UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from________to________

Commission file number: 001-40193

SOUNDHOUND AI, INC.
(Exact name of registrant as specified in its charter)

Delaware	**86-1286799**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5400 Betsy Ross Drive	
Santa Clara, CA	**95054**
(Address of Principal Executive Offices)	(Zip Code)

(408) 441-3200
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common stock, par value $0.0001 per share	SOUN	The Nasdaq Stock Market LLC
Redeemable Warrants	SOUNW	The Nasdaq Stock Market LLC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of voting stock held by non-affiliates of the Registrant on June 30, 2023, based on the closing price of $4.55 for shares of the Registrant’s Class A common stock, was approximately $734.4 million.

As of February 26, 2024, there were 273,229,352 shares of the Company’s Class A common stock, $0.0001 par value per share, issued and outstanding, and 35,885,408 shares of the Company’s Class B common stock, $0.0001 par value per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Annual Report, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Shareholders to be held in 2024, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Annual Report relates.

SOUNDHOUND AI, INC.
FORM 10-K

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K of SoundHound AI, Inc. (“we,” “us,” “our,” “SoundHound,” or the “Company”) contains “forward-looking statements” (as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act) that reflect our current expectations and views of future events. You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions. These forward-looking statements include, but are not limited to, statements concerning our expected financial performance, our ability to implement our business strategy and anticipated business and operations, including our ability to improve our Generative AI Foundation Model, expand our customer partnerships and roll out our AI drive thru service, roll out our Dynamic Interaction, Chat AI for Automotive, and expand the number of platforms on which our voice AI technology will be available, the potential utility of and market for our products and services, and our ability to achieve revenue from our bookings backlog. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results of operations or the results of other matters that we anticipate herein could be materially different from our expectations. Accordingly, readers are cautioned that significant known and unknown risks, uncertainties and other important factors may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. Some factors that could cause actual results to differ include:

- our ability to execute our business strategy, including launching new product offerings and expanding information and technology capabilities;
- our market opportunity and our ability to acquire new customers and retain existing customers;
- the timing and impact of our growth initiatives on our future financial performance;
- our ability to protect intellectual property and trade secrets;
- our ability to obtain additional capital, as necessary, including equity or debt financing, on terms that are acceptable to us, if at all, particularly in light of inflationary pressures and resulting increases in the cost of borrowing;
- changes in applicable laws or regulations and extensive and evolving government regulations that impact our operations and business;
- our ability to attract or maintain a qualified workforce, particularly following our recent restructuring efforts;
- level of product service failures that could lead our customers to use competitors’ services;
- investigations, claims, disputes, enforcement actions, litigation and/or other regulatory or legal proceedings, including with respect to our AI technology;
- risks relating to uncertainty of our estimates of market opportunity and forecasts of market growth;
- our ability to maintain the listing of our Class A Common Stock on the Nasdaq Global Market;
- the possibility that we may be adversely affected by other economic, business, and/or competitive factors; and
- other risks and uncertainties described under the section titled “Risk Factors” in this Annual Report.

You should thoroughly read this Annual Report and the documents that we refer to with the understanding that our actual future results may be materially different from, and worse than, what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The forward-looking statements made in this Annual Report relate only to events or information as of the date of this Annual Report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this Annual Report completely and with the understanding that our actual future results may be materially different from what we expect.

Part I

Item 1. Business

Our Mission

SoundHound's mission is to voice-enable the world with conversational intelligence through an independent AI platform enabling humans to interact with products and services like they interact with each other — by speaking naturally.

Company Overview

We are a global leader in conversational intelligence, offering independent Voice AI solutions that enable businesses to deliver high-quality conversational experiences to their customers. Built on proprietary technology, SoundHound's voice AI delivers best-in-class speed and accuracy in numerous languages to product creators across automotive, TV, and IoT, and to customer service industries via groundbreaking AI-driven products like Smart Answering, Smart Ordering, and Dynamic Interaction™, and Employee Assist. Along with SoundHound Chat AI, a powerful voice assistant with integrated Generative AI, SoundHound powers millions of products and services, and processes billions of interactions each year for world class businesses.

We believe voice-enabled conversational user interface is a more natural interface for nearly all use cases, and product creators should have the ability to design, customize, differentiate, innovate and monetize the interface to their own product, as opposed to outsourcing it to a third-party assistant. For example, using SoundHound, businesses can voice-enable their products so consumers can say things like, "Turn off the air conditioning and lower the windows," while in their cars, "Find romantic comedies released in the last year," while streaming on their TV and even place food orders before arriving at a restaurant by talking to their cars, TVs or other IoT devices. Additionally, SoundHound's technology can address complex user queries such as, "Show me all restaurants within half a mile of the Space Needle that are open past 9pm on Wednesdays and have outdoor seating," and follow-on qualifications such as "Okay, don't show me anything with less than 3 stars or fast food."

The SoundHound developer platform, Houndify, is an open-access platform that allows developers to leverage SoundHound's Voice AI technology and a library of over 100 content domains, including commonly used domains for points of interest, weather, flight status, sports and more. SoundHound's Collective AI is an architecture for connecting domain knowledge that encourages collaboration and contribution among developers. The architecture is based on proprietary software engineering technology, CaiLAN (Conversational AI Language), and machine learning technology, CaiNET (Conversational AI Network) to ensure fast, accurate and appropriate responses.

Our market position is strengthened by the technical barriers to entry in the Voice AI space, which tend to discourage new market participants. Furthermore, our technology is backed by significant investments in intellectual property, with over 155 patents granted and over 115 patents pending, spanning multiple fields including speech recognition, natural language understanding, machine learning, monetization and more. We have achieved this critical momentum in part thanks to a long-tenured leadership team with deep expertise and proven ability to attract and retain talent.

Market Opportunity

A significant addressable market

To take advantage of opportunities created by the expansion of Voice AI, companies across industries are turning to independent providers with disruptive technology offerings to help them design and build custom voice assistants. The demand for Voice AI technology is growing exponentially as companies compete to lead the market with the best technology, excellent customer relationships, and greatest innovations. Custom, branded voice assistants are allowing companies to improve their customer interactions at every touchpoint. According to Juniper Research, the broader market for Voice AI transactions will exceed $160 billion by 2026, enabled by a growing need for Voice AI in many industries including IoT, automotive, restaurants, Smart TVs, retail, hospitality, enterprise, contact center, home services, personal care, professional services, among many others.

Strategy

We believe that Voice AI will be the next major technology disruption in computing.

Human-computer interfaces became popularized through computers offering a keyboard and mouse. After that came mobile devices with touch screens. We now have IoT devices with Voice AI. After the internet became mainstream, every company needed to have a website. After the mobile ecosystem became mature, every company needed to have a mobile strategy. We note that some very successful companies were created purely on the mobile ecosystem.

We believe the same concept will apply to the world of Voice AI where every company will need to have a strategy and there will exist success stories built on top of platforms like ours. These interfaces will co-exist: for example, mobile and touch screens did not completely replace computers with a keyboard and mouse, therefore Voice AI will also co-exist with computers and mobile. However, with billions of IoT devices that don't have a keyboard or a mouse or a touch screen, we believe that voice will be the preferred or the only way to interact with these devices.

Technical Development

In 2005, as recent graduates from Stanford, our founders began envisioning a future where we would be talking to products just as we do other people. Inspired to make their vision a reality, the Company was founded with a simple and powerful mission: Add Voice AI to everything. To this day, the Company is still run by its original founding team.

SoundHound's technology represents the evolution of several disruptive breakthroughs in voice-AI and sound recognition developed over almost two decades. Using innovative audio and music identification technology, in 2009, our founders launched the SoundHound music identification app. Since its inception, the app has received over 300 million downloads.

In parallel, the founding team worked in stealth on a fundamentally new technology — one that had the potential to revolutionize human-to-computer voice interaction. Up until then, all voice interactions relied on speech-to-text and then text-to-meaning. Our engineers knew that for a true voice engine to flourish, it needed to understand speech directly, just like humans do.

In 2015, SoundHound introduced the Houndify Voice AI platform incorporating breakthrough Speech-to-Meaning and Deep Meaning Understanding technologies, which, to SoundHound's knowledge represented voice interaction technologies not yet broadly available at the time as its foundation.

After we went public in 2022, SoundHound rapidly introduced innovation to the market with Smart Ordering, Dynamic Interaction™, SoundHound Chat AI, and Smart Answering, among others products (see "Products and Technology" hereafter).

SoundHound's Vision

A typical reaction to SoundHound's technology is "Wow! Even humans cannot do this." This is the crux of our vision: *Create a Voice AI platform that exceeds human capabilities and brings value and delight via an ecosystem of billions of products enhanced by innovation and monetization opportunities.*

Computers are better than humans at computing, but they're not always better than humans at performing certain tasks. For example, we used to easily beat computers in the game of chess, but now computers can even top grandmasters. When it comes to language understanding, the general perception is computers are not yet as good as humans. People talk using complex conversations with each other, but when they talk to voice assistants, they lower their expectations and use short, simple, keyword-based queries. We aim to change that by making computers better than humans in language understanding. As a result, SoundHound can make humans more productive and help make the world a better place.

To provide another example, if a user is looking for a restaurant, but anything other than Chinese (because they had Chinese food yesterday) they can ask the concierge of a hotel: "Show me restaurants, excluding Chinese", and the concierge can point the customer in the right direction. But when talking to a typical voice assistant, users often don't ask the question: "show me restaurants, excluding Chinese", because they don't expect that it will work. And in fact, most other voice assistants will offer Chinese restaurants when asked to show restaurants excluding Chinese. With SoundHound's technology, users can ask even more complicated questions, such as: "show me Asian restaurants in San Francisco, excluding Chinese and Japanese, and only show the ones that have more than three stars and are open after 9:00 PM on Wednesdays." In addition, users can follow up and ask it to refine the criteria such as "remove Korean and Vietnamese, sort by rating then by price, and only show the ones that are good for kids and have a patio."

Additionally, through SoundHound's AI-driven restaurant voice ordering solution, Smart Ordering, automated voice technology can be deployed by any restaurant to take food and drink orders over the phone, via menu kiosks or at the drive-thru. Its sophisticated technology learns the menu of each business and can answer questions, accept modifications and even upsell, helping the restaurant process more orders quickly and efficiently.

Our vision further includes empowering billions of devices around the world using our technology, with innovation and monetization opportunities for the product creators that integrate to our platform. It means product creators can not only use Voice AI to make their product better; they can also generate incremental recurring revenues from customer interactions.

Our vision also places a high emphasis on user experience. Before monetization growth can occur, delivering value and delight to end users is paramount. As a result, the most effective monetizable interactions will be those that flow naturally based on context, create value for the end-user, and would not be perceived by users as intrusive advertisements.

Products and Technology

SoundHound’s momentum in the Voice AI market can, in large part, be attributed to our large number of technology breakthroughs.

Houndify Platform

SoundHound’s Voice AI platform combines advanced AI with engineering expertise to help brands build conversational voice assistants. From proprietary components to customizable and scalable solutions, we offer tools to build a highly accurate and responsive voice user interface.

The suite of Houndify tools includes Application Programming Interfaces (“API”) for text and voice queries, support for custom commands, extensive library of content domains, inclusive Software Development Kit platforms, collaboration capabilities, diagnostic tools, and built-in analytics.

Houndify provides a web API that takes in text queries or audio and returns actionable JavaScript Object Notation to anyone with an internet connection wanting to add Voice AI to any product or application.

CaiNET and CaiLAN Expert Domain Selections

SoundHound’s CaiNET software uses machine learning to enhance how domains work together to better handle complex queries including natural language processing, predictive analytics, and building language models, or translation of speech.

SoundHound’s proprietary CaiLAN software expertly arbitrates responses so users get better answers from the right domain such as for use with natural language processing, predictive analytics, and building language models, or translation of speech.

Automatic Speech Recognition (“ASR”)

Our highly optimized, tunable, and scalable ASR engine supports vocabulary sizes containing millions of words. Houndify’s machine learning infrastructure allows us to tune the engine to achieve optimal Computer Processing Unit (“CPU”) performance while delivering high accuracy rates.

Houndify’s language and acoustic modelling architecture also uses machine learning to increase word recognition accuracy. Rapid iteration is possible due to our accelerated training pipeline and architecture that improves as data is collected. Highly accurate transcriptions result from advanced acoustic models trained to perform in a variety of scenarios — including in severely noisy environments and when accented language is spoken.

Natural Language Understanding (“NLU”)

Our proprietary Speech-to-Meaning technology tracks speech in real-time and understands the context, even before the user has finished speaking. Instead of the typical two-step process of transcribing speech into text and then passing the text into an NLU model, Houndify can accomplish both of these tasks in one step, delivering faster and more accurate results.

Houndify's ability to process and understand speech the instant a user stops speaking gives voice assistants the ability to respond faster. Understanding speech in real-time without requiring additional processing or waiting for the user to finish speaking creates responsive and natural conversations between people and products.

By understanding context, Houndify responds accurately to users by distinguishing between similar words and names. Our NLU can discern the difference between words that sound the same, but have different spellings and meanings. For example, if users want to navigate to 272 Hoch Street in Dayton, Ohio, it won't look for Hawk Street.

Using our proprietary Deep Meaning Understanding technology, a custom voice assistant can handle complex queries with compound criteria including conversational follow up, address multiple questions and filter results simultaneously — accurately and quickly answering users' most complex questions.

These technologies are anchored by three important innovations: Speech-to-Meaning, Deep Meaning Understanding and Collective AI.

Speech-to-Meaning refers to SoundHound's ability to convert speech to meaning simultaneously and in real time. Most traditional approaches first convert speech to text, and then convert text to meaning. This approach can be both slower and less accurate. It's slower because the two steps are done in sequence, and the additional processing time of the second step can be noticeable by the end user. It can also be less accurate because if the first step of speech to text makes a mistake, the resulting incorrect text is then sent to the second step, and the error further propagates.

Our development of Speech to Meaning technology was inspired by the human brain. As we listen to someone speaking, our brain does not convert speech to text, and then text to meaning. Instead, our brain converts speech to meaning simultaneously and in real time. With Speech-to-Meaning, as you speak to SoundHound's technology, it performs both speech recognition and language understanding simultaneously, which results in faster response time and higher accuracy, because real-time language understanding can feed into the real-time speech recognizer as additional information to reduce errors.

Deep Meaning Understanding is our innovative approach to language understanding that allows our Voice AI platform to understand highly complex conversation.

For example it can understand: "Show me hotels in San Francisco that are less than $600, but not less than $300, are pet friendly, have a gym and a pool with at least three stars staying for two nights, and don't include anything that doesn't have Wi-Fi."

A complex search like this will take many minutes to perform on a website with complex forms, but it can be done within a few seconds using SoundHound technology, which we believe to be unique in its ability to handle complex queries of this nature at scale.

Collective AI is an architecture that gives potential to SoundHound to improve the understanding capability of its platform exponentially based on linear contributions.

Most other platforms add skills or domains that are separate and don't interact with each other. For them, linear contribution results in linear growth in understanding, which is less scalable. With the Collective AI architecture, SoundHound domains can be interconnected and learn from each other. As developers contribute to the platform, the platform's understanding capability can grow exponentially.

Smart Ordering

SoundHound Smart Ordering offers an easy-to-understand voice assistant for restaurants that takes phone orders and automatically processes them by seamlessly integrating with multiple POS systems. For enterprises, we also offer a flexible Gateway to integrate with custom POSs.

Dynamic Interaction

Dynamic Interaction is a category-level breakthrough in conversational AI that we believe raises the bar for human-computer interaction by not only recognizing and understanding speech, but also responding and acting in real-time. Where existing voice technology requires wake words and relies on turn-taking with awkward pauses to process requests, Dynamic Interaction uses the twin technologies of fragment parsing – which breaks speech down to partial-utterances and processes them in real-time – and full-duplex audio-visual integration to create an instantaneous, next-generation experience in human-computer interaction.

SoundHound Chat AI

We launched SoundHound Chat AI, which we believe will usher in a new phase of voice-enabled, conversational AI by combining the power of software engineering and machine learning generative AI.

SoundHound Chat AI integrates with dozens of knowledge domains, pulling real-time data like weather, sports, stocks, flight status, restaurants, and many more. We combine this with the most cutting-edge large language models like OpenAI's ChatGPT to deliver the most accurate, timely, and comprehensive responses. There is no need for awkward search queries since you can speak to SoundHound Chat AI naturally, like another person. You can also follow-up questions and commands without awkward pauses to filter, sort, or add more information to the original request.

Smart Answering

SoundHound Smart Answering is built to offer all customer establishments, including restaurants, the option to build an easy to use, custom AI-powered voice assistant that can handle 100% of phone calls including, greetings, hours, menu, location, delivery, wait time, policies, promotions, including SMS functionality for reservations and appointments, and many more standard and custom options.

Wake Words

Wake words are the entry point into branded voice experiences, allowing users to invoke the assistant by literally speaking the company's name. Examples range from "Hey Pandora" in a mobile app to "Hey Peugeot" within a vehicle.

Rigorous development and testing enable our wake words to perform in noisy environments and minimize false-positives or false-negatives. We use advanced machine learning algorithms and Deep Neural Networks to provide broad robustness to our high-volume training data, resulting in high accuracy.

Custom Domains

Our library of over 100 public domains is available to give developers instant access to a broad range of content to fit their unique use cases. This includes multi-category content intended to appeal to broad range of audiences, including, for instance, sports scores, weather, podcasts, travel information, recipes, stock prices, among many others.

Companies can enhance product functionality or proprietary operations with Houndify Private Domains, allowing customization and development of more specific content. Customers who subscribe for this service have full access to their private domains securely on our platform while retaining the ability to iterate and update content.

For example, an automotive manufacturer can make helpful updates about the car's user manual over time. In this way, SoundHound becomes a long-term "partner" to its customers, helping companies create the domains that they need in order to improve brand value for their own customers or end users.

Text-to-speech ("TTS")

A high quality TTS helps companies create a unique voice that differentiates them from the competition. Brands can fully express their personality by choosing the gender, tone, and personality that will become their vocal identity.

Our machine learning algorithms transform recorded voices into large databases of spoken sounds to form entire vocabularies of natural language — adapted to the user's environment. We can transform any voice to generate a high-quality TTS with a small CPU footprint.

Edge and Cloud Connectivity

With edge (embedded) we offer a fully-embedded voice solution for brands seeking the convenience of a voice user interface without the privacy or connectivity concerns of the internet. Includes full access to custom commands and the ability to instantly update commands during development.

With Cloud we equip your voice assistant with real-time data from the cloud, deliver the most relevant responses with no CPU or memory restrictions, and retain ownership of customer relationships with access to data and analytics.

To harness the capabilities of full cloud connectivity with the reliability of embedded edge voice technology. Houndify Edge Hybrid solutions are designed to ensure that devices are always-on and responsive to commands. Allows for over-the-air product updates and a broader voice experience with the level of cloud-connectivity that best matches the product and its users.

Competitive Strengths and Differentiators

The majority of participants in the Voice AI industry can be characterized as either “big tech” companies (meaning large corporations offering Voice AI as an extension of other services) and “legacy vendors” (meaning long-time Voice-AI industry participants with older technologies).

Voice AI offerings from big tech companies are primarily an extension of their services. In many cases, rather than strengthening or interacting with the host product, big tech offerings tend to take over the entire product experience, thus “hijacking” the company’s brand, users, and data. As a result, brands relying on big tech Voice AI frequently experience decreased ability to innovate, differentiate, and customize the way that their products interact with Voice AI platforms and/or end users. In some cases, these big tech Voice AI providers even compete with the customers whