



This 3DAdvisors Report Covers:

- ✓ **Insider Trading:** Insider Trading Behavior
- ✓ **Accounting:** Quality of Earnings Issues
- ✓ **Governance:** Corporate Governance Issues

CEO Tells Upbeat Story, But Sells Stock With Others Time Warner Telecom Inc. (NASDAQ:TWTC)

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Business Description

Time Warner Telecom, Inc. provides managed voice and data networking solutions in the United States. It offers dedicated transport services, which include voice, data, image, and video transmission using fiber optics technology, which include pop-to-pop special access, inter-exchange carrier (IXC) special access, private line, metropolitan and regional connectivity, and transport arrangements. The Company's customers include companies in the health care, finance, higher education, manufacturing and hospitality, long distance carriers, incumbent local exchange carriers, competitive local exchange carriers, wireless communications companies, and Internet service providers, as well as state, local, and federal government entities. As of December 31, 2005, the Company covered approximately 20,604 route miles of fiber networks. The Company was founded in 1993 and is headquartered in Littleton, Colorado.

Key Statistics

Sector:	Last Close:	Market Cap:	Avg Vol (3m):
Technology	\$19.93	\$2.83B	1,586,570
Industry:	52 Wk Range:	Trailing P/E:	Shrs Out:
Telecom Services	\$9.43 – \$21.20	N/A	141.9M
F/T Employees:	FYE:	Forward P/E:	Short % of Float:
2,034	Dec-31	N/A	15.6%

Summary of 3DAdvisors Findings for TWTC

- ▶ **Insider Trading:** CEO sells off half of holdings, key lieutenants sell more
- ▶ **Accounting:** Though applauded by some, Xspedius deal has plenty of baggage
- ▶ **Accounting:** Declining pricing power as competitive pressures mount
- ▶ **Accounting:** What is left of Deferred Tax Asset may be in jeopardy
- ▶ **Accounting:** Receivables increase 22%, but the allowance drops by 32%
- ▶ **Governance:** Unusually high turnover of directors on Audit Committee
- ▶ **Accounting:** Miscellaneous noteworthy items

Discussion of 3DAdvisors Findings for TWTC

In some ways, the bull case for Time Warner Telecom is a tough one to dispute. The recent acquisition of Xspedius Communications takes TWTC farther down the “Facilities Based Provider” path which has analysts talking about the Company’s increased presence in the “last mile” fiber connection arena. This, plus TWTC’s increasing revenue contribution from enterprise customers would seem to position the Company in a sweet spot if pricing stability finally materializes in its key markets. Analysts also like to point out that the Company has finally achieved positive free cash flow, never mind the fact that it has yet to reach profitability nor is it able to predict when it will do so.

Leading the cheerleading for TWTC’s prospects is Chairman and CEO **Larissa Herda**, the Company’s former head of sales who was promoted to her current position in 1998. Her exuberance, as displayed in conference calls, reminds us of **Andrea Jung**, Chairman and CEO of Avon Products Inc. Jung’s relentless hyping of Avon’s outlook continued right up to and after the stock began rolling over in early 2005 as slowing domestic growth spread to its overseas markets, but not before she and her lieutenants sold off significant percentages of their holdings. By late October of 2005, AVP had lost over 40% of its value from the February highs. Herda’s stock sales, however, exceed anything we had seen from Avon’s buoyant CEO. More importantly, her sales this year are flanked by a herd of other key operating personnel, some of whom have sold virtually their entire holdings as the shares made impressive gains throughout 2006, spurred in part by Herda’s persistent and aggressive promotion.

The Company, with its highly leveraged balance sheet, continues to feel the pressures of heavy cash needs, which are exacerbated by the Xspedius acquisition and the fulfillment of its rising capital expenditure requirements. Recently-entered loan facilities carry some of the tightest negative covenants we’ve seen. More importantly, continued questions about industry pricing power and regulatory issues find confirmation in the recent aggressive selling by the Company’s chief counsel and person in charge of regulatory affairs, **Paul B. Jones**, who has cleared out of nearly his entire actionable position (exercisable options and common stock).

