

June 26, 2025

Attorney General Rob Bonta  
Office of the Attorney General  
California Department of Justice  
Attn: Public Inquiry Unit  
P.O. Box 944255  
Sacramento, CA 94244-2550

**Subject: Ongoing Concerns Regarding OpenAI, Inc.'s Charitable Assets**

Dear Attorney General Bonta:

Our coalition, representing dozens of California foundations and nonprofits, first reached out to you in January of this year with concerns about OpenAI's ongoing misuse of charitable assets and its restructuring plans. Subsequently, 60 of our organizations filed a formal petition with your office, presenting our concerns in detail and requesting a robust investigation. We appreciate the opportunity to meet with your staff on May 12th to further discuss these concerns regarding OpenAI's mission and charitable obligations. We are following up to raise several important questions and to restate our concerns (see Appendix A).

On May 5, OpenAI announced a revised approach to the governance structures of its nonprofit and for-profit entities, citing public scrutiny and your office's attention as motivating factors. We commend your role in persuading OpenAI to revisit its prior approach. However, our concerns remain due to the lack of transparency in OpenAI's revised plan and our recent meeting with its representatives, where many of our questions went unanswered. The proposed structure fails to provide adequate safeguards for the public, the nonprofit's charitable assets, and its charitable mission—especially given OpenAI's track record and numerous unresolved conflicts of interest.

We therefore respectfully request that your office:

1. Continue robust investigation and oversight of OpenAI's governance structure and operations, including a review of past compliance with California charitable law;
2. Require that all nonprofit assets unrelated to the governance of the commercial entity be fairly valued and transferred to a new, fully independent charitable entity dedicated to maximizing public benefit; and
3. Ensure the nonprofit board's true independence and implement ongoing, robust oversight to hold OpenAI accountable to its mission.

**Continued Concerns Regarding OpenAI's Governance Structures and Compliance with the Law**

OpenAI was established as a nonprofit, and its assets are legally bound by a charitable trust—meaning they must serve the public good. To fulfill this obligation, OpenAI's governance must meet two core responsibilities: first, to ensure that its charitable assets are distributed solely to advance the public interest, free from conflicts of interest; and second, to oversee the development of artificial intelligence in a manner that prioritizes safety and broad societal benefit.

OpenAI's recent announcement that the nonprofit board will retain control of operations does not resolve our concerns regarding either of these functions. We remain deeply skeptical that the new restructuring proposal will uphold OpenAI's legal duty to prioritize the public interest over that of investors—particularly given the vague assurances, lack of detailed information, and persistent conflicts of interest. For years, OpenAI, Inc.'s charitable assets have been used for commercial purposes, in violation of the exclusive dedication to charitable purposes required by its mission and nonprofit status. Moreover, OpenAI's track record provides little assurance that the revised structures will be sufficient to realign operations with the public good. In fact, OpenAI's current negotiations with Microsoft and other investors highlight its dedication to profits devoid from commitment to its charitable mission. For these reasons, we propose that these two functions be separated into two distinct nonprofits, each dedicated to one core responsibility.

### **Transfer of Assets to an Independent Charitable Entity**

First, we request that you require all of the nonprofit's assets unrelated to governance be fairly valued and transferred to a new, fully independent nonprofit entity with the sole mission of distributing those assets in a manner that maximizes public benefit. It is deeply concerning that OpenAI is positioning the provision of free access to job-displacing AI tools for children—or covering its own energy consumption costs—as charitable acts.<sup>1</sup>

We appreciate the steps taken by the Delaware Attorney General, who is seeking an independent evaluation of the equity that OpenAI's nonprofit should receive. The new nonprofit should receive the full amount identified in that assessment, including ongoing payments as the company grows and potentially goes public. A transparent process should be established to select a strong and independent board of directors for the new entity—similar to the process used following the Blue Cross conversion from a public to a private entity and establishing two separate foundations: The California Healthcare Foundation and The California Endowment (see Appendix B).

### **Ensuring Independent Governance and Mission Accountability**

We also urge your office to ensure that the OpenAI board is truly independent, and that ongoing, robust oversight mechanisms are in place to keep the organization accountable to its mission of benefiting humanity. This includes strengthening the board's authority, ensuring qualified and empowered staff are in place to monitor OpenAI's commercial operations, and maintaining meaningful external oversight—particularly in light of the powerful financial interests at stake and the need for genuine nonprofit control over the Public Benefit Corporation.

