

March 17, 2011

**VIA ECFS**

***EX PARTE***

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, SW, Room TW-A325  
Washington, DC 20554

**Re:** *Special Access Rates for Price Cap Local Exchange Carriers, WC Docket No. 05-25; Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket no. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-91; Federal-State Joint Board on Universal Service, CC Docket No. 96-4*

Dear Ms. Dortch:

Yesterday, the following meetings took place: (1) Larissa Herda, President, CEO and Chairman of tw telecom inc., Kelsi Reeves of tw telecom and the undersigned met with Commissioner Meredith Attwell Baker and Brad Gillen; (2) Ms. Herda, Ms. Reeves, Pat Williams on behalf of tw telecom, and the undersigned met with Commissioner Robert McDowell and Christine Kurth; and (3) Ms. Herda, Kevin Joseph on behalf of tw telecom and the undersigned met with Chairman Julius Genachowski, Eddie Lazarus, Paul de Sa and Zac Katz. During each of the meetings, Ms Herda and the other representatives of tw telecom made the following points:

- The Commission should move as quickly as possibly to resolve the full range of issues raised in the 05-25 proceeding. Specifically, the FCC should conclude the data gathering process and mandate appropriate reductions in high prices for Ethernet and DSn special access prices. The FCC should also prohibit terms and conditions in volume and term discount agreements that are exclusionary and harmful to wholesale competition and self-deployment.
- With regard to the planned second voluntary data request in the special access proceeding, the Wireline Competition Bureau should collect price and cost information sufficient to enable the Bureau to assess the extent to which incumbent LECs are exercising market power in the provision of Ethernet special access services. For example, the Bureau should seek information regarding the incumbent LECs' retail and wholesale prices for Ethernet so

that the Bureau can determine whether incumbent LECs are placing competitors, like tw telecom, that rely on incumbent LEC Ethernet as an input to downstream retail services, in a price squeeze.

- The Commission should also clarify that providers of managed VoIP services have a right, under Section 251(c)(2) of the Communications Act, to direct IP-to-IP interconnection for the purpose of exchanging managed VoIP traffic with incumbent LECs.

Finally, during the meeting, Ms. Herda distributed the attached investor presentation.

Please do not hesitate to contact me at (202) 303-1111 if you have any questions or concerns about this submission.

Respectfully submitted,

/s/ Thomas Jones

Thomas Jones

*Counsel for tw telecom inc.*

cc (via email): Chairman Julius Genachowski  
Commissioner Meredith Attwell Baker  
Commissioner Robert McDowell  
Eddie Lazarus  
Paul de Sa  
Zac Katz  
Brad Gillen  
Christine Kurth

Enclosure



Changing the way businesses

**CONNECT &  
COMMUNICATE**

**Investor Presentation  
March 2011**



# Safe Harbor & Quarterly Commentary

## **Safe Harbor Statement –**

Statements made during today's presentation may include certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which include without limitation, statements regarding industry trends, customer demand and bookings, sales and installations timing, strategy, network and product plans, market opportunity, demand drivers, future capabilities, churn trends, cash flow trends, disconnections, expense trends, growth prospects and drivers, anticipated margins and revenue growth, future investments, future cash flow and capital expenditures are based on Company management's current expectations, and are subject to risks and uncertainties. These risks include those summarized in the Company's filings with the SEC, particularly in the section entitled "Risk Factors" in its Annual Report on Form 10-K for the year ended December 31, 2010, and in the Safe Harbor Statement in the Supplemental Earnings Information for Q4 2010 posted on the Company's website. tw telecom inc. is under no obligation, and expressly disclaims any obligation, to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

## **Today's comments and discussions related to financial performance & trends –**

- *Are based on the information from tw telecom's fourth quarter 2010 earnings call, press release & supplemental earnings materials and are provided as of December 31, 2010*
- *Do not include any current quarter information or updates, unless otherwise publicly disclosed*
- *The press release and supplemental earnings materials can be found at [www.twtelecom.com](http://www.twtelecom.com)*

For a reconciliation of Non-GAAP measures to GAAP measures used in this presentation, including without limitation M-EBITDA, Levered Free Cash Flow, Unlevered Free Cash Flow, see supplemental earnings information on Company's website at [www.twtelecom.com](http://www.twtelecom.com).

