receives an annual bonus equal to ten thousand times the increase, if any, of the market price per share of Globix's common stock on each June 30 over the highest per share market price of Globix's common stock on any preceding July 1 during the term of the agreement. During the years ended September 30, 2001, 2000 and 1999 Mr. Bell received bonuses of approximately \$0, \$853,125, and \$331,875, respectively under this provision of the employment agreement. The employment agreement also provides that he may require Globix to lend him up to a total of \$155,000. Any loan taken thereunder will mature five years after the date made and bear interest at the rate of eight percent per annum. However, the interest accruing during the first two years is not payable until the end of such two-year period. At September 30, 2001, 2000 and 1999, Mr. Bell had no outstanding borrowings under such loan arrangement.

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Pursuant to the terms of the employment agreement, as amended, Mr. Bell is also entitled to stock option grants to purchase shares of common stock. The term of such option is ten years from the date of grant. During the years ended September 30, 2001, 2000, 1999 and 1998 Mr. Bell was granted options to purchase shares of common stock totaling 0, 0, 4,096,580 and 691,664, respectively, under this agreement.

In connection with the proposed financial restructuring discussed in the Recent Developments section, Mr. Bell and the Company have agreed in principle to a three year employment agreement that will, among other things, reduce his base salary to \$12,000 per year effective August 1, 2001 for his services as non-executive chairman.

Peter L. Herzig. Effective October 2, 2001, Globix entered into an employment agreement with Mr. Peter L. Herzig. Under this agreement his base salary for fiscal year 2002 is \$250,000. Pursuant to the terms of the employment agreement, Mr. Herzig is also entitled to an annual performance bonus and stock option grants to purchase shares of common stock. The term of such option grants are ten years from the date of grant.

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Marc Jaffe. Effective October 2, 2001, Globix entered into an employment agreement with Mr. Marc Jaffe. Under this agreement his base salary for fiscal year 2002 is \$250,000. Pursuant to the terms of the employment agreement, Mr. Jaffe is also entitled to an annual performance bonus and stock option grants to purchase shares of common stock. The term of such option grants are ten years from the date of grant.

Directors Compensation

Each non-employee director of Globix, who does not beneficially own more than 5% of Globix's outstanding common stock, is granted upon election or re-election at the annual meeting of stockholders, options to purchase 10,000 shares of common stock. These options are exercisable in full beginning 12 months after the date of grant, have a ten-year term, and are exercisable at fair market value on the date of the grant. Effective April 4, 2000, Globix implemented a cash compensation program pursuant to which its directors who are not also officers of or employed by Globix or any of its majority-owned subsidiaries, will receive fees of \$2,000 for personal attendance or \$500 for telephonic attendance at board meeting and \$1,250 for personal attendance or \$250 for telephonic attendance at committee meetings. In addition, at the discretion of the Board of Directors, directors may be reimbursed for reasonable travel expenses in attending Board and committee meetings.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of Globix common stock as of December 21, 2001:

- . each person or entity who is known by Globix to own beneficially 5% or more of the outstanding shares of common stock;
- . each Named Executive Officer as of December 21, 2001;
- . each director; and
- . all Named Executive Officers and directors of Globix as a group.

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The applicable percentage of ownership is based on 41,920,229 shares outstanding on December 21, 2001. Unless otherwise indicated, the address for those listed below is c/o Globix Corporation, 139 Centre St., New York, NY 10013.

Named Executive Officers, Directors and 5% Stockholders	Number of Shares Beneficially Owned	Percent of Class
Marc H. Bell.....	7,571,635	16.5
Peter L. Herzig.....	40,000	*
Marc Jaffe.....	631,738	1.5
Anthony L. Previte.....	366,000	*
Brian L. Reach.....	390,000	*
Richard Rose.....	37,500	*
Lord Anthony St. John.....	109,500	*
7 Cadogan Gardens London SW32RE		
Robert B. Bell.....	77,500	*

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Peter S. Brodsky.....	--	*
200 Crescent Court		
Dallas, Texas 75201		
Martin Fox.....	117,500	*
10 Henry Street		
Teterboro, NJ 07608		
Jack D. Furst.....	77,500	*
200 Crescent Court		
Dallas, Texas 75201		
Sid Paterson.....	162,500	*
99 Madison Avenue		
New York, NY 10016		
Harshad Shah.....	15,800	*
145 East 48th Street		
New York, New York 10017		
Dr. Richard Videbeck.....	122,700	*
3249 East Angler's Stream		
Avon Park, FL 33825		
Thomas O. Hicks.....	8,617,300	17.1
200 Crescent Court		
Dallas, Texas 75201		
HM4 Globix Qualified Fund, LLC.....	7,824,800	15.7
200 Crescent Court		
Dallas, Texas 75201		
HMTF Equity Fund IV (1999), L.P.....	7,824,800	15.7
200 Crescent Court		
Dallas, Texas 75201		
HM4/GP (1999) Partners, L.P.....	7,880,300	15.8
200 Crescent Court		
Dallas, Texas 75201		
Hicks, Muse GP (1999) Partners IV, L.P.....	8,200,600	16.4
200 Crescent Court		
Dallas, Texas 75201		
Hicks, Muse (1999) Fund IV, LLC.....	8,200,600	16.4
200 Crescent Court		
Dallas, Texas 75201		

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Named Executive Officers, Director s and 5% Stockholders	Number of Shares Beneficially Owned	Percent Owned of Class
-----	-----	-----
Firsthand Capital Management, Inc.....	5,030,234	12.0
Kevin Michael Landis		
125 South Market		
San Jose, California 95113		
All Named Executive Officers and directors as a Group (14 persons)	9,719,873	23.1

* Less than 1%		

Under the rules of the Securities and Exchange Commission, a person is deemed to be the beneficial owner of a security if that person has or shares the power to vote or direct the voting of such security or the power to dispose or direct the disposition of the security. A person is also deemed to be a beneficial owner of any securities if that person has the right to acquire

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beneficial ownership within 60 days.

The amount shown for Marc H. Bell includes 3,475,055 shares owned directly, including 2,048,290 shares subject to limitations on transfer and the Company's right to repurchase at par value, expiring with respect to 25% of such shares on each of December 27, 2001, 2002, 2003, and 2004, respectively ("Restricted Shares") and 4,096,580 stock options to purchase shares exercisable within 60 days.

The amount shown for Mr. Herzig includes 40,000 stock options to purchase shares exercisable within 60 days.

The amount shown for Mr. Jaffe includes 240,000 Restricted Shares and 316,000 stock options to purchase shares exercisable within 60 days and excludes 666 shares owned by Mr. Jaffe's minor child to which Mr. Jaffe disclaims beneficial ownership.

The amount shown for Mr. Previte includes 180,000 Restricted Shares and 186,000 stock options to purchase shares exercisable within 60 days.

The amount shown for Mr. Reach includes 200,000 Restricted Shares and 180,000 stock options to purchase shares exercisable within 60 days.

The amount shown for Mr. Rose includes 25,000 Restricted Shares and 12,500 stock options to purchase shares exercisable within 60 days.

The amount shown for Lord St. John includes 25,000 Restricted Shares and 84,500 stock options to purchase shares exercisable within 60 days and excludes 12,000 shares held in trust for the benefit of Lord St. John's wife and children, to which trust, Lord St. John disclaims beneficial ownership.