Whether Time Warner Telecom truly sits in that “sweet spot” continues to be a matter of debate. Clearly, given the new highs the shares trade at, there are plenty of believers. What seems apparent to us, however, is that TWTC’s key insiders are not willing to make that bet, while at the same time there are plenty of underlying reasons to question the bull thesis.

Insider Trading: CEO sells off half of holdings, key lieutenants sell more

In the case of TWTC insider selling, it can be argued that after years of trading at lower prices, a certain level of insider selling is to be expected. This, we would not dispute. We emphatically note, however, that it seems to us that TWTC insider sentiment contrasts with much of what we have seen from The Street concerning TWTC shares and that any replenishment of holdings through future vesting of options or restricted shares falls far short of the levels of liquidations we’ve seen. Larissa Herda’s introductory comments during the Q3 conference call offer a recent example of the

disconnect between management's words and actions when she purred, "And I want to say 'welcome' to our new investors. You've joined us at a terrific time in our business."

One of the more interesting aspects of the holdings liquidation currently underway by key TWTC executives is the fact that much of the recent activity has been accomplished in spite of the fact that they had been "locked out" from selling shares since the September 25th secondary. Management was able to sidestep restrictions using lockout exclusions for those who had entered into 10b5-1 trading plans prior to the deal, which enabled then-parent Time Warner to clear out most of its position in TWTC shares. Buyers in that deal, who had not read the fine print, may have been surprised to see about 840,000 shares subsequently sold by insiders who were supposedly locked out until December 19th.

Or did they even see it? Much of the activity has been ignored by the press, which seems to concentrate only on the sales by Larissa Herda. With regards to her sales, we found it quite interesting that she had originally entered into a 10b5-1 back in November of 2003, however, the actual existence of that program was not disclosed publicly until an SEC Form 8-K filing in April of 2006. The trading plans of the other sellers have never been disclosed, except for terse footnotes on the Form 4 filings of each individual. What cannot be ignored, are the significant position reductions by TWTC insiders during the past year:

Insider	Position	Holdings Reductions In 2006
Paul Jones	General Counsel	95%
Robert Gaskins	SVP, Corporate Develop.	95%
Mark Peters	CFO	80%
Larissa Herda	Chairman, CEO	55%
John Blount	COO	50%
Mark Hernandez	Chief Information Officer	25%

- **Larissa Herda (47)** – Chairman, CEO. After selling just 135,000 shares between 2003 and 2005, Herda divested 1.13 million shares in 2006 at a weighted average price of \$16.70. Her actionable holdings, which we deem to be all in-the-money options plus unrestricted common stock, are **down 55% since last January**, which takes into account her cashing out most of her common stock, including stock which had restrictions lapse during the year. In addition to the 170,000 options/restricted shares that will vest in 2007 (see Appendix A), Herda also holds two separate series of fully-vested *underwater* options, a total of 1.07 million, that will become profitable only if TWTC shares increase 75% and 165% from the current market price.
- **Paul Jones (59)** – Senior V.P., General Counsel, Secretary. Relative to the size of his holdings, Jones was one of the most aggressive TWTC sellers in 2006. After having sold just 37,500 shares between 1999 and 2005, Jones unloaded 640,000 shares, or **95% of his ownership**, between June 22nd and December 27th. Included

in that total are the 22,000 shares of common stock he quickly sold after restrictions were lifted on December 19th. We should also note that the 145,000 shares he sold in the fourth quarter were second only to CEO Herda. Although Jones is the executive team “elder”, any attempt to justify his behavior as routine estate planning is flawed, in our opinion, due to the degree of diversification. The 25,000 options he will have vest in 2007 (see Appendix A) will do little to restore his ownership.

