WILTSHIRE & GRANNIS LLP

May 10, 2012

Ex Parte

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

Re: *Structure and Practices of the Video Relay Service Program*, CG Docket No. 10-51

Dear Ms. Dortch:

On May 7, 2012, James Perry, Michael Cole, Scott Pasquini and Alex Kerr (by telephone) of Madison Dearborn Partners and Scott Sorensen, Christopher Wright and I, on behalf of Sorenson Communications Inc. ("Sorenson"), met with Sean Lev (Deputy General Counsel), Nicholas Alexander (Wireline Competition Bureau), Tom Brown (Special Assistant to the Chairman) and William Sharkey (Office of Strategic Planning and Policy Analysis) to discuss the above-referenced proceeding.

The Sorenson and Madison Dearborn participants made the following points:

- Sorenson is the low cost provider of VRS with a proven history of innovation, reliability and ethical conduct of our business. No other provider provides VRS service for less compensation per minute than does Sorenson.
- Tiers are wasteful and inefficient. There is no justification for expanding tiers, and the tier differentials should be eliminated as the first step in the rate reforms.
- The mid-2010 rate cut caused great uncertainty in the financial markets regarding the stability and future of the VRS program.
- Sorenson's experience with the 2010 rate cuts shows that operating expenses cannot be further cut without significant impacts on VRS service, which will substantially undermine functional equivalency.
- The uncertainty around the VRS program has made it much more difficult and expensive to refinance corporate debt. Clarity on the VRS revenue model for as many years as possible will make the capital markets more accessible to all VRS providers.
- Sorenson supports a transition to a per user system.
    - The per minute system has resulted in fraud by smaller players.

  - The objections to the system on the basis of potential impacts to service can be mitigated or eliminated through service-level and non-discrimination requirements and enforcement.
  - The industry will require a period of time to transition to such a system but once implemented it should provide the FCC with better accountability than the current system
- Purple's contention that bankruptcy is not a disruptive process is nonsense. Bankruptcy can lead to vendor supply problems, problems with maintaining a highly skilled workforce, and problems with consumer acquisition and retention. Purple's actions in seeking an extended payment plan under which to reimburse the fund for alleged improper payments speaks louder than its hollow rhetoric.
- Purple has also provided no data or analysis to support its contention that it could provide service at $4.27/minute given sufficient volume; in fact, Purple's proposal (which depends of forcibly reallocating VRS customers) would likely result in increasing its compensation for its current or even expanded volumes of minutes. No party other than Sorenson has filed any economic analysis with respect to asserted economies of scale.
- As detailed in Sorenson's comments, it would be arbitrary and capricious to apply an 11.25% cost of capital to VRS. The 11.25% cost of capital was based on the Regional Bell Operating Company cost of capital in 1990, prior to the introduction of local exchange competition.
- The Commission has substantial latitude to fashion a transition plan that does not disrupt VRS service or undermine innovation and functional equivalence. This is especially true because Sorenson is providing VRS for far less compensation than any other VRS provider.

Sorenson is seeking highly confidential treatment with respect to other materials provided and addressed in the meeting. Sorenson will supplement this notice once its request is resolved.

Sincerely,

John T. Nakahata
Counsel to Sorenson Communications, Inc.

cc: Sean Lev
Nicholas Alexander
Tom Brown
William Sharkey