### **Conclusion**

Ongoing threats to OpenAI's mission and charitable assets—especially in light of its proposed governance structure and track record—require your continued vigilance, oversight, and decisive action.

The significance of this matter to the public cannot be overstated. OpenAI, Inc. is likely the largest nonprofit organization ever to exist, and the technology it is developing carries transformative and far-reaching implications. If the principles of charitable trust are ignored, the resulting private inurement would represent an unprecedented failure to uphold California law

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<sup>1</sup> See *Ensuring AI is Democratic By Design*, Chris Lehane, Capitol Weekly (6-18-2025). <https://capitolweekly.net/ensuring-ai-is-democratic-by-design/>

governing the nonprofit and philanthropic sectors. Your actions and oversight in this matter will not only determine the future of OpenAI's accountability but will also set critical precedents with broad public consequences.

We are deeply grateful for your leadership on this issue and respectfully request a meeting with you to discuss these concerns further.

Sincerely,

Over 50+ California civic organizations

- Fred Blackwell, CEO, San Francisco Foundation
- Orson Aguilar, President and CEO, LatinoProsperity
- Aarti Kohli, Executive Director, Asian Law Caucus
- Sean Taketa McLaughlin, Emeritus, Access Humboldt
- Mark Philpart, President and CEO, California Black Freedom Fund
- Sabrina Smith, CEO, California Calls
- Sylvia Aguilar, CEO, California Community Builders
- Miguel Santana, President and CEO, California Community Foundation
- Brenda Solorzano, President and CEO, The California Endowment
- Shane Gusman, Director, California Teamsters Public Affairs Council
- Richard Tate, President and CEO, The California Wellness Foundation
- Alex Tom, Executive Director, Center for Empowered Politics
- Dr. Kyra Green, Executive Director, Center for Policy Initiatives
- Lucas Zucker, Co-Executive Director, Central Coast Alliance United for a Sustainable Economy (CAUSE)
- Allen-Kyle Portia, Interim Executive Director, Color of Change
- Juan Hernandez III, CEO and co-founder, Creser Capital
- George Galvis, Executive Director, Communities United for Restorative Justice
- Terah Lawyer, Executive Director, CROP
- Taifa Smith Butler, President, Demos
- Kate O'Hara, Executive Director, EBASE
- Natalie Foster, President and Founder, Economic Security Project
- Monica Mejia, Executive Director, ELACC
- Nathan Calvin, General Counsel and VP of State Affairs, Encode AI
- Caroline Peattie, Executive Director, Fair Housing Advocates of Northern California
- Chief Royal Ramey, CEO and Co-Founder, Forestry and Fire Recruitment Program
- James King, Co-Director of Programs, Ella Baker Center for Human Rights
- Olga Talamante, Interim President, Greenlining Institute
- Morning Star Gali, Executive Director, Indigenous Justice
- Michelle Vilchez, CEO, Innovate
- Don Howard, President and CEO, The James Irvine Foundation
- Patrick Armstrong, Kapor Center
- Lili Gangas, Chief Technology Community Officer, Kapor Foundation
- Allison Scott, Ph.D, CEO, Kapor Foundation
- Victor Sanchez, Executive Director, LAANE

- Aaron Ortiz, CEO, La Familia
- Rey Leon, CEO, LEAP Institute
- Shane Goldsmith, President and CEO, Liberty Hill Foundation
- José A. Quiñonez, Founder and CEO, Mission Asset Fund
- Juana Flores, Executive Director, Mujeres Unidas y Activas
- Aaron Dorfman, President and CEO, National Committee for Responsive Philanthropy
- Ivon Peña and Marisol Ramirez, Co-Directors, OCCORD
- Tracy Rosenberg, Advocacy Director, Oakland Privacy
- Saru Jayaraman, President, One Fair Wage
- Joseph Tomás McKellar, Executive Director, PICO California
- Paul Briley, Executive Director, Prisoners with Children
- Guillermo Mayer, CEO, Public Advocates
- Ted Mermin, Executive Director, Public Good Law Center
- Paulina Gonzalez-Britto, CEO, Rise Economy
- "DC" Carole Dorham-Kelly, Ph.D., President and CEO, Rubicon Programs
- Catherine Bracy, CEO and Founder, Tech Equity Collaborative
- Marjorie Connolly, Communications Director, Tech Oversight California
- Pete Manzo, President and CEO, United Ways of California
- Kristin Heidelberg, Senior Director of External Affairs, UFCW Western States Council
- Kristina Bas Hamilton, Senior Director, UDW/AFSCME Local 3930
- Chris Iglesias, CEO, The Unity Council
- Astrid Zuniga, President, United Domestic Workers
- Fred Sotelo, Chairman, Urban Leadership Development Institute
- Sikander Iqbal, Deputy Director, Urban Peace Movement
- Maria Noel Fernandez, Executive Director, Working Partnerships USA