- **Robert Gaskins (53)** – Senior V.P., Corporate Development and Strategy. Gaskins monetized all but 900 of his 209,000 vested options in 2006, in addition to disposing of more than half his common stock (25,000 shares). The 235,000 shares he sold in total were 20 times greater than his cumulative distributions between 2003 and 2005. In all, Gaskins’ holdings were **down 95% from where they began the year**. Even though his 10b5-1 sales tapered off in the fourth quarter, this was not an indication of changing sentiment as his ownership levels were too small for him to maintain the same trading pace exhibited earlier in the year. We expect to see the same measured degree of selling early in 2007 as the 33,000 options vesting in 2007 will do so quarterly (see Appendix A).
- **Mark Peters (45)** – Senior V.P., CFO. Peters has been a Section 16 insider only since November 2004, so his trading history is less extensive than many of his peers. However, that does not minimize the fact that he tapped into more than 10 different options series to sell 106,000 shares in 2006, equal to **80% of his ownership**. Of the fourteen fully and/or partially in-the-money option series Peters held during the year, only two now contain any vested options. He will have 45,000 options and restricted shares become actionable in 2007 (see Appendix A).
- **John Blount (47)** – Chief Operating Officer. **Blount shed 50% of his actionable holdings in 2006 under a trading plan** with the sale of 375,000 shares. Unlike Herda, Blount’s activity all took place during the second half of the year at prices ranging from \$13 to \$20. The volume surpassed his cumulative distributions between 1999, when he first registered as a filing insider, and 2005. With the exception of a succinct footnote on his Form 4s disclosing a trading plan was in place, the Company has never provided any details about his diversification goals. What we do know is that he will have a total of 120,000 options and restricted shares become actionable throughout 2007 (see Appendix A).

Not lost on us is the fact that Chief Counsel Jones is on the front line with regards to the Company’s regulatory affairs. Even in light of the recent “Net Neutrality” relief provided by AT&T’s recent concession to the FCC (relief, we might add, which covers only a two-year period) other regulatory issues clearly abound. To say the current regulatory environment is complex is quite the understatement. Having said this, we must note our interest in the surge of late-December selling by Jones, who unloaded 92,500 shares during the month, this after selling just 27,375 in November.

Why he chose to pick up the pace so close to year-end instead of waiting until January to defer the gains is unclear. We doubt this was done on the advice of his accountant.

Accounting: Though applauded by some, Xspedius deal has plenty of baggage

Though it would seem that many analysts applauded the Xspedius deal, there are clearly others who do not share the same opinion. No matter the opinion of the deal, it cannot be denied that TWTC's highly leveraged balance sheet was stretched further in the process. The Company paid \$531.5 million for Xspedius, shelling out \$212.5 million in cash and \$319 million in stock. In order to do the deal, TWTC entered into a new \$700 million credit facility consisting of a \$600 million Term Loan and a \$100 million revolving credit facility. The Company immediately drew \$200 million on the Term Loan to extinguish an existing loan, and then drew the remaining \$400 million in order to refinance other debt and fund \$150 million of the cash piece of the Xspedius deal. TWTC now has \$1.22 billion in Long Term Liabilities vs. \$1.72 billion in Total Assets.

S&P issued an opinion that it considered the outlook for the deal to be negative. In doing so, the ratings agency stated that "given the small size of Xspedius relative to Time Warner Telecom, the acquisition's operational benefits do not materially assuage our fundamental concerns about the company's longer-term business prospects." S&P went on to state that its assessment of TWTC reflects "the risks inherent in competing with larger, stronger incumbents in an industry subject to increasing price competition. The company's business plan is also characterized by high capital requirements that continue to defer its ability to generate positive net free cash flows."¹

Though it is a fact that, in its most recent quarter, TWTC finally achieved a positive free cash flow number, it is still true that capital requirements continue to ramp and one wonders how difficult it will be for the Company to meet them in the foreseeable future. Recent conference calls have been fraught with questions concerning upcoming CapEx levels, especially in the wake of the Xspedius deal.