The amount shown for Robert B. Bell includes 25,000 Restricted Shares and 52,500 stock options to purchase shares exercisable within 60 days.

The amount shown for Mr. Fox includes 25,000 Restricted Shares and 52,500 stock options to purchase shares exercisable within 60 days.

The amount shown for Mr. Furst includes 25,000 Restricted Shares and 52,500 stock options to purchase shares exercisable within 60 days.

The amount shown for Mr. Paterson includes 25,000 Restricted Shares and 102,500 stock options to purchase shares exercisable within 60 days.

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The amount shown for Mr. Shah includes 5,000 Restricted Shares and 10,500 stock options to purchase shares exercisable within 60 days.

The amount shown for Dr. Videbeck includes 25,000 Restricted Shares and 52,500 stock options to purchase shares exercisable within 60 days.

The amounts shown for Thomas O. Hicks, HM4 Globix Qualified Fund, LLC, HMTF Equity Fund IV (1999), L.P., HM4/GP (1999) Partners, L.P., Hicks, Muse GP (1999) Partners IV, L.P., and Hicks, Muse (1999) Fund IV, LLC are based upon Form 4s filed by those persons and information provided by Hicks, Muse to the registrant. The amounts shown assume conversion to common stock of all Series A 7.5% Convertible Preferred Stock beneficially owned by such entities. The shares shown are subject to shared voting and investment power.

Messrs. Furst and Brodsky, each a director of Globix, were appointed to the

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Board of Directors on behalf of the holders of the Series A 7.5% Convertible Preferred Stock.

The amount shown for Firsthand Capital Management, Inc. and Kevin Michael Landis are based on a Schedule 13F jointly filed by such persons on September 30, 2001.

The amount shown for all executive officers and directors as a group, include 5,238,580 stock options to purchase shares exercisable within 60 days.

Item 13. Certain Relationships and Related Transactions

See "Employment Contracts" above for a description of certain loans Globix had made to Marc H. Bell.

A company owned by a family member of Harshad Shah, a director of Globix since April 4, 2000, holds a promissory note from Globix in the amount of \$2.6 million, carrying an interest rate of 7% that arose from Globix's acquisition of 139 Centre Street. Interest payments totaled approximately \$181,000, \$181,000 and \$45,000 in Fiscal 2001, 2000 and 1999, respectively.

See "Liquidity and Capital Resources" section of the Management Discussion and Analysis above for a description of certain fees paid to Hicks, Muse, Tate & Furst Incorporated.

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PART IV

Item 14. Exhibits and Reports on Form 8-K

(a) Exhibits. See index of exhibits annexed hereto.

(b) Reports on Form 8-K. None

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SIGNATURES

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

Date: December 31, 2001 GLOBIX CORPORATION

/S/ MARC H. BELL

Marc H. Bell
Chairman and Director

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

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Date: December 31, 2001 /S/ PETER L. HERZIG
Peter L. Herzig
Chief Executive Officer

Date: December 31, 2001 /S/ BRIAN L. REACH
Brian L. Reach
Chief Financial Officer

Date: December 31, 2001 /S/ SHAWN P. BROSANAN
Shawn P. Brosnan
Senior Vice President, Corporate Controller

Date: December 31, 2001 Anthony St. John
Anthony St. John
President of Worldwide Sales and Marketing
and Director

Date: December 31, 2001 Robert B. Bell
Robert B. Bell
Director

Date: December 31, 2001 Peter Brodsky
Peter Brodsky
Director

Date: December 31, 2001 /S/ MARTIN FOX
Martin Fox
Director

Date: December 31, 2001 JACK FURST
Jack Furst
Director

Date: December 31, 2001 /S/ SID PATERSON
Sid Paterson
Director

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Date: December 31, 2001 /S/ HARSHAD SHAH
Harshad Shah
Director

Date: December 31, 2001 /S/ RICHARD VIDEBECK

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Richard Videbeck
Director

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Consolidated Statements of Changes in Stockholders' (Deficit) Equity--For the years ended September 30, 2001, September 30, 2000 and September 30, 1999.....	
Consolidated Statements of Cash Flows--For the years ended September 30, 2001, September 30, 2000 and September 30, 1999.....	
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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.

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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.

ARTHUR ANDERSEN LLP

New York, New York
December 31, 2001

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GLOBIX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

	September ----- 2001 -----
Assets	
Current assets:	
Cash and cash equivalents.....	\$ 111,502
Short-term investments.....	--
Marketable securities.....	1,610
Accounts receivable, net of allowance for doubtful accounts of \$6,852 and \$4,072, respectively.....	13,809
Prepaid expenses and other current assets.....	7,785
Restricted cash.....	6,984

Total current assets.....	141,690
Investments, restricted.....	26,886
Property, plant and equipment, net.....	356,149
Debt issuance costs, net of accumulated amortization of \$1,896 and \$719, respectively	19,006
Intangible assets, net of accumulated amortization of \$2,485 and \$197, respectively..	4,362
Other assets.....	4,895

Total assets.....	\$ 552,988 =====
Liabilities and Stockholders' Deficit	
Current liabilities:	
Capital Lease and other obligations.....	\$ 6,687
Accounts payable.....	14,022
Accrued liabilities.....	30,141

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Accrued interest.....	12,500

Total current liabilities.....	63,350
Capital Lease obligations, net of current portion.....	10,309
Mortgage Payable.....	20,441
Senior Notes.....	600,000
Other long term liabilities.....	7,577

Total liabilities.....	701,677
Minority interest in subsidiary.....	5,406
Redeemable convertible preferred stock.....	83,230
Stockholders' Deficit:	
Common stock, \$.01 par value; 500,000,000 shares authorized; 41,920,229 and 37,307,315 shares issued and outstanding, respectively.....	419
Additional paid-in capital.....	171,176
Deferred compensation.....	(7,097)
Accumulated other comprehensive (loss) income.....	(2,703)
Accumulated deficit.....	(399,120)

Total stockholders' deficit.....	(237,325)

Total liabilities and stockholders' deficit.....	\$ 552,988
	=====

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

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GLOBIX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Year ended September	
	2001	2000
Revenue.....	\$ 104,210	\$ 81,287
Operating costs and expense:		
Cost of revenue.....	40,609	42,513
Selling, general and administrative.....	128,321	98,113
Restructuring charges.....	56,109	--
Depreciation and amortization.....	36,657	18,228
	-----	-----
Total operating costs and expenses.....	261,696	158,854
	-----	-----
Loss from operations	(157,486)	(77,567)
Interest and financing expense.....	(65,128)	(57,831)
Interest income.....	13,282	24,749
Other Income.....	2,147	2,816
Other Expense.....	(3,526)	(1,037)
	-----	-----
Loss before extraordinary loss and cumulative effect of a change in accounting principle.....	(210,711)	(108,870)

