

REDACTED – FOR PUBLIC INSPECTION

July 11, 2012

Ex Parte

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

Gregory Hlibok  
Chief, Disability Rights Office  
Bureau of Consumer and Governmental Affairs  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

FILED/ACCEPTED  
JUL 11 2012  
Federal Communications Commission  
Office of the Secretary

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:

On July 9, 2012, Scott Sorenson and Mike Maddix of Sorenson Communications, Inc. and John Nakahata and I, representing Sorenson, met with General Counsel Sean Lev, and Jonathan Chambers, Thomas Brown, and William Sharkey of the Office of Strategic Planning and Policy Analysis. We made the point that Sorenson is already the least compensated VRS provider on a per minute basis and argued that the Commission should make no further rate cuts other than to bring Tier I and Tier II rates to the Tier III level. In addition, we showed that Sorenson's interest costs are reasonable and comparable to those of other telecommunications and technology firms. These submissions are spelled out in the attached documents.

As required by paragraph 12 of the *Second Protective Order*, we submit: (a) one copy of the version of this letter containing Highly Confidential Information to the Secretary's Office; (b) two copies of the letter in redacted form to the Secretary's Office; and (c) two copies of the letter containing Highly Confidential Information to Gregory Hlibok. We will also file a copy of

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Marlene H. Dortch  
July 11, 2012  
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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 confidentiality designations in the filing.

Please contact me if you have any questions.

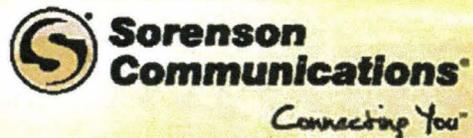
Sincerely,

A handwritten signature in black ink, appearing to read 'CJ Wright', written over a horizontal line.

Christopher J. Wright  
*Counsel to Sorenson Communications, Inc.*

cc: Sean Lev  
Jonathan Chambers  
Thomas Brown  
William Sharkey

attachment



# Follow-up on Financial Issues July 9, 2012

**HIGHLY CONFIDENTIAL  
INFORMATION SUBJECT TO SECOND  
PROTECTIVE ORDER IN CG DOCKET NOS.  
03-123 AND 10-51 BEFORE THE FEDERAL  
COMMUNICATIONS COMMISSION**

[www.sorenson.com](http://www.sorenson.com)

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# Overview

- Sorenson – already the least compensated (per minute) VRS provider – could not survive another rate cut like 2010. Sorenson’s 2010 cuts dwarfed other providers’ – even as a percentage.
- A Sorenson bankruptcy would cause significant disruption in and deterioration of VRS service for all consumers – not just Sorenson’s.
- Sorenson’s interest costs are reasonable, and comparable to other telecommunications and technology firms.

## Summary

Sorenson is the leading VRS provider, having obtained and maintained its position by providing VRS access via developing deaf-centric video endpoints that made it easy for consumers to use VRS and through outstanding service. Sorenson users have high loyalty level due to Sorenson's investment in the industry and the VRS experience provided.

Sorenson employs [redacted] in the USA and the [redacted] of VRS capable interpreters. Sorenson makes significant investments in efforts to increase the VRS ready interpreter pool and to broaden interpreter's skills through extensive training and development.

Through strong management processes, Sorenson is the most efficient and effective provider of VRS by any measure (efficiency, cost, quality, regulatory compliance, etc) yet receives average compensation that is lower by almost 20 percent relative to other VRS providers. Other VRS providers have chosen not to operate as efficiently or to invest in actively seeking to provide access to new VRS users. Their strategy is to "recruit" Sorenson interpreters through the promise of higher pay, as well as "port" Sorenson users.

Like other VRS providers, Sorenson has private-equity owners. While Sorenson has significant debt levels, it has reduced debt by over [redacted] over the past two years. Not complying with the terms of the existing debt would force Sorenson into default and possibly bankruptcy. Given it's already best-in-industry operating standards – [redacted] in reaction to the 2010 rate cut – Sorenson simply has no room left to make additional rate reductions, especially with many components of its cost structure facing cost headwinds.

Sorenson requires rate stability and consistency for the at least 7 years to refinance and service its existing debt obligations – in order to remain the lowest-cost VRS provider. Default or bankruptcy would lead to significant financial costs, high operational distraction, significant employee attrition—with attendant service degradation access the industry—and lengthy legal processes to navigate for all parties.

**HIGHLY CONFIDENTIAL INFORMATION SUBJECT TO SECOND PROTECTIVE ORDER IN CG  
DOCKET NOS. 03-123 AND 10-51 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION**  
Text redacted pink denote CONFIDENTIAL INFORMATION  
Text redacted yellow denote HIGHLY CONFIDENTIAL INFORMATION