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The Baratelli Field Note · No. 1

The M&A Ticking-Fees Clock

Why October 1 Is Forcing David Ellison's California-Exit Threat

A Baratelli Institute Field Note.

Practitioner mechanics on a live market event.

FIELD NOTE SERIES · BETWEEN BRIEF AND CASE STUDY

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The story in one paragraph

David Ellison told his Executive Leadership Team the week of August 4 that Paramount Skydance will begin the process of relocating its headquarters out of California starting **October 1, 2026** unless California Attorney General Rob Bonta agrees to negotiate a settlement in the multi-state antitrust suit aimed at blocking the Paramount-Warner Bros. Discovery merger. The Paramount Skydance board has reportedly approved the contingency plan. Ellison has publicly said he does not want to leave California but is prepared to if settlement talks do not begin by the deadline. Bonta has publicly rejected the threat as "blackmail." Possible destinations for the corporate relocation include Tennessee, Texas, and Georgia. Original reporting: Matthew Belloni at Puck; corroborated by Variety, Deadline, Axios, TheWrap, and others.

This Field Note is not about the news itself. This Field Note is about **the specific dealmaking mechanism that makes October 1 the deadline** — the ticking-fees clock in the Paramount-WBD merger agreement — and what practitioner readers should understand about ticking fees as a broader M&A tool used to force regulatory-obstacle resolution timing.

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§1. What ticking fees are

In large-cap merger agreements, "ticking fees" are contractually-specified daily payments the acquirer commits to pay the target (or the target's shareholders) if the transaction does not close by a specified date. They begin accruing on a specific calendar date built into the merger agreement, they accumulate daily until close (or until the deal is abandoned), and they are structured as compensation for the extended closing timeline.

The economic logic is straightforward. When the parties sign a merger agreement, they typically expect the transaction to close within a defined regulatory-review window — commonly six to nine months for a large-cap M&A deal requiring HSR filing, foreign antitrust filings, and specialized industry regulatory clearance (FCC, banking regulators, insurance commissioners, and so on). The target's shareholders are giving up the right to run their own strategic process during the review period. They are exposed to opportunity cost during the pendency. Ticking fees compensate them for that opportunity cost when the review period extends beyond the initially-expected window.

Ticking fees are not merger-agreement break fees. Break fees (formally, "reverse termination fees") are one-time payments owed if the deal is abandoned. Ticking fees are recurring daily payments owed while the deal is pending past the ticking date. Both structures may appear in the same merger agreement; they serve different economic functions.

The magnitude of ticking fees in large-cap M&A varies but typical structures involve daily accruals in the range of tens of thousands to low millions of dollars per day. Over a six-month extension window, aggregate ticking-fee exposure can reach several hundred million dollars.

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§2. Why ticking fees exist as a specific negotiating tool

Two economic functions of ticking fees in modern M&A structuring.

One — regulatory-timeline compensation. As above. When a target's shareholders agree to a merger and the merger takes materially longer to close than the initial expectation because of extended regulatory review, the ticking fee is the mechanism by which the acquirer compensates the target for the extended commitment.

Two — incentive alignment for the acquirer to force resolution. This is the specific function at work in the Paramount-WBD case. Once ticking fees are accruing, every day of extension is real cash out the acquirer's door. This creates a specific commercial incentive for the acquirer to *force* regulatory resolution — to litigate aggressively against blocking authorities, to negotiate more aggressively for consent decrees, or (in the current Paramount-WBD situation) to threaten unusual corporate actions to pressure regulatory or political stakeholders. Absent ticking fees, an acquirer facing extended regulatory review has no direct financial pressure to force resolution and can wait passively for regulators to reach their own conclusion. With ticking fees, delay has a running dollar cost the acquirer must weigh against alternative resolution mechanisms.

The sophisticated M&A structuring insight is that ticking fees are not just compensation — **they are a specific mechanism for shifting regulatory-obstacle time-preference from the acquirer's balance sheet to the acquirer's action plan.** When the acquirer is watching daily accruals mount, the acquirer becomes the party with the most direct incentive to pursue creative resolution paths. That is precisely what Paramount Skydance appears to be doing with the California-relocation threat.

§3. The Paramount-WBD deal structure and the October 1 date — the specific arithmetic

Public reporting on the Paramount-WBD merger agreement, as covered by TheWrap, Forbes, and other outlets citing sources familiar with the contractual terms, specifies the ticking-fees mechanism as follows. The contractual rate is **$0.25 per share per day** payable to Warner Bros. Discovery shareholders. Based on WBD's outstanding share count, that converts to **approximately $7 million per day** in aggregate accrual, or roughly **$650 million per calendar quarter**. The trigger date is **September 30, 2026 —** meaning the first day of ticking-fees accrual is October 1, 2026 if the deal has not closed by September 30.

