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The AI Acquihire Report

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Estimates attributed to Windsor Drake reflect the firm's interpretation of public information and its experience advising sellers in technology M&A. They are presented to inform judgment, not to provide a guarantee of outcome.

Prepared by

This report was prepared by the Windsor Drake research team, drawing on the firm's review of public talent-and-licensing transactions in artificial intelligence between March 2024 and June 2026, regulatory and litigation filings, and the transaction experience of its advisory practice in Toronto and New York.

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FINDINGS

At a glance

$20B+	**$14.3B**

Capital deployed by Google, Microsoft, Amazon, and Meta to hire the founding teams of AI startups between March 2024 and early 2026, without completing a single reported acquisition.[1]

Meta's investment in Scale AI for a 49 percent, non-voting stake, the largest talent-led transaction of the cycle, valuing the company at roughly $29 billion.[2]

7

Marquee deals built on the same template Microsoft introduced in March 2024: a non-exclusive technology license paired with a mass hire of the founding team.[1]

$650M

Microsoft's payment to Inflection AI: a $620 million license fee plus a $30 million waiver of claims tied to hiring most of its 70 staff, including both co-founders.[3]

$2.7B

Google's non-exclusive license to Character.AI's technology, which returned the founding research team to Google. Founder Noam Shazeer is estimated to have netted $750 million to $1 billion.[4]

~50%

Share of Google's $2.4 billion Windsurf payment directed to compensation for roughly 40 hired employees, with the balance to investors; the remaining company later sold for about $250 million.[5]

1.0–1.5x

Typical realized return to venture investors on the license payment in documented deals, a fraction of the multiple a competitive sale of the whole company might have produced.[6]

$120M

Approximate U.S. Hart-Scott-Rodino premerger notification threshold the license-and-hire structure is designed to sit beside, keeping multibillion-dollar deals out of mandatory antitrust review.[7]

0

Companies technically acquired in the largest AI talent transactions of 2024 and 2025. Each target was left as a going concern, often a hollowed one.[1]

~22%

AI-related transactions as a share of technology M&A value in 2025, a year in which technology deal value rose roughly 66 percent to about $1.08 trillion.[8]

Windsor Drake view: the figures above understate true AI consolidation. The largest transfers of talent and technology in the sector are recorded as licenses and hires, not acquisitions, and therefore fall outside both M&A league tables and mandatory antitrust notification. The headline deal count for AI is low; the real movement of value is not.

EXECUTIVE SUMMARY

The market learned to buy companies without buying them

In March 2024, Microsoft agreed to pay Inflection AI $650 million. It did not buy the company. It licensed Inflection's models and hired almost everyone who built them, including both founders. The structure was new, and within two years it had become the dominant way the largest technology companies absorb artificial intelligence startups.

This report examines that structure, which the market has come to call the reverse acquihire, and the cycle of deals it produced. The pattern is consistent across the marquee transactions of 2024 and 2025. A large acquirer signs a non-exclusive license to a startup's technology, pays a sum that is large in absolute terms, and simultaneously hires the founders and the core technical team. The startup is not acquired. It keeps its corporate shell, its name, and whatever staff the buyer did not want, and it is told to carry on as an independent business.[9]

The economic substance is an acquisition. The legal form is not, and that gap is the entire point. By structuring the transaction as a license plus a hire rather than a purchase of the company, the buyer keeps the deal below the Hart-Scott-Rodino reporting threshold and out of mandatory premerger review, and moves at a speed that a notified merger cannot match.[7] In a market where the scarce input is a few hundred researchers, speed and certainty are worth more than the assets on the balance sheet.

> *The deal that defines AI consolidation is not an acquisition at all. It is a license written to move people, and it is reshaping what a founder should expect an exit to be.*

Windsor Drake's central finding is that reported AI M&A materially understates the consolidation already underway. Between March 2024 and early 2026, the four largest acquirers committed more than $20 billion to take the founding teams of AI companies through these structures, and not one of those transactions was recorded as a completed acquisition.[1] Meta's $14.3 billion investment in Scale AI, which carried its founder to Meta while leaving the company nominally independent, would on its own rank among the largest technology deals of the year if it were counted as one.[2] It is not counted as one. Anyone sizing the AI deal market from acquisition data is measuring the wrong thing.

For founders and boards, the implications are immediate and uncomfortable. These transactions concentrate value at the top of the capitalization table and at the top of the org chart. Investors are typically repaid through the license fee, often at a modest multiple of one to one and a half times capital.[6] Founders and a short list of named technical staff receive the compensation packages and retention awards that make the deal worth doing for the buyer. Everyone else, the employees who hold common stock and options, frequently receives little or nothing, and in several cases saw vesting reset when they moved to the acquirer.[10] The traditional understanding that a successful outcome is shared across the people who built the company does not hold in these deals.

This report proceeds in eight parts. Section one sets out why the exit stopped looking like an exit. Section two dissects the mechanics of the structure step by step. Section three is the deal record, a transaction-by-transaction account of the cycle with a comparative league table. Section four examines what acquirers are actually paying for, and why talent now prices above product. Section five follows the money through the waterfall and shows who is paid and who is left behind. Section six addresses regulation, the Hart-Scott-Rodino question, and the inquiries already opened. Section seven turns to what the pattern means for venture capital and the broader exit market. Section eight is a practical playbook for founders and boards who may find themselves on the receiving end of one of these offers.

A note on what this report is not. It does not argue that talent-led deals are illegitimate. For a startup whose value genuinely is its team, a clean license-and-hire can be a rational outcome and, in some cases, the only one available. The argument is narrower and more useful: these deals are now common enough, and large enough, that founders should understand the structure before they are inside one, and the market should stop pretending the AI sector is consolidating slowly simply because the acquisition column is quiet.

01 · THE SHAPE OF THE MARKET

The exit that does not look like one

For two decades, the technology exit had two doors. A company went public, or it was acquired. The reverse acquihire is a third door, and for the most valuable AI startups it has quietly become the main one.