Cc: Delaware Attorney General

## **Appendix A: Questions and Concerns**

### **Our Top Five Questions for OpenAI**

1. What is the proposed ownership structure of the PBC?
2. What role will the nonprofit play in the governance of the PBC? Will the PBC board be required to follow the instructions of the nonprofit board, or will they be free to advance commercial interests at the expense of charitable purposes if they deem it appropriate?
3. How will OpenAI ensure the independence of the nonprofit board and address conflicts between the duties of the nonprofit and PBC boards?
4. What assurances are being provided to investors to address their condition that the nonprofit not have influence over the for-profit?
5. What share of the for-profit will the nonprofit receive and at what valuation? How will you ensure this ownership stake is not diluted in the future?

### **Protecting and Advancing OpenAI's Nonprofit Mission**

1. How do goals around market share and beating other companies in developing increasingly powerful AI and AGI advance the goal to ensure that AI “benefits all of humanity”?
2. How will disputes between the mission and the profit motivation be resolved? How will OpenAI ensure that its structure means that the nonprofit’s mission of safe AI will take precedence over rapid model releases?
3. How will OpenAI ensure transparency and accountability to the public? Given the failures of the past, what mechanisms will be established to enable the public to see how the nonprofit mission is guiding the work, whether there is self dealing, and whether the board is abiding by its fiduciary duties?

### **General Structure and Relationship Between Nonprofit and Public Benefit Corporation**

4. What is the proposed ownership structure for OpenAI and its subsidiaries? Share or explain the current and proposed organizational charts for OpenAI and all related business and nonprofit entities.
5. Who will own the technology that OpenAI develops?
6. Will the nonprofit board appoint the PBC board? How exactly will PBC board membership be structured?
7. Will the PBC board be required to follow the instructions of the nonprofit board, or will they be free to advance commercial interests at the expense of charitable purposes if they deem it appropriate?
8. Will the nonprofit have control over the PBC outside of appointing the board? Will there be any limitations on that control? What specific mechanisms of control will the nonprofit have over the PBC? What additional guardrails will exist to prevent OpenAI’s mission from being influenced by market pressures or investor interests?

### **Nonprofit Assets**

9. What is the current valuation of OpenAI’s charitable assets? Provide a full accounting of all assets received, disbursed, invested, and developed. How does this assessment of

- value include the value of the nonprofit's right to control the direction and operations of OpenAI? How does this assessment account for all transfers of intellectual property?
10. What assets, including IP, are owned by various OpenAI entities, including OpenAI, Inc., OpenAI GP LLC, OpenAI LLC, OpenAI LP, and others?
  11. What profits are due to the nonprofit OpenAI, Inc. and what is the timeline for their distribution to the nonprofit? To date, has the nonprofit OpenAI, Inc. ever received a profit distribution?
  12. Will OpenAI, Inc. be entitled to sell its shares under the planned restructuring?
  13. Did OpenAI's nonprofit board consider accepting the bid of \$97.4 billion tendered for those assets by Elon Musk and fellow investors? Upon what basis was the bid rejected?

## **Finances**

14. What rights and ownership interests will each set of investors have? How will OpenAI convert current capped profit investors and what will their share of the PBC be?
15. How will the nonprofit OpenAI, Inc.'s ownership and control be protected from dilution as further funds are raised?
16. What will equity interests of employees and executives be, including Sam Altman's interest?
17. Why is OpenAI announcing this development before obtaining agreement from Microsoft and other investors?

## **Appendix B: The California Endowment's Initial Board Recruitment Process**

### **Overview**

During the conversion of California Blue Cross, four executive search firms were hired to recruit board members for two new foundations: The California Endowment and the California Healthcare Foundation. The firms worked simultaneously, with each specializing in different geographic segments of the state or population groups, collectively bringing in hundreds of potential candidates. Recommendations were vetted with community leaders, public officials, and experts in philanthropy and public health. One recruiter estimated that well over 2,000 résumés were considered in total. From these, consultants selected 25 names to submit to the existing board, with the goal of identifying ten board members for The California Endowment and four for the California Healthcare Foundation.

### **Selection Process Framework**

The comprehensive selection process included several key components:

**Identifying Qualifications and Criteria:** Required qualifications for potential board members included professional experience, leadership skills, and alignment with The California Endowment's values and mission.

**Developing the Selection Process:** The process encompassed initial screening, interviews, and final approval by existing board members. Diversity and inclusion were prioritized, including diversity by race, geography, and experience.

**Clarifying Roles and Responsibilities:** Clear definition of board member roles and responsibilities formed a fundamental part of recruitment considerations, including duties in governance, strategic planning, and oversight of organizational activities.

**Establishing Onboarding and Training:** A structured process for onboarding and training new board members was developed to ensure they were well-prepared to fulfill their roles effectively.

**Determining Term Limits and Renewal:** Term limits for board members and processes for renewal or replacement at the end of terms were established. (Term limits are considered an important good governance practice for effective nonprofit oversight.)

### **Candidate Identification Methods**

The four executive search firms employed various strategies to identify potential candidates:

**Networking and Referrals:** The firms and the existing Blue Cross-created organization leveraged their networks and connections to identify potential candidates, including outreach to current board members, stakeholders, and industry leaders for referrals and recommendations.

**Professional Associations and Events:** Participation in industry events, conferences, and professional associations provided opportunities to connect with and engage potential candidates suitable for board positions.

**Public Announcements and Advertisements:** Public announcements and advertisements were placed in newspapers, relevant publications, and online platforms to attract a diverse candidate pool, ensuring the recruitment process was open and accessible to a wide range of individuals.

**Online Platforms and Social Media:** Online platforms and social media were utilized to promote board vacancies and reach potential candidates, including posts on professional networking sites like LinkedIn and other relevant forums.

### **Selection Process Steps**

The board recruitment process involved three key phases:

**Comprehensive Initial Screening:** Potential candidates were evaluated based on their qualifications, professional experience, and alignment with the organization's values and mission. The focus was on selecting candidates with strong leadership skills and proven track records in their respective fields. The goal was to ensure diversity and inclusion, bringing in board members with varied backgrounds and experience representing different communities across the state.

**Interviews:** Selected candidates underwent a series of interviews to assess their suitability for board roles. These interviews were conducted by existing board members and other key stakeholders.

**Final Approval:** The existing board members made final selections after reviewing candidates' qualifications and interview performance, with continued emphasis on ensuring diversity and inclusion.

### **Regulatory Oversight**

The California Department of Corporations and the California Attorney General remained engaged throughout the board recruitment and selection process. The first 18 board members of The California Endowment represented a panorama of ethnicities, ages, regions of the state, and gradations between rural and urban areas. Their experience ranged from medicine, hospital administration, and public finance to leadership in civic and nonprofit organizations serving low-income and immigrant communities.

### **Governance Provisions**



The Bylaws of The California Endowment include provisions relevant to current discussions about OpenAI and its nonprofit board, particularly regarding the formation of an independent nonprofit free from conflicts of interest and the need to balance profit-making institutional interests:

**Board of Directors:** The bylaws include a provision stating that "for a period of 5 years from the date of the Corporation's initial endowment by Blue Cross of California, the Chief Executive Officer shall not be a former Director or officer of Blue Cross of California or any of its affiliates."

**Oversight by the Attorney General:** "The Attorney General shall have authority to oversee the Corporation and its compliance with the provisions of applicable laws. These Bylaws may not be amended or repealed without the prior consent of the Attorney General. Except for an amendment to change the name of the Corporation, the Articles of Incorporation may not be amended without the prior consent of the Attorney General."