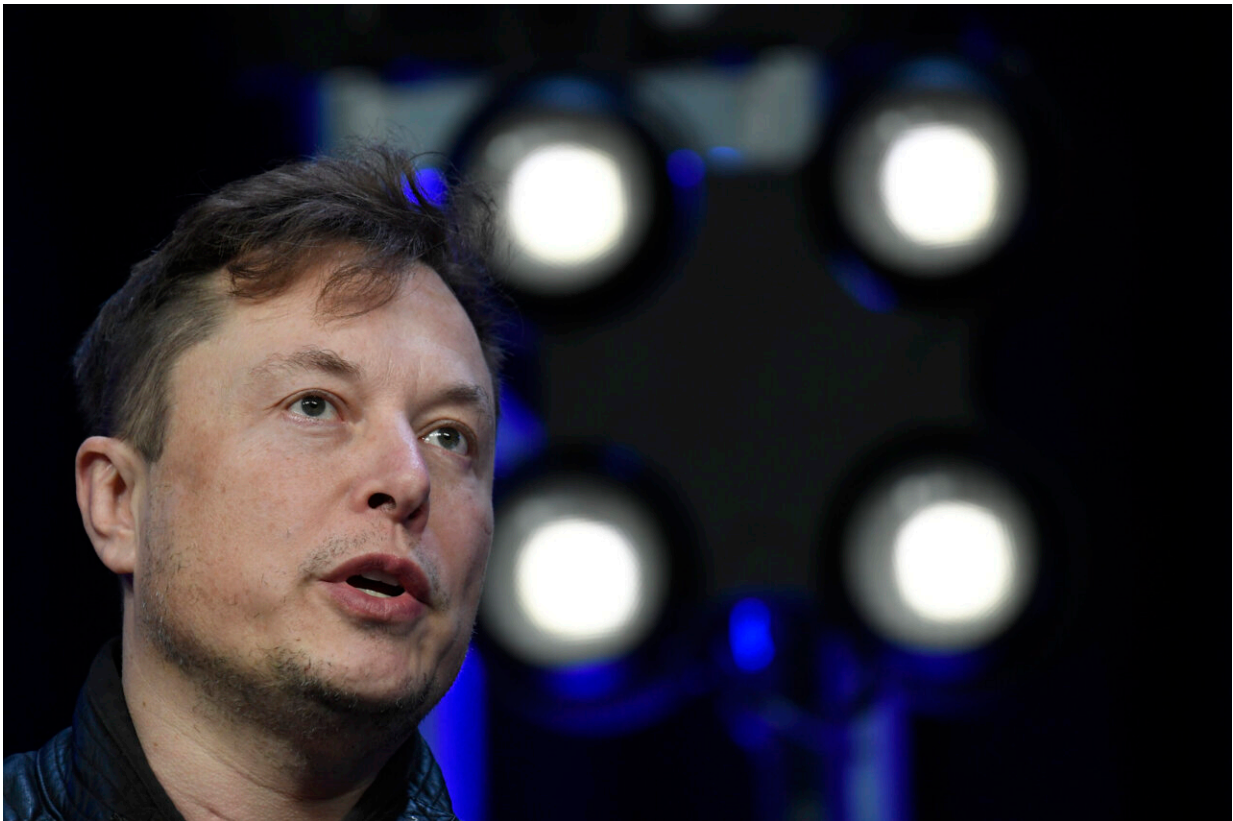


Musk threatens to walk away from Twitter deal

June 6 2022, by Tom Krisher and Matt O'brien



Elon Musk speaks at the SATELLITE Conference and Exhibition March 9, 2020, in Washington. Elon Musk is threatening to end his \$44 billion agreement to buy Twitter, accusing the company of refusing to give him information about its spam bot accounts. Lawyers for the Tesla and SpaceX CEO made the threat in a letter to Twitter dated Monday, June 6, 2022 that the social platform included in a filing with the Securities and Exchange Commission. Credit: AP Photo/Susan Walsh, File

Elon Musk is threatening to walk away from his \$44 billion bid to buy Twitter, accusing the company of refusing to give him information about its [spam bot and fake accounts](#).

