WILTSHIRE & GRANNIS LLP

REDACTED—FOR PUBLIC INSPECTION

June 29, 2012

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

Gregory Hlibok
Chief, Disability Rights Office
Bureau of Consumer and Governmental Affairs
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; *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket No. 03-123

Dear Ms. Dortch and Mr. Hlibok:

In response to inquiries from FCC staff, Sorenson Communications, Inc. ("Sorenson") submits the attached information regarding the current terms of its two tranches of debt. *See* Exhibits A and B, attached. In reviewing this information, it is important for the Commission to consider that the interest rate on these debt tranches reflects the market's evaluation of the *risk at the time the instruments were issued.* Were the instruments marked to the current market, they likely would have higher interest rates (and thus associated annual interest payments), with the extent of any increase dependent upon the risk associated with the particular debt tier (e.g., first lien v. second lien) as well as the market's perception of the long term regulatory environment and potential for large decreases in the compensation rate. Current market yields on Sorenson's various tranches of debt illustrate the difference between debt tiers. *See* Exhibit A, attached. As the Commission considers VRS compensation levels, it should consider not only what current cost levels are, but also where the market will drive them, depending on the nature and trajectory of the Commission's actions. As has been particularly apparent from historical experience with

respect to Sorenson's Senior Secured (second lien) Notes, capital markets are extremely sensitive to regulatory changes, particularly with respect to the level of VRS compensation. *See* Exhibit B, attached. Keeping financing costs as low as possible – which for Sorenson means avoiding significant interest cost increases at refinancing of the second lien Senior Secured Notes prior to their maturity – requires achieving a stable, predictable rate path that recognizes that Sorenson is already the lowest-compensated (on an average per minute basis) and lowest-cost provider of VRS service. Taking any other path would be counterproductive to the Commission's long term goals, as it would simply increase the actual costs of service for the lowest-cost provider, rather than charting a downward path for total actual costs for all VRS providers at a unified compensation rate.

Please note that the attached Exhibits contain Highly Confidential Information, and thus Sorenson is filing under seal pursuant to the *Second Protective Order* issued in the above-captioned proceedings on May 31, 2012.[1] The Exhibits also contain Confidential Information protected pursuant to the *Protective Order* issued on March 14, 2012.[2] As required by paragraph 12 of the *Second Protective Order* and paragraph 4 of the *Protective Order*, we submit: (a) one copy of the presentation containing Highly Confidential Information and Confidential Information to the Secretary's Office along with this cover letter; (b) two copies of the presentation in redacted form to the Secretary's Office along with this cover letter; and (c) two copies of the presentation containing Highly Confidential Information and Confidential Information to Gregory Hlibok along with this cover letter. We will also file a copy of the redacted version via ECFS. As required by paragraph 3 of the *Second Protective Order*, we have received written approval from Commission staff for the Highly Confidential designations in the filing.

Sincerely,

John Nakahata
Counsel to Sorenson Communications, Inc.

Enclosures

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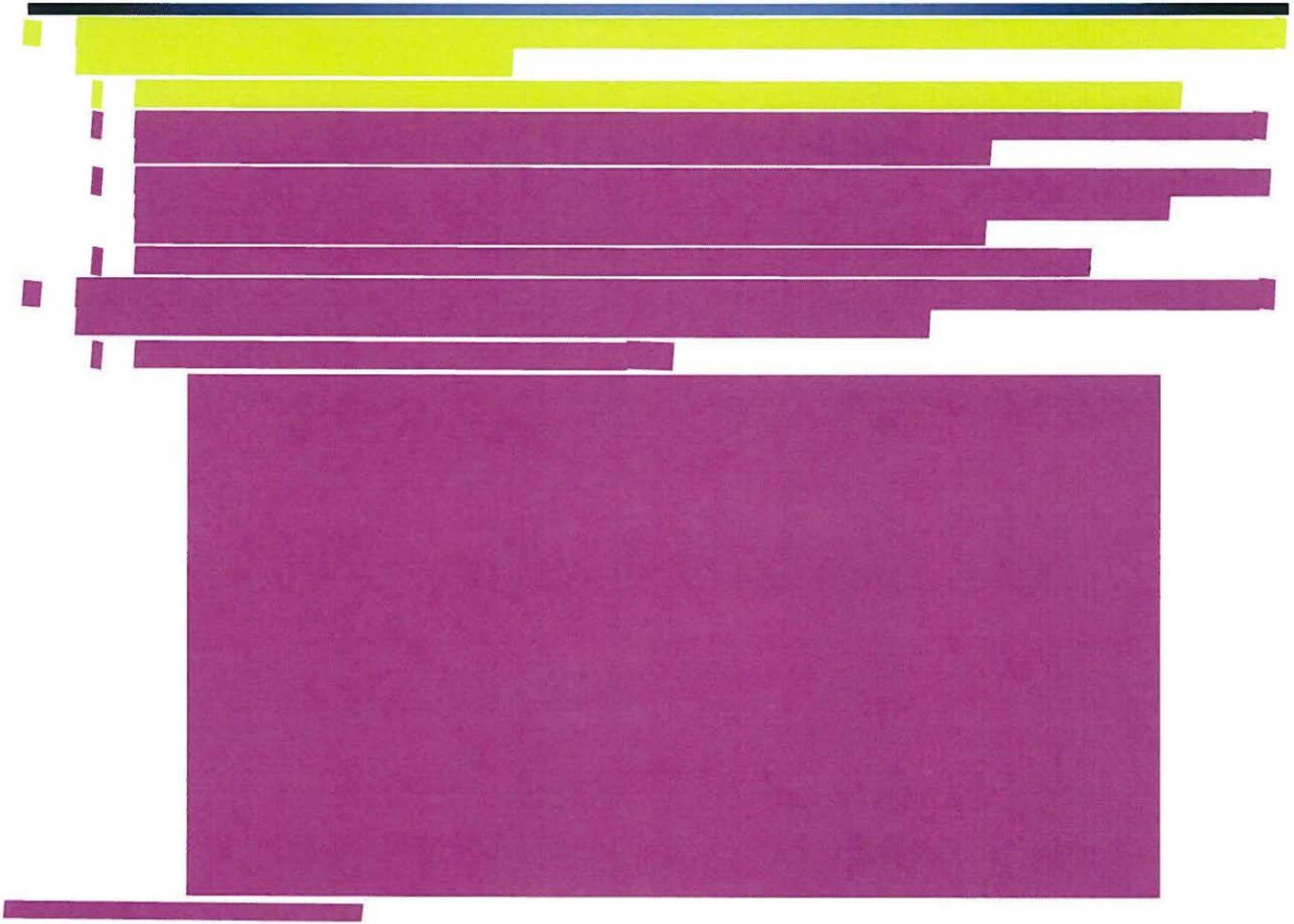
1 *See Structure & Practices of the Video Relay Serv. Program*, Second Protective Order, DA 12-858 (rel. May 31, 2012).

2 *See Structure & Practices of the Video Relay Serv. Program*, Protective Order, DA 12-402 (rel. March 14, 2012).

Exhibit A

REDACTED--FOR PUBLIC INSPECTION
Text redacted in pink denotes CONFIDENTIAL INFORMATION
Text redacted in yellow denotes HIGHLY CONFIDENTIAL INFORMATION

Sorenson Communications Interest Expense Summary

Exhibit B

Perceived Regulatory Risk Significantly Affects Costs of Borrowing