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Extraordinary loss on early extinguishment of debt.....	--	(17,577)	
Cumulative effect of a change in accounting principle.....	(2,332)	--	
Net loss.....	(213,043)	(126,447)	
Dividends and accretion on preferred stock.....	(7,104)	(5,768)	
Net loss attributable to common stockholders'.....	\$ (220,147)	\$ (132,215)	\$
Basic and diluted loss per share attributable to common stockholders' before extraordinary loss and cumulative effect of change in accounting principle.....	\$ (5.66)	\$ (3.23)	\$
Extraordinary loss.....	--	(0.50)	
Cumulative effect of a change in accounting principle.....	(0.06)	--	
Basic and diluted loss per share attributable to common stockholders	\$ (5.72)	\$ (3.73)	\$
Weighted average common shares outstanding--basic and diluted.....	38,476,909	35,484,040	2

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

	Common Stock		Additional	Deferred	Accumulated Other Comprehensive	Accum
	Shares	Amount	Paid-in Capital	Comp.	(Loss) Income	Def
Balance, October 1, 1998.....	16,560,464	\$166	\$ 17,122	\$ --	\$ 1,676	\$ (1
Issuance of common stock in conjunction with public offering, net of offering costs of \$11,915.....	16,000,000	160	136,458	--	--	
Issuance of common stock upon exercise of options and warrants, net	739,556	7	1,843	--	--	
Comprehensive Income (Loss):						
Net loss.....	--	--	--	--	--	(4
Unrealized holding gains.....	--	--	--	--	8,523	
Foreign Currency translation adjustment.....	--	--	--	--	80	
Total Comprehensive Loss.....	--	--	--	--	--	
Balance, September 30, 1999.....	33,300,020	333	155,423	--	10,279	(5
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	--	--	

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Dividends and accretion on preferred stock.....	--	--	(5,768)	--	--	
Comprehensive Income (Loss):						
Net loss.....	--	--	--	--	--	(12)
Unrealized holding losses.....	--	--	--	--	(5,763)	
Foreign Currency translation adjustment.....	--	--	--	--	(2,732)	
Total Comprehensive Loss.....	--	--	--	--	--	
Balance, September 30, 2000.....	37,307,315	373	165,890	--	1,784	(18)
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	(8,999)	--	
Amortization of deferred compensation.....	--	--	--	1,638	--	
Cancellation of restricted stock.....	(90,000)	(1)	(263)	264	--	
Dividends and accretion on preferred stock.....	--	--	(7,104)	--	--	
Comprehensive Income (Loss):						
Net loss.....	--	--	--	--	--	(21)
Unrealized holding losses.....	--	--	--	--	(5,539)	
Foreign Currency translation adjustment.....	--	--	--	--	1,052	
Total Comprehensive Loss.....	--	--	--	--	--	
Balance, September 30, 2001.....	41,920,229	\$419	\$171,176	\$ (7,097)	\$ (2,703)	\$ (39)
	=====	=====	=====	=====	=====	=====

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

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GLOBIX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Cash flows from operating activities	
Net loss.....	\$
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization.....	
Provision for uncollectible receivables.....	
Cumulative effect of a change in accounting principle.....	
Restructuring charges.....	
Amortization of debt discount and issuance costs.....	
Amortization of deferred compensation.....	
Extraordinary loss on early extinguishment of debt.....	
Gain on sale of short term investments.....	
Gain on sale of marketable securities.....	

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Loss on impairment of investment.....	
Loss on impairment of operating assets.....	
Changes in operating assets and liabilities:	
Accounts receivable.....	
Inventories.....	
Prepaid expenses and other current assets.....	
Other assets.....	
Accounts payable.....	
Accrued liabilities.....	
Accrued interest.....	
Other.....	
Net cash used in operating activities.....	
Cash flows from investing activities	
Proceeds from sale of short term investments.....	
Use of restricted cash and investments.....	
Investment in restricted cash and investments.....	
Proceeds from sale of marketable securities.....	
Investment in strategic investments.....	
Purchases of property, plant and equipment.....	
Purchase of Comstar.net, Inc., net of cash acquired.....	
Net cash used in investing activities.....	
Cash flows from financing activities	
Repayments of mortgage payable and capital lease obligations.....	
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.....	
Proceeds from issuance of preferred stock, net.....	
Proceeds from issuance of common stock, net.....	
Repayment of 13% Senior Notes.....	
Payments of dividends on preferred stock.....	
Shareholder loan repayment.....	
Proceeds from mortgage payable, net.....	
Net cash provided by financing activities.....	
Effects of exchange rate changes on cash and cash equivalents.....	
Net (decrease) increase in cash and cash equivalents.....	
Cash and cash equivalents, beginning of year.....	
Cash and cash equivalents, ending of year.....	
Supplemental disclosure of cash flow information	
Cash paid for interest.....	\$
Cash paid for income taxes.....	\$
Non-cash investing and financing activities:	
Equipment acquired under capital lease obligations.....	\$
Capital expenditures included in accounts payable, accrued liabilities and other long term liabilities.....	\$
Cumulative dividends and accretion on preferred stock.....	\$

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

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Basis of Presentation and Management's Plan

The Company has incurred net losses and net operating cash deficiencies and has a significant stockholders' deficiency. With regards to these matters, the Company is currently exploring debt restructuring alternatives. However, there can be no assurance that the Company will be successful in executing a viable restructuring alternative. These factors raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

On December 27, 2001, Globix announced that it is in discussions with an informal committee of bondholders representing approximately 48% of the Company's outstanding \$600 million issuance of 12.5% Senior Notes. The discussions concern a financial reorganization of the Company through a pre-packaged bankruptcy proceeding that would be aimed at significantly reducing the Company's debt burden. The Company is in similar discussions with its preferred stockholders. While there can be no assurance that these discussions will lead to an agreement, it is likely that any such agreement would result in the bondholders and preferred stockholders owning nearly all of the equity in the reorganized company, resulting in a near total dilution of the existing common stockholders' interest in the Company.

2. Organization and Significant Accounting Policies

Organization and Nature of Operations

Globix Corporation and Subsidiaries ("Globix" or the "Company") is a leading full-service provider of sophisticated Internet solutions to businesses. The Company's solutions include secure and fault-tolerant Internet data centers, high performance network connectivity to the Internet and complex Internet-based application services. These three major elements of the total Internet solution combine to provide customers with the ability to create, operate and scale their increasingly complex Internet operations in a cost efficient manner. Customers of Globix primarily use these services to maintain complex computer equipment in a secure fault-tolerant environment with connectivity to a high-speed, high-capacity, direct link to the Internet and support complex Internet applications. The Company currently offers its services from facilities in New York City, Santa Clara, California, Atlanta, Georgia and London, England.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (All Dollars in Thousands, Except Share and Per Share Data)

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).

Monthly service revenue related to managed hosting and Internet access is recognized over the period services are provided. Revenue derived from application services is recognized as the project progresses. Projects are generally completed within less than one year. Payments received in advance of providing services are deferred until the period such services are provided.

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 "Revenue Recognition in Financial Statements" ("SAB No. 101"). SAB No. 101 expresses the view of the SEC Staff in applying 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 life of the underlying service contracts, which range from twelve to thirty six months. Prior to the 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 \$2.3 million or \$0.06 per share, which was reflected in the accompanying consolidated statements of operations. The adoption of SAB No. 101 decreased the net loss \$547 for the year ended September 30, 2001. The effect of the adoption of SAB No. 101 for the years ended September 30, 2000 and 1999 was not material.