It is true that the Xspedius model is similar, in some respects, to TWTC and that the acquisition added significantly to the amount of wired buildings in TWTC's network. The average margin per Xspedius customer, however, is far below that of TWTC's. Bringing the Xspedius infrastructure and margins up to the level of TWTC's will continue to stretch the Company's CapEx budget. By Larissa Herda's own admission [bolding is ours]:

"One of the things that you get when you buy a fiber-based competitive carrier that's been in a distress situation for five years, is you generally get a company that, in the case of Xspedius, is we got a company that built a lot of fiber, put it in a lot of places, ran out of money and then had to figure out how to put revenue on the network without spending a lot more CapEx. And that's what we got. So what they did is they went with a, what I would call a more capital efficient strategy. It's a lower margin strategy, because obviously you have to buy Type II services to serve those customers. But it's a strategy nonetheless, and it's a portion of the business that we have today, selling to the smaller customers where it's not 100% on the fiber network, where you use a Type II element".²

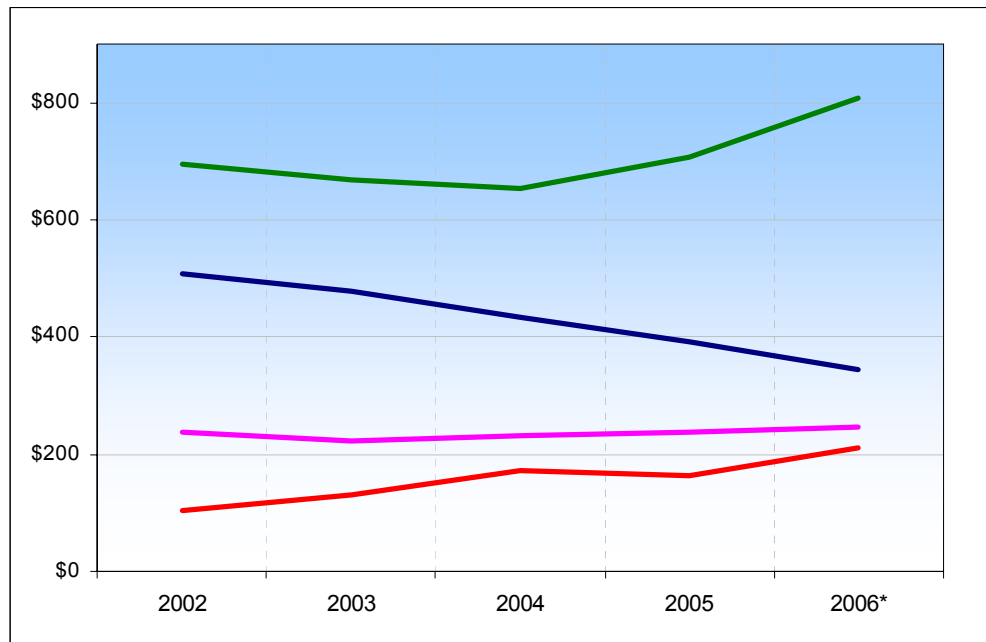
¹ Standard & Poor's Press Release, July 31, 2006

² Time Warner Telecom Q3 2006 Conference Call

TWTC's CapEx is climbing, make no mistake about it. Earlier estimated at \$165 to \$175 million for 2006, the Company raised this to \$175 to \$185 by Q3, saying that it would probably come in at the high end of the range. This estimate, however, excludes an additional \$25 million in integration CapEx related to Xspedius.

Our conversations with an industry expert at a respected telecommunications consulting firm confirms that, even in absence of acquisitions, CapEx requirements are a real issue in the industry as most of the expenditures are not on lines in the ground but in the hardware/software handling equipment at each end. He cites about a 20% failure/obsolescence rate for much of the hardware, the latter mainly a result of rapidly advancing technology. But even in the face of its rising CapEx expense, it would seem that financial conditions are forcing TWTC to under-spend in this area. This is evidenced by the fact that CapEx expenditures consistently lag behind depreciation expense. In other words, TWTC is not reinvesting an amount equal to its depreciation in capital equipment. Figure 1 below illustrates this fact, along with the rather ominous drop off in Cash and Investments over the same period:

Figure 1. TWTC Revenue (Green), Cash & Investments (Blue), Depreciation, Amortization & Accretion (Pink) and CapEx (Red) 2002-2006. (Millions \$; 2006 is actual through Q3 with Q4 estimated). Source: TWTC SEC Filings



Despite a steady rise in revenues, the comparison with Cash and Investments, CapEx and Depreciation does not bode well for the future. TWTC groups depreciation with amortization and accretion. Even given this, it is likely the Company is spending far less for equipment additions and modernization than its depreciation. This is very much different than fellow CLEC Alltel who, unlike TWTC, breaks out depreciation from other items. For the past three years, Alltel's capital expenditures have exceeded its depreciation expense by 25% on average, each period.

