



Texas AG Launches Investigation Into Twitter; Alleges Company Lied About Number Of Bots

Description

USA: Texas Attorney General Ken Paxton on Monday announced **an investigation against Twitter** to determine whether they're lying about the number of fake bot accounts on the platform.



According to Paxton's office, "bots" or spam accounts "inflate followers and reach, and often push deceptive and annoying activity," [Fox News](#) reports.

"A large number of bot accounts not reduces users' experience on the platform, but may also inflate the value of the company and the costs of doing business with it, thus directly harming consumers and businesses – specifically, Texas consumers and businesses," according to the report.

Paxton said the difference between Twitter's claims that less than 5% of users are bots versus his projections of possibly 20%, "would dramatically affect the cost of Texas

consumers and businesses transacting with Twitter.”

Paxton’s office has issued a Civil Investigative Demand (CID) to investigate whether Twitter’s reporting on real versus fake users is “false, misleading, or deceptive” under the Texas Deceptive Trade Practices Act. Per the demand, Twitter would be compelled to turn over documents on how it calculates and manages user data and how that information relates to advertising. -Fox News

“Texans rely on Twitter’s public statements that nearly all its users are real people. It matters not only for regular Twitter users, but also Texas businesses and advertisers who use Twitter for their livelihoods,” said Paxton. “If Twitter is misrepresenting how many accounts are fake to drive up their revenue, I have a duty to protect Texans.”

Today I’m investigating Twitter for potentially misleading Texans on the number of its “bot” users. I have a duty to protect Texans if Twitter is misrepresenting how many accounts are fake to drive up their revenue.<https://t.co/OZbwdV3pnY>

— Texas Attorney General (@TXAG) [June 6, 2022](#)

Twitter has until June 27 to respond.

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Update (1200ET): In an emailed statement to Bloomberg, **Twitter said it “has and will continue to cooperatively share information with Mr. Musk to consummate the transaction** in accordance with the terms of the merger agreement.”

The company said it believes the deal is in the best interest of all shareholders and **intends to “close the transaction and enforce the merger agreement at the agreed price and terms.”**

TWTR shares have recovered some of the initial knee-jerk losses...



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Elon Musk said in an amended 13D filing that he believes Twitter is breaching their merger agreement by not providing information about spam and fake accounts.

Musk said he **believes Twitter is “actively resisting and thwarting his information rights”** by refusing to disclose the information.



Recall, we had previously highlighted Musk’s ongoing battle with Twitter where, in its last stage in late May, Musk seemed to suggest his buyout offer may be compromised as a result of the number of bots on the platform.

The controversy escalated May after Musk tweeted a *Reuters* article in which Twitter estimated that fake accounts comprise less than 5% of users, to which Musk said:

“Twitter deal temporarily on hold pending details supporting calculation that spam/fake accounts do indeed represent less than 5% of users,” then added:

“Still committed to acquisition.”

The new 13D filing sparked an immediate 7% hammering in TWTR stock before the bell...



Read the fuller letter below: (emphasis ours)

Dear Ms. Gadde:

We are in receipt of correspondence sent on Twitter’s behalf dated June 1, 2022, responding to Mr. Musk’s request for the data and information described in my letters dated May 25, 2022 and May 31, 2022.

Mr. Musk does not agree with the characterizations in Twitter's June 1 letter. **Twitter has, in fact, refused to provide the information that Mr. Musk has repeatedly requested since May 9, 2022 to facilitate his evaluation of spam and fake accounts on the company's platform.** Twitter's latest offer to simply provide additional details regarding the company's own testing methodologies, whether through written materials or verbal explanations, is tantamount to refusing Mr. Musk's data requests. Twitter's effort to characterize it otherwise is merely an attempt to obfuscate and confuse the issue. **Mr. Musk has made it clear that he does not believe the company's lax testing methodologies are adequate so he must conduct his own analysis.** The data he has requested is necessary to do so.

*As noted, under various terms of the merger agreement, Twitter is required to provide data and information that Mr. Musk requests in connection with the consummation of the transaction. Twitter's obligations to provide Mr. Musk with information is not, as the company's June 1 letter suggests, limited to a "very specific purpose: facilitating the closing of the transaction." To the contrary, Mr. Musk is entitled to seek, and **Twitter is obligated to provide, information and data for, inter alia, "any reasonable business purpose related to the consummation of the transaction"** (Section 6.4). Twitter must also provide reasonable cooperation in connection with Mr. Musk's efforts to secure the debt financing necessary to consummate the transaction, including by providing information "reasonably requested" by Mr. Musk (Section 6.11). Mr. Musk's requests for user data not only satisfies both criteria, but also meets even Twitter's narrowed interpretation of the merger agreement, as this information is necessary to facilitate the closing of the transaction.*

As Twitter's prospective owner, Mr. Musk is clearly entitled to the requested data to enable him to prepare for transitioning Twitter's business to his ownership and to facilitate his transaction financing. To do both, he must have a complete and accurate understanding of the very core of Twitter's business model—its active user base. In any event, Mr. Musk is not required to explain his rationale for requesting the data, nor submit to the new conditions the company has attempted to impose on his contractual right to the requested data. At this point, Mr. Musk believes Twitter is transparently refusing to comply with its obligations under the merger agreement, which is causing further suspicion that the company is withholding the requested data due to concern for what Mr. Musk's own analysis of that data will uncover.

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. As noted in our previous correspondence, Mr. Musk will of course comply with the restrictions provided under Section 6.4, including by ensuring that anyone reviewing the data is bound by a non-disclosure agreement, and Mr. Musk will not retain or otherwise use any competitively sensitive information if the transaction is not consummated.

Based on Twitter's behavior to date, and the company's latest correspondence in particular, **Mr. Musk believes the company is actively resisting and thwarting his information rights (and the company's corresponding obligations) under the merger agreement. 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.

Juts more negotiation? What is the next step? Twitter sues Musk, in a Washington DC court, and judge rules 'fair value' for Twitter is \$500 per share?

by Tyler Durden

Category

1. Crime-Justice-Terrorism-Corruption
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