Consider how an acquisition is supposed to work. A buyer agrees to purchase the equity or the assets of a target. Above a size threshold, the parties file under the Hart-Scott-Rodino Act and wait out a review period before they can close.[7] The purchase price flows into the company and is distributed down the capitalization table according to the terms every shareholder agreed to when they signed up: preferred investors first, then common stock, then options. Everyone who holds equity participates in the same outcome. The mechanism is familiar precisely because it is the default.

The deals at the center of this report do none of that. There is no purchase of equity and no purchase of assets in the ordinary sense. Instead there are two contracts signed at roughly the same time. The first is a non-exclusive license under which the acquirer pays the startup for the right to use its models, code, and sometimes its data. The second is a set of employment agreements under which the founders and the core team leave the startup and join the acquirer. A third payment is often added to release the buyer from claims related to hiring the staff away.[9] No filing is required, because on paper nothing has been acquired.

Why the form changed

Three forces pushed the market toward this structure at the same moment, and it is the combination, not any one of them, that made the reverse acquihire the default for large AI deals.

The first is the nature of the asset. In most of these companies, the value is not a product with paying customers or a defensible book of revenue. It is a small group of researchers whose knowledge is the technology. When the asset walks on two legs, a buyer does not need to own the corporate entity to capture what it wants. It needs the people and a license to what they have built. The acquisition of the company becomes, in a literal sense, optional.

The second is antitrust posture. Through 2023 and 2024, the U.S. agencies signaled close interest in concentration in artificial intelligence, opened a market study into the largest cloud-and-AI partnerships, and made clear that a notified acquisition of a leading AI company by a leading platform would draw scrutiny and delay.[11] A structure that avoids the notification entirely avoids that delay. For an acquirer racing competitors for the same dozen researchers, certainty and speed are decisive.

The third is the talent market itself. By 2025 the compensation required to move a senior AI researcher had reached levels that only the largest companies could pay, with reports of multi-year packages running well into eight and nine figures for a small number of leaders.[12] Once the price of an individual researcher is measured in the tens of millions, paying a few billion to move an entire founding team and license what they built is not an outlier. It is the market rate, expressed as a deal.

> *When the asset is a person, ownership of the company is optional. The buyer needs the team and a license to what the team built, and nothing else on the balance sheet.*

The measurement problem

Because these transactions are not acquisitions, they do not appear in acquisition data. A reader who tallies AI M&A from completed deals will see a sector that looks far less consolidated than it is. The Scale AI transaction is instructive. At $14.3 billion it is among the largest technology deals of 2025 by dollar value, yet it is recorded as an investment and a hire, not a purchase, and Scale continues to operate as an independent company with a new chief executive.[2] The same is true, at smaller scale, of Inflection, Character.AI, Adept, Covariant, and Windsurf. The deal count for AI acquisitions can stay low while the most important companies in the field are absorbed one founding team at a time.

This is the core of the Windsor Drake view. The right way to size AI consolidation is not to count acquisitions. It is to count the movement of teams and the licenses that travel with them. On that measure the sector is consolidating quickly, into a small number of hands, and the quiet acquisition column is a reporting artifact rather than a description of the market.

The remainder of this report takes that view as its starting point and works through what the structure is, who has used it, what it pays, and what a founder should do when the offer arrives.

02 · MECHANICS

Anatomy of the reverse acquihire

Strip away the variations and the structure is remarkably uniform. Microsoft built the template in early 2024, and the deals that followed are recognizable copies of it. Understanding the four moving parts is the difference between reading these transactions and being surprised by one.

The four components

One. The license. The acquirer signs a non-exclusive license to the startup's technology: its models, weights, code, and sometimes its datasets. Non-exclusive is the operative word. The startup keeps the right to use and license its own technology, which is what allows it to continue as a going concern and what supports the claim that no acquisition has occurred. The license fee is the largest visible number in the deal, and it is the vehicle through which cash reaches the company and, through it, the investors.[9]

Two. The hire. Simultaneously, the acquirer extends employment offers to the founders and the core technical staff. This is the part the buyer actually wants. In the Inflection deal, Microsoft hired both co-founders and most of the 70-person team.[3] In Windsurf, Google took the chief executive, a co-founder, and roughly 40 engineers.[5] The hires are structured as ordinary employment, with signing and retention compensation that, for the most senior people, can rival the license fee in value.

Three. The waiver. Mass hiring of a company's staff creates legal exposure. The startup and its remaining stakeholders could claim interference or breach. So the acquirer adds a payment to release those claims and to smooth the departure. In Inflection, $30 million of the $650 million was a payment to waive legal rights related to the hiring.[3] The waiver converts a potential dispute into a line item.

Four. The remainder. The startup is left standing. It retains its corporate shell, its name, its cash from the license, and the employees the buyer did not take. It is repositioned, often as a platform or studio serving other customers, and given a new chief executive drawn from the staff who stayed.[9] In some cases the remainder later sells to a different buyer, as Windsurf's did to Cognition for a reported $250 million weeks after Google took its leadership.[5]

EXHIBIT 1

The four components of a reverse acquihire

COMPONENT	WHAT IT DOES	WORKED EXAMPLE
Non-exclusive license	Moves cash into the company; preserves the claim that nothing was acquired	Microsoft pays Inflection ~$620M to deploy its models on Azure[3]
Mass hire	Transfers the founders and core team, the actual object of the deal	Google hires Windsurf's CEO, a co-founder, and ~40 engineers[5]
Claims waiver	Releases interference and poaching exposure; eases the exit	$30M of Microsoft's $650M waives hiring-related claims[3]
The remainder	Leaves a going concern with a new CEO and a new mandate	Scale AI continues independently; Windsurf's shell sells to Cognition[2,5]

Source: Company statements and press reporting, 2024–2026; Windsor Drake analysis. Figures for non-notified deals are best available rather than audited.

Why the pieces fit together

Each component solves a problem the others would otherwise create. The license provides consideration without a change of control. The hire delivers the talent without an asset purchase. The waiver neutralizes the litigation that mass hiring invites. The remainder preserves the fiction of independence that holds the whole structure together. Remove any one piece and the transaction either becomes a reportable acquisition or collapses into a lawsuit. Assembled, the four parts produce the economics of a takeover with none of the procedural friction of one.