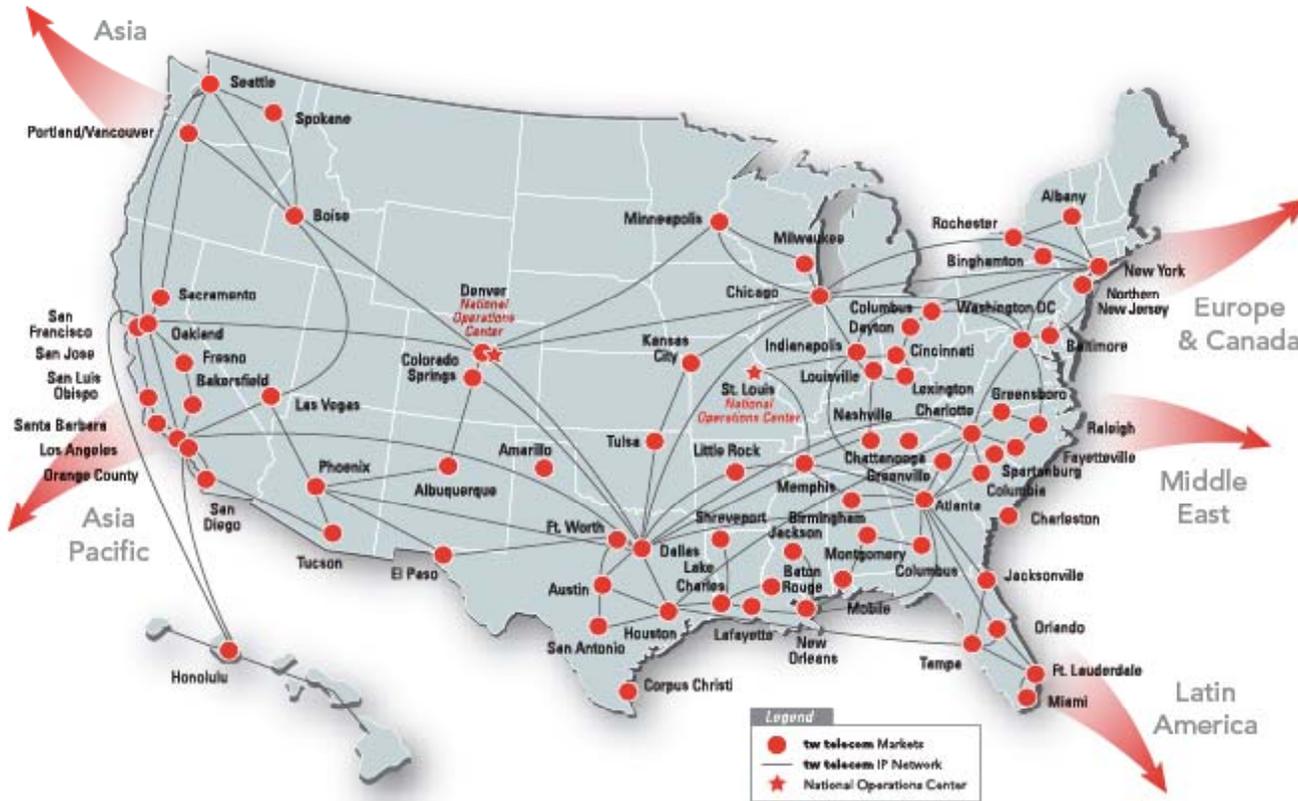
# Looking Forward into 2011

- ▶ *Why we expect to grow revenue at a greater rate*
- ▶ *TWTC – Serving key demand drivers*
- ▶ *TWTC – Networks Enable Web 2.0 & Cloud*
- ▶ *TWTC – Differentiated from peers*



# Key Company Facts

(As of December 31, 2010)



- 75 U.S. metropolitan markets
- Fiber networks spanning ~ 28,000 route miles
- 11,876 fiber connected buildings
- 27,281 customers

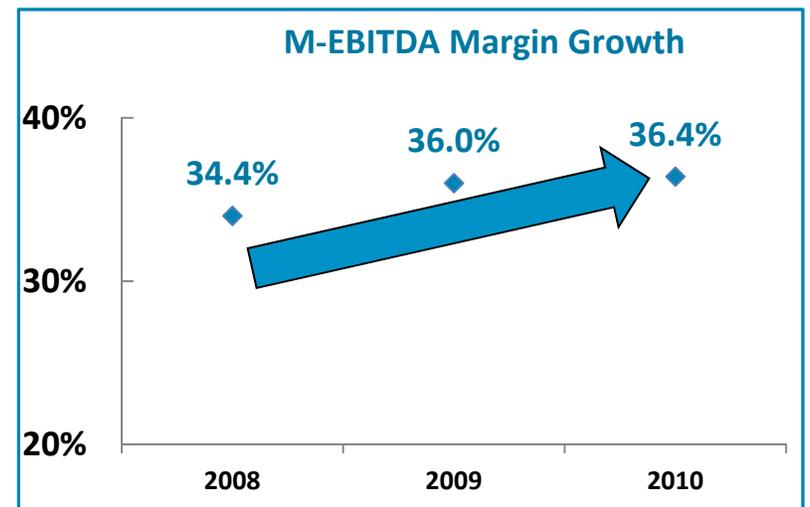
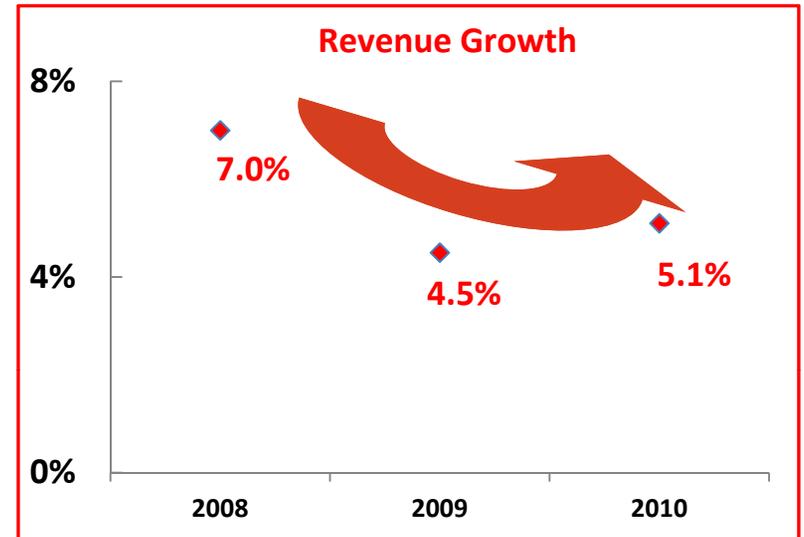
✓ Top 10 most interconnected IP Backbone