This is in contrast to what is happening at TWTC. With Cash and Investments declining, future CapEx requirements no doubt increasing, and borrowing capability largely used up, meeting future CapEx requirements may become increasingly difficult.

Accounting: Declining pricing power as competitive pressures mount

TWTC regularly discloses that it is in the process of re-pricing customer contracts that are coming to term and that this re-rating of contracts has created downward pressure on revenue growth from its customer base. This is happening both with extensions of existing enterprise services contracts and with carrier services deals as well. In spite of this, Larissa Herda explains that they have, in many cases, been able to upgrade services to customers before many of the contracts have expired thus offsetting some of the revenue decline from re-pricing pressure. She also states that this “re-rating” period is getting near the end and “you don’t have as many of the out years left in your customer base...Our hope would be that you would see smaller declines.” In other words, the cycle of related downward pressure is almost through.

In response to this, our above-referenced telecommunications contact does not believe that the Company is out of the woods on this issue. He’s also concerned with the flip-side in that the many contracts being re-negotiated will now see less upward pricing potential should pricing power return to the industry at some point. With revenue growth essentially capped with regards to many of these contracts, ongoing CapEx expense will work against existing margins.

Accounting: What is left of Deferred Tax Asset may be in jeopardy

With its long history of net losses, TWTC has one of the largest Deferred Tax Asset Allowances we’ve seen. As of 12/31/05 the Company’s Valuation Allowance was \$279.6 million against its Tax Assets. At that time, the Company estimated that \$58.8 million of its remaining Deferred Tax Assets would be realizable. Now, it seems that even that may be in jeopardy. By Q3, the Valuation Allowance had been increased to just over \$300 million but the Company continued to carry the \$58.8 million Net Deferred Tax Asset on its books. A new disclosure cropped up in the Q3 SEC Form 10-Q, however, that sheds some doubt as to the utilization of even that amount. From the Q3 SEC Form 10-Q [bolding is ours]:

“The Tax Reform Act of 1986 contains provisions that limit the utilization of net operating losses if there has been a “change of ownership” as described in Section 382 of the Internal Revenue Code. As a result of the offering by the Class B Stockholders in September 2006, the Company may have experienced such an ownership change during the three months ended September 30, 2006 which may limit the Company’s utilization of its net operating losses. The Company is currently evaluating the impact of these provisions on its financial statements, but it is not expected to have a material impact on the Company’s net deferred tax asset position.”

Accounting: Receivables increase 22%, but the allowance drops by 32%

We have been intrigued as to whether TWTC's high A/R allowance - which stood at 19% of gross receivables as of 12/31/05 - is an interesting reflection of the quality of its bookings or if there is something else going on. With the complex reciprocal dealings related to receivables between companies in this industry, one can easily brush the high level of A/R allowance aside as "Industry Hazard". Upon checking certain other players in the CLEC universe, however, we wonder what's unique about TWTC's case relative to its industry peers. Alltel's receivables carry an allowance of just 5% to 7% of gross receivables. Level 3's are in the same range.

This causes us to wonder about the quality of Time Warner Telecom's receivables as it has been carrying an allowance in the 20% range for quite some time, or is it simply that a cookie jar is being maintained? If so, it may have been utilized in the recent period as TWTC suddenly took the allowance down as of 09/30/06, reducing it to 11.3% of Gross Receivables. During this particular period, receivables increased by 22% yet the related allowance fell by 32%. There was nothing seasonal about the move, as the A/R allowance was at 20.3% the same period the prior year. The recent Q3 allowance cut was during a quarter when DSO's actually increased by 10% over the prior (sequential) period.

