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WHAT THE INDUSTRY READS FIRST

Making the Grade: Bank Ratings System Under Review at FCC

There's an interesting debate happening at the **FCC** over whether the minimum **Weiss Rating** for banks to be eligible to issue Letters of Credit [LOC] should be reduced under Commission rules.

In a filing this week supporting the FCC revising its letter of credit requirements, **NCTA** said many of its members are recipients of Rural Digital Opportunity Fund (RDOF) support and are thus familiar with the challenges involved in securing LOCs from banks that comply with all of the FCC requirements.

"It has become increasingly difficult for RDOF winners to find banks eligible to issue LOCs since so many banks have seen their Weiss Bank Safety Ratings fall below a B- in the past two years, rendering such banks no longer eligible to supply support recipients with LOCs. Accordingly, NCTA suggests the Commission modify its requirements to permit support recipients to obtain an LOC from any federally insured bank as suggested by the **Bank Policy Institute**," the association said.

ACA Connects recommended reducing the minimum required Weiss Rating from B- to C-, saying the adjustment would substantially expand the number of eligible banks—including smaller banks, which may be more accessible to smaller broadband providers—without imperiling the Commission's security interests.

For its part, Weiss Ratings submitted a white paper on the role of independent ratings and defended its track record. Among banks that failed during and since the 2008 financial crisis, 97.4% received a Weiss Bank Safety Rating of D+ or lower well before they failed, while many major banks failed or required a government bailout despite top grades from Moody's, Standard & Poor's and other Nationally Recognized Statistical Ratings Organizations, the ratings agency wrote.

"Weiss also believes that the FCC's minimum standard for screening U.S. banks, set at a Weiss Bank Safety Rating of B-, is appropriate inasmuch as it helps provide a buffer of protection from downgrades, especially in times of adversity or crisis," Weiss said.

It pushed back over concerns that smaller banks are unable to qualify due to low Weiss ratings, saying that as of April, there were 1,581 commercial banks with assets under $2 billion meriting a B- or higher rating.

The Bank Policy Institute has suggested Weiss lacks the experience, methodology and objectivity for its role in determining which banks qualify for FCC programs—which the ratings agency strongly refuted. "It is … unfortunate that, in its effort to persuade the FCC to cease using the Weiss Safety Ratings, the BPI refers to information and opinion about Weiss that is untruthful or misleading," Weiss said. BPI noted that Weiss Ratings is not among the Nationally Recognized Statistical Ratings Organizations and recommended that the FCC refer instead to ratings by NRSROs. However, Weiss said it hasn't sought such status as it believes it would compromise its independence and negatively impact the accuracy of its ratings.

In June, the FCC approved a Notice of Proposed Rulemaking seeking comment on modifying LOC rules for Universal Service Fund High Cost support authorized through a competitive process. It also is seeking comment on modifying the required value of a letter of credit for recipients of RDOF support and whether it should make its waiver of certain aspects of the LOC rules permanent for recipients of Connect America Fund Phase II (CAF II) support to align with the RDOF LOC requirements.

A group calling itself the **Coalition of RDOF Winners** is asking the FCC to follow NTIA's lead and allow performance bonds as alternatives to the LOC requirement. It also recommended eliminating the Weiss Rating requirement all together and allowing RDOF support recipients that have deployed service to at least 10%, rather than 20%, of their locations by the end of their second year of support to lower the value of their LOCs to one year of their total support upon making such a certification.

BETTER SUB METRICS AT ECHOSTAR, BUT CASH STILL A PROBLEM

EchoStar lost 104,000 net pay TV subs in 2Q24, better than the 294,000 it shed a year ago. The company credited **Sling TV** subscriber additions in the quarter and a decrease in net DISH TV subscriber losses due to a lower churn rate, offset by lower gross new DISH TV subscriber activations. Virtual MVPD Sling gained some 78,000 subscribers in the quarter. But the real headline of its earnings call were EchoStar's continued liquidity concerns. "I want to make sure everyone on the call realizes that we are we are fully cognizant and aware of how important it is for us to address our liquidity and it is not a second or third or fourth priority for us," said President/CEO *Hamid Akhavan*. "Having said that, I just want to reiterate that we're focused on it, making progress. We are having constructive discussions… We are not allowing it to impact our operating business beyond a certain level that we can't control." Complicating EchoStar's need to raise cash is a shareholder lawsuit related to the merging of DISH Network and EchoStar. "We think it will be very difficult for the company to raise cash at DBS or any of its unrestricted subsidiaries until the shareholder lawsuit has been resolved," **NewStreet Research** said in a note to clients Friday. Boost Mobile lost 16,000 subs in the quarter, much better than the 188,000 a year ago. Boost would have gained 32,000 subs if it hadn't been for the impact of ACP's expiration. Broadband net subs decreased by 23,000 compared to a 55,000 loss a year ago.