✓ Leader in Ethernet Services

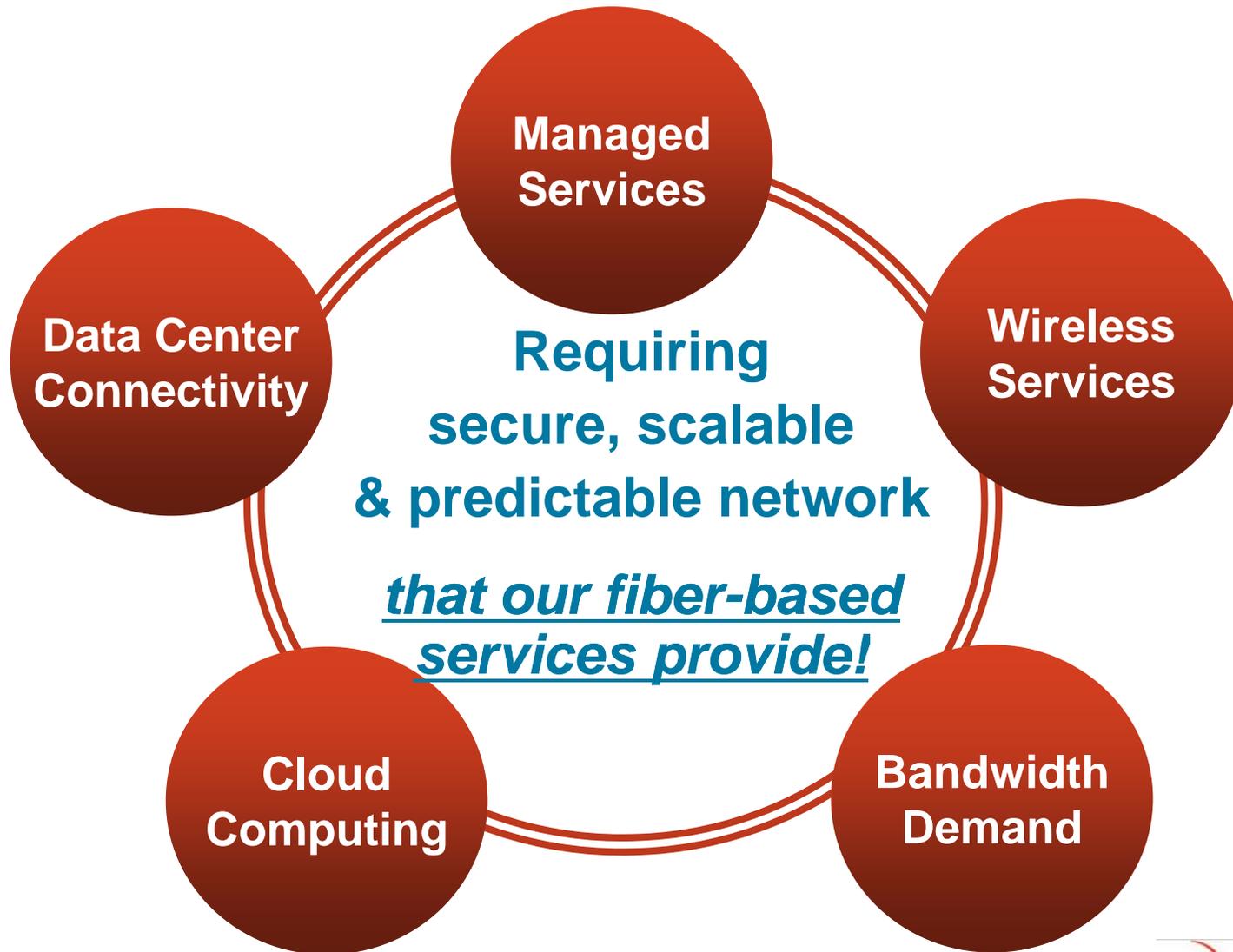
✓ Domestic & Int'l MPLS Reach to > 70 countries

# Momentum Indicators of Growth

- ✓ Strong Data & Internet Growth
- ✓ New Product Offerings
- ✓ New Sales Resources
- ✓ Best-ever Customer Experience
- ✓ Lower Revenue Churn
- ✓ Increased Network Reach
- ✓ Improved Customer Sentiment
- ✓ Step Function in Sales