Governance: Unusually high turnover of directors on Audit Committee

The Time Warner Telecom board can best be equated to a turnstile over the past three years as five independent directors, each of whom had sat on the Audit Committee, have resigned since December 2003. In three of the instances, the resigning directors had resigned either at or prior to their one-year anniversary. No reason for their departure was provided. Only one, former Audit Committee chairman **Howard Schrott**, who resigned in July of 2005, reportedly left to join the board of a TWTC competitor. He had joined the TWTC board in July of 2004.

Even more interesting are the gyrations of **Mary Agnes Wilderotter** who was appointed to the Board, and Audit Committee, in September of 2002, only to resign from the Board two months later. She was *again* elected to the Board, and Audit Committee, in February of 2004 only to resign once more in November of that year. None of the five resigning Board and Audit Committee members was associated with Time Warner Inc.

Accounting: Miscellaneous noteworthy items

- **Tight loan covenants get tighter:** Certain details of TWTC's recently amended loan facility speak volumes about the tightness of the Company's financial position and its ability to go back to the debt well in the future. Without belaboring the details of much of the agreement, a quick focus on how three key financial ratios changed in the negative covenants tells the story.
 - Consolidated Senior First Lien Secured Leverage Ratio – This had been set at 1 to 1 in the prior deal. The amended facility required this to rise to 1.75 to 1.

- Consolidated Total Leverage Ratio – This ratio was at 5.25 to 1, at the time of the amendment. The amended deal caused this coverage ratio to tighten to between 5.00 to 1 at the time of the amendment then drop to 4.00 to 1 by early 2009.
 - Consolidated Interest Coverage Ratio – Prior to the amendment, interest coverage needed to be 2.00 to 1. The amended facility raised this requirement to 2.5 to 1, rising to 2.75 to one by 2008.
- **Jones sales contradict any speculation of a deal:** It seems that there may have been some recent speculation that TWTC may be taken out. This surfaced during a recent rally in the shares where certain bulletin board participants wrote in veiled terms about a pending deal. To this, we would stress that one only needs to look at the actions of the Company's Chief Counsel, Paul Jones, and his acceleration of stock sales during December to surmise that such an outcome should be viewed as highly unlikely.

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Appendix A

Option and Restricted Stock Vesting Schedules for Selected Time Warner Telecom Inc. Insiders

Grant Date	Equity Type	Options/Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
John Blount, Chief Operating Officer. Common stock holdings: 0 shares								
11/17/99	Options	300,000	\$34.50	11/17/00	11/17/09	300,000	0	Fully Vested
11/27/00	Options	40,000	\$53.00	11/27/01	11/27/10	40,000	0	Fully Vested
11/15/01	Options	120,000	\$14.72	11/15/02	11/15/11	120,000	0	Fully Vested
11/25/02	Options	400,000	\$1.99	11/25/03	11/24/12	50,000	0	Fully Vested
11/10/03	Options	80,000	\$10.16	11/10/04	11/09/00	35,250	20,000	5,000 options vest each quarter
01/20/04	R. Stock	7,500	N/A	01/20/05	01/20/08	3,750	3,750	01/20/07, 01/20/08
01/13/05	Options	180,000	\$3.46	01/13/06	01/13/12	112,500	101,250	11,250 vest each quarter
07/01/05	Options	150,000	\$6.22	07/01/06	06/30/15	112,500	93,750	9,375 vest each quarter
07/01/05	R. Stock	30,000	N/A	07/01/07	07/01/08	30,000	30,000	50% vest on 07/01/07, 50% vest on 07/01/08
02/13/06	R. Stock	50,000	N/A	12/31/09	12/31/09	50,000	50,000	12/31/09
Robert Gaskins, Senior V.P.- Corporate Development and Strategy. Common stock holdings: 11,455 shares								
08/01/00	Options	18,000	\$61.00	08/02/01	08/01/10	18,000	0	Fully Vested
04/03/01	Options	7,500	\$28.63	04/04/02	04/03/11	7,500	0	Fully Vested
03/27/02	Options	3,500	\$6.08	03/28/03	03/27/12	900	0	Fully Vested
01/02/03	Options	100,000	\$2.22	01/02/04	01/01/13	6,250	6,250	01/02/07
11/10/03	Options	48,000	\$10.16	11/10/04	11/09/00	12,000	12,000	3,000 options vest each quarter
01/20/04	R. Stock	6,000	N/A	01/20/05	01/20/08	3,000	3,000	01/20/07, 01/20/08
01/13/05	Options	60,000	\$3.46	01/13/06	01/13/12	33,750	33,750	3,750 options vest each quarter
02/13/06	R. Stock	15,000	N/A	12/31/09	12/31/09	15,000	15,000	12/31/09
Catherine Hemmer, Senior V.P.-Corporate Operations, Engineering and Technology . Common stock holdings: 500 shares								
04/15/02	Options	80,000	\$5.10	04/15/03	04/14/14	20,000	0	Fully Vested
11/25/02	Options	475,000	\$1.99	11/25/03	11/24/12	215,000	0	Fully Vested
11/10/03	Options	80,000	\$10.16	11/10/04	11/09/00	42,000	20,000	5,000 options vest each quarter
01/20/04	R. Stock	7,500	N/A	01/20/05	01/20/08	3,750	3,750	01/20/07, 01/20/08
01/13/05	Options	180,000	\$3.46	01/13/06	01/12/15	180,000	101,250	11,250 vest each quarter
01/13/05	Options	180,000	\$3.46	01/13/06	01/13/12	180,000	101,250	11,250 vest each quarter
02/13/06	R. Stock	27,500	N/A	12/31/09	12/31/09	27,500	27,500	12/31/09
Larissa Herda, Chairman, President, CEO. Common stock holdings: 17,232 shares								
08/05/98	Options	375,000	\$12.00	08/05/99	08/04/08	210,000	0	Fully Vested



