# OpenAI and Microsoft renegotiate deal amid IPO plans and structural overhaul



OpenAI is currently engaged in significant negotiations with Microsoft to rework their multi-billion-dollar partnership, which is crucial for OpenAI's ambitions of launching an initial public offering (IPO) while safeguarding Microsoft’s access to advanced AI technologies. The Financial Times reported that this negotiation comes as OpenAI seeks to transform itself from a nonprofit entity to a public benefit corporation (PBC), a move that reflects its need to attract considerable investment while adhering to a mission of advancing AI for the benefit of humanity.

The restructuring is pivotal, particularly as OpenAI balances the equity Microsoft holds in its for-profit arm against the broader aspirations of the company. With over $13 billion invested since their initial partnership began in 2019, Microsoft has become OpenAI's largest stakeholder. Current discussions centre on how much equity Microsoft will retain in the newly structured company. Reports suggest that Microsoft might consider relinquishing some of its stake in exchange for extended access to OpenAI’s technological innovations beyond the 2030 deadline outlined in their original agreement.

This original contract, formed when Microsoft invested $1 billion into OpenAI, includes terms for revenue sharing and the rights to use OpenAI’s intellectual property. However, changes in the business landscape, including a recent revision of the partnership terms coinciding with Microsoft's $500 billion AI data centre joint venture with Oracle and SoftBank, have prompted both companies to reassess their agreement. Legal experts have commented on the potential benefits of OpenAI's shift to a PBC structure, noting that it will allow for easier capital raising while necessitating a careful balancing of stakeholder interests. Marcus Wolter, a partner at a corporate law firm, observed that this new model could enhance OpenAI’s financial flexibility while aligning with its foundational mission.

In a separate strategic pivot, OpenAI has recently appointed Fidji Simo, the CEO of Instacart, to lead its application division. This move has been perceived as a direct challenge to competitors like Google in areas such as search and advertising, indicating OpenAI’s aspirations beyond merely developing AI models. Jeanel Alvarado, CEO of research firm Retailboss, remarked that this appointment signals OpenAI’s intent to disrupt established territories reminiscent of a tech ‘power move.’

Despite these ambitious developments, the path forward is not without complications. OpenAI's restructuring plan encountered resistance, prompting the decision to maintain a degree of control by its nonprofit board. While this move aims to appease legal and regulatory scrutiny, critics argue it could hinder the company’s governance. Tensions within the company have already been highlighted by incidents involving its CEO, Sam Altman, whose leadership saw both controversy and reinstatement driven by board tensions.

Furthermore, investor sentiment has been mixed. Elon Musk, a co-founder of OpenAI, has openly critiqued the company’s evolution, suggesting it compromises its ethical foundations. This sentiment is echoed by concerns about whether OpenAI can maintain its mission of creating beneficial AI while navigating the pressures of profitability and market competition.

As OpenAI continues to reshape its operational structure, it faces the dual challenge of adhering to its original objectives while courting substantial investment and infrastructure enhancements necessary for competing with major tech rivals. The outcome of the ongoing negotiations with Microsoft not only holds significant implications for the future of OpenAI but also sets a precedent for how tech companies navigate profit motives alongside ethical responsibilities in the rapidly evolving AI landscape.

### Reference Map

1. Paragraph 1: Sources (1), (2), (3)
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6. Paragraph 6: Sources (3), (4), (5)
7. Paragraph 7: Sources (1), (2), (3)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