# Strong & Growing Demand Drivers



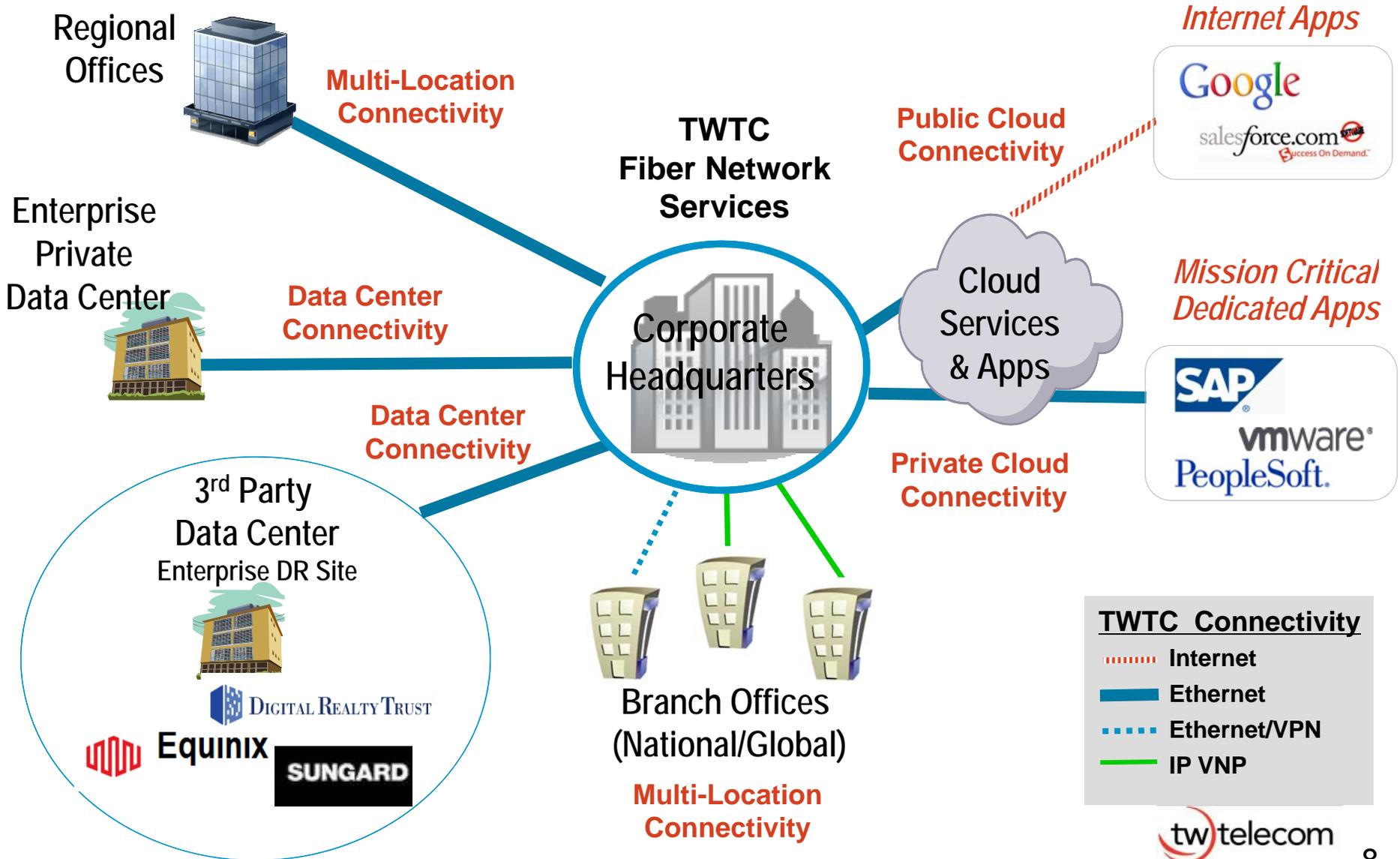
# Critical Web 2.0 Network Consumption

Cloud	Data Centers	Wireless	Collaboration
			

Enterprise Demand for Infrastructure Applications  
Driving Massive Consumption of Network Capacity

**TWTC Bridging the Gap!**

# Enabling the Enterprise



# Key Ethernet Differentiators

## Non-Complex Market Offerings

### Generally –

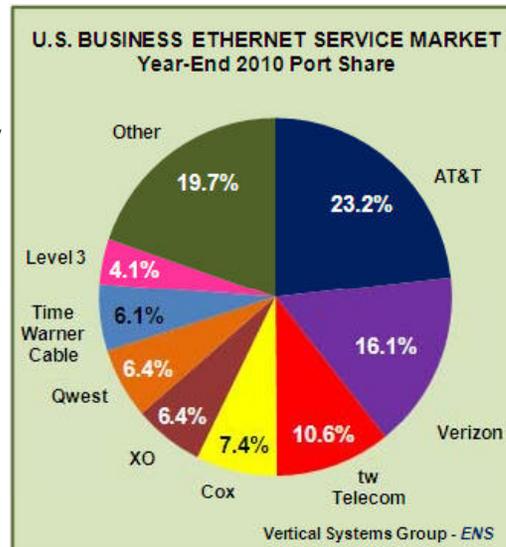
- ✓ Focused on Point-to-Point POP-to-POP networks
- ✓ Mostly Bulk Commodity Bandwidth
  - Limited Flexibility
- ✓ Many Copper strategies
  - Bandwidth limitations
  - ILEC dependencies
- ✓ Tend to focus on single application
  - e.g. Internet



## TWTC's Advanced Offering

### Ongoing Leadership –

- ✓ Robust multi-location Network solutions
- ✓ Highly scalable bandwidth
  - up to 10 Gig in Metro & Nationally
- ✓ Unique solutions
  - Fractional 2-9 Gig
  - 5 classes of service
- ✓ Supports many applications
  - Multi-location & purpose
  - e.g. Telepresence & Other



# Financial Overview

# Strong Liquidity = Flexibility

## Financial Achievements:

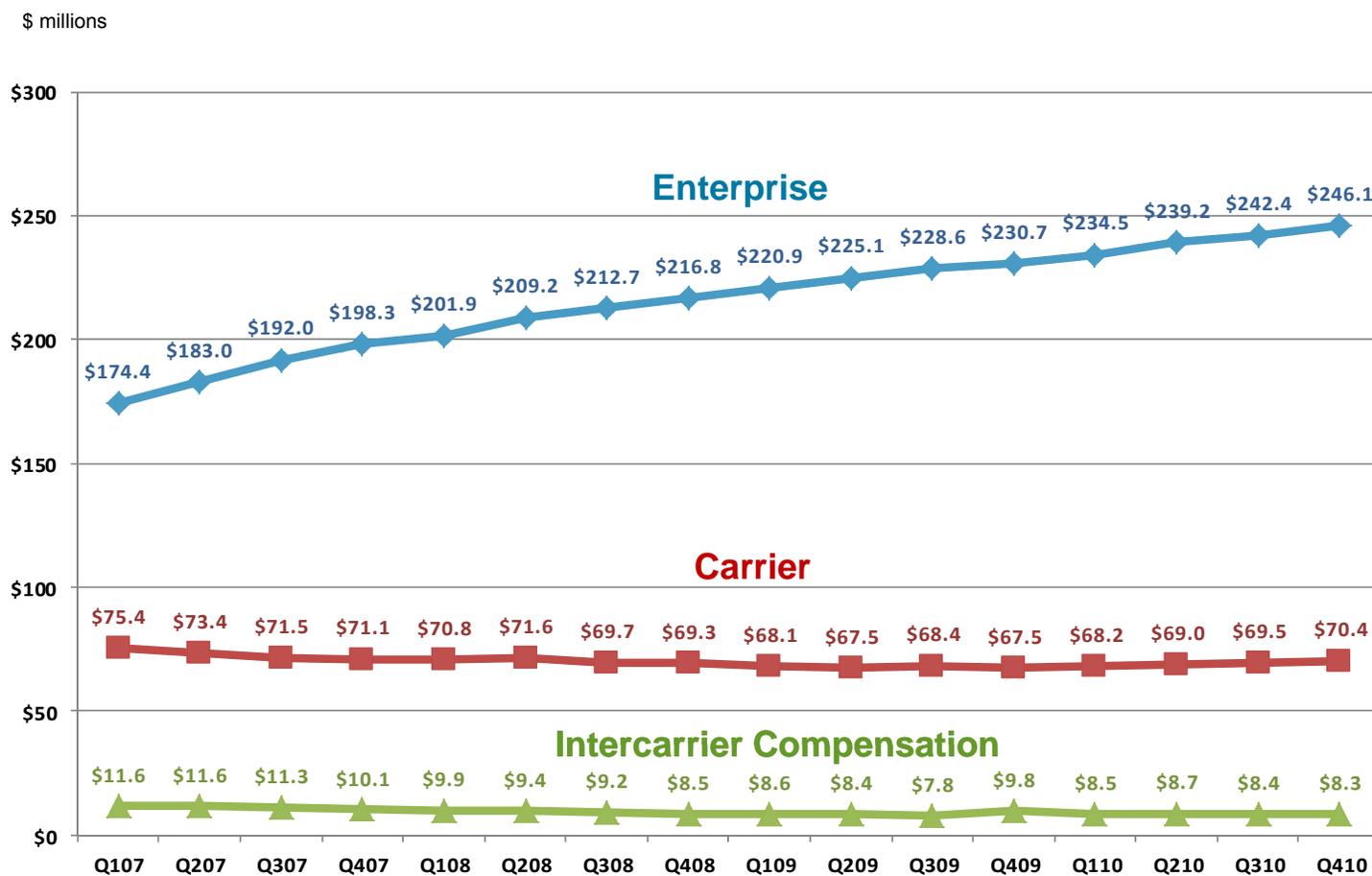
- ➔ **\$476 M of cash, equivalents & Short term investments**  
~18% of total assets
- ➔ **Key Debt Metrics <sup>(1)</sup>**  
Net Debt to M-EBITDA < 2x  
Interest Coverage 8x
- ➔ **36.4% Annual M-EBITDA Margin**
- ➔ **Levered Free Cash Flow \$83M**  
or ~7% of 2010 revenue