Cost of Revenue

Cost of revenue consists primarily of telecommunications costs for Internet access and managed hosting customers. Telecommunications costs include the cost of providing local loop costs for connecting dedicated access customers to the Globix network, leased line and associated costs related to connecting with our peering partners, and costs associated with leased lines connecting our facilities to our backbone and aggregation points of presence.

Cash and Cash Equivalents

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

Investments

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, 2001 marketable securities have a cost basis of approximately \$2.7 million.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation or amortization computed on the straight-line method. Buildings

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and building improvements are depreciated over their estimated useful life of up to forty years. Computer hardware and software, network equipment and furniture and equipment are depreciated over their estimated useful lives, ranging from three to seven years. Leasehold improvements are amortized over the term of the lease or life of the asset, whichever is shorter.

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (All Dollars in Thousands, Except Share and Per Share Data)

Intangible Assets and Unaudited Proforma Results of Operations

On August 30, 2000, the Company acquired all the outstanding shares of Comstar.net, Inc., a Georgia Corporation, for a purchase price of approximately \$6.9 million (including transaction costs) in stock and cash. In connection with the acquisition, the Company assumed liabilities of approximately \$3.4 million and acquired assets of approximately \$9.8 million. The acquisition was recorded under the purchase method of accounting. Results of operations for the acquired business have been included in the consolidated statements of operations beginning August 31, 2000. The acquisition resulted in identifiable intangible assets (customer list) totaling approximately \$6.8 million. These intangible assets are amortized over a three-year period using the straight line method.

The following unaudited pro forma consolidated statements of operations data for the twelve months ended September 30, 2000 and 1999, gives effect to the acquisition of Comstar.net, Inc. as if this acquisition had occurred on October 1, 1998:

	Twelve months ended September 30,	
	----- 2000	1999 -----
Revenue.....	\$ 85,600	\$ 36,783
Net Loss.....	\$ (135,082)	\$ (50,687)
Net loss attributable to common stockholders.....	\$ (140,850)	\$ (50,687)
Basic and diluted, loss per share attributable to common stockholders.....	\$ (3.97)	\$ (2.02)

The above-unaudited pro forma consolidated result of operations data gives effect to purchase accounting adjustments. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what operating results would have been had the acquisition actually taken place on October 1, 1998, and may not be indicative of future operating results.

The following table reconciles the net cash acquired in this acquisition:

Fair value of net assets acquired \$ 9,833
Liabilities assumed..... (3,441)

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Common stock issued.....	(6,182)

Net cash paid for acquisition....	210
Cash acquired in acquisition.....	(396)

Net cash acquired in acquisition. \$	(186)
	=====

Long-Lived Assets

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. Measurement of any impairment would include a comparison of estimated future operating cash flows anticipated to be generated during the remaining life of the asset to the net carrying value of the asset.

Deferred Issuance Costs

Costs incurred to obtain financing through the issuance of long term debt have been reflected as an asset in the accompanying consolidated balance sheets. Costs incurred to obtain financing through the issuance of preferred stock have been reflected as a reduction in the carrying value of the issued preferred stock. These costs

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (All Dollars in Thousands, Except Share and Per Share Data)

are amortized over the term of the related financing. In 2000, certain debt was redeemed at which time the remaining balance of unamortized discount and issuance costs were written off and included in extraordinary loss on early extinguishment of debt (See note 5).

Foreign Currency Translation

The financial statements of the Company's foreign subsidiaries have been translated in accordance with Statement of Financial Accounting Standard No. 52, "Foreign Currency Translation". The 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.

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 such assets will not be realized.

Stock-Based Compensation

As permitted by Financial Accounting Standards Board Statement No. 123, "Accounting or Stock-Based Compensation" ("SFAS No. 123"), which establishes a

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fair value based method of accounting for stock-based compensation plans, the Company has elected to follow Accounting Principal 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 applies the intrinsic value method of accounting and therefore does not recognize compensation expense for options granted, because options are only granted at a price equal to market 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. See Note 9 for the additional disclosures required under SFAS No. 123.

Loss per Share

Basic loss per share is calculated by dividing net loss attributable to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted loss per share is calculated by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for potentially dilutive securities. Diluted loss per share has not been presented since the inclusion of outstanding convertible preferred stock, stock options and warrants would be antidilutive. The following table summarizes the equivalent number of common shares assuming the related securities that were outstanding as of September 30, 2001 and 2000 had been converted, but not included in the calculation of diluted loss per share because such shares are antidilutive:

	September 30,	
	2001	2000
Convertible preferred stock	8,617,300	8,000,000
Stock Options.....	10,392,800	10,298,100
Warrants.....	194,800	194,800
	-----	-----
	19,204,900	18,492,900
	=====	=====

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (All Dollars in Thousands, Except Share and Per Share Data)

The following is a reconciliation of net loss attributable to common stockholders for the years ended September 30, 2001, 2000 and 1999:

	2001	2000	1999
	-----	-----	-----
Numerator:			
Loss before extraordinary loss and cumulative effect of change in accounting principle.....	\$ (210,711)	\$ (108,870)	\$ (108,870)

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Dividend and accretion on preferred stock.....	(7,104)	(5,768)	
	=====	=====	=====
Net loss attributable to common stockholders before extraordinary loss and cumulative effect of a change in accounting principle.	(217,815)	(114,638)	(
Extraordinary loss on early extinguishment of debt.....	--	(17,577)	
Cumulative effect of a change in accounting principle.....	(2,332)	--	
	-----	-----	-----
Net loss attributable to common stockholders.....	\$ (220,147)	\$ (132,215)	\$ (
	=====	=====	=====
Denominator:			
Weighted average shares outstanding--basic and diluted.....	38,476,909	35,484,040	25,1
	=====	=====	=====

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 customers comprising the Company's customer base. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential losses.

Fair Value of Financial Instruments

For cash and cash equivalents, restricted cash and investments, marketable securities and accounts receivable, the carrying amount approximates fair value.

Reclassifications

Certain prior year information has been reclassified to conform with fiscal 2001 presentation.

Recent Technical Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 will be effective for financial statements of fiscal years beginning after December 15, 2001. Globix expects the adoption of SFAS No. 144 will not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2001, the FASB issued SFAS Nos. 141 and 142 entitled, "Business Combinations" and "Goodwill and Other Intangible Assets", respectively, SFAS No. 141, among other things, eliminates the pooling of interests method of accounting for business acquisitions entered into after June 30, 2001. SFAS No. 142 requires

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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

companies to use a fair-value approach to determine whether there is an impairment of existing and future goodwill. SFAS No. 142 is effective beginning October 1, 2002. Globix expects the adoption of SFAS Nos. 141 and 142 will not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

3. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	September 30,	
	2001	2000
Land.....	\$ 1,997	\$ 1,997
Building and building improvements.....	108,216	55,416
Leasehold improvements.....	145,617	30,927
Computer hardware and software and network equipment	134,767	67,552
Furniture and equipment.....	9,693	7,198
	-----	-----
	400,290	163,090
Less: Accumulated depreciation and amortization.....	(54,499)	(25,731)
Add: Construction in progress.....	10,358	111,065
	-----	-----
Property, plant and equipment, net.....	\$356,149	\$248,424
	=====	=====

Certain computer and network equipment are recorded under capital leases that aggregated approximately \$23.5 million and \$6.0 million as of September 30, 2001 and 2000, respectively. Accumulated amortization on the assets recorded under capital leases aggregated approximately \$6.6 million and \$3.2 million as of September 30, 2001 and 2000, respectively.