* <https://www.pymnts.com/artificial-intelligence-2/2025/openai-and-microsoft-reportedly-rework-pact-ahead-of-possible-ipo/> - Please view link - unable to able to access data
* <https://www.reuters.com/business/openai-negotiates-with-microsoft-unlock-new-funding-future-ipo-ft-reports-2025-05-11/> - OpenAI and Microsoft are renegotiating their multi-billion-dollar partnership to facilitate OpenAI's future initial public offering (IPO) while ensuring Microsoft's continued access to advanced AI technologies. A key aspect of the discussions is determining how much equity Microsoft will hold in OpenAI's for-profit arm in return for its over $13 billion investment since 2019. Microsoft is reportedly willing to reduce its equity share in exchange for extended access to OpenAI's innovations beyond 2030. The companies are also revising a broader agreement originally established with Microsoft's initial $1 billion investment. OpenAI has informed investors it plans to share a smaller portion of revenue with its major backer as part of its ongoing restructuring. This follows a January revision of the OpenAI-Microsoft deal after Microsoft entered a $500 billion AI data center joint venture with Oracle and SoftBank. Both companies declined to comment on the negotiations.
* <https://www.ft.com/content/8d9e5149-7e4f-4886-a035-9d200204972a> - OpenAI and Microsoft are engaged in complex negotiations to redefine their partnership, key to OpenAI's transition towards becoming a public benefit corporation and eventually launching an IPO. Microsoft, OpenAI's largest investor with over $13 billion invested, is negotiating how much equity it will retain in the restructured entity. The discussions also revisit the original 2019 investment terms, which included revenue sharing and technology access rights through 2030. Microsoft may relax its equity stake in exchange for extended access to future AI technology. OpenAI, originally a non-profit, seeks to balance investor expectations and its mission to develop AI for public benefit. Recent investor agreements, including a $40 billion round led by SoftBank, depend on OpenAI restructuring to a profit-earning model. Tensions between OpenAI's expanding ambitions and reliance on Microsoft's support persist, further complicated by regulatory scrutiny from California and Delaware. Critics, including Elon Musk, argue the restructuring compromises OpenAI's founding mission. Despite challenges, OpenAI remains confident in gaining investor and regulatory support to secure the capital needed to compete with major tech rivals and advance its goal of achieving artificial general intelligence (AGI).
* <https://www.axios.com/2025/05/06/openai-nonprofit-sam-altman-control> - OpenAI has initiated a significant restructuring plan, transitioning its for-profit arm from a 'capped-profit' model to a public benefit corporation in a bid to secure tens of billions in funding. This move follows the controversial ousting and subsequent return of CEO Sam Altman by OpenAI's nonprofit board in late 2023. Although the restructuring helps secure future investments, it falls short of Altman's broader goal to sever the for-profit entity from the oversight of the nonprofit board entirely. This lingering oversight means future governance issues, like Altman's prior dismissal, remain a possibility. The corporate conflict centers on control of what many see as the next transformative platform in Silicon Valley—AI—and touches upon who will direct its development and moral compass. The new structure still requires approval from key stakeholders, including Microsoft and regulators such as California and Delaware's attorneys general. Meanwhile, critics, including co-founder Elon Musk, continue to challenge the direction and integrity of the company's evolution, keeping OpenAI embroiled in legal disputes. As Altman stated, OpenAI remains fundamentally unique in its corporate identity and mission.
* <https://elpais.com/tecnologia/2025-05-05/openai-seguira-controlada-por-una-firma-sin-animo-de-lucro-tras-las-resistencias-a-su-reestructuracion.html> - OpenAI has decided to maintain its original structure, with the non-profit organization retaining control of the group, after facing legal and civic resistance to its restructuring plan. This decision reverses the attempt to have the non-profit branch relinquish control over the for-profit subsidiary. The for-profit entity will transform into a Public Benefit Corporation (PBC), maintaining the mission of developing artificial intelligence for the benefit of humanity. The decision was influenced by discussions with authorities in Delaware and California. Sam Altman, CEO of OpenAI, emphasized that the organization has never been a conventional company and reaffirmed its commitment to the common good. The control of the new PBC will remain in the hands of the non-profit foundation. This change conditions the recent capital increase of $40 billion led by SoftBank. Additionally, Elon Musk, co-founder of OpenAI, unsuccessfully attempted to acquire the non-profit entity and has merged his AI firm xAI with the social network X, valuing xAI at $80 billion. The new model seeks to simplify the structure and attract investment without compromising the foundational ideals.
* <https://www.reuters.com/business/openai-plans-slash-revenue-share-microsoft-information-reports-2025-05-07/> - OpenAI plans to significantly reduce the revenue share it provides to Microsoft as part of a restructuring initiative, according to a report by The Information. Historically, OpenAI has agreed to share 20% of its revenue with Microsoft until 2030. However, under revised financial projections, this share may decrease to 10% by the end of the decade. The changes are part of a broader restructuring plan, which has been scaled back, allowing OpenAI's nonprofit parent to retain control, thereby potentially limiting CEO Sam Altman's authority. Microsoft is reportedly seeking continued access to OpenAI's technology beyond the current agreement's 2030 expiration. In January, Microsoft revised terms of its deal with OpenAI following a joint venture with Oracle and Japan's SoftBank to potentially build $500 billion in AI data centers in the U.S. Despite the changes, Microsoft states that the core elements of its partnership with OpenAI remain intact through 2030, with mutual revenue-sharing agreements. OpenAI expressed its ongoing collaboration with Microsoft and anticipation of finalizing the restructuring soon. Both companies have yet to comment publicly beyond business hours.