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Grant Date	Equity Type	Options/Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
11/17/99	Options	1,000,000	\$34.50	11/17/00	11/17/09	1,000,000	0	Fully Vested
11/27/00	Options	70,000	\$53.00	11/27/01	11/27/10	70,000	0	Fully Vested
11/15/01	Options	440,000	\$14.72	11/15/02	11/15/11	440,000	0	Fully Vested
11/10/03	Options	280,000	\$10.16	11/10/04	11/09/00	280,000	70,000	17,500 options vest each quarter
01/20/04	R. Stock	35,000	N/A	01/20/05	01/20/08	17,500	17,500	01/20/07, 01/20/08
01/13/05	Options	320,000	\$3.46	01/13/06	01/13/12	180,000	180,000	20,000 vest each quarter
02/13/06	R. Stock	75,000	N/A	12/31/09	12/31/09	75,000	75,000	12/31/09

Mark Hernandez, Senior V.P., Chief Information Officer. Common stock holdings: 0 shares

11/27/00	Options	30,000	\$53.00	11/27/01	11/27/10	30,000	0	Fully Vested
11/15/01	Options	190,175	\$14.72	11/15/02	11/15/11	190,175	0	Fully Vested
11/25/02	Options	300,000	\$1.99	11/25/03	11/24/12	41,250	0	Fully Vested
11/10/03	Options	48,000	\$10.16	11/10/04	11/09/00	48,000	12,000	3,000 options vest each quarter
01/20/04	R. Stock	4,500	N/A	01/20/05	01/20/08	2,250	2,250	01/20/07, 01/20/08
01/13/05	Options	60,000	\$3.46	01/13/06	01/13/12	60,000	33,750	3,750 vest each quarter
02/13/06	R. Stock	12,500	N/A	12/31/09	12/31/09	12,500	12,500	12/31/09

Paul Jones, Senior V.P., General Counsel and Regulatory Policy. Common stock holdings: 8,041 shares

