



#### This 3DAdvisors Report Covers:

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

## Outlook at Odds With Financial Reality, Exec Actions Time Warner Telecom Inc. (NASDAQ:TWTC) Update

May 1, 2007

Contact: Bob Gabele (954) 779-3974 or [bgabele@3DAdvisors.com](mailto:bgabele@3DAdvisors.com)

### 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, 2006, the Company covered approximately 24,670 route miles of fiber networks. The Company was founded in 1993 and is headquartered in Littleton, Colorado.

### Summary of 3DAdvisors Findings for TWTC

- ▶ **Accounting:** CapEx is the main issue, and for good reason
- ▶ **Insider Trading:** Behavior of key insiders contradicts bullish outlook
- ▶ **Governance:** Disclosure of departure or filing status of key insiders lacking
- ▶ **Accounting:** Miscellaneous noteworthy items

---

### Discussion of 3DAdvisors Findings for TWTC

A situation that will draw our attention without fail is one where the bullish words of management are disconnected from their actions or from current financial or operating problems. As we pointed out in our full report earlier this year, we have both at Time Warner Telecom Inc.: management's bullish outlook is seriously disconnected from both their trading behavior and disclosure practices as well as the financial reality facing the Company. Observations related to the Q406 results and conference call, the related SEC Form 10-K filing, and additional trading and disclosure behaviors have prompted this update.

CEO **Larissa Herda** was every bit as bullish during the Q406 conference call in February about the Company's recent accomplishments and prospects going forward as she had been in previous calls all year. But she fails to deal with this conundrum: the Company does not make any money and is not likely to anytime soon. One of the key reasons for that is TWTC's debt load and interest costs. In order to compete with the behemoths which she says the Company is closing in on, significant CapEx is obviously required. The big unanswered question is: Can the Company finance the required CapEx and if it is done with more debt, how does it get over the nearly insurmountable interest cost hurdle? More debt and more interest cost will just suck up whatever margin comes to the operating income line. Never mind the historical fact that over \$750 million in CapEx over the last 5 years has resulted in little net growth in revenue, Herda and her team want us to believe that even heavier capital expenditures, some related to the recent acquisition of Xspedius Communications late last year, will allow the Company to turn the corner and seize upon all the wonderful opportunities before it.

Meanwhile, in a display of actions we view as totally disconnected from her bullish words, Herda has managed to routinely and aggressively exercise options and sell the underlying shares under the guise of a thinly disclosed 10b5-1 trading plan to the point where over the past year she has liquidated 60% of her actionable position. Her equally ebullient sidekick on conference calls, CFO **Mark Peters**, has sold off virtually his entire actionable position (exercisable options and common stock) over the same time period under his own trading plan. We also find the very similar behavior of General Counsel **Paul Jones** to be particularly interesting given the pivotal role that regulatory matters may play in the Company's future success.

We also note some additional behaviors which give us further reason to question the sincerity of the bullish management-speak. The Company has obscured or completely withheld information regarding the recent departure or removal from Section 16 filing status of five senior operating executives, while a number of miscellaneous earnings quality items have likewise added to the behavioral mosaic first built in our full report on [01/03/07](#). Our overall impression is that while management paints a very bright picture of the future, it acts as if the future will not be much different than the last couple of years, which is not a pretty picture at all.

#### Accounting: CapEx is the main issue, and for good reason

Notwithstanding Larissa Herda's persistent hyping of the Company's performance and future prospects, the issue of continued heavy capital expenditures remains a key issue, and for very good reason given what appears to be historically low returns on CapEx, at least in terms of resulting net revenue growth.

The Company's CapEx in 2006 totaled \$192.7 million, of which only \$3.5 million was related to the integration of Xspedius during the last two months of Q4. During the Q406 conference call, CFO Mark Peters explained that the vast majority of CapEx over the past two years has been aimed at short to intermediate term opportunities, which we interpret to mean that there will be a relatively swift return on CapEx in terms of customer revenue growth. From the conference call:

**Now that we have completed our acquisition, I would like to revisit our capital investment philosophy. In short, it has not changed.**

**Over the past two years, greater than 85% of our total CapEx was invested in what we determined to be short to medium term success based, the vast majority of which is to enter new customer buildings. In 2007, I expect the mix to be similar, excluding integration CapEx. We look across our markets, both core and acquired, for the right opportunities to achieve our targeted returns. And on that front, I have to say we see no shortage of opportunities, given all the positive trends in the enterprise space that Larissa mentioned.**

Peters does not specifically define what “short to medium term success based” means in terms of timing of new revenue as a result of CapEx, but there are two facts that are certain. First, over the past five years, CapEx has exceeded net revenue growth by over 20-to-1, so the issue of getting net revenue growth from capital investments is certainly not new. And second, it is quite clear that CapEx shows no sign of slowing down as the Company expects to spend as much as \$275 million in 2007, which includes up to \$25 million CapEx on integration of Xspedius. In fact, given the statements that management made earlier about how Xspedius was starved for cash and was not able to make necessary capital investments prior to its acquisition by TWTC, we wonder if \$25 million is sufficient investment to get it where it needs to be.