Costs incurred prior to completion of construction of Internet data centers and network infrastructure upgrades are reflected as construction in progress in the accompanying consolidated balance sheets and will be recorded as property, plant and equipment at the date each Internet data center or network segment becomes operational. Construction in progress includes direct expenditures for construction of the Internet data center facilities and related network equipment and network upgrade projects and is stated at cost. Capitalized costs include costs incurred under the construction contract, advisory, consulting and legal fees as well as, labor and interest incurred during the construction phase. Capitalized interest is included in property, plant and equipment under the provisions of SFAS No. 34 totaling approximately \$12.4 million, \$2.2 million and \$3.8 million at September 30, 2001, 2000 and 1999, respectively. During the year ended September 30, 2001 certain projects including two new Internet data centers, expansion projects at several existing facilities and network infrastructure upgrades became operational. Accordingly, such assets were placed into service and recorded as a component of the respective depreciable asset category.

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 Centre Street property

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is entitled to additional consideration if Globix sells the property. Such amount will be equal to the greater of (a) \$1.0 million (subject to increase after June 1, 2018 by ten percent and an additional ten percent every fifth year thereafter), or (b) ten percent of the gross sales price of the property if such sales price is greater than \$17.5 million.

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (All Dollars in Thousands, Except Share and Per Share Data)

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 has 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 approximately \$14.1 million capital contribution to the LLC. As of September 30, 2001, approximately \$5.4 million of such capital contribution has been received by the LLC. The Company has consolidated the financial statements of the LLC at September 30, 2001 and for the period from inception to September 30, 2001, resulting in a minority interest in subsidiary in the accompanying consolidated balance sheet. The LLC's results of operations for the period ending September 30, 2001 were not material.

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 or December 31, 2002, whichever is earlier (the "Certification Date") the Investor may require the Company to purchase its interest in the LLC for an amount equal to 25% of the Investor's capital contribution in the LLC. If the Investor does not exercised 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, taxes payable by the Investor upon the sale of its investment.

Upon certain events including the sale of the Property at any time after 2007, (to the extent the above mentioned put/call options have not been exercised), the Company is obligated to pay the Investor 30% of any proceeds received in excess of cost. Upon 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 Investors capital contributions up to the termination date and the Investors actual return up to the termination date.

4. Accrued Liabilities

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Accrued liabilities consist of the following:

	September 30,	
	2001	2000
Restructuring reserves....	\$ 9,191	--
Deferred revenue.....	2,692	601
Accrued construction costs	6,490	3,172
Other.....	11,768	9,896
	\$30,141	\$13,669
	=====	=====

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (All Dollars in Thousands, Except Share and Per Share Data)

During the quarter ended December 31, 2000 the Company modified its Internet data center expansion plan to delay, scale back and eliminate certain facilities. During November 2000, management's plan to terminate 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 were completed and approved by the Board of Directors. When initiated, the restructuring plan was expected to take approximately one year to complete. The Company recorded a \$38.1 million charge associated with this restructuring plan in the fiscal quarter ending December 31, 2000. Approximately \$15.7 million 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.

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 (approximately 106 employees), lease obligations and write-off of certain equipment, leasehold improvements and intangible assets and other costs. In connection with this modification, additional non-recurring restructuring charges of \$18.0 million were recorded, of which \$10.0 million was a write-off of equipment, leasehold improvements and intangible assets and \$1.2 million associated with employee terminations.

As of September 30, 2001, restructuring charges totaling \$46.9 million were charged against the established restructuring reserves, resulting in a remaining reserve balance of \$9.2 million. The following table displays the activity and balances of the restructuring reserve account from inception to September 30, 2001:

Restructuring Charge Activity	Amount
-----	-----

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Initial charge--November 2000 (balance)	\$ 38,109
Additions.....	--
Deductions.....	(27,667)

Balance, December 31, 2000.....	10,442
Additions.....	--
Deductions.....	(2,662)

Balance, March 31, 2001.....	7,780
Additions.....	--
Deductions.....	(1,610)

Balance, June 30, 2001.....	16,170
Additions.....	18,000
Deductions.....	(14,979)

Balance, September 30, 2001.....	\$ 9,191
	=====

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

5. Senior Notes

In April 1998, the Company completed a \$160.0 million debt financing (the "13% Senior Notes") 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. The 13% Senior Notes were to mature on May 1, 2005. Interest on the 13% Senior notes accrued at a rate of 13% per annum and was payable semi-annually in arrears on May 1 and November 1 of each year,

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (All Dollars in Thousands, Except Share and Per Share Data)

commencing November 1, 1998. Globix deposited \$57.0 million with an escrow agent at closing, which amount, with interest, was sufficient to pay, when due, the first six interest payments under the 13% Senior Notes. The 13% Senior Notes were collateralized by a first priority security interest in the escrow account. The 13% Senior Notes were unsecured obligations of the Company and ranked pari passu in right of payment with all existing and unsecured and unsubordinated indebtedness and rank senior in right of payment to any future subordinated indebtedness. In connection with the warrants issued with the 13% Senior Notes, the Company had assigned an original issue discount of approximately \$2.3 million.

On January 28, 2000, the Company announced that it had entered into an agreement to sell \$600.0 million 12.5% senior notes (the "12.5% Senior Notes") due 2010 in a private placement to a group of initial purchasers and in March 2000 completed a tender offer to purchase all of the outstanding 13% Senior Notes, \$160.0 million in principal amount. The purchase price in the tender offer was 106.5% of the principal amount, plus accrued and unpaid interest. On February 8, 2000 the Company closed on its offering for the \$600.0 million

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12.5% Senior Notes due 2010, resulting in net proceeds of approximately \$580.0 million, after underwriting fees and offering expenses. The tender offer and related redemption of the outstanding 13% Senior Notes also resulted in a one time charge of \$17,577 or \$0.50 per share which has been recorded as an extraordinary item in the statement of operations. As a result of the redemption of the 13% Senior Notes all restrictions related to the escrow deposit were released and such funds are no longer restricted as to use.

The 12.5% Senior Notes mature on February 1, 2010. Interest on the 12.5% Senior Notes is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2000. The 12.5% Senior Notes are unsecured obligations of the Company and rank pari passu in right of payment with all existing and future unsecured and unsubordinated indebtedness and rank senior in right of payment to any future subordinated indebtedness. In connection with the offering the Company incurred costs of approximately \$20.0 million that are being amortized over ten years using the effective interest method. See footnote No. 1 for further discussion and impact of management's plan on Senior Notes.

6. Mortgage Payable

On January 25, 2000, the Company borrowed \$21.0 million 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.

7. Redeemable Convertible Preferred Stock

During November 1999 the Company designated 250,000 shares of its authorized Preferred Stock, \$0.01 par value, as a Series A. At September 30, 2001, there were 86,173 Series A Preferred Shares outstanding and 163,827 Series A Preferred Shares reserved for issuance. On April 4, 2000 the shareholders of the Company voted to amend the Company's certificate of incorporation to increase the Company's authorized preferred stock to 5,000,000 shares.