> *Each piece solves a problem the others would create. Together they produce the economics of a takeover with none of the friction of one.*

The variations that matter

The template flexes in two directions worth noting. The first is the equity-stake variant, used by Meta with Scale AI. Rather than a pure license, Meta took a 49 percent, non-voting, non-controlling stake and hired the founder.[2] The stake is large enough to capture upside and small enough, and structured carefully enough, to fall short of control. The logic is identical to the license version: secure the person and the relationship without acquiring the company.

The second is the deferred-payment variant, visible in Amazon's deal for Covariant, where a portion of the license consideration was scheduled to arrive a year after closing.[13] Deferral functions as a retention mechanism for the remaining company and spreads the buyer's outlay. It also illustrates how flexible the form is: the same four components can be arranged with stakes, deferrals, and tranches to fit the specific target without changing the underlying logic.

For a founder, the practical lesson of this section is that these deals are not improvised. They follow a known pattern, and the pattern is designed around the buyer's needs first. Knowing the four components, and which one carries the value for whom, is the precondition for negotiating any part of it.

03 · THE RECORD

The deal record, 2024 to 2026

The cycle has a clear beginning and a recognizable rhythm. What follows is the transaction-by-transaction account, in the order the deals arrived, with the terms that are known and the gaps where they are not.

Microsoft and Inflection AI, March 2024

The deal that started the cycle. Microsoft agreed to pay Inflection AI $650 million, structured as roughly $620 million to license Inflection's models for deployment on Azure and about $30 million to waive claims tied to hiring.[3] Microsoft hired co-founders Mustafa Suleyman and Karén Simonyan and most of Inflection's 70 employees; Suleyman took charge of Microsoft's consumer AI division.[3] Inflection used the license proceeds to repay investors, who recovered roughly 1.5 times their capital, and was repositioned as an AI studio serving enterprise customers.[3] The transaction was not notified as a merger, and it drew early attention as a possible route to acquire talent while sidestepping review.

Amazon and Adept, June 2024

Amazon hired Adept's co-founder and chief executive David Luan along with several other co-founders and a portion of the team, and took a non-exclusive license to Adept's technology, models, and certain datasets.[14] Luan joined Amazon's artificial general intelligence group. Adept continued under a new chief executive drawn from its remaining staff, refocused on agentic AI, and its investors were positioned to be repaid.[14] The Federal Trade Commission sent Amazon questions about the arrangement, probing whether the mass hire amounted to an acquisition that bypassed merger notification.[14]

Google and Character.AI, August 2024

The largest of the early deals. Google signed a $2.7 billion non-exclusive license to Character.AI's technology and returned the founding research team, led by transformer co-inventor Noam Shazeer, to Google, where Shazeer became a vice president of engineering and co-lead of the Gemini effort.[4] Character.AI continued as an independent consumer product. Because Shazeer held a large share of the company, he is estimated to have realized between $750 million and $1 billion personally.[4] The Department of Justice opened an inquiry into whether the structure was designed to avoid regulatory oversight.[4]

Amazon and Covariant, August 2024

Amazon hired Covariant's three founders, including Pieter Abbeel, and roughly a quarter of the staff, and licensed the company's robotic foundation models on a non-exclusive basis.[13] Terms were not disclosed at the time. A later account placed the consideration at about $380 million, with an additional $20 million license payment due a year after closing, a figure below the roughly $625 million valuation Covariant carried at its prior funding round.[13] Covariant continued under a new chief executive promoted from within.[13]

Meta and Scale AI, June 2025

The largest deal of the cycle and the clearest example of the equity-stake variant. Meta invested $14.3 billion for a 49 percent, non-voting stake in Scale AI, valuing the company at about $29 billion, and brought founder Alexandr Wang to Meta to help lead its superintelligence effort.[2] Scale promoted its chief strategy officer to chief executive and continued as a standalone company, with Meta explicitly walled off from Scale's customer data and business information.[2] The transaction was structured to secure the founder and deepen the relationship without acquiring control.

Google and Windsurf, July 2025

The Windsurf episode is worth dwelling on, because it shows the structure winning a head-to-head against a conventional acquisition. OpenAI had reached an agreement to buy Windsurf outright for a reported sum near $3 billion. That deal fell apart, and within days Google stepped in, not to buy the company, but to take its leadership and license its technology.[5] The same target that was nearly bought was instead hollowed, and the difference in form determined the difference in who got paid.

The deal itself produced the most fully documented waterfall of the cycle, because the figures later surfaced in reporting. Google paid $2.4 billion for a non-exclusive license to Windsurf's coding technology and hired chief executive Varun Mohan, co-founder Douglas Chen, and roughly 40 engineers into Google DeepMind.[5] Of the $2.4 billion, about $1.2 billion went to compensation for the hired employees, with a substantial share to the founders, and roughly $1.2 billion to investors.[5] The remaining company, stripped of its leadership, sold itself to Cognition for a reported $250 million within days.[5] Employees hired within the prior year reportedly received no payout, and some who joined Google saw vesting timelines reset.[5,10]

Meta's 2025 talent campaign

Alongside the Scale transaction, Meta ran a broader recruitment campaign for its superintelligence lab, hiring senior researchers from rival labs and from teams including Thinking Machines, and bringing on investors Nat Friedman and Daniel Gross from leadership of their venture fund.[12] Reports of $100 million signing bonuses were disputed by several of the people involved, who described compensation that was large but structured across equity and other instruments rather than paid as a single cash bonus.[12] The campaign is relevant here because it shows the same logic, securing talent at almost any price, operating at the level of the individual hire rather than the packaged deal.

