Elon Musk misled Twitter investors ahead of $44 billion acquisition, jury says

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Key Points

- **A jury in California found that Elon Musk misled Twitter investors in the runup to his $44 billion purchase of the social media company.**
- **Musk was originally sued in late 2022 after completing his acquisition of the social media company, which he later renamed X.**
- "**This is a great example of what you cannot do to the average investor," Joseph Cotchett, an attorney for the plaintiffs, told CNBC at the San Francisco courthouse.**

A jury in California found that Elon Musk defrauded Twitter shareholders during the runup to his $44 billion acquisition of the social media company, according to a verdict issued on Friday.

Total damages could reach up to $2.6 billion, attorneys for the plaintiffs said.

The class action lawsuit, Pampena v. Musk, was originally filed in October 2022, after Musk completed his purchase of Twitter for $54.20 per share. He later renamed the company X, before merging it with his artificial intelligence company xAI, and then with SpaceX, his reusable rocket manufacturer.

"This is a great example of what you cannot do to the average investor -- people that have 401ks, kids, pension funds, teachers, firemen, nurses," Joseph Cotchett, an attorney for the Twitter investors, told CNBC at the San Francisco courthouse. "That's what this case was all about. This was not about Musk. It was about the whole operation."

In an emailed statement, Musk attorneys with Quinn Emanuel said, "We view today's verdict, where the jury found both for and against the plaintiffs and found no fraud scheme, as a bump in the road. And we look forward to vindication on appeal."

After Musk bid to buy Twitter in April 2022, his sentiment towards the deal quickly soured as he cast doubt on the company's claimed level of bots, spam and fake accounts on its platform. Musk wrote in a tweet the following month that his acquisition was "temporarily on hold" until Twitter's CEO could prove its inauthentic account levels were around the 5% reported in the company's SEC filings.

Musk's tweets and additional comments sent shares of Twitter sliding by almost 10% in a single session. The jury deliberated for four days and unanimously found that Musk's tweets on May 13 and May 17 were materially false or misleading.

Former Twitter shareholders, including retail investors and options traders, argued that Musk's remarks amounted to a scheme to pressure the company's board to sell to him for a lower price than his original offer. They claimed he was motivated by stock price declines at Tesla, which would require him to sell even more shares in the automaker than he'd intended in order to finance the buyout.

The plaintiffs in the suit said they sold shares below $54.20 following and in response to Musk's posts and comments during press interviews. The potential damages figure is based on expert estimates of how much Musk's flip-flopping affected the share price during the class period.

Attorneys for the Twitter investors said it will be about 90 days before claims administration is set up, and it will then take a couple of months for the government to process claims and for investors to begin to recoup some of their losses.

Musk's attorneys argued their client's remarks were based on well-founded concerns about bots, spam and fake accounts on Twitter, and did not amount to securities fraud or a scheme to depress the company's stock price.

The jury said that though Musk had made false and misleading statements that harmed some Twitter shareholders, he did not engage in a specific scheme to defraud investors.

While the verdict marks a stinging rebuke for Musk, the financial implications are minimal considering his net worth, which currently sits at about $650 billion, according to Bloomberg.

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