On December 3, 1999, the Company issued \$80.0 million (80,000 shares) in Series A Convertible Preferred Stock (the "Series A Preferred Stock") to affiliates of Hicks, Muse, Tate & Furst Incorporated ("Hicks Muse") to expand the build-out of its Internet data centers and other facilities. The Series A Preferred Stock is convertible into common stock at \$10.00 per share at any time and may not be called for redemption by the Company for five years. Under the agreement, the Series A Preferred Stock is subject to mandatory redemption in 2014 and

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (All Dollars in Thousands, Except Share and Per Share Data)

yields an annual dividend of 7.5% payable quarterly in cash or additional Series A Preferred Stock, at the option of the Company. The holders of the Series A Preferred Stock have a liquidation preference of \$1,000 per share and are entitled to cumulative dividends.

The Series A Preferred Stock is recorded in the accompanying consolidated

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balance sheet outside the stockholders equity section due to its mandatory redemption feature. The Company incurred approximately \$4,750 of issuance costs in connection with the Series A Preferred Stock transaction. Such costs have been recorded as a reduction of the carrying amount of the Series A Preferred Stock and are being accreted through a charge to additional paid in capital over the five-year period to the earliest redemption date.

During the year ended September 30, 2001, the Company's Board of Directors decreased payment of in kind dividends aggregating 6,173 Series A Preferred Stock valued at \$6,173.

8. Stockholders' Equity

Restricted Stock Grant

In December 2000, Globix granted approximately 3.1 million shares of restricted stock to certain employees and directors. The restricted stock awards vest 25% per year over a four-year period on the anniversary date of the grant. In connection with this restricted stock grant the Company has recorded a deferred compensation charge of \$8,999 in stockholders equity. This deferred compensation will be recorded as compensation expense over the four-year vesting period. Compensation expense recorded in the year ended September 30, 2001 was \$1,638.

Stock Splits

On December 10, 1999 the Company announced a two-for-one stock split of its outstanding shares of common stock, which was paid 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, payable 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.

Secondary Public Offering

In March 1999, the Company completed a public offering of 16,000,000 shares of the Company's common stock. The Company received proceeds, net of expenses, from the public offering of approximately \$136.6 million. In addition, the Company received proceeds of \$0.9 million resulting from the exercise of 80,790 warrants to purchase 323,160 shares of common stock.

9. Employee Benefits Plan

Stock Option Plans

In April 2001, the Company's stockholders approved, the 2001 Stock Option Plan (the "2001 Option Plan"), which provides 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 Board's discretion. Under the 2001 Option Plan, these

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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

options may not be exercised after ten years from the date of grant. Options issued to employees are 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 provides for the grant of stock options to purchase up to 1,675,000 shares of common stock to any employee, non-employee director, or consultant at the Board's discretion. Under the 2000 Option Plan, these options may not be exercised after ten years from the date of grant. Options issued to employees are 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 provides for the grant of stock options to purchase up to 6,000,000 shares of common stock to any employee, non-employee director, or consultant at the Board's discretion. Under the 1999 Option Plan, these options may not be exercised after ten years from the date of grant. Options issued to employees are 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 provides for the grant of stock options to purchase up to 4,800,000 shares of common stock to any employee, non-employee director, or consultant at the Board's discretion. Under the 1998 Option Plan, these options may not be exercised after ten years from the date of grant. Options issued to employees are exercisable ratably over a five-year period.

Under the 2001, 2000, 1999 and 1998 Option Plans, options are 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 shall be exercisable in full twelve months after the date of grant unless determined otherwise by the compensation committee.

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 are determined by the stock option committee and range from five to ten years from the date of the grant. Options issued to directors are immediately exercisable and options issued to employees are exercisable ratably over a three-year period.

There were 6,289,812 options available for future grant at September 30, 2001.

Fair Value of Stock Options

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

	2001	2000	1999
	-----	-----	----
Expected life (in years)	6.0	6.0	6.0
Risk-free interest rate.	5.0%	6.3%	5.4%
Volatility.....	133.0%	122.0%	94.0%
Dividend yield.....	0.0%	0.0%	0.0%

Utilizing these assumptions, the weighted average fair value of options

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granted is \$2.83, \$20.80 and \$6.49 for the years ended September 30, 2001, 2000 and 1999, respectively.

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (All Dollars in Thousands, Except Share and Per Share Data)

Under the above model, the total value of stock options granted would be amortized on a pro forma basis over the option-vesting period. Had the Company determined compensation expense for these stock options under the fair value method of SFAS No. 123, the Company's net loss attributable to common stockholders and net loss per share attributable to common stockholders would have been increased to the following pro forma amounts:

	Year ended September 30,		
	2001	2000	1999
Pro forma net loss attributable to common stockholders.....	\$ (228,599)	\$ (139,340)	\$ (76,305)
Pro forma basic and diluted, net loss per share attributable to common stockholders.....	\$ (5.94)	\$ (3.93)	\$ (3.04)

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. 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.

Summary Stock Option Activity

The following table summarizes stock option information with respect to all stock options for the three years ended September 30, 2001:

Number of Shares	Weighted Average Exercise Price
-----	-----

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Options outstanding, October 1, 1998...	3,680,752	\$ 1.60
Granted.....	7,839,844	8.21
Canceled.....	(532,344)	3.58
Exercised.....	(264,272)	1.52

Options outstanding, September 30, 1999	10,723,980	6.33
Granted.....	1,864,150	23.30
Canceled.....	(834,403)	12.54
Exercised.....	(1,454,635)	1.79

Options outstanding, September 30, 2000	10,298,692	9.54
Granted.....	2,784,160	3.10
Canceled.....	(1,130,647)	12.78
Exercised.....	(1,559,424)	1.61

Options outstanding, September 30, 2001	10,392,781	\$ 8.67
=====		

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (All Dollars in Thousands, Except Share and Per Share Data)

The following table summarizes information about the outstanding and exercisable options at September 30, 2001:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercisable Price	Number of Options Outstanding	Weighted Average Exercisable Price
\$ 0.42 - \$ 1.50	916,249	7.24	\$ 1.21	300,549	\$ 1.29
\$ 1.51 - \$ 2.63	340,672	6.09	\$ 1.74	200,872	\$ 1.67
\$ 2.64 - \$ 9.24	2,628,810	8.78	\$ 3.62	230,560	\$ 6.05
\$ 9.25 - \$ 9.25	4,096,580	7.49	\$ 9.25	4,096,580	\$ 9.25
\$ 9.26 - \$12.02	1,682,170	7.87	\$11.69	793,150	\$11.66
\$12.03 - \$58.19	728,300	8.53	\$29.12	217,820	\$29.14
	-----	----	-----	-----	-----
	10,392,781	7.96	\$ 8.67	5,839,531	\$ 9.52
	=====	=====	=====	=====	=====

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 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 makes discretionary contributions for all eligible employees who contribute to the Plan in an amount not to exceed 50% of each participant's first 4% of compensation contributed as elective deferrals for the Plan year.

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The Company contributed approximately \$0.39 million and \$0.27 million to the Plan during the years ended September 30, 2001 and 2000, respectively.