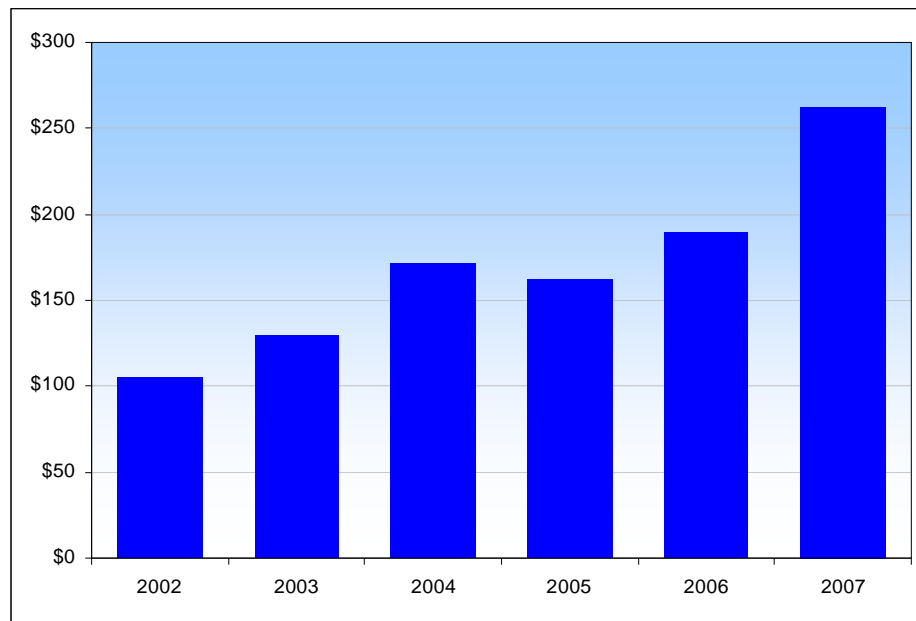
Historically, heavy CapEx spending has been very slow to show net growth on the top line. In the five year period 2002 through 2006, the Company has recorded total CapEx of \$758 million excluding the very small amount spent on the integration of Xspedius (\$3.5 million) in Q406. Net revenue growth over this same period totaled an anemic \$32.5 million (again, excluding revenue recorded as a result of Xspedius in Q406). Table 1 below summarizes annual CapEx, Revenue and Revenue growth data between 2002 and 2006. And while the Company would no doubt argue that the heavy capital outlays early in this period represented necessary investments in technology and infrastructure that now position it well going forward, the fact that CapEx is still increasing in the face of a weakening balance sheet, lack of profitability, and regulatory and pricing uncertainty all make for a riskier proposition than what Chief Cheerleader Herda and sell-side analysts want us to believe. It seems a stretch to us that Xspedius is going to be the magic bullet that will alter the Company’s financial reality anytime soon, and the trading behavior of key insiders suggests they don’t really believe it either.

**Table 1.** CapEx and Revenue Data, 2002-2006. Data excludes CapEx and Revenue related to Xspedius acquisition. Source: TWTC SEC Filings and Q406 conference call transcript.

	2002	2003	2004	2005	2006	Totals 2002-2006
CapEx	\$104.8	\$129.7	\$171.8	\$162.5	\$189.2	\$758.0
Revenue	\$695.6	\$669.6	\$653.1	\$708.7	\$772.5	
Revenue Change (%)	-6.0%	-3.7%	-2.5%	8.5%	9.0%	
Revenue Inc. or Dec. (\$)	-\$44.4	-\$26.0	-\$16.5	\$55.6	\$63.8	\$32.5

Meanwhile, the Company says it expects CapEx in 2007 to be between \$250 and \$275 million, including \$20 to \$25 million related to the integration of Xspedius. In addition, it is anticipated that there will be another \$15 to \$20 million in *expenses* related to the integration of Xspedius, draining cash even further. Another drain on cash is that the Company expects to spend around \$10 million on changing its name to TW Telecom (it was paying Time Warner under a license agreement to use the name, which it has chosen not to renew in July), a portion of which will hit in Q1, the remainder over the course of 2007.

**Figure 1.** TWTC Capital Expenditures, 2002 through 2007 (Millions of \$). 2007 is assumed at \$262.5 million, the mid-point of the range provided by the Company in the Q406 conference call and includes \$20 to \$25 million related to acquisition integration. Source: TWTC SEC Filings and Q406 Conference Call.



With CapEx estimated at these levels, and with Cash and Investments continuing to dwindle on the balance sheet (down to \$309 million as of 12/31/06; see Figure 2 below), one wonders how the Company can pull this off without assuming additional debt or an equity infusion. We have already commented on the lousy condition of the Company's balance sheet, poor credit rating, unusually tight loan covenants, and the fact that interest expense is already eating up any chance of generating profits. All of this makes it highly unlikely the Company can strap on more debt any time soon, leaving an equity infusion as the logical remaining option.

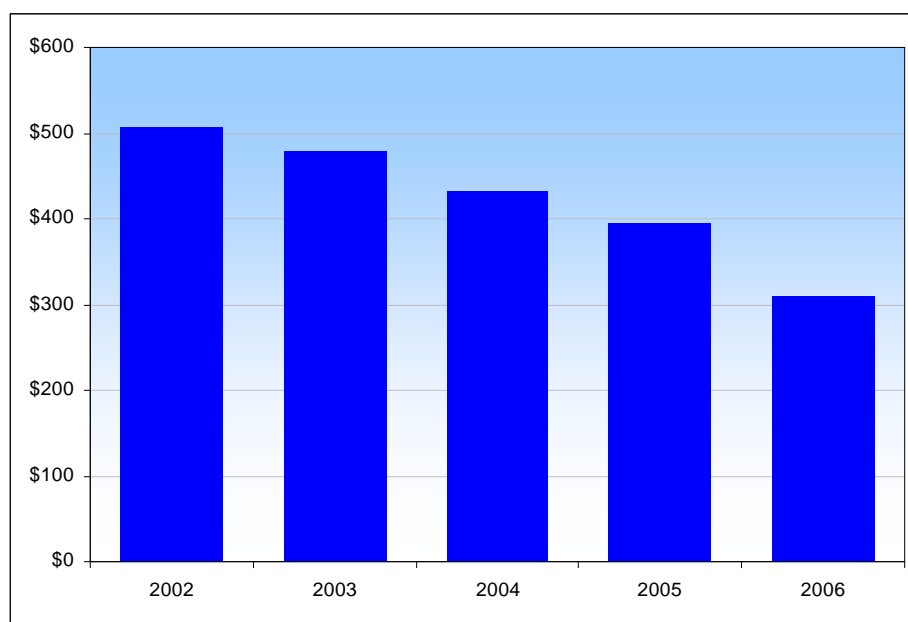
During the Q406 conference call, an analyst asked just this question. CFO Mark Peters replied as follows, and the normally verbose Larissa Herda had a one-word response:

**Analyst:** Based on the amount of money you're going to be spending in CapEx this year as well as where your cash position is today, do you think that it's possible then in 2007 you guys could potentially go back to the markets to try and get more cash?

**Mark Peters, CFO:** We ended the year with \$309 million and given we're coming out of the year in a strong position, I -- for organic business, I just don't see a need to go back to the markets for new liquidity. We're just in a good position.

**Larissa Herda, CEO:** No.

**Figure 2.** TWTC Cash, Cash Equivalents and Short-Term Investments, 2002 through 2006 (Millions \$). Source: TWTC 2006 SEC Form 10-K, page 29.



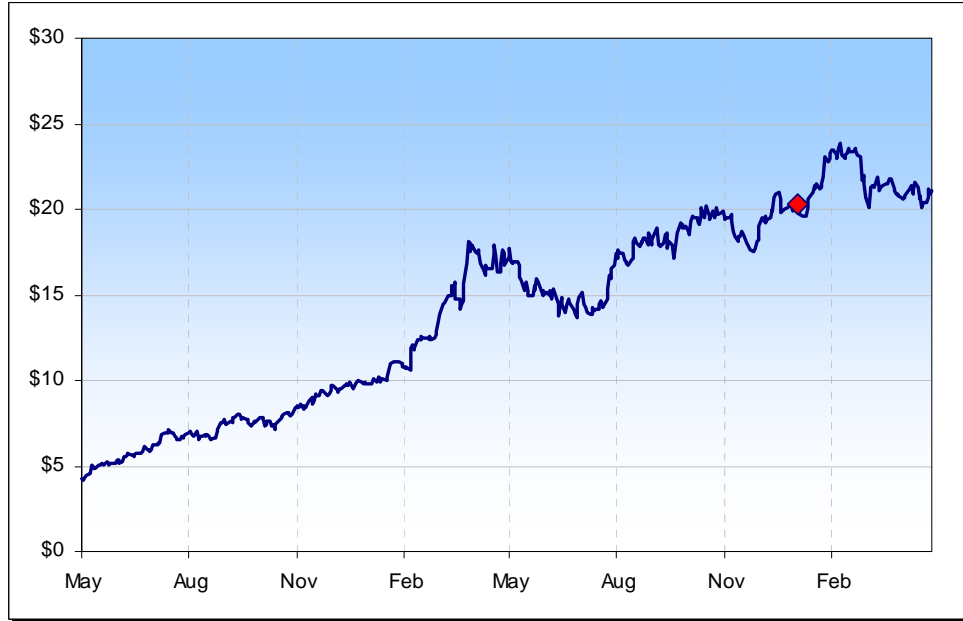
#### Insider Trading: Trading and disclosure behavior disconnected from bullish outlook

While management has consistently lobbied Wall Street to look past the Company's weak balance sheet and focus attention on its growth opportunities, TWTC insiders continue to carry out one of the most sweeping diversification efforts we have seen in recent years. Insiders have sold off the majority of their derivative equity over the past twelve months and have categorically failed to build any type of direct stock ownership despite the abundance of restricted shares and options granted them over the past five years. It is not lost on us that the persistent selling has continued as TWTC shares, after quickly advancing off the 2005 lows of \$4 to the \$18 range in Q3 of 2006, have since stabilized around \$20 for the better part of eight months.

At the forefront of the double dealing behavior is the Company's dynamic chairman and chief executive officer, **Larissa Herda**, whose activity we have covered in multiple reports ([10/03/06](#), [11/01/06](#), and [01/03/07](#)) over the past seven months. Herda adopted her first 10b5-1 personal sales plan in November 2003 and would later amend the plan an undisclosed number of times. Her sales first began to accelerate in Q106, before the Company first disclosed a plan was even in place, and has unloaded between 280,000 and 315,000 shares each quarter since. Even though she had roughly 100,000 new options vest each quarter over the past year, her selling has far outpaced any

growth in her actionable holdings from newly vested derivatives, which explains why her total position is down 60% from last April. We are very curious to see her activity over the next few months as a continuation of the current trading schedule would wipe out her remaining vested options by November, since 2007 vestings declined to about 50,000 shares per quarter. Keep in mind we are not talking about small numbers here as she held 1.5 million vested in-the-money options just one year ago.

**Figure 3.** TWTC Daily Closing Price, 05/02/05 through 04/27/07. Red diamond is the date of the 3DA full report on 01/03/07. Source: Reuters and 3DAdvisors, LLC.



Another interesting facet of Herda's trades has been the precision with which she first cleared out her lowest priced options (less than \$5) and this year started tapping into the higher priced options (\$10 to \$12 strike price). Her impulsiveness was exhibited on April 13<sup>th</sup> when she immediately sold \$3 options which vested that very day. With the majority of her remaining in-the-money options carrying a \$15 strike price, it will be very interesting to see if she is willing to swap her remaining equity for a much slimmer profit, or better yet, turn to her common stock cache which to this point she has essentially left intact.

Herda is not the only TWTC executive who has hastily monetized options immediately upon vesting this year. Named executives General Counsel Paul Jones and Chief Financial Officer Mark Peters, two of the most aggressive profit takers over the past year, effectively cashed in all of their actionable stock options which accounted for 98% and 99% of their ownership, respectively. With no actionable options at their disposal, each officer acted on freshly-vested options on multiple occasions this year either on the actual vesting date or within three days of the date. We can not stress enough the significance of multiple top execs, each expediently monetizing their options upon vesting, on a number of occasions in a short timeframe. With the waning amount of stock-based derivative equity scheduled to vest downstream, we would think they would decelerate their selling pace in an attempt to restore their ownership.

The majority of TWTC executives hold mature stock options granted between 1999 and 2001 which carry strike prices above the current market price. But these are not even close to the breakeven price and therefore can not be viewed as material ownership. The table below lists the number of underwater options held by each named executive along with their weighted average price, but the price figure does not properly illustrate just how deeply underwater these options are. CEO Herda needs TWTC shares to appreciate either 65% or 150%, depending on the series, before she can monetize her options for even a marginal profit, while some of CFO Peters' options will require gains of 190%. The Company includes these options in their beneficial ownership section of their annual proxy statements, which overstates their actionable ownership by a considerable margin.

