

# Musk terminates Twitter deal, Twitter to pursue legal action

In a decision that will likely result in a protracted legal tussle, Elon Musk has said he is terminating his \$44bn deal to buy Twitter.



Source: © [CNBC](#) [CNBC](#) Elon Musk is terminating his \$44 billion deal to buy Twitter

The reason, says the chief executive officer of Tesla and the world's richest person, is because the social media company had breached multiple provisions of the merger agreement.

## Legal action by Twitter

Twitter has responded that its board will pursue legal action to enforce the merger agreement. "The Twitter Board is committed to closing the transaction on the price and terms agreed upon with Musk...", wrote Twitter's chairman, Bret Taylor.

According to *Reuters*, Musk's lawyers maintain that Twitter has failed or refused to respond to multiple requests for information on fake or spam accounts on the platform, which is fundamental to the company's business performance.

[Reuters](#) quotes their filing as saying: "Twitter is in material breach of multiple provisions of that Agreement, appears to have made false and misleading representations upon which Musk relied when entering into the Merger Agreement."

The contract calls for Musk to pay Twitter a \$1bn break-up if he cannot complete the deal for reasons such as the acquisition financing falling through or regulators blocking the deal. The break-up fee would not be applicable, however, if Musk terminates the deal on his own.

## Into the twilight zone

Ann Lipton, associate dean for faculty research at Tulane Law School says: "Twitter is well-positioned legally to argue that it provided him with all the necessary information and this is a pretext to looking for any excuse to get out of the deal."

In an [EWN](#) article it says that report by Wedbush analyst Dan Ives said in a note to investors: "The Twitter deal has clearly caused chaos at Twitter and has resulted in an overhang on Tesla's stock since April given the Musk financing angle,

coupled by a brutal market backdrop for risk.

"This soap opera has seen many twists and turns... this was always a head-scratcher to go after Twitter at a \$44bn price tag for Musk and never made much sense to (Wall) Street, now it ends in a twilight zone."



## Musk sells Tesla shares days after Twitter purchase announcement

29 Apr 2022



## Uncertainty over company's future

Musk's abandonment of the deal and Twitter's promise to vigorously fight to complete it casts a pall of uncertainty over the company's future and its stock price.

This comes at a time when worries about rising interest rates and a potential recession have hammered Wall Street. Shares of online advertising rivals Alphabet, Meta Platforms, Snap and Pinterest have seen their stocks tumble 45% on average in 2022, while Twitter's stock has declined just 15% in that time, buoyed in recent months by the Musk deal reports *Reuters*.

Daniel Ives, an analyst at Wedbush, quoted by *Reuters* says Musk's filing was bad news for Twitter. "This is a disaster scenario for Twitter and its Board as now the company will battle Musk in an elongated court battle to recoup the deal and/or the breakup fee of \$1bn at a minimum," he wrote in a note to clients.

Angelo Carusone, president of non-profit group Media Matters for America believes Twitter shareholders should be furious with the company board as well as Musk.

He had harsh words for the billionaire and the 16-year-old San Francisco-based company: "They got into bed with a madman and significantly harmed shareholder value as a result," he said, quoted by *EWN*.



## Elon Musk buys Twitter for \$44bn

Katja Hamilton 26 Apr 2022



## API rates limit at heart of the dispute

At the heart of Musk's decision is a dispute over API rate limits.

Musk has made several public statements regarding his desire to know how many Twitter accounts are run by bots or are otherwise inauthentic, as he feels the number of dodgy accounts impacts the company's value. The billionaire therefore sought information on Twitter's methods of detecting and handling fake accounts before closing the deal.

According to [The Register](#), one of the documents Twitter filed after Musk pulled the plug includes a letter from Musk's lawyers that details those efforts to source information.

One segment of the document claims that Musk and his team sought "a variety of board materials, including a working, bottom-up financial model for 2022, a budget for 2022, an updated draft plan or budget, and a working copy of Goldman Sachs' valuation model underlying its fairness opinion.

"Twitter has provided only a pdf copy of Goldman Sachs' final Board presentation," quotes *The Register*.

## **Of Mars and birth rates**

Following the news breaking, *The Register* reported that "Musk, for his part, spent the weekend tweeting about his space internet venture Starlink and suggesting that the twin children he acknowledged last week were part of his efforts to address humanity's population crisis."

He also addressed an audience of moguls on Saturday in Sun Valley, but avoided discussing the collapsed Twitter deal as he spent most of his time talking about colonizing Mars and extolling the virtues of boosting birth rates on Earth, says [CNBC](#).

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