10. Capital Lease Obligations

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

Year Ending September 30 -----	Amount -----
2002.....	\$ 7,805
2003.....	6,804
2004.....	3,470
2005.....	802
2006.....	306
Less: Amount representing interest.....	(2,430)

Present value of net minimum lease payments	\$16,757
	=====

11. Commitments and Contingencies

Leases

The Company has minimum monthly usage/maintenance levels with certain of its telecommunications carriers expiring in various years through 2010. 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 year ended September 30, 2001, 2000 and 1999 was \$7.1 million, \$4.1 million and \$1.3 million, respectively.

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (All Dollars in Thousands, Except Share and Per Share Data)

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

Year Ending September 30	Telecom.	Leases
-----	-----	-----
2002.....	\$12,819	\$ 7,733
2003.....	6,880	11,839
2004.....	5,664	14,008
2005.....	4,368	13,837
2006.....	2,622	13,967
Thereafter.	3,940	188,223
	-----	-----
Total.....	\$36,293	\$249,607

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=====

Equipment and Services

In connection with the construction of the Company's Internet data centers the Company is contractually committed as of September 30, 2001 to various equipment manufacturers and building contractors for equipment and construction services totaling approximately \$18.0 million.

Letters of Credit

As of September 30, 2001 the Company had collateralized letters of credit aggregating \$24.6 million. The related funds are included in restricted cash and investments on the accompanying consolidated balance sheet.

Employment and Other Contractual Agreements

Effective June 1, 1998, the Company entered into a seven year employment agreement, with an Officer and Director providing for a base salary of \$0.35 million per year, increasing annually at the rate of five percent starting October 1, 1999. In addition, the individual will receive an annual bonus equal to ten thousand times the increase, if any, of the fair market value per share of the Company's common stock measured during the twelve month period ending on June 30 of each year of the agreement, commencing with the year beginning July 1, 1998. During the years ended September 30, 2001, 2000 and 1999 the individual received bonuses of approximately, \$0, \$0.85 million and \$0.33 million, respectively under this provision of the employment agreement. The employment agreement also provides that he may require the Company to lend such officer up to a total of \$0.155 million. Any loan taken there under will mature five years after the date made and bear interest at the rate of eight percent per annum. However, the interest accruing during the first two years is not payable until the end of such two-year period. At September 30, 2001, 2000 and 1999 the individual had no outstanding borrowings under such loan arrangement. Pursuant to the terms of the employment agreement, as amended, the individual is also entitled to stock option grants to purchase shares of common stock. The term of such option is ten years from the date of grant. During the years ended September 30, 2001, 2000, 1999 and 1998 the individual was granted options to purchase shares of common stock totaling 0, 0, 4,096,580, and 691,664, respectively, under this agreement. In connection with the proposed financial restructuring discussed in footnote No. 1, the above individual and the Company have agreed in principle to a three year employment agreement that will, among other things, reduce his base salary to \$12,000 per year effective August 1, 2001 for his services as non-executive chairman.

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (All Dollars in Thousands, Except Share and Per Share Data)

In connection with employment arrangements with certain other employees the Company is also committed to minimum compensation obligations under employment arrangements expiring through 2002. Minimum payments due under these arrangements aggregate approximately \$1.0 million.

Contingencies

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From time to time, the Company is a party to litigation arising in the normal course of its business operations. In the opinion of management and counsel, it is not anticipated that the settlement or resolution of any such matters will have a material adverse impact on the Company's financial condition, results of operations or cash flows.

12. Income Taxes

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

	Year ended September 30,		
	2001	2000	1999
Deferred tax assets (liabilities):			
Tax depreciation and amortization (in excess) less than depreciation and amortization.....	\$ 1,316	\$ (209)	\$ (348)
Net operating loss carryforwards (U.S. Federal Tax).....	158,666	78,622	23,375
Allowance for doubtful accounts.....	2,395	1,631	283
Deferred Rent.....	174	149	149
Deferred compensation.....	916	641	--
Deferred Revenue.....	284	--	--
Restructuring reserve.....	3,670	--	--
Valuation allowance.....	(167,421)	(80,834)	(23,459)
	-----	-----	-----
Total net deferred tax liabilities.....	\$ --	\$ --	\$ --
	=====	=====	=====

The provision for income taxes for the years ended September 30, 2001, 2000, and 1999 differs from the amount computed by applying the federal statutory rate due to the following:

	Year ended September 30,		
	2001	2000	1999
	----	----	----
Statutory federal income tax rate.....	(34)%	(34)%	(34)%
State and local taxes, net of federal benefit	(11)%	(11)%	(11)%
Valuation allowance.....	45 %	45 %	45 %
	---	---	---
Effective income tax rate.....	-- %	-- %	-- %
	===	===	===

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 \$350 million at September 30, 2001. These income tax loss carryforwards expire between 2011 and 2021. Pursuant to Section 382 of the Internal Revenue Code, the usage of these net operating loss carryforwards may be limited due to changes in ownership that have occurred. The Company has not yet determined the impact, if any, that changes in ownership have had

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (All Dollars in Thousands, Except Share and Per Share Data)

on net operating loss carryforwards. As of September 30, 2001, the Company also has net operating loss carryforwards of approximately \$31 million from its United Kingdom Subsidiaries, which do not expire under U.K. tax rules. For financial reporting purposes, income tax benefits through September 30, 2001 related to both U.S. Federal and foreign income tax losses 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.

13. Segment Information

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.

The following table sets forth geographic segment information for the years ended September 30, 2001, 2000 and 1999:

	Year ended September 30,		
	2001	2000	1999
Revenue:			
United States..	\$ 82,020	\$ 73,697	\$ 33,674
Europe.....	22,190	7,590	143
Consolidated...	\$ 104,210	\$ 81,287	\$ 33,817
	=====	=====	=====
Operating loss:			
United States..	\$ (142,713)	\$ (64,477)	\$ (27,590)
Europe.....	(14,773)	(13,090)	(3,601)
Consolidated...	(157,486)	\$ (77,567)	\$ (31,191)
	=====	=====	=====
Tangible assets:			
United States..	\$ 436,262	\$ 692,075	276,896
Europe.....	89,953	10,649	20,039

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	-----	-----	-----
Consolidated...	\$ 526,215	\$702,724	\$296,935
	=====	=====	=====

14. Related Party Transactions

The Company utilizes an entity controlled by a Director of the Company, as its agent to place the Company's advertisements in various print publications. Amounts paid to this entity for the years ended September 30, 2001, 2000 and 1999 were \$0, \$0.1 million and \$1.5 million, respectively. A substantial portion of these amounts constitutes the pass-through of amounts payable to the publishing companies for the Company's advertisements.