Named Executive	# of Vested Underwater Options	Weighted Avg. Price	% of Total Vested Options Currently Underwater
L. Herda	1,070,000	\$35.71	63%
J. Blount	340,000	\$36.68	70%
M. Peters	42,062	\$41.55	100%
P. Jones	125,000	\$38.20	100%
J. Stuart	26,500	\$50.06	43%

On a related note, we should advise our clients that insiders also routinely misrepresent their current stock holdings on each SEC Form 4 filed. Rather than provide the obligatory common stock held in the beneficial ownership column on Table I, TWTC substitutes an irrelevant option total. For example, Chief Operating Officer **Robert Blount's** most recent Form 4 filed on April 13<sup>th</sup> shows him owning 78,750 shares of common when in actuality he does not own any. This is the figure nearly all insider data reporting services use to count direct ownership. It is implausible the Company is unaware their holdings are embellished on nearly every mainstream financial website and in effect, sanction the erroneous representation of their ownership. Although not illegal, this is just another SEC rule the Company has chosen to bend.

Nearly all of the shares distributed by management have been done so under Rule 10b5-1, which allows insiders to establish trading plans for the sale of shares on a predetermined schedule. The TWTC trading plans exhibit some of the worst practices that most governance and legal experts recommend avoiding, such as failing to disclose any meaningful details concerning the plans themselves and selling off the majority of holdings under a plan, just to name a few. With the exception of the belated and laconic disclosure of Herda's 10b5-1 plan, the Company has never supplied any plan details for its other executives. The table below lists the ownership reductions of the Company's top five executives as a result of their trading plan activity. The protocol at most companies for the adoption of such plans requires the head counsel sign off on plan design, disclosure and other details, but in the case of TWTC, General Counsel Jones's trading practices seem to challenge the spirit of the Rule more than most of his peers.

Named Executive	Holdings Reduction Since Apr-2006
L. Herda	60%
J. Blount	70%
M. Peters	99%
P. Jones	98%
J. Stuart	30%

- **Larissa Herda (48)** – Chairman, Chief Executive Officer. Herda has sustained a steady course of ownership diversification since early 2006, routinely monetizing her stock options, both new and old, while periodically cashing out directly-held common stock. All of this has been carried out under the guise of vaguely defined 10b5-1 personal sales plans, which Time Warner Telecom has shown no affinity to spell out. In a nutshell, Herda has sold between 275,000 and 325,000 shares per quarter, with 281,000 sold in Q1 at an average price of \$21.50. **She now holds 60% fewer actionable shares than she did twelve months earlier.** She will have an additional 160,000 options and restricted shares vest before year-end, some of which are underwater at the current market price (see Appendix A).
- **John Blount (48)** – Chief Operating Officer. After cashing out 253,000 shares during the third quarter of last year under his existing personal sales plan, Blount decelerated his selling pace, mainly because his ownership has thinned out. Following the 85,000 shares sold between February 13<sup>th</sup> and April 13<sup>th</sup>, Blount now owns just 149,000 actionable stock options, down from the 485,000 options held last April (**70% reduction**). And following his sale of stock that became unrestricted in January 2006 and January 2007, **he no longer owns any common.** In addition to the 115,000 restricted shares and options that will vest by December, he also has 340,000 fully vested stock options that are currently underwater which will require appreciation above the current market price of 65% and 150% before they are actionable (see Appendix A).
- **Mark Peters (46)** – Executive V.P., Chief Financial Officer. Peters has been on quite a selling spree since filing as a Section 16 insider in November 2004. He has cleared out more than ten option series since the fourth quarter of 2005, tapping into six different series this year alone. The result has been the complete dispersal of all his vested stock options, leaving him with just 1,500 shares of common. Having accumulated options since the beginning of his TWTC career in 1998 (Treasurer), and now serving as the top finance officer, **it is significant that he has monetized 99% of his ownership in the past year**, regardless of the issue's appreciation. Throughout the remainder of the year he will have roughly 85,000 new shares become actionable (see Appendix A), but his trading behavior and ongoing 10b5-1 plan lead us to believe he will continue distributing his position.
- **Paul Jones (60)** – Executive V.P., General Counsel. No Time Warner Telecom insider is better informed about the acceptable practices of Rule 10b5-1 than Jones, who **shed nearly all actionable ownership under his own personal sales plan.** After selling 638,000 shares in 2006, he was quick to monetize options that vested



this year. After holding 640,000 vested options in January 2006, he currently has zero and his only ownership consists of 9,000 shares of common. Like the others, he will have options and restricted shares vest between May and December, but the 40,000 will do little to replenish his holdings, especially if he continues monetizing them under his existing trading plan.