11/17/99	Options	100,000	\$34.50	11/17/00	11/17/09	100,000	0	Fully Vested
11/27/00	Options	25,000	\$53.00	11/27/01	11/27/10	25,000	0	Fully Vested
11/15/01	Options	90,000	\$14.72	11/15/02	11/15/11	27,000	0	Fully Vested
11/10/03	Options	48,000	\$10.16	11/10/04	11/09/00	12,000	12,000	3,000 options vest each quarter
01/20/04	R. Stock	4,500	N/A	01/20/05	01/20/08	2,250	2,250	01/20/07, 01/20/08
01/13/05	Options	60,000	\$3.46	01/13/06	01/13/12	33,750	33,750	3,750 vest each quarter
02/13/06	R. Stock	20,000	N/A	12/31/09	12/31/09	20,000	20,000	12/31/09

Mark Peters, Senior V.P., CFO. Common stock holdings: 1,500 shares

08/05/98	Options	12,375	\$12.00	08/05/99	08/04/08	12,375	0	Fully Vested
07/19/99	Options	24,062	\$27.00	07/19/00	07/19/09	24,062	0	Fully Vested
08/02/00	Options	18,000	\$61.00	08/02/01	08/02/10	18,000	0	Fully Vested
11/15/01	Options	9,154	\$14.72	11/15/02	11/15/11	9,154	0	Fully Vested
02/03/03	Options	20,000	\$2.13	02/03/04	02/02/13	1,250	1,250	1,250 vest each quarter
03/31/03	Options	3,250	\$3.23	03/31/04	03/30/13	406	406	203 vest each quarter
09/30/03	Options	7,500	\$9.26	09/30/04	09/29/13	1,875	1,407	468 vest each quarter



Appendix A

Option and Restricted Stock Vesting Schedules for Selected Time Warner Telecom Inc. Insiders

Grant Date	Equity Type	Options/Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
03/31/04	Options	7,500	\$6.53	03/31/05	03/30/14	2,813	2,345	468 vest each quarter
09/30/04	Options	7,500	\$4.80	09/30/05	09/29/14	3,750	3,282	468 vest each quarter
01/13/05	Options	60,000	\$3.46	01/13/06	01/13/12	33,750	33,750	3,750 vest each quarter
04/01/05	Options	90,000	\$3.95	04/01/06	03/31/12	56,250	50,625	5,625 vest each quarter
02/13/06	R. Stock	37,500	N/A	12/31/09	12/31/09	37,500	37,500	12/31/09

Julie Rich, Senior V.P.-Human Resources and Business Administration. Common stock holdings: 0 shares

11/25/02	Options	210,000	\$1.99	11/25/03	11/24/12	13,125	0	Fully Vested
11/10/03	Options	48,000	\$10.16	11/10/04	11/10/00	16,500	12,000	3,000 options vest each quarter
01/20/04	R. Stock	6,000	N/A	01/20/05	01/20/08	3,000	3,000	01/20/07, 01/20/08
01/13/05	Options	40,000	\$3.46	01/13/06	01/12/12	32,500	22,500	2,500 vest each quarter
02/13/06	R. Stock	12,500	N/A	12/31/09	12/31/09	12,500	12,500	12/31/09

Michael Rouleau, Senior V.P.-Business Development and Strategy. Common stock holdings: 0 shares

11/22/99	Options	90,000	\$12.00	11/22/00	11/21/09	70,000	0	Fully Vested
08/02/00	Options	50,000	\$61.00	08/02/01	08/02/10	50,000	0	Fully Vested
11/27/00	Options	40,000	\$53.00	11/27/01	11/27/10	40,000	0	Fully Vested
11/15/01	Options	120,000	\$14.72	11/15/02	11/15/11	120,000	0	Fully Vested
11/25/02	Options	100,000	\$1.99	11/25/03	11/24/12	6,250	0	Fully Vested
11/10/03	Options	48,000	\$10.16	11/10/04	11/09/10	23,000	12,000	3,000 options vest each quarter
01/20/04	R. Stock	4,500	N/A	01/20/05	01/20/08	2,250	2,250	01/20/07, 01/20/08
01/13/05	Options	75,000	\$3.46	01/13/06	01/13/12	55,000	33,750	3,750 vest each quarter
02/13/06	R. Stock	20,000	N/A	12/31/09	12/31/09	20,000	20,000	12/31/09

* Red highlight denotes options currently out of the money