The comparative record

EXHIBIT 2

The AI talent-deal record, 2024–2026

TARGET	ACQUIRER	DATE	HEADLINE VALUE	STRUCTURE	TALENT TAKEN / STATUS
Inflection AI	Microsoft	Mar 2024	$650M	$620M license + $30M claims waiver	Both founders + most of 70 staff; investors ~1.5x
Adept	Amazon	Jun 2024	Undisclosed	Non-exclusive license + mass hire	CEO + co-founders; FTC inquiry
Character.AI	Google	Aug 2024	$2.7B	Non-exclusive license + team return	Founder + research team; DOJ inquiry; founder est. $750M–$1B
Covariant	Amazon	Aug 2024	~$380M+	License + ~$20M deferred; mass hire	3 founders + ~25% of staff; below last round
Scale AI	Meta	Jun 2025	$14.3B	49% non-voting stake; founder hire	Founder to Meta; company independent at ~$29B
Windsurf	Google	Jul 2025	$2.4B	License; ~$1.2B comp / ~$1.2B investors	CEO, co-founder, ~40 engineers; shell sold to Cognition ~$250M
io (contrast)	OpenAI	Jul 2025	$6.5B	Full acquisition (all-equity)	All 55 staff joined; shown for comparison[15]
MosaicML (contrast)	Databricks	Jul 2023	$1.3B	Full acquisition incl. retention	Whole team joined; shown for comparison[16]

Source: Compiled by Windsor Drake from company statements, press reporting, and, where noted, regulatory and litigation accounts. Terms for non-notified transactions are best available and not audited; personal proceeds are public estimates.

The two contrast rows are deliberate. Databricks bought MosaicML outright in 2023, and OpenAI bought io outright in 2025, and in both cases the entire team joined and the whole company changed hands in a conventional purchase.[15,16] That these full acquisitions still happen matters. It shows the reverse acquihire is a choice, not a necessity, and that the choice is being made specifically when the buyer is a dominant platform with antitrust exposure and the target's value is concentrated in a handful of people.

What buyers are actually paying for

The license is the visible price. It is not the thing being bought. In every one of these deals the object of the transaction is a small number of people, and the price of those people, not the technology, explains the numbers.

It is tempting to read a $2.7 billion license to Character.AI or a $2.4 billion license to Windsurf as a valuation of the technology. It is not. The clearest evidence is the Windsurf split, where roughly half of the $2.4 billion went to employee compensation and the remaining company, which still held the actual product and intellectual property, sold for about $250 million a few days later.[5] The market priced the team that left at nearly ten times the company they left behind. The license was the wrapper. The people were the asset.

Why talent prices above product

Three features of the current AI market push value toward people and away from the assets a buyer would acquire in a conventional deal.

The first is scarcity. The number of researchers who can lead the development of a frontier model is small, measured in the hundreds rather than the thousands, and the largest companies are all bidding for the same individuals at once. Scarcity of that intensity produces prices that look irrational against the revenue of the company the person happens to work for, because the price is being set by the alternative, which is losing the race for the talent to a competitor.

The second is substitutability of the corporate wrapper. A buyer that hires the team and licenses the technology gets almost everything it would have gotten from buying the company, without the liabilities, the integration, the cap table, and the review. When the wrapper is substitutable and the people are not, value accrues to the people.

The third is the speed premium. A notified acquisition can take many months and can fail. A license-and-hire can close in weeks and is far harder to block.[7] In a market moving as fast as this one, the ability to secure a team now rather than possibly later is worth a premium in its own right, and that premium is paid to the people who can move immediately.

The market priced Windsurf's departing team at nearly ten times the company they left behind. The license was the wrapper. The people were the asset.

How the price is built

From the deals where figures are known, the consideration in a reverse acquihire resolves into three pools, and the proportions reveal the buyer's priorities. The first pool is the license fee that reaches the company and, through it, the investors, sized to clear the cap table cleanly and keep the investors satisfied enough not to object. The second is the compensation pool for the hired team, weighted heavily toward the founders and the most senior researchers, paid as signing awards, equity, and retention that vests over years at the acquirer. The third, smaller, is the waiver and any deferred or contingent amounts that manage litigation and retention risk.[3,5]

The Windsurf deal, the most transparent of the set, divided roughly evenly between the investor pool and the compensation pool.[5] That balance is itself a signal. It tells you the buyer viewed the investors as a cost of clearing the deal and the team as the thing it was buying, and it priced each accordingly. A founder reading these deals should internalize the order of priorities they reveal: the team first, the investors second as a constraint to be satisfied, and the company last, as a shell to be left behind.

What this implies for valuation

For founders and their advisers, the pricing logic of the reverse acquihire upends the usual valuation conversation. The relevant question is no longer what the company is worth as a business. It is what the team is worth to a specific buyer in a specific week, measured against that buyer's cost of losing the team to a rival. That number can be far higher than any revenue multiple would support, and it can also be far lower for a team the buyer does not specifically want. Value in this market is narrow and personal, not broad and financial, and that is the single most important adjustment a founder has to make when one of these offers arrives.

05 · THE WATERFALL

Who gets paid, and who is left behind

A conventional acquisition pays everyone who holds equity, in an order they agreed to in advance. A reverse acquihire does not. It separates the people who built the company into those the buyer wants and those it does not, and it pays them on entirely different terms.

In a normal sale, the purchase price flows through the liquidation waterfall. Preferred investors are paid first, up to their preference, then common shareholders and option holders share what remains. Whatever one thinks of the order, it is transparent and it is universal: every holder of the same class is treated the same way. The reverse acquihire breaks that universality, because there is no single purchase price flowing through a single waterfall. There are separate payments to separate parties, and the parties are chosen by the buyer.[10]

The three outcomes

Investors are made whole, modestly. The license fee is generally sized to return investor capital, often at a low multiple. Inflection's investors recovered about 1.5 times their money; documented outcomes across the set cluster between roughly one times and a few times capital.[6] For a venture fund underwriting a company to return many multiples, that is a disappointing result dressed as a rescue. It clears the preference and removes the investor as an obstacle, and it does little more.

Founders and key staff are paid richly, through compensation. The people the buyer hires receive the signing, equity, and retention packages that make the move worthwhile, and for founders with large ownership the personal proceeds can be extraordinary; Character.AI's founder is estimated to have realized between $750 million and $1 billion.[4] Much of this value reaches them as employees of the acquirer rather than as shareholders of the company they sold, which is part of why the structure works and part of why it is contentious.

Everyone else is frequently left with little. The employees who hold common stock and options, who are not on the hire list, do not receive the payout a conventional acquisition would have produced, because there is no acquisition and no distribution to common. In the Windsurf case, employees hired within the prior year reportedly received nothing, and some who did move to the acquirer had their vesting reset.[5,10] The remaining company may carry on, but the equity those employees hold in it is worth a fraction of what an exit would have delivered.

EXHIBIT 3

Stakeholder outcomes: conventional sale versus reverse acquihire

STAKEHOLDER	CONVENTIONAL ACQUISITION	REVERSE ACQUIHIRE
Preferred investors	Paid through the waterfall; can capture full upside	Repaid via license fee, often ~1.0–1.5x capital[6]
Founders	Paid as shareholders, alongside the team	Paid as new employees: signing, equity, retention[4,5]
Hired key staff	Share in the exit and may receive retention	Receive compensation packages; may face vesting reset[10]
Common & option holders not hired	Participate in the same exit as everyone else	Often little or nothing; equity in a hollowed shell[5,10]
The company	Changes hands; integrated or wound down	Continues as a going concern, frequently diminished

Source: Windsor Drake analysis. Stylized comparison illustrative of the documented pattern across 2024–2026 deals; specific outcomes vary by transaction.

The fiduciary problem this creates

The split outcome is not only a fairness question. It is a governance question, and it lands on the board. When a transaction is structured so that founders and key employees are enriched through employment while common shareholders receive little, the directors who approve it face an obvious conflict, and a foreseeable claim that they favored the people leaving over the holders they owed duties to.[17] Counsel advising on these deals increasingly recommend that boards document the alternatives they considered, mitigate the conflicts of interested directors, and, where feasible, seek stockholder approval, precisely because the record is the best defense against a later claim of breach.[17]

> *A conventional sale pays everyone who built the company. This structure pays the people the buyer wants and leaves the rest holding equity in a shell.*

For a founder, the waterfall analysis is the part of the deal most likely to produce regret later. The version of the transaction that is best for the founder personally, paid through compensation, can be the version that is worst for the employees and common holders, and the gap between those two outcomes is exactly where fiduciary exposure and reputational damage live. Section eight returns to what a founder can actually do about this. The point to carry forward is that in these deals the interests of the people at the company are not aligned by a common purchase price, and pretending they are is how boards get into trouble.

06 · REGULATION

Regulation and the deal clock

The structure was built to sit beside the rules, not to break them. Whether it succeeds is now an open question, and the answer will shape how many of these deals get done and how they are written.

The premerger review regime in the United States rests on the Hart-Scott-Rodino Act, which requires parties to an acquisition above a size threshold, around $120 million in the relevant period, to notify the antitrust agencies and wait out a review before closing.[7] The threshold attaches to acquisitions of voting securities or assets. A non-exclusive license is not an acquisition of either, and hiring employees is not a notifiable event. By design, the reverse acquihire produces the result of an acquisition while triggering neither prong of the filing requirement.[7] That is the source of its speed, and it is also the source of its legal risk.

What the agencies have done

The agencies noticed early. In January 2024 the Federal Trade Commission opened a market study under its 6(b) authority into the largest partnerships between cloud providers and AI developers, issuing orders to Alphabet, Amazon, Anthropic, Microsoft, and OpenAI, and it published a staff report on those partnerships in January 2025.[11] Separately, the agencies opened inquiries into specific transactions, including Microsoft's

Inflection deal and Google's Character.AI deal, and the FTC sent questions to Amazon about its Adept arrangement, in each case probing whether a license-and-hire was an acquisition in substance that evaded the filing obligation.[4,11,14]

By early 2026 the posture had hardened into explicit signaling. The FTC indicated that it views reverse acquihires as a structure that may have avoided HSR notification improperly, and that it is prepared to examine whether particular deals were designed to evade the filing requirement and whether, filing aside, they harm competition.[18] The agencies have long held the authority to challenge a transaction on the merits regardless of whether it was reportable; the new element is the stated intention to look through the form of these deals to their substance.[18]

The look-through question

The central legal question is whether a regulator or a court will treat a coordinated license, hire, and waiver as a single acquisition for antitrust purposes despite its separate contracts. There is a respectable argument on each side. The agencies can point to the obvious substance: a team, its technology, and its momentum move to an acquirer in a coordinated set of agreements signed together, and the result is the same concentration of capability that a purchase would produce.[18] The defenders can point to the genuine differences: the target survives, the license is non-exclusive, employees are free to move, and no one acquired control of a company.[19]

The agencies have stated their intention to look through the form of these deals to their substance. Whether that intention becomes enforcement is the open variable of the cycle.

The outcome is genuinely uncertain, and it is made more so by the broader policy environment. A regulator inclined toward aggressive enforcement and a regulator inclined toward a light touch on AI would treat these structures very differently, and the posture of the agencies can shift with administrations.[18] Reasonable observers disagree about whether the signaling of 2026 will translate into formal enforcement, new guidance, or merely case-by-case attention. What is not in dispute is that the structure now carries real regulatory risk that did not figure into the early deals.

The cross-border dimension

The structure is built around the U.S. filing regime, but the largest of these deals touch other jurisdictions, and the regulatory map abroad is different and in flux. In the European Union, the Court of Justice ruled in September 2024, in the Illumina and Grail matter, that the Commission cannot use the Article 22 referral mechanism to reach deals that fall below both national and EU thresholds, closing one route authorities had used against below-threshold acquisitions.[21] That ruling narrows the Commission's reach, but it does not eliminate scrutiny. Several member states retain call-in powers to review below-threshold deals, the

Towercast principle allows national authorities to examine non-notifiable acquisitions by dominant firms under abuse-of-dominance rules, and the Italian authority has already used a referral to bring a below-threshold AI deal into review.[21]

The United Kingdom is the more flexible regime, and the more relevant one for these structures. The Competition and Markets Authority can assert jurisdiction on a share-of-supply test rather than a pure turnover threshold, and its standard for intervention is material influence over commercial policy rather than outright control.[21] In its review of the Microsoft and OpenAI partnership, the CMA concluded that Microsoft had acquired material influence over OpenAI, though it declined to investigate further on the facts before it.[21] The lesson for a founder or board with any cross-border footprint is that the U.S. analysis is not the whole analysis, and that a structure designed to clear Hart-Scott-Rodino may still draw attention under a foreign regime built on a different test.

What it means for the deal clock

For the parties, regulation sets the clock in two ways. First, the avoidance of mandatory review is the entire speed advantage of the structure, and any move by the agencies to challenge these deals after the fact erodes the certainty that made them attractive. A buyer that closes a license-and-hire only to face an investigation has not actually escaped the friction it was trying to avoid; it has deferred it. Second, the rising scrutiny is already changing how the deals are papered, with more attention to documenting independence, the non-exclusivity of licenses, and the genuine continuation of the target, precisely so the structure can survive a look-through challenge.[17,19] The regime that the reverse acquihire was built to avoid is, slowly, bending the reverse acquihire to its shape.

07 · IMPLICATIONS

What it means for venture and the exit market

If the reverse acquihire is the new shape of the AI exit, the consequences run past any single deal. They reach the economics of venture capital, the incentives of founders, and the basic bargain that draws people to startups.

For venture capital

The venture model depends on a small number of investments returning many multiples of capital, enough to cover the majority that return little. The reverse acquihire is poorly suited to that model, because it tends to return investor capital at a low multiple while routing the largest value to the founders and key staff as employees.[6] An investor who backed what looked like a future category leader, and who would have captured the upside in a conventional sale or a public offering, instead receives a repayment that clears the preference and not much more. If the most promising AI companies increasingly exit this way, the funds that backed them lose the outsized outcomes the whole model is built around.[20]

The second-order effect is on the willingness to fund. If a category of company reliably produces team-led outcomes that pay investors at par, rational capital will reprice that category or avoid it, demanding more ownership, stronger protective terms, or staying away from the situations most prone to a talent-led departure.[20] That repricing is already a subject of active debate among investors, and its eventual form will shape which AI companies get funded and on what terms.

For founders

The structure changes the founder's incentives in a way that is easy to state and uncomfortable to confront. In a conventional outcome, the founder's interests are largely aligned with the company's, because the founder is paid as a shareholder alongside everyone else. In a reverse acquihire, the founder can be paid handsomely through employment even when investors and employees do poorly, which means the deal that is best for the founder personally is no longer necessarily the deal that is best for the company or the people in it.[17] That misalignment is the heart of the fiduciary problem in section five, and it is also a quieter cultural shift: the founder who takes the package and leaves the company behind is making a choice the previous generation of founders was rarely offered.

For employees and the startup bargain

The implicit deal of a startup has always been that equity makes everyone an owner, and that a good outcome is shared. The reverse acquihire weakens that deal at exactly the moment the most valuable companies are exiting. Employees who join early, take below-market salaries, and hold options have historically done so on the expectation that an acquisition or a public offering would reward the risk. When the company instead exits through a structure that pays the founders as employees and leaves common holders with equity in a shell, the bargain that recruited those employees is broken, and in a small labor market that breakage is noticed.[10,20]

> *The startup bargain was that equity makes everyone an owner and a good outcome is shared. This structure weakens that bargain exactly when the best companies exit.*

For the market's self-understanding

The final implication returns to where this report began. If observers continue to size the AI sector by counting acquisitions, they will continue to understate how concentrated it has become, because the most important consolidations are not acquisitions. A more honest picture tracks where the teams went and which platforms now hold them. By that measure the field has consolidated faster and further than the deal tables suggest, and the policy and investment conversations that rely on those tables are working from numbers that miss the main event. Correcting that picture is the single most useful thing this report hopes to contribute.

08 · PLAYBOOK

The founder playbook

A founder who understands the structure before the offer arrives negotiates from a different position than one who learns it inside the deal. The guidance below is practical and, where it touches law, is a prompt to get advice rather than a substitute for it.

1. Know which asset you are selling

Before any conversation, decide honestly whether the value of the company is the team or the business. If it is the team, a license-and-hire may be the realistic outcome and the question becomes how to structure it well. If there is a real business with customers and defensible revenue, a conventional sale is likely to serve all stakeholders better, and you should resist being pushed into a structure that pays only the people the buyer wants. The two situations call for different strategies, and confusing them is the most expensive early mistake.

2. Map the waterfall before you negotiate, not after

Model what each stakeholder receives under the proposed structure: investors through the license, the hired team through compensation, and common and option holders who are not hired. The gap between those outcomes is where conflict and liability live. Knowing the numbers before you agree to anything lets you negotiate for the people who would otherwise be left behind, and it tells you early whether the deal is one you can defend.

3. Treat the board's process as part of the deal

Because these structures enrich founders and key staff differently from common holders, the board faces a real conflict, and the directors' protection lies in process. Document the alternatives considered, manage the conflicts of interested directors, take independent advice, and where feasible seek stockholder approval.[17] This is not box-ticking. A clean record is the difference between a defensible decision and a fiduciary claim, and it is cheap relative to the cost of getting it wrong.

4. Negotiate for the people you are leaving

The single most consequential thing a founder can do in one of these deals is use leverage, which is real because the buyer wants the team, to improve the outcome for employees who are not on the hire list. That can mean carving out a payment to common holders, accelerating vesting, securing offers for more of the team, or sizing the license so the company that remains is viable rather than hollow. The buyer will not propose this. The founder has to.

5. Price the regulatory risk into certainty, not just value

The speed of these structures is their advantage, but rising scrutiny means the certainty is no longer absolute.[18] Understand that a deal closed today can attract an inquiry tomorrow, and weigh the value of a non-notified structure against the cleaner certainty of a conventional, reviewed transaction. For some teams the speed is worth the residual risk; for others it is not. Make that trade deliberately rather than by default.

6. Get specialized advice early and specifically

These deals sit at the intersection of M&A, employment, and antitrust, and they are advised differently from a standard sale. Engage counsel and advisers who have seen the structure before, who can model the waterfall, paper the independence the regulators will look for, and protect the board, and do it before the term sheet rather than after. The cost of specialized advice is trivial against the size of these transactions and the durability of getting them wrong.

The buyer will not propose protecting the people you leave behind. Your leverage exists because the buyer wants your team. Use it before you sign, because you cannot use it after.

The thread running through all six points is the same. The reverse acquihire is built around the buyer's needs, and its default outcome serves the buyer and a short list of people first. A founder who knows the structure can bend it, modestly but meaningfully, toward the investors and employees who took the risk to build the company. A founder who does not will sign the buyer's version of the deal, which is the version this report exists to make legible.

09 · OUTLOOK

Three scenarios for 2026 and 2027

The reverse acquihire is two years old as a mainstream structure. Whether it hardens into the permanent shape of the AI exit, or proves to be a feature of one unusual moment, depends mostly on what regulators do and how the talent market cools. Windsor Drake sets out three scenarios and the firm's working assumption.

Scenario one: the structure normalizes

In the first scenario, regulatory signaling produces little formal enforcement, the agencies decline or fail to win a look-through challenge, and the license-and-hire becomes a settled, well-understood tool. Deal documents grow more careful, the independence of the surviving company is papered more thoroughly, and the structure spreads beyond the largest platforms to any acquirer with antitrust exposure and a team it wants. In this world the AI exit is permanently bifurcated: full acquisitions for companies with real businesses, talent-led licenses for companies whose value is their people. Founders and boards treat the structure as a standard option, and the advice in section eight becomes routine practice. Windsor Drake assigns this scenario the highest probability on a two-year view, because the structure solves real problems for buyers and because the policy environment toward AI has so far favored speed over scrutiny.[18]

Scenario two: the agencies win a look-through

In the second scenario, a regulator or a court treats a coordinated license, hire, and waiver as a single acquisition, either blocking a deal or imposing a remedy after the fact. A single adverse outcome would not end the structure, but it would change the calculus sharply. The speed and certainty that justify the form would erode, buyers would have to weigh the risk that a closed deal is later unwound or penalized, and some transactions that would have been talent-led would revert to conventional, notified acquisitions or not happen at all. The deals most exposed are the largest and the most obviously coordinated, where the substance of a takeover is hardest to deny.[18,19] Windsor Drake views this as a real but secondary possibility on a two-year horizon, more likely to arrive as a slow tightening than as a single decisive case.

Scenario three: the talent premium deflates

The third scenario is economic rather than legal. The entire structure is a response to a talent market in which a few hundred researchers command extraordinary prices. If the supply of capable researchers widens, if model capability commoditizes, or if the largest buyers conclude they have already secured the talent they need, the premium that makes a multibillion-dollar license rational would compress. In that world the reverse acquihire does not disappear, but it shrinks in both size and frequency, and the AI exit drifts back toward conventional acquisitions priced on the business rather than the people. This scenario is the hardest to time and the easiest to underestimate, because talent markets can turn faster than legal regimes.

> *Windsor Drake's working assumption is that the structure normalizes before it is curbed. Founders should plan for a market in which the talent-led exit is a standing option, not an anomaly.*

The working assumption

Combining the three, Windsor Drake's base case is that the reverse acquihire normalizes faster than it is curbed, with regulatory pressure rising in the background and the talent premium holding through at least 2026. The practical consequence for founders is that they should plan for a market in which the talent-led exit is a standing option rather than an anomaly, prepare for it before an offer arrives, and not assume that a future regulator will protect the stakeholders that the structure tends to leave behind. The protection has to be negotiated into the deal, by the founder, at the time. That is the throughline of this report, and it is the assumption on which the firm advises.

REFERENCE

Frequently asked questions

What is a reverse acquihire?

A transaction in which a large company secures the founders and core team of a startup, and a license to its technology, without acquiring the company itself. The acquirer signs a non-exclusive technology license, hires the key people as employees, and often adds a payment to waive claims related to the hiring. The startup keeps its corporate shell and continues as a going concern. The economic substance resembles an acquisition; the legal form is not one.[9]

How is it different from a normal acquihire?

A traditional acquihire is still an acquisition: the buyer purchases the company, mainly to obtain its team. A reverse acquihire stops short of buying the company. The buyer takes the people and a license while leaving the corporate entity standing, which is what allows the deal to avoid mandatory merger review and to close quickly.[7,9]

Why do acquirers use this structure instead of buying the company?

Three reasons, usually together: the value is the team rather than the business, so owning the company is unnecessary; avoiding a notified acquisition sidesteps antitrust review and delay; and the structure closes far faster, which matters when competitors are bidding for the same researchers.[7,11]

Do investors make money in these deals?

Usually they are repaid, but modestly. The license fee is typically sized to return investor capital at a low multiple, often around one to one and a half times, well short of the return a competitive sale of a successful company would produce.[6]

What happens to employees who are not hired?

They tend to do poorly. Because there is no acquisition and no distribution to common shareholders, employees who hold options and are not on the hire list frequently receive little or nothing, and in documented cases some who did move to the acquirer had their vesting reset. Their equity becomes a stake in a diminished company.[5,10]

Are these deals legal?

They are structured to comply with current rules, and to date none has been unwound. The open question is whether regulators will treat a coordinated license, hire, and waiver as an acquisition in substance. U.S. agencies have opened inquiries and signaled they may look through the form, but as of mid-2026 the structure stands.[18,19]

How large is this trend?

Between March 2024 and early 2026, the four largest acquirers committed more than $20 billion to take AI founding teams through these structures, with none recorded as a completed acquisition. Because the deals fall outside acquisition data, the trend is larger than standard M&A figures show.[1]

What should a founder do if approached with one of these offers?

Establish whether the company's value is the team or the business, model what each stakeholder receives before agreeing to anything, protect the board with a documented process, use the leverage that the buyer's interest in the team provides to improve outcomes for employees and investors, and engage advisers who have handled the structure before. Section eight sets out the steps in detail.