- **Jill Stuart (52)** – Senior V.P., Accounting and Finance, Chief Accounting Officer. Stuart is an executive we have not covered in prior reports, but needs to be closely monitored since she is just as influential in the finance department as CFO Peters (both have been with TWTC for nine years). After burning through the majority of her equity last year with sales covering 110,000 shares, she has monetized every new option that became actionable this year, **resulting in a 30% ownership reduction over the past twelve months**. What's more, like many of her peers she has failed to build any meaningful common stock position, which is very telling considering her lengthy tenure. We fully expect to see her continue taking profits on her options since she is one of the lone execs that still holds series with strike prices below \$10 and will also have another 28,000 become actionable by year-end (see Appendix A).

#### Governance: Disclosure of departure or filing status of key insiders lacking

Few chief executives play the role of altruistic administrator better than Larissa Herda, who gives recognition to her staff at every turn. Case in point, she issued the following praise during her opening remarks on the February 7, 2007 Q406 conference call:

**This is one of the most hard working, dedicated and passionate groups of employees who are focused on the customers and success of this Company and building shareholder value that you will ever find. I would say I couldn't ask for more, but they know I will.**

Despite the show of support and gratitude, it would seem she is losing the confidence of her executive team. We identified five of the Company's ten Section 16 executives who have either resigned or were stripped of their executive officer designation and accordingly are no longer required to file as Section 16 insiders. Although the Company did slip the resignation announcement of one named executive into an 8-K issued to reiterate 2007 guidance, there has not been one press release disseminated to cover the departure or re-designation of other key members of the exec team. On three occasions we attempted to contact the Company for clarification on their employment status, but our emails and calls to Senior Director of Investor Relations **Carole Curtin** and Director of Corporate Communications **Bob Meldrum** were not returned. We are quite surprised they were not cooperative with such a simple information request, but their failure to respond suggests to us there may be more to these changes than the Company would presently like to make public.

- ☞ **Catherine Hemmer** – Senior V.P., Corporate Operations, Engineering and Technology. Hemmer joined the Company in 2002 and was promoted to a top five position in June 2005. It was disclosed in a November 15<sup>th</sup> SEC 8-K that she notified the Company of her intent to retire in January. It is rare for a Company to not issue a press release announcing the resignation of a "named executive", but more illusory is

the fact that Hemmer managed to sell more than 90% of her ownership, equal to 300,000 shares, without disclosing the trades on Form 4s prior to her effective departure date. Under the terms of her employment agreement, Hemmer forfeited 121,000 unvested stock options and 30,000 restricted shares which at the current market price would have afforded her pre-tax profits of \$2.6 million.

- **Michael Rouleau** – Senior V.P., Business Development and Strategy. Even though Rouleau is still listed on the management page of the corporate website, we questioned his employment status since he did not receive the 2007 equity compensation awards granted to his peers in January. We certainly did not anticipate the update provided in the Company's preliminary proxy filed on April 27<sup>th</sup>. According to the disclosure, TWTC "re-evaluated the functions of our executive officer positions and our reporting structure and determined that Mr. Rouleau is no longer an executive officer under applicable Securities and Exchange Commission rules." It is unclear exactly how a named executive can continue in the same function, with the same title and no longer be considered a Section 16 insider, but this setup allowed the Company to circumvent SEC rules stipulating that an 8-K must be filed when a named executive is demoted or terminated. As a result, he too managed to clear out nearly 100,000 shares in recent months without filing the trades on a Form 4.
- Other executives who apparently are either no longer with Time Warner Telecom or have been stripped of their Section 16 status in the past five months are: Senior V.P. Corporate Development and Strategy **Robert Gaskins**, Senior V.P., Human Resources and Business Administration **Julie Rich**, and Senior V.P., Chief Information Officer **Mark Hernandez**. Gaskins is currently named on the TWTC website but did not receive options grants, along with Rich and Hernandez, in January.

#### Accounting: Miscellaneous noteworthy items

- **A/R Allowances:** Despite what the company puts forth as justification for the decrease in the allowance for doubtful accounts from 19% of gross receivables to 15%, the downward move seems aggressive. One reason cited for the drop is a change in revenue recognition policies which was not disclosed. One can logically infer that under previous policies revenue was being recognized and receivables booked that had little or no likelihood of being collected. A related, unanswered question is whether any of those previously booked receivables remain on the books. That too is undisclosed.

As of the beginning of the year 2006, the allowance had a balance of \$10.9 million at the 19% level. At year-end 2006, at the 15% level the balance was \$13.2 million. However, the increase is illusory. An addition of \$5.0 million came from acquisitions rather than any charge to expense. Write offs were \$3.3 million. Quick math reveals that of the \$10.9 million balance at last year-end, only \$8.2 million remains (\$8.2 million + \$5.0 million = \$13.2 million). Prior to the current year the allowance had trended downward from \$15.0 million at 12/31/03 to the \$10.9 million at 12/31/05.

