

VRS Pricing Tiers



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Assumptions:

- 7 certified VRS providers
- Sorenson holds 75% market share
- Go America processes approximately 750k minutes per month
- Calculations are based on March 2009 minutes
- Annualized figures based on March 2009 x 12



Current Structure

Total annualized Fund savings due to current Tiers vs. flat \$6.7025 per minute.

CURRENT PLAN					
Tier	Rate	March Minutes	Reimbursement	March Savings	Annualized Savings
0 to 50k	\$ 6.7025	350,000	\$ 2,345,875		
50k to 500k	\$ 6.4352	2,132,670	\$ 13,724,160	\$ 570,063	\$ 6,840,753
>500k	\$ 6.2375	6,448,011	\$ 40,219,467	\$ 2,998,325	\$ 35,979,900
		8,930,681	\$ 56,289,502	\$ 3,568,388	\$ 42,820,653
FUND SIZE			\$ 675,474,020		

Total "FUND" size based on annualizing March 2009 minutes.



Current Structure with \$.20 Reduction in Rate for each Tier

CURRENT PLAN WITH \$.20 REDUCTION IN RATE						
Tier	Rate	March Minutes	Reimbursement	Add'l savings from current plan	Annualized Savings	% of Fund Savings
0 to 50k	\$ 6.5025	350,000	\$ 2,275,875	\$ 70,000	\$ 840,000	0.12%
50k to 500k	\$ 6.2352	2,132,670	\$ 13,297,626	\$ 426,534	\$ 5,118,409	0.76%
>500k	\$ 6.0375	6,448,011	\$ 38,929,865	\$ 1,289,602	\$ 15,475,226	2.29%
		8,930,681	\$ 54,503,365	\$ 1,786,136	\$ 21,433,634	3.17%

Summary:

1. By lowering the current "Tiers" by \$.20 per minute, the total Annualized incremental reduction in the Fund would be approximately \$21.4M or 3.17%
2. 72% of the \$21.4M in savings comes from the 3rd Tier
3. The materiality of reducing Tiers 1 & 2 to the providers is significant, while the impact to the Fund is only a .86% reduction



Adding a 4th Tier

4 TIER PLAN						
Tier	Rate	March Minutes	Reimbursement	Add'l savings from current plan	Annualized Savings	% of Fund Savings
0 to 50k	\$ 6.7025	350,000	\$ 2,345,875			
50k to 500k	\$ 6.4352	2,132,670	\$ 13,724,160			
500k to 2M	\$ 6.3000	1,750,000	\$ 11,025,000	}	\$ 2,885,607	\$ 34,627,282
2M above	\$ 5.6000	4,698,011	\$ 26,308,860			
		8,930,681	\$ 53,403,895	\$ 2,885,607	\$ 34,627,282	5.13%

Summary:

1. Introducing a discounted 4th Tier would drive an additional Annualized Incremental Fund savings of \$34.6M (vs. \$21.4M from \$.20 reduction as shown on previous slide)
2. Since the original 3rd Tier was to encompass economies of scale beyond 2M minutes, the recommendation would be to actually increase the Tier by \$.0625 per minute
3. This Model would enable smaller providers to be more competitive while at the same time applying the economics behind "Economies of Scale"



Adding a 4th & 5th Tier

5 TIER PLAN						
Tier	Rate	March Minutes	Reimbursement	Add'l savings from current plan	Annualized Savings	% of Fund Savings
0 to 50k	\$ 6.7025	350,000	\$ 2,345,875			
50k to 500k	\$ 6.4352	2,132,670	\$ 13,724,160			
500k to 1M	\$ 6.3000	750,000	\$ 4,725,000			
1M to 2M	\$ 6.0000	1,000,000	\$ 6,000,000			
2M above	\$ 5.6000	4,698,011	\$ 26,308,860	\$ 3,185,607	\$ 38,227,282	5.66%
		8,930,681	\$ 53,103,895	\$ 3,185,607	\$ 38,227,282	5.66%

Summary:

1. Introducing discounted 4th & 5th Tiers would drive an additional Annualized Incremental Fund savings of \$38.2M (vs. \$21.4M from \$.20 reduction as shown on previous slide)
2. This Model would enable smaller providers to be more competitive while at the same time applying the economics behind "Economies of Scale"



Summary

Total Savings with each Model:

<u>Model</u>	<u>Change from current plan</u>	<u>Incremental Savings</u>	<u>% of Fund</u>
3 Tier	Flat \$.20 Reduction	\$21.4M	3.17%
4 Tier	\$5.60 Rate 4	\$34.6M	5.13%
5 Tier	\$6.00 Rate 3 \$5.60 Rate 4	\$38.2M	5.66%

The Goal of these proposals is for the FCC to evaluate alternative Tier structures that would minimize the damage a flat reduction in rates would inflict on smaller providers while at the same time further reducing the total burden on the Fund.

