

FAQs – Frequently Asked Questions Regarding tw telecom’s January 20, 2009 Adoption of Rights Plan

Please see our press release “tw telecom Adopts Stockholder Rights Plan to Protect Use of Net Operating Losses (NOLs)” by clicking here:

http://www.twtelecom.com/Documents/Announcements/News/2009/Section_382_Rights_Plan_Press_ReleaseFINALa_.pdf

What does this Stockholder Rights Plan do?

This plan is designed to deter ownership shifts that could result in limitations on our use of certain tax assets associated with the Company’s Net Operating Losses (NOLs). Under current Section 382 provisions of the Internal Revenue Code, the use of NOL’s could be restricted if there is greater than 50% ownership change. This restriction could cause NOLs to expire prior to their use which could negatively impact cash flow by accelerating cash tax payments.

How significant are the Company’s NOLs?

As of Dec. 31, 2008, the Company has a NOL carry forward for federal tax purposes of approximately \$1.1 billion.

What is Section 382?

Section 382 of the Internal Revenue Code contains provisions that limit the use of NOLs if there has been an “ownership change” as defined by the regulations. In general, this would occur if certain ownership shifts related to the Company’s stock that is held by 5 percent or greater stockholders, exceeds 50 percent measured over a rolling 3-year period.

How close are we to triggering an “ownership change” under Section 382?

We believe based on information available to us to date, that under the complex provisions of Section 382 the Company’s current ownership shift is in the mid-30% range for the currently applicable three year period. It’s important to note that about two thirds of this shift was generated by normal market trading.

Why does tw telecom call this “Unintended Consequences” of Section 382 and why do they move for Legislative changes?

Generally, Section 382 provisions come into play in the context of mergers and acquisitions and were originally written to prevent the buying and selling of NOLs. The Section 382 regulations, however, are written so broadly that they could result in unintended consequences to companies such as **tw telecom** that have never bought or sold NOLs, because these regulations also define ownership changes in a way that encompasses normal market trading, which are out of the Company’s control. **tw telecom** believes this impact is beyond the original intent of the Sec. 382 provisions.

What do market volatility and the Company's stock price have to do with this?

Unprecedented market activity can drive shifts in ownership which count against the Section 382 ownership change calculation. The extreme volatility in the market has contributed to additional volatility in our stock that has included some large ownership shifts. The rules are complex, but at a high enough stock price the change of ownership can be triggered without a negative impact to our financial statements or cash flow. At a low stock price, the limitation would present a negative impact.

Why is the Company taking this action now?

Based on information available to us to date, we believe the Company's current Section 382 three year period ownership shift is in the mid-30% range. About two thirds of this shift is attributed to normal market trading, which we cannot control. Therefore, due to recent unprecedented overall market volatility, unclear filing data and reporting requirements with a significant lag time for 5% or greater shareholders to report such information, we thought it was prudent to put this plan in place at this time.

Are there ownership shifts that the Rights Plan will not address?

Yes. Shifts in ownership can occur when 5% shareholders increase or decrease the number of shares they own. This plan does not impact selling shareholders.

What information does the Company use to determine its change in ownership?

Generally the source of information is Schedule 13G and 13D filings with the Securities and Exchange Commission.