- **Xspedius Valuation Questions:** Persistent disclosures in TWTC's recent 10K concerning potential valuation issues related to Xspedius have not escaped us.

Unlike similar disclosures from companies which had recently made acquisitions, TWTC's concerning Xspedius carries an ominous ring: *"When finalized, we may be required to make adjustments to the fair values that could impact our future results of operations and financial position, some of which could be material."* Another related disclosure regarding Xspedius is not subtle in the recent SEC Form 10-K. It would seem that someone is nervous about the valuations regarding Xspedius as they currently exist on the books.

- **Xspedius Internal Controls:** We note that TWTC continues to hedge its bets with regards to Xspedius:

"There has been no change in our internal control over financial reporting during the quarter ended December 31, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting **except for the internal controls over financial reporting for Xspedius Communications, LLC, which we acquired on October 31, 2006 and which was excluded from managements assessment.**"

- **Disconnect Level Rises:** After holding flat at 1.2% of revenue for 2004 and 2005, disconnects moved up to 1.5% in 2006. Though the increase is not large, we note the potential trend-change. We find it interesting that this did prompt analyst comment/questions during the Q4 conference call.

Copyright © 2007 by 3DAdvisors, LLC. **ALL RIGHTS RESERVED.** Your possession and use of this report is subject to the terms and conditions of the 3DA Product License Agreement, and any unauthorized use or access constitutes theft and 3DA will prosecute violators to the full extent of applicable State and Federal Law. This research report may not be reproduced, stored in a retrieval system, or transmitted, in whole or in part, in any form or by any means, without the prior written consent of 3DAdvisors, LLC. The information in this report was based on sources believed to be reliable and accurate, but no warranty regarding its accuracy or suitability for any purpose is expressed or implied. Nothing contained in this report is or should be construed to be a recommendation to sell, hold or purchase any security.



## 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
<b>John Blount, Chief Operating Officer. Common stock holdings: 0 shares</b>								
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
11/10/03	Options	80,000	\$10.16	11/10/04	11/09/00	35,250	25,000	5,000 options vest each quarter
01/20/04	R. Stock	7,500	N/A	01/20/05	01/20/08	1,875	1,875	01/20/08
01/13/05	Options	180,000	\$3.46	01/13/06	01/13/12	78,750	78,750	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
01/25/07	Options	100,000	\$21.93	12/31/07	01/24/14	100,000	100,000	12/31/07, 12/31/08, 12/31/09, 12/31/10
01/25/07	R. Stock	75,000	N/A	12/31/07	12/31/10	75,000	75,000	12/31/07, 12/31/08, 12/31/09, 12/31/10
01/25/07	R. Stock	25,000	N/A	<sup>1</sup>	<sup>1</sup>	25,000	25,000	<sup>1</sup>
<b>Robert Gaskins, Senior V.P.- Corporate Development and Strategy. Common stock holdings: 12,955 shares</b>								
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	0	Fully Vested
11/10/03	Options	48,000	\$10.16	11/10/04	11/09/00	12,000	9,000	3,000 options vest each quarter
01/20/04	R. Stock	6,000	N/A	01/20/05	01/20/08	1,500	1,500	01/20/08
01/13/05	Options	60,000	\$3.46	01/13/06	01/13/12	33,750	26,250	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
<b>Catherine Hemmer, Senior V.P.-Corporate Operations, Engineering and Technology . Common stock holdings: 2,375 shares</b>								
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	196,000	0	Fully Vested
01/13/05	Options	180,000	\$3.46	01/13/06	01/12/15	78,750	0	11,250 vest each quarter
<b>Larissa Herda, Chairman, President, Chief Executive Officer. Common stock holdings: 80,154 shares</b>								
08/05/98	Options	375,000	\$12.00	08/05/99	08/05/08	185,830	0	Fully Vested
11/17/99	Options	1,000,000	\$34.50	11/17/00	11/17/09	1,000,000	0	Fully Vested



## 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
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	52,500	52,500	17,500 options vest each quarter
01/20/04	R. Stock	35,000	N/A	01/20/05	01/20/08	8,750	8,750	01/20/08
01/13/05	Options	320,000	\$3.46	01/13/06	01/13/12	140,000	140,000	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
01/25/07	Options	150,000	\$21.93	12/31/07	01/24/14	150,000	150,000	12/31/07, 12/31/08, 12/31/09, 12/31/10
01/25/07	R. Stock	112,500	N/A	12/31/07	12/31/10	112,500	112,500	12/31/07, 12/31/08, 12/31/09, 12/31/10
01/25/07	R. Stock	37,500	N/A	<sup>1</sup>	<sup>1</sup>	37,500	37,500	<sup>1</sup>