## Investing In:

- ✓ **Customer opportunities**
- ✓ **Products & capabilities**
- ✓ **Network reach**
- ✓ **Customer experience**
- ✓ **Process/efficiency**
- AND --
- ✓ **Share repurchase**

(1) Excludes all non-cash interest expense and debt extinguishment costs. Annualized amount based on the quarter ended December 31, 2010.

# Revenue Growth by Customer

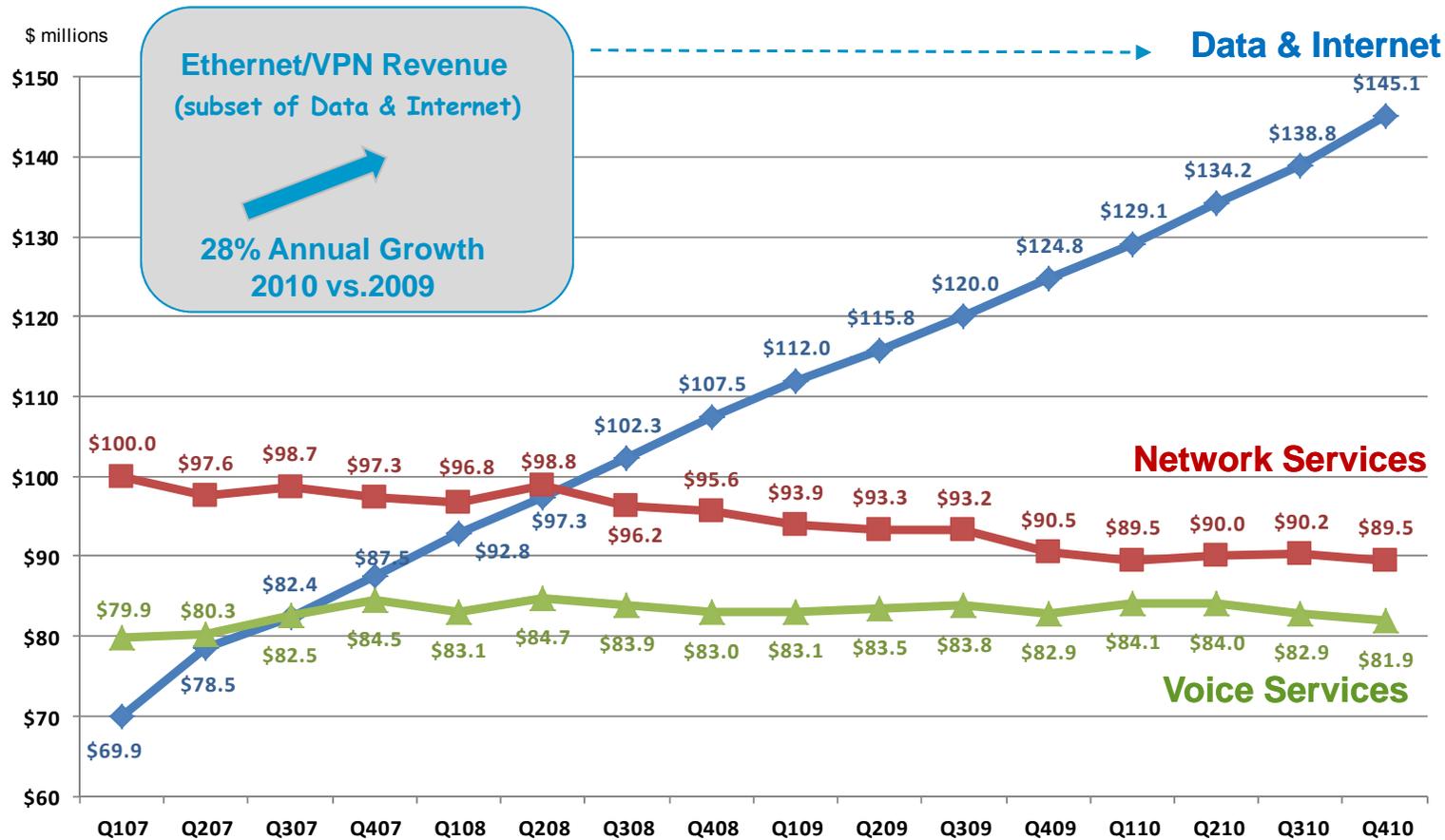


Customer Mix Q4'10	2007-2010 CAGR <sup>(1)</sup>
<b>Enterprise</b> 75%	<b>9%</b>
<b>Carrier</b> 22%	<b>(2)%</b>
<b>Intercarrier Comp</b> 3%	<b>(8)%</b>

	2007	2008	2009	2010
Total Annual Revenue Growth	33.4%	7.0%	4.5%	5.1%
Total Annual M-EBITDA margin	31.3%	34.4%	36.0%	36.4%