The California multi-state antitrust suit was filed with the specific intent of blocking the merger. The trial in the state AGs' lawsuit is scheduled to begin **March 2, 2027**. The merger agreement's outside date (drop-dead date) is **March 4, 2027** — two days after the trial begins, a structural coincidence the parties presumably designed into the timeline. The agreement includes a **one-time automatic extension to June 4, 2027** if all closing conditions except regulatory approvals and governmental orders have been satisfied or waived — the escape valve that gives Paramount another 3 months if the antitrust case has not fully resolved.

Do the arithmetic — the specific dollar exposure walked precisely.

From October 1, 2026 through **March 4, 2027 outside date** = approximately 154 days × ~$7M/day = **~$1.08 billion** in accrued ticking fees if the deal has not closed by the outside date and the extension is not invoked.

From October 1, 2026 through **June 4, 2027 extended outside date** (if the automatic extension is triggered) = approximately 246 days × ~$7M/day = **~$1.72 billion** in accrued ticking fees before the merger agreement finally terminates.

Multiple outlets are reporting the trial-start-adjacent exposure as "around $1.2 billion" — the higher end reflects some additional accrual mechanics related to the run-up-to-trial and preliminary-injunction phases plus the specific structural gap between the trial-start (March 2) and outside-date (March 4). Either way, **the specific dollar exposure Paramount faces if the AG holds out through trial is over $1 billion in ticking fees alone, before considering trial-loss consequences. If the extension is triggered and the deal remains contested through June 4, 2027, the exposure exceeds $1.7 billion.**

Material context — the July 2026 postponement agreement. Paramount reportedly agreed in July 2026 to postpone closing until June 2027 as part of negotiations with the state AGs. That is the specific decision that made the ticking-fees exposure so massive to begin with — Paramount voluntarily accepted a much longer ticking-fees window in exchange for a temporary reprieve on the antitrust suit. The Aug 11 California-exit threat is Ellison's response to seeing the arithmetic of the deal he agreed to in July.

This is the specific dealmaking mechanism that makes October 1 the operative deadline for Ellison. He is not choosing October 1 as a symbolic date to pressure Bonta. He is being *forced* by his own signed merger agreement to force a resolution by October 1, because every day past October 1 is $7 million out the door and a billion dollars on the line by trial start. The California-relocation threat is the creative-resolution move Paramount is making to pressure Bonta into settlement talks before the ticking-fees clock starts running.

The financial rationale for the California-exit threat itself is proportionate. Reporting suggests Ellison estimates the California exit could save approximately $500 million annually in taxes plus generate additional billions from selling the Paramount lots. Those figures are meaningfully smaller than the $1B+ ticking-fee exposure through trial, but they represent real corporate value Ellison can extract if he executes the relocation contingency. The threat is not empty; the numbers are big enough on both sides to be commercially rational.

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§4. The board-approved contingency vs. CEO-personality bluff distinction

Belloni's reporting specifies that the Paramount Skydance board has *reportedly approved* the California-relocation contingency plan. This distinction matters analytically.

A CEO's off-the-cuff threat to relocate corporate headquarters is a personality-driven statement that carries limited credibility with sophisticated counterparties. Boards and executives make aspirational statements about relocation frequently; actual corporate relocations are rare because they require board-level approval, legal-and-tax-structuring work, real-estate-and-workforce planning, and multi-year execution timelines.

A *board-approved* contingency plan is materially different. Board approval means the specific corporate-relocation execution steps have been analyzed by the firm's legal, tax, real estate, and human-capital teams; the specific destination candidates have been vetted; the corporate-governance and shareholder-communication implications have been considered; and the board has formally endorsed the contingency as a firm-level strategic move. That is a commitment mechanism, not a personality statement.

For Bonta, this distinction changes the negotiating posture. If Ellison were personally bluffing, Bonta could reasonably assume the threat would evaporate under pressure. Board approval means the threat is corporately committed and will execute if the deadline arrives without settlement. The specific practitioner-analytical observation: **board approval of a corporate contingency is a credibility-enhancement mechanism the target of the threat cannot easily dismiss.**

§5. The Bonta "blackmail" framing — political backfire risk

Bonta's public response has been to frame the Paramount relocation threat as "blackmail" and to publicly refuse to negotiate under duress. This is politically consequential in a specific way.

Once a state Attorney General has publicly committed to not settling under duress, the AG has narrowed their own negotiating flexibility. Any subsequent settlement would be politically legible as "the AG capitulated to blackmail," which is politically costly. Bonta may have made settlement harder to reach by the specific language he chose to publicly frame the situation.

The specific practitioner observation: parties targeting a state AG with a leverage-based settlement approach should anticipate the AG's public response and structure the leverage move in a way that permits the AG to accept settlement without political-narrative embarrassment. The Paramount team appears not to have coordinated with Bonta's team on the framing of the threat before Ellison's internal remarks became public. This is a specific dealmaking execution failure — the leverage move worked but the political-framing of it made the settlement outcome harder to reach.

Sophisticated regulatory-obstacle resolution in M&A typically involves substantial pre-communication between the target's counsel and the regulator's counsel to structure any leverage move in a way that both sides can politically accept. That coordination appears not to have occurred here, or occurred inadequately. The result: a settlement path that was likely narrowly-achievable before Bonta's "blackmail" statement is now materially harder to reach.