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
(All Dollars in Thousands, Except Share and Per Share Data)

15. Selected Quarterly Financial Data (Unaudited)

	Three Months Ended December 31,	
	2000	1999
Revenue.....	\$ 26,237	\$ 16,145
Loss from operations.....	(60,951)	(16,963)
Loss before cumulative effect of a change in accounting principle	(70,92)	(20,811)
Cumulative effect of a change in accounting principle.....	(2,332)	--
Net loss.....	(73,284)	(20,811)
Dividends and accretion on preferred stock.....	(1,735)	(531)
Net loss attributable to common stockholders.....	\$ (75,019)	\$ 21,342
Basic and diluted net loss per share attributable to common stockholders before cumulative effect of a change in accounting principle.....	\$ (1.95)	\$ (0.64)
Cumulative effect of a change in accounting principle.....	(0.06)	--
Basic and diluted net loss per share attributable to common stockholders.....	\$ (2.01)	\$ (0.64)
Weighted average common shares outstanding--basic and diluted.....	37,328,496	33,557,678

Three Months Ended
March 31,

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	2001	2000
Revenue.....	\$ 26,782	\$ 17,913
Loss from operations.....	(19,957)	(19,984)
Loss before extraordinary loss.....	(31,966)	(29,548)
Extraordinary loss on early extinguishment of debt.....	--	(17,577)
Net loss.....	(31,966)	(47,125)
Dividends and accretion on preferred stock.....	(1,761)	(1,762)
Net loss attributable to common stockholders.....	\$ (33,727)	\$ (48,887)
Basic and diluted net loss per share attributable to common stockholders before extraordinary loss.....	\$ (0.87)	\$ (0.90)
Extraordinary loss per share.....	--	(0.51)
Basic and diluted net loss per share attributable to common stockholders.....	\$ (0.87)	\$ (1.41)
Weighted average common shares outstanding--basic and diluted.....	38,709,658	34,617,361

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GLOBIX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
(All Dollars in Thousands, Except Share and Per Share Data)

	Three Months Ended June 30,	
	2001	2000
Revenue.....	\$ 26,239	\$ 21,376
Loss from operations.....	(24,055)	(19,773)
Net loss.....	(36,000)	(30,112)
Dividends and accretion on preferred stock.....	(1,790)	(1,738)
Net loss attributable to common stockholders.....	\$ (37,790)	\$ (31,850)
Basic and diluted net loss per share attributable to common stockholders.....	\$ (0.97)	\$ (0.87)
Weighted average common shares outstanding--basic and diluted.....	38,933,135	36,672,360

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	Three Months Ended September 30,	
	2001	2000
Revenue.....	\$ 24,952	\$ 25,853
Loss from operations.....	(52,773)	(20,847)
Net loss.....	(71,793)	(28,398)
Dividends and accretion on preferred stock.....	(1,818)	(1,738)
Net loss attributable to common stockholders.....	\$ (73,611)	\$ (30,136)
Basic and diluted net loss per share attributable to common stockholders.....	\$ (1.89)	\$ (0.81)
Weighted average common shares outstanding--basic and diluted.....	38,946,043	37,085,711

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EXHIBIT INDEX

Exhibit

Number	Description
-----	-----

- | | |
|-------|---|
| 3.1 | Certificate of Incorporation of Globix, as amended.(7) |
| 3.2 | By-laws of Globix, as amended.(14) |
| 4.1 | Specimen Stock Certificate.(2) |
| 4.2 | Form of Warrant to purchase Common Stock expiring May 1, 2005.(3) |
| 4.3 | Specimen Series A 7.5% Convertible Preferred Stock Certificate.(11) |
| 4.4 | Certificate of Designations, Preferences and Rights of Series A 7.5% Convertible Preferred Stock Certificate.(11) |
| 4.5 | Indenture between Globix and HSBC Bank USA, as Trustee, dated as of February 8, 2000.(12) |
| 4.6 | Form of 12.5% Senior Note due February 1, 2020.(12) |
| 10.1 | Warrant Registration Rights Agreement between Globix and ING Baring, (U.S.) Securities, dated April 30, 1998.(3) |
| 10.2 | 1995 Stock Option Plan, adopted September 29, 1995.(1) |
| 10.3 | 1998 Stock Option Plan, adopted April 16, 1998.(4) |
| 10.4 | Employment Agreement between Marc H. Bell and Globix, dated as of April 10, 1998.(6) |
| 10.5+ | Purchase Agreement between Young Woo and Globix dated as of June 2, 1998.(5) |

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- 10.6 Amendment to Marc H. Bell Employment Agreement, dated as of March 2, 1999.(7)
- 10.7 Stock Option Agreement between Globix and Marc H. Bell, dated as of March 26, 1999.(7)
- 10.8 1999 Stock Option Plan, adopted April 23, 1999.(8)
- 10.9 Employment Agreement between Robert B. Bell and Globix, dated as of July 21, 1999.(9)
- 10.10 Purchase Agreement between Globix and HMTF-IV Acquisition Corp. dated as of November 5, 1999.(10)
- 10.11 Registration Rights Agreement for 12.5% Senior Notes, dated as of February 8, 2000.(12)
- 10.12 Trust Agreement between Globix and Arnold N. Bressler, as Trustee, dated as of July 21, 1999.(13)
- 10.13 2000 Stock Option Plan, adopted April 4, 2000.(13)
- 10.14 2001 Stock Option Plan, adopted April 26, 2001.(15)
- 10.15 2001 Restricted Stock Plan, adopted April 26, 2001.(15)
- 10.16 Amendment No. 2 to Marc H. Bell Employment Agreement, dated as of March 21, 2001.(16)
- 10.17 Employment Agreement between Peter L. Herzig and Globix dated as of October 2, 2001.*
- 10.18 Employment Agreement between Marc Jaffe and Globix dated as of October 2, 2001.*
- 21 List of Subsidiaries.*
- 23 Consent of Arthur Andersen LLP.*

* Filed herewith.

+ Confidential treatment granted for certain portions of this Exhibit pursuant to Rule 406 promulgated under the Securities Act.

(1) Incorporated by reference to Globix's Registration Statement on Form SB-2 (File No. 33-98978) filed November 3, 1995.

(2) Incorporated by reference to Amendment No. 2 to Globix's Registration Statement filed January 23, 1996, declared effective January 24, 1996.

(3) Incorporated by reference to Globix's Report on Form 8-K filed May 11, 1998.

(4) Incorporated by reference to Globix's Proxy Statement on Schedule 14A filed on March 16, 1998.

(5) Incorporated by reference to Globix's Report on Form 8-K/A filed September 18, 1998.

(6) Incorporated by reference to Globix's Annual Report on Form 10-KSB filed December 29, 1998.

(7) Incorporated by reference to Globix's Quarterly Report on Form 10-Q filed May 15, 2000.

(8) Incorporated by reference to Globix's Proxy Statement on Schedule 14A filed on March 24, 1999.

(9) Incorporated by reference to Globix's Quarterly Report on Form 10-Q filed August 16, 1999.

(10) Incorporated by reference to Globix's Report on Form 8-K filed November 29, 1999.

(11) Incorporated by reference to Globix's Annual Report on Form 10-K filed December 29, 1999.

(12) Incorporated by reference to Globix's Report on Form 8-K filed February 14, 2000.

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- (13) Incorporated by reference to Globix's Proxy Statement on Schedule 14 filed March 8, 2000.
- (14) Incorporated by reference to Globix's Annual Report on Form 10-K filed December 29, 2000.
- (15) Incorporated by reference to Globix's Proxy Statement on Schedule 14 filed March 23, 2001.
- (16) Incorporated by reference to Globix's Quarterly Report on Form 10-Q filed May 14, 2001.