### Mark Hernandez, Senior V.P., Chief Information Officer. Common stock holdings: 1,125 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	9,000	3,000 options vest each quarter
01/20/04	R. Stock	4,500	N/A	01/20/05	01/20/08	1,125	1,125	01/20/08
01/13/05	Options	60,000	\$3.46	01/13/06	01/13/12	60,000	26,250	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, Executive V.P., General Counsel and Regulatory Policy. Common stock holdings: 9,167 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
11/10/03	Options	48,000	\$10.16	11/10/04	11/09/00	9,000	9,000	3,000 options vest each quarter
01/20/04	R. Stock	4,500	N/A	01/20/05	01/20/08	1,125	1,125	01/20/08
01/13/05	Options	60,000	\$3.46	01/13/06	01/13/12	26,250	26,250	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
01/25/07	Options	40,000	\$21.93	12/31/07	01/24/14	40,000	40,000	12/31/07, 12/31/08, 12/31/09, 12/31/10
01/25/07	R. Stock	30,000	N/A	12/31/07	12/31/10	30,000	30,000	12/31/07, 12/31/08, 12/31/09, 12/31/10
01/25/07	R. Stock	10,000	N/A	<sup>1</sup>	<sup>1</sup>	10,000	10,000	<sup>1</sup>

### Mark Peters, Executive V.P., Chief Financial Officer. Common stock holdings: 1,500 shares

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



## 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
09/30/03	Options	7,500	\$9.26	09/30/04	09/29/13	938	938	468 vest each quarter
03/31/04	Options	7,500	\$6.53	03/31/05	03/30/14	1,875	1,875	468 vest each quarter
09/30/04	Options	7,500	\$4.80	09/30/05	09/29/14	2,813	2,813	468 vest each quarter
01/13/05	Options	60,000	\$3.46	01/13/06	01/13/12	26,250	26,250	3,750 vest each quarter
04/01/05	Options	90,000	\$3.95	04/01/06	03/31/12	45,000	45,000	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
01/25/07	Options	100,000	\$21.93	12/31/07	01/24/14	100,000	100,000	12/31/07, 12/31/08, 12/31/09, 12/31/10
01/25/07	R. Stock	75,000	N/A	12/31/07	12/31/10	75,000	75,000	12/31/07, 12/31/08, 12/31/09, 12/31/10
01/25/07	R. Stock	25,000	N/A	<sup>1</sup>	<sup>1</sup>	25,000	25,000	<sup>1</sup>

### Julie Rich, Senior V.P.-Human Resources and Business Administration. Common stock holdings: 1,500 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	9,000	3,000 options vest each quarter
01/20/04	R. Stock	6,000	N/A	01/20/05	01/20/08	1,500	1,500	01/20/08
01/13/05	Options	40,000	\$3.46	01/13/06	01/12/12	32,500	17,500	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	60,000	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	75,000	0	Fully Vested
11/10/03	Options	48,000	\$10.16	11/10/04	11/09/10	13,000	9,000	3,000 options vest each quarter
01/20/04	R. Stock	4,500	N/A	01/20/05	01/20/08	1,125	1,125	01/20/08
01/13/05	Options	75,000	\$3.46	01/13/06	01/13/12	4,500	26,250	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

### Jill Stuart, Senior V.P.-Accounting and Finance, Chief Accounting Officer. Common stock holdings: 2,185 shares

07/22/99	Options	8,500	\$26.88	07/22/00	07/22/09	8,500	0	Fully Vested
08/02/00	Options	18,000	\$61.00	08/02/01	08/02/10	18,000	0	Fully Vested
09/27/01	Options	5,000	\$7.25	09/27/02	09/27/11	5,000	0	Fully Vested
11/15/01	Options	8,000	\$14.72	11/15/02	11/15/11	8,000	0	Fully Vested
08/21/03	Options	50,000	\$6.15	08/21/04	08/20/13	6,250	6,250	3,125 options 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
01/13/05	Options	60,000	\$3.46	01/13/06	01/13/12	26,250	3,750	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
01/25/07	Options	40,000	\$21.93	12/31/07	01/24/14	40,000	40,000	12/31/07, 12/31/08, 12/31/09, 12/31/10
01/25/07	R. Stock	30,000	N/A	12/31/07	12/31/10	30,000	30,000	12/31/07, 12/31/08, 12/31/09, 12/31/10
01/25/07	R. Stock	10,000	N/A	<sup>1</sup>	<sup>1</sup>	10,000	10,000	<sup>1</sup>

\* Red highlight denotes options currently out of the money.

<sup>1</sup> These restricted stock units vest in whole or in part at the first Board meeting of 2009 contingent on the Company's achievement of certain performance targets.