Lawyers for the Tesla and SpaceX CEO made the threat in a letter to Twitter dated Monday that the company disclosed in a filing with the U.S. Securities and Exchange Commission.

The lawyers wrote that Musk has repeatedly asked for the information since May 9, about a month after his offer to buy the company, so he could evaluate how many of the company's 229 million accounts are fake.

Twitter CEO Parag Agrawal has said that Twitter has consistently estimated that fewer than 5% of its accounts are spam. But Musk has disputed that, contending in a May tweet, without providing evidence, that 20% or more are bogus.

Shares of Twitter Inc. slid 1.5% Monday, likely incensing Twitter shareholders who filed a suit against Musk late last month for deflating the price of the stock. Shares of Twitter are down more than 20% in the last month.

Twitter said in a statement Monday that it has been cooperatively sharing information with Musk "in accordance with the terms of the merger agreement" and noted that the deal is in "the best interest of all shareholders."

"We intend to close the transaction and enforce the merger agreement at the agreed price and terms," it added.

Musk agreed to buy Twitter for \$54.20 a share back in April. A number of Musk's actions since, including a public spat with Twitter's CEO

about the fake accounts—on Twitter—has led some experts to question whether the billionaire wants to use his loud complaints to negotiate a lower deal price or even walk away entirely.

Musk's lawyers wrote in the letter that Twitter has offered only to provide details about the company's testing methods. But they contend that's "tantamount to refusing Mr. Musk's data requests," and constitutes a "material breach" of the merger agreement that gives Musk the right to scrap the deal if he chooses.

"This is a clear material breach of Twitter's obligations under the merger agreement and Mr. Musk reserves all rights resulting therefrom, including his right not to consummate the transaction and his right to terminate the merger agreement," the letter says.

Musk wants underlying data to do his own verification of what he says are Twitter's lax methodologies.

The Twitter sale agreement allows Musk to get out of the deal if there is a "material adverse effect" caused by the company. It defines that as a change that negatively affects Twitter's business or financial conditions. Twitter has said all along that it's proceeding with the deal, although it hasn't scheduled a shareholder vote on it.

Last month Musk said that he [unilaterally placed the deal on hold](#), which experts said he can't do. If he walks away, he could be on the hook for a \$1 billion breakup fee.

Musk's latest maneuver shows how he is "looking for a way out of the deal or something that will get leverage for a renegotiation of the price," said Brian Quinn, a law professor at Boston College. But Quinn said it's unlikely to hold up in court since he already waived his ability to ask for more due diligence.

"I doubt he would be allowed to walk away," Quinn said. "At some point, the board of Twitter will tire of this and file a suit" asking a judge to force Musk to stick to the deal.

Twitter has disclosed its bot estimates to the U.S. Securities and Exchange Commission for years, while also cautioning that its estimate might be too low.

"If Twitter is confident in its publicized spam estimates, Mr. Musk does not understand the company's reluctance to allow Mr. Musk to independently evaluate those estimates," the Musk letter says, adding that he agrees not to disclose or keep the data.

The bot problem is a longtime fixation for Musk, who has more than 96 million Twitter followers and whose name and likeness are often mimicked by fake accounts promoting cryptocurrency scams. Musk appears to think such bots are also a problem for most other Twitter users, as well as advertisers who take out ads on the platform based on how many real people they expect to reach.

Musk's lawyers are arguing that he is entitled to data about the core of Twitter's business model so he can prepare the transition to his ownership. Citing a June 1 letter from Twitter in which the company said it only has to give information related to closing the sale, Musk's team says the company is obligated to provide data for any reasonable business purpose needed to complete the deal.

Musk's bot count skepticism was also taken up Monday by the chief legal officer of Texas, where Tesla is headquartered. Attorney General Ken Paxton, a Republican, said he's launching an investigation because he has a "duty to protect Texans if Twitter is misrepresenting how many accounts are fake to drive up their revenue."

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