REFERENCE

Key terms

Reverse acquihire	A transaction in which an acquirer takes a startup's founders, core team, and a license to its technology, without buying the company, which is left standing as a going concern.
Non-exclusive license	A grant of rights to use technology that leaves the grantor free to use and license the same technology to others. Its non-exclusivity is what supports the claim that the startup was not effectively acquired.
Claims waiver	A payment made to release the acquirer from legal exposure, such as interference or poaching claims, arising from hiring a company's staff away en masse.
Hart-Scott-Rodino (HSR)	The U.S. statute requiring parties to an acquisition above a size threshold (around $120 million in the relevant period) to notify the antitrust agencies and observe a waiting period before closing.
Look-through	The analytical move of treating a set of separate but coordinated agreements as a single transaction for regulatory purposes, based on substance rather than form.
Liquidation waterfall	The order in which proceeds of a sale are distributed: preferred investors up to their preference first, then common shareholders and option holders.

Liquidation preference	The contractual right of preferred investors to be paid a defined amount before common shareholders receive anything in a sale or wind-down.
Equity-stake variant	A version of the structure in which the acquirer takes a large, non-controlling, non-voting equity stake and hires the founder, rather than paying a pure license fee. Used by Meta with Scale AI.
Vesting reset	The restarting of an equity vesting schedule when an employee moves to an acquirer, which can reduce or delay the value the employee realizes.
Section 6(b) study	A market study conducted by the U.S. Federal Trade Commission under its authority to compel information from companies, used here to examine AI partnerships.
Share-of-supply test	The UK jurisdictional basis allowing the Competition and Markets Authority to review a deal based on the parties' share of supply of goods or services, rather than a turnover threshold alone.
Material influence	The lowest level of control reviewable under UK merger rules, the ability to influence a company's commercial policy without holding outright control.

THE EARLY READ

Into 2026: the structure goes mainstream

What this report described as an emerging exit pattern hardened, in 2026, into an accepted category. The talent-led acquisition and the model-or-team license are no longer exotic work-arounds; practitioners now treat them as standard routes to an AI outcome, which means the structure this report dissects is becoming the rule rather than the exception.

The first quarter of 2026 saw roughly 266 AI acquisitions close, about ninety percent more than a year earlier, even as private AI companies raised more than $226 billion in the same three months. But the recorded deals are only part of the picture. Deloitte's 2026 analysis identifies non-exclusive intellectual-property licensing as a distinct, growing deal category, giving a buyer immediate access to differentiated capability with no change of control to report, and the acquihire as a routine alternative where the value is the team rather than the entity.

> *The reverse-acquihire and the model license stopped being workarounds and became the mainstream of AI exits in 2026. The structure, not the headline, now decides who is paid.*

Why the structure spread

The structures spread because they solve problems for both sides and for the parties not at the table. They let the largest acquirers secure scarce talent and capability without the antitrust attention a full acquisition of a prominent AI company would attract; they let founders and key engineers realize value quickly; and they let investors be made whole, or not, on terms that the headline rarely reveals. The consequence, examined throughout this report, is that the economics of these deals diverge sharply from a conventional acquisition, and the divergence is now the mainstream case rather than the edge case.

What it means for founders

For an AI founder, the normalization of these structures makes reading the deal type, not the deal size, the central skill of an exit. A nine- or ten-figure number attached to a license or a hire can leave common shareholders and non-key employees with far less than that number implies, while richly rewarding a handful of principals. The path to a good outcome in 2026 runs through understanding, and negotiating, the structure before the headline is set, which is precisely what the frameworks in this report are built to enable.

Sources for this section: CB Insights Q1 2026 AI data (266 AI M&A deals, +90%; $226B private AI funding); Deloitte 2026 M&A analysis (non-exclusive IP licensing as a distinct category); FE International, "AI M&A Trends 2026"; company disclosures.

METHODOLOGY AND SOURCES

Methodology and sources

This report covers public talent-and-licensing transactions in artificial intelligence between March 2024 and June 2026, with reference to conventional acquisitions where they aid comparison. Because the principal transactions discussed here were not structured as acquisitions, most were not subject to mandatory public merger disclosure. Where terms are given for those deals, they are drawn from company statements, contemporaneous press reporting, and, in specific cases noted in the text, regulatory inquiries and litigation accounts. Such figures should be read as the best available account rather than as audited deal terms, and several remain estimates.

Stakeholder-outcome ranges, including investor return multiples and the description of employee outcomes, are compiled from reported accounts of individual deals and are presented as patterns observed across the set, not as universal results; outcomes vary by transaction. Personal-proceeds figures for founders are public estimates derived from reported ownership and deal size. Market-sizing figures for technology and AI M&A are drawn from published 2025 deal reviews and reflect the methodology of their sources. Estimates attributed to Windsor Drake reflect the firm's interpretation of public information and its experience advising sellers in technology M&A; they are analytical judgments, not guarantees.

Currency figures are in U.S. dollars unless otherwise noted. The Hart-Scott-Rodino notification threshold cited is approximate for the relevant period and is adjusted annually; readers should confirm the current figure before relying on it. Nothing in this report is legal, investment, tax, or accounting advice.

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ABOUT

About Windsor Drake Research

Windsor Drake is a sell-side M&A advisory firm for founders and boards of software, financial technology, artificial intelligence, and cybersecurity companies in the lower middle market.

The firm advises technology founders through the full arc of a sale, from positioning the company and building the buyer universe to running a competitive process and negotiating terms. Its research program exists to make the dynamics that decide outcomes legible to the people on the selling side, who face these transactions once or twice in a career against buyers who do them constantly. Each report is built from public sources and the firm's transaction experience, and is written to be useful before a process begins, when the decisions that determine price are still open.

This report is part of the Windsor Drake Research series, a set of independent studies on valuation, deal structure, and consolidation across the firm's sectors. Other titles examine the cross-sector valuation premium captured by the Rule of 40 and the consolidation of the cybersecurity industry, alongside sector-specific valuation benchmarks. The series is intended to be read by founders, boards, investors, and the journalists and analysts who cover these markets.

Contact

Windsor Drake maintains offices in Toronto and New York. Founders considering a transaction, and members of the press citing this research, can reach the firm through windsordrake.com.

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