§6. The multi-state antitrust suit — California relocation only partially solves the problem

The specific antitrust suit at issue is a *multi-state* action. California is the lead state; other state AGs have joined. Even a successful California-side settlement or a California-relocation-driven withdrawal of the California claim does not resolve the underlying multi-state antitrust obstacle. The other state AGs remain.

This is a specific structural weakness in the Paramount strategy that most coverage will miss. **California relocation only removes California's jurisdictional hook.** The other participating states can continue to prosecute the suit. If Paramount's California-relocation threat successfully induces California to withdraw but the other states continue, Paramount has traded expensive corporate relocation for partial antitrust resolution — a suboptimal outcome relative to a full multi-state settlement.

The specific practitioner observation: **regulatory-obstacle leverage moves should be structured to resolve the full regulatory obstacle, not just the highest-profile piece of it.** Threatening California relocation while other state AGs remain committed is a threat structured for maximum political attention rather than maximum problem-resolution efficiency. A better-structured leverage approach might have involved simultaneous engagement with each participating state AG rather than a public confrontation with just California.

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§7. Practitioner takeaway — what to carry forward from this Field Note

For M&A practitioners, corporate CFOs, board directors, and family-office principals whose work involves contested large-cap transactions with regulatory exposure:

One. Ticking fees are not just seller-compensation mechanisms. They are specific acquirer-incentive-shifting devices that create commercial pressure for creative regulatory-obstacle resolution. In every M&A deal facing extended regulatory review, understand the ticking-fees structure precisely — it tells you when the acquirer's action plan changes.

Two. Corporate-relocation threats as antitrust-settlement leverage are a novel M&A tactic. Whether the Paramount attempt succeeds or fails, other future contested M&A targets will now consider this specific tool in their regulatory-obstacle response arsenal. Practitioner readers advising future large-cap M&A parties should understand the mechanism.

Three. Board-approved corporate contingencies carry materially more credibility than CEO personality bluffs. Any similar future leverage move should include explicit board approval to enhance credibility with the counterparty being pressured.

Four. The political framing of regulatory leverage moves matters as much as the mechanics. Pre-communication with the target regulator's counsel to structure the framing in a way that permits political-narrative-acceptable settlement is a specific execution discipline that separates sophisticated regulatory M&A work from the news-cycle version of it.

Five. Multi-state antitrust actions require multi-state resolution approaches. Structuring leverage against only the lead state ignores the actual regulatory-obstacle geometry.

Six. October 1, 2026 is the specific date practitioner readers should track. Either the Paramount-WBD deal closes by October 1, or the parties reach a settlement structure that averts the ticking-fees clock, or Paramount begins paying $7 million per day to WBD holders while pursuing the California-relocation contingency, or some renegotiation of the merger-agreement terms occurs to shift the ticking-fees trigger.

Seven. The arithmetic is the story. $0.25 per WBD share per day (approximately $7 million per day in aggregate) accrues from October 1, 2026. Through the March 4, 2027 outside date, that is ~$1.08 billion. Through the June 4, 2027 automatic-extension date, ~$1.72 billion. That is the specific commercial pressure driving every move Ellison makes between now and Oct 1 — the California-exit threat, the Bonta engagement attempts, the board-approved contingency. Practitioner readers who understand the ticking-fees mechanism understand why the story is unfolding the way it is; readers who don't have the mechanism see only the news-cycle headlines and miss the driver.

Cross-references

- **Baratelli Institute Case Study: Warner Bros. Discovery** — the WBD side of the transaction and the broader media-industry consolidation context.
- **Baratelli Brief: Most Large Companies Eventually Become PE Firms — Without the LP Distribution Requirements —** the framework on media-industry consolidation as permanent-capital acquisition-vehicle activity.

Disclosure and sourcing

The Baratelli Institute has no affiliation with, endorsement from, or client relationship with Paramount Skydance, Warner Bros. Discovery, David Ellison, Larry Ellison, David Zaslav, the California Attorney General's office, Rob Bonta, or any other entity or principal referenced in this Field Note. This is independent editorial analysis of publicly available information; no non-public information has been used.

Sources: original reporting by Matthew Belloni at Puck; corroborating coverage by Variety, Deadline, Axios, TheWrap, Forbes, World of Reel, Yahoo Finance, and other reputable business-press outlets published July-August 2026. The specific ticking-fees mechanics ($0.25

per WBD share per day, ~$7M/day aggregate, ~$650M/quarter), the September 30, 2026 trigger date, the March 4, 2027 outside date, and the one-time automatic extension to June 4, 2027 are drawn from TheWrap and Forbes reporting citing sources familiar with the merger-agreement terms. The March 2, 2027 state-AG trial-start date is drawn from court-docket reporting. The July 2026 postponement agreement between Paramount and the state AGs is documented in Deadline and Slashdot coverage. Direct-quote characterizations attributed to individuals are drawn from public reporting, not from any direct interaction between the Institute and the individuals named.

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