(1) Calculated quarterly

# Revenue Growth by Line of Business



% of Revenue Q4'10	2007-2010 CAGR <sup>(1)</sup>
45%	19%
27%	(3)%
25%	1%

**45% of Total Revenue (Data & Internet) grew at a 19% CAGR over the last 4 years**

(1) Calculated quarterly

# Investing in the “Network Effect”

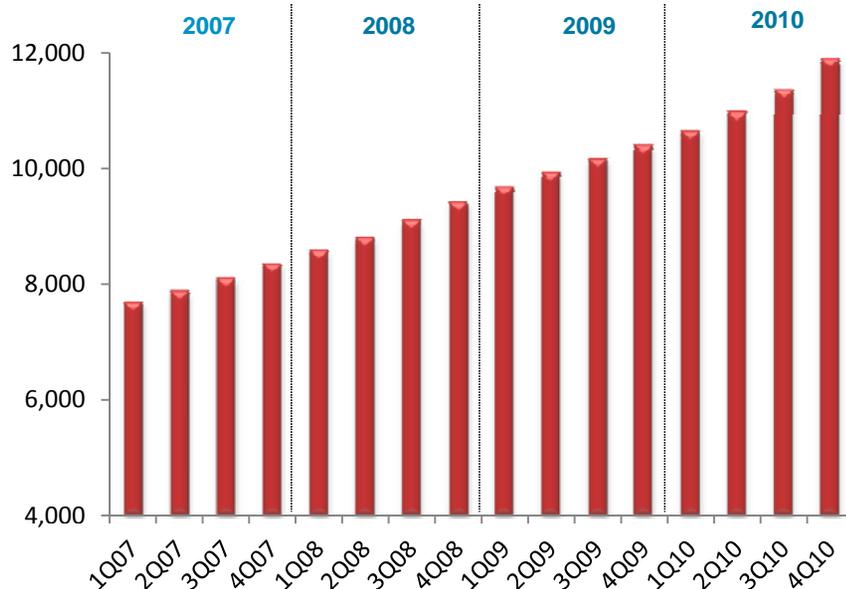
## Growing our Fiber Core

### ✔ Expanded Lit On-Net Fiber Connected Buildings

- Total Buildings Grew ~60% over 4 years
- Building Additions Grew 50% YOY (2009-2010)

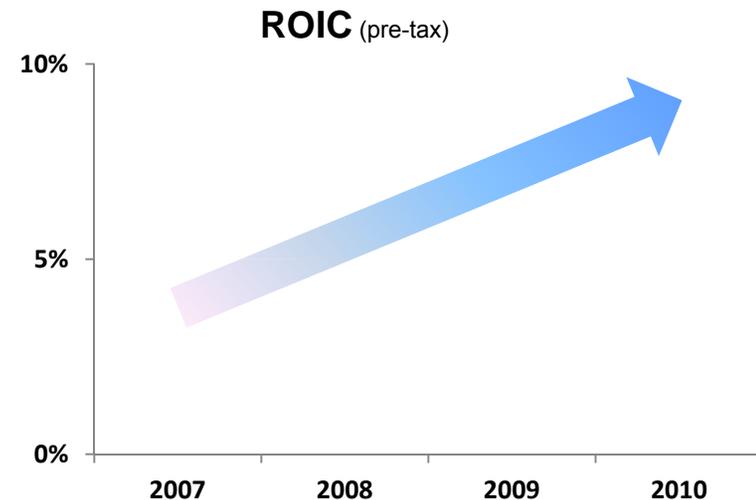
### ✔ Building Assets vs. Network Access Spending

# of on-net fiber connected buildings



## Leveraging/Scaling Markets

- ✔ Strong 36.4% annual M-EBITDA margin
- ✔ Favorable ROIC trends
- ✔ Top markets contribute heavily to cash flow
- ✔ Non-mature markets scaling provides opportunities for revenue & margin expansion



# Strong Trends -- As we Invest for the Future

## 75 Local Markets

Stacked ranked by 2007 M-EBITDA margin

(\$ millions)

	2007	2008	2009	2010
<b>Top 25 Markets</b>				
1/3 Revenue	\$652	\$680	\$702	\$724
1/3 M-EBITDA	\$371	\$395	\$415	\$428
1/3 M-EBITDA margin	57%	58%	59%	59%
<b>Middle 25 Markets</b>				
1/3 Revenue	\$317	\$343	\$357	\$371
1/3 M-EBITDA	\$123	\$141	\$154	\$164
1/3 M-EBITDA margin	39%	41%	43%	44%
<b>Bottom 25 Markets</b>				
1/3 Revenue	\$115	\$136	\$152	\$178
1/3 M-EBITDA	\$22	\$33	\$44	\$56
1/3 M-EBITDA margin	18%	24%	29%	32%
<b>Corp/Central Operations</b>				
Corp/Central Operations	(\$176)	(\$170)	(\$176)	(\$184)
<b>Total Revenue</b>	<b>\$1,084</b>	<b>\$1,159</b>	<b>\$1,211</b>	<b>\$1,273</b>
<b>M-EBITDA</b>	<b>\$339</b>	<b>\$399</b>	<b>\$437</b>	<b>\$464</b>
<b>M-EBITDA margin</b>	<b>31%</b>	<b>34%</b>	<b>36%</b>	<b>36%</b>

Market Density	UFCF (1) Contribution	M-EBITDA Margin
Highly Scaled	Highest Contribution	Accretive
Scaling	Contributing	Accretive
Sub Scale	Near Break Even	Growing But Not yet Accretive

### Total Company

- Strong Margins
- Solid Cash Flow Returns
- Growing ROIC

(1) Unlevered Free Cash Flow is defined as M-EBITDA less capital expenditures

# Investment = Long Term Cash Flow

Market Level Results; for year-end  
12/31/10, 12/31/09 and 12/31/08(1)

	"Top 25 market" <u>Austin</u>			"Bottom 25 market" <u>Denver</u>			"Bottom 25 market" <u>Las Vegas</u>		
	2008	to	2010	2008	to	2010	2008	to	2010
◆ <b>M-EBITDA Margin</b>	59%	...	62%	29%	...	36%	20%	...	33%
◆ <b>Capex / Revenue</b>	14%	...	11%	27%	...	33%	36%	...	39%
◆ <b>UFCF / Invested Capital</b> <sup>(2)</sup>	53%	...	69%	1%	...	3%	(5%)	...	(2%)
◆ <b>Fiber Route Miles</b>	~ 870	...	~ 940	~ 190	...	~ 220	~ 90	...	~ 130
◆ <b>Buildings On Net</b>	350	...	398	82	...	118	37	...	92
◆ <b>Market Opportunity</b> <sup>(3)</sup>	~ 20,000 businesses			~ 17,000 businesses			~ 19,000 businesses		

## Scaling the Business

- ◆ Launched in 1994
- ◆ Includes Xspedius market from acquisition 11/06
- ◆ Consistent investment over life of market
- ◆ Significant cash flow and Capital efficient

- ◆ Greenfield market in '01
- ◆ Market temporarily put on hold then restarted in approx. '04
- ◆ Generating cash
- ◆ Developing market

- ◆ Xspedius acquisition in '06
- ◆ Low Network Density
- ◆ Not yet generating cash
- ◆ Developing market

(1) Market-level results are prior to corporate costs and centralized operations and other corporate allocations

(2) Unlevered Free Cash Flow ("UFCF") is defined as M-EBITDA less Capex. Invested Capital is defined as net property, plant & equipment, intangible assets & goodwill

(3) "Target" businesses within a mile of TWTC's fiber

# Our Strong Model



## ◆ Focus on higher Revenue Growth

New Product, Building & Wireless Opportunities

## ◆ Disciplined Capital Allocation Strategy

Investing in our capabilities & reach  
Share Repurchase Program

## ◆ Building Differentiated Assets

Continue to scale markets  
Continue to drive ROIC

## ◆ Continued Strong Balance Sheet

\$476M in cash, equivalents and short term investments, low DSOs & bad debt expense

## *For 2010 --*

- ◆ Grew Revenue 5.1% vs. 4.5% in prior year
- ◆ Reduced Annual Revenue Churn from 1.3% to 1.0%
- ◆ Refinanced 2/3s of Outstanding Debt
- ◆ Generated ~7% Levered Free Cash flow margin

# Appendix

# Our Strong Ethernet Position

## Leading & innovating with Ethernet & IP strategy

- Growth engine for enterprise business
- Taking share from the incumbents

## Leveraging our metro fiber footprint and connected buildings

- About 11,900 fiber connected buildings <sup>(1)</sup>

## Incredible Fast Growing Market Opportunity

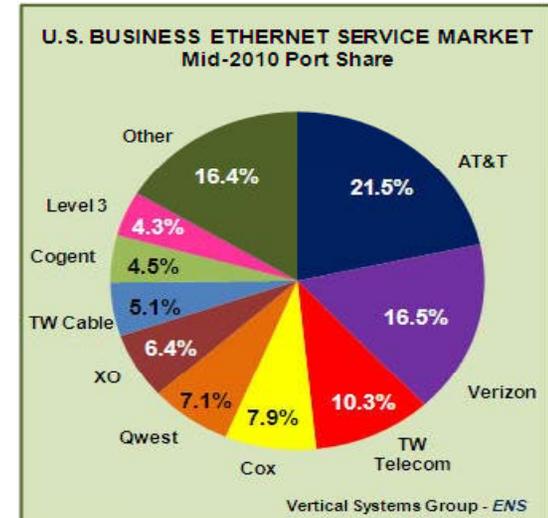
- Projected 25%+ CAGR growth through 2013 per industry analyst IDC

## Industry Leader

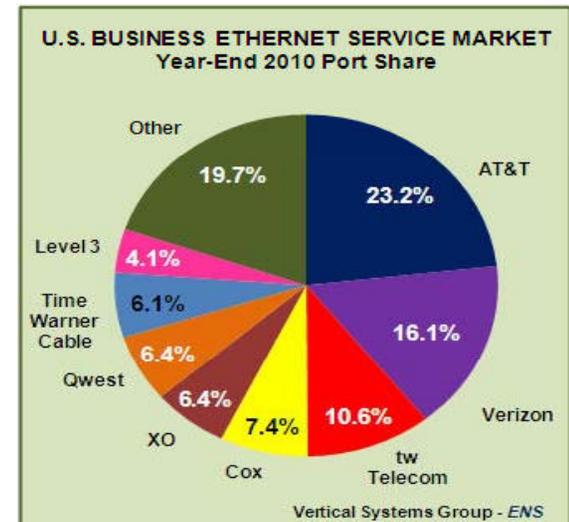
- 2010 MEF 9 & 14 Certification
- 10 Gig, Fractional 10 Gig, & National Services



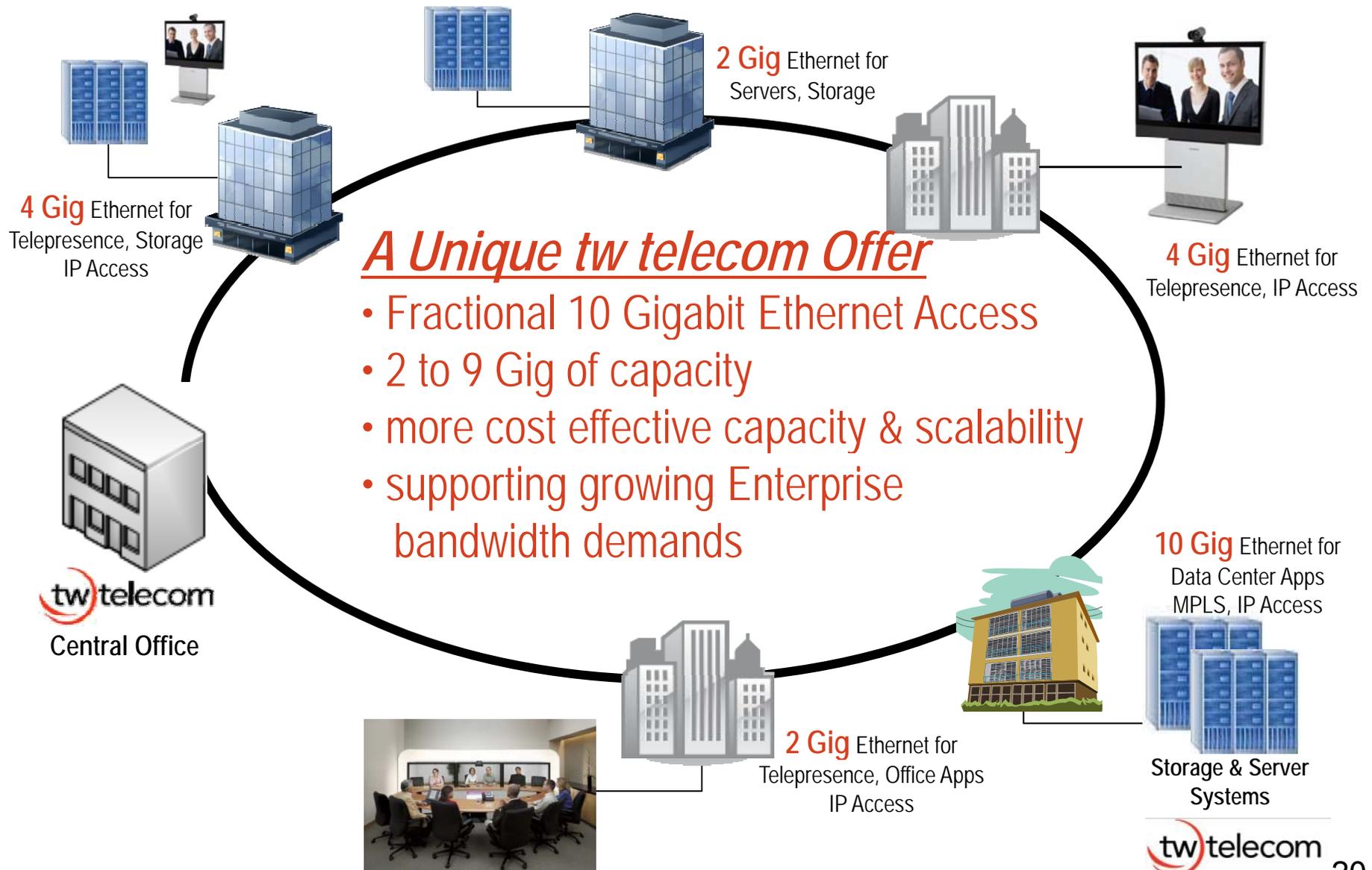
(1) As of December 31, 2010



## TWTC Continued Growth – Mid Year to End of Year



# Our Unique Fractional 10 Gig Ethernet



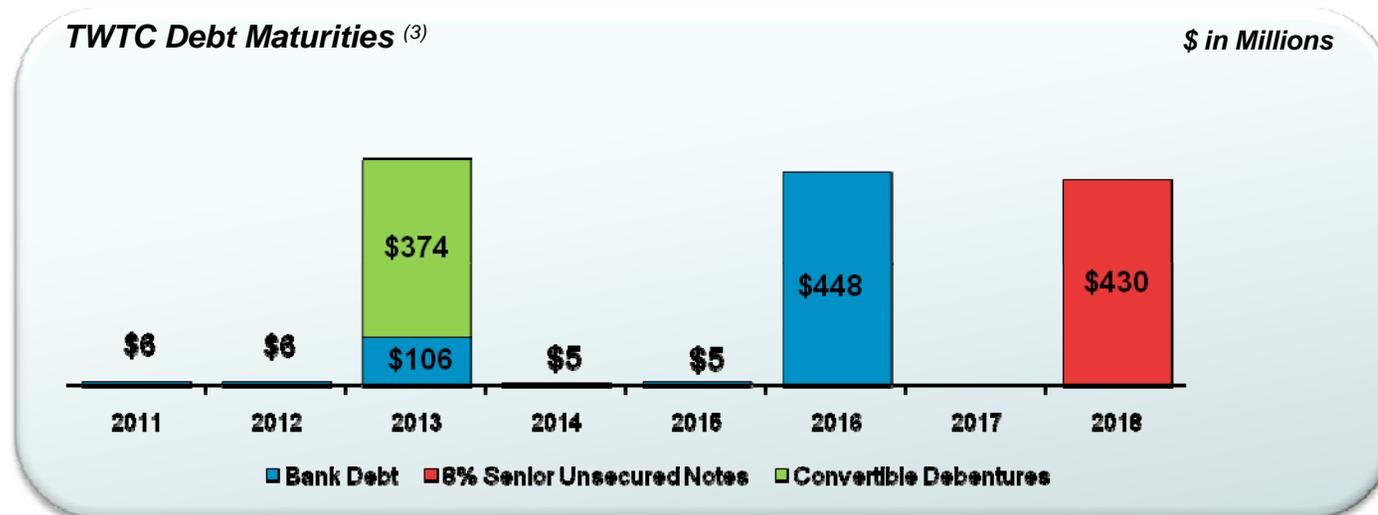
# Financial Flexibility & Strong Liquidity

## ➤ Refinanced ~ \$870 million of outstanding debt in 2010 <sup>(1)</sup>

- Extended maturities at favorable market rates
- Improved covenants terms for share repurchase, dividends, acquisitions and incremental borrowing

## ➤ Strong Liquidity <sup>(2)</sup>

- Net Debt/M-EBITDA: < 2x
- Interest Coverage: 8x
- Unused \$80 million revolver
- \$476 million cash, equivalents & short-term investments



(1) Also refinanced \$80M unused revolver

(2) Excludes non-cash interest expense and debt extinguishment costs. Annualized amount based on quarter ended December 31, 2010. See reconciliation of Net Debt and Interest Coverage ratios on the last page of this presentation.

(3) See the Company's SEC filings for a full description of the debt instruments.

# Questions & Answers