AMC NETWORKS FLAUNTS FREE CASH FLOW AMID STRUGGLES

Add **AMC Networks** to the list of media companies recording a goodwill impairment charge during 2Q24. The company revealed in its quarterly earnings release Friday that it sustained $97 million in impairment and other charges, mainly due to a $68 million goodwill impairment charge at AMCN International and $29 million of long-lived asset impairment charges at **BBC America**. "During the second quarter of 2024, we determined that the decline in our stock price was an indicator of potential impairment of goodwill. Accordingly, we performed quantitative assessments for all of our reporting units and concluded that the fair value of the AMCNI reporting unit declined to less than its carrying amount," the company wrote in its earnings release, adding that it also determined the carrying amount of the BBC America asset group exceeded its fair value. That $97 million is a tough pill to swallow, and other areas struggled during the quarter as well. Net revenue fell 7.8% YOY to $625.93 million while operating income—which included the impairments and other charges—dropped 89.8% to $10.79 million. Adjusted Operating Income also fell 13.6% to $152.81 million. Still, AMCN's earnings call had its share of optimism. EVP/CFO *Patrick O'Connell* revealed that the company is still on track to achieve its financial outlook for the year, and through 1H24, AMCN has already generated more free cash flow than it did in all of 2023 with $95 million. That sets up AMCN to have approximately $500 million of cumulative free cash flow by the end of 2025. Domestic streaming revenues increased 9% YOY to $150 million as a result of subscriber growth and price increases. At the end of 2Q24, AMCN had 11.6 million streaming subs, a 5% increase compared to the same point last year (11 million). The company touted its programming strategy once again during the call as it looks forward to its deal with **Netflix** to put 15 AMC-branded shows on the streamer starting Aug. 19. CEO *Kristin Dolan* hopes to see similar results that "Breaking Bad" saw when it boomed in popularity thanks to Netflix's carriage. "These shows not only will get a lot of exposure to the 125 million Netflix subscribers in the U.S., but for our distribution partners, who all have Netflix partnerships themselves," Dolan said. "For us, having this exposure, we think will really drive—as it did with Max—people, back to AMC and AMC+ for the new seasons that are premiering in 2025 and 2026."

CARTOON NETWORK SHUTTERS WEBSITE, REDIRECTS TO MAX

The **Cartoon Network** online website is no more after **Warner Bros. Discovery** closed its doors and is now using it as another landing page for **Max**. All content was pulled from the website, which now displays a message that reads, "Looking for episodes of your favorite Cartoon Network shows? Check out what's available to stream on Max (subscription required). Sign up for Max, where you can also create a Kids Profile with

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ratings restrictions and additional privacy protections to keep it fun and kid-friendly! Cable subscribers, continue to watch Cartoon Network on your TV and connected apps as well!" The move comes a week after WBD announced it'll shut down its **Boomerang** streaming service at the end of September. The Cartoon Network app will still operate, and digital content will be primarily found on Max. "We are focusing on the Cartoon Network shows and social media where we find consumers are the most engaged and there is a meaningful potential for growth," a Cartoon Network spokesperson told ***CFX***. "While we have closed some digital products, fans can continue to interact with Cartoon Network via the Cartoon Network app as well as select TV providers apps on platforms including mobile and connected devices like Roku, Apple TV, and Amazon and via social platforms YouTube, Instagram, and Facebook. And of course, fans also can continue to tune in to the Cartoon Network channel to enjoy 11 hours of their favorite Cartoon Network series from 6am-5pm daily."

REPORT: NETFLIX GOING WITH CBS SPORTS FOR NFL GAMES

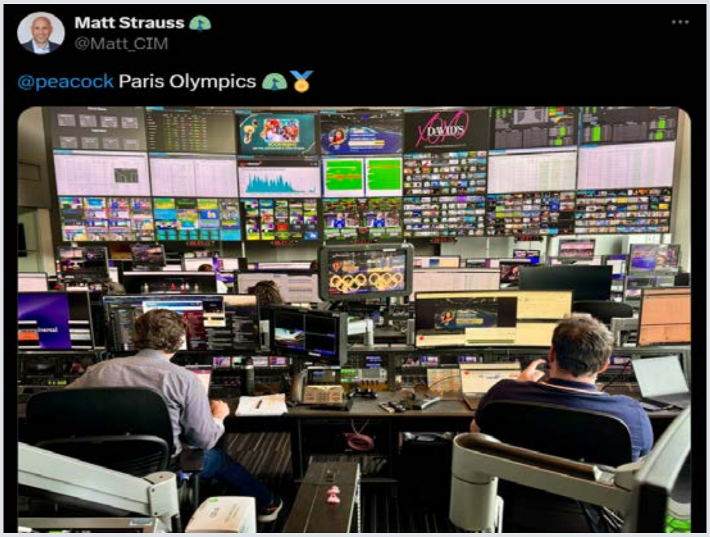
Netflix is ready for the Winter Wonderland of the **NFL**'s Christmas games, but there are still some key details to sort out. One of which could be solved as a *Wall Street Journal* report indicates Netflix has chosen **CBS Sports** to produce its two NFL games on Christmas. It's a one-year deal and doesn't include on-air talent, which will be determined at a later date.

BEAD APPROVALS – 22 REMAIN

At this point, it may be more helpful to note who hasn't had their BEAD Volume II proposals approved by **NTIA**. In recent days, the agency gave the greenlight to Wyoming and Wisconsin. Wyoming was allocated over $347 million, while Wisconsin was allotted over $1 billion. There are 22 states and territories who have yet to gain approval, including California, Florida, New York and Texas.

CABLEFAX DASHBOARD

Social Media Hits



Up Ahead

AUGUST 19-22: **Independent Show 2024; Nashville**

SEPTEMBER 24-26: **SCTE TechExpo 2024; Atlanta**

OCTOBER 21-22: **WICT Network Leadership Conference; NYC**

OCTOBER 22-23: **38th Annual NAMIC Conference; NYC**

OCTOBER 23: **The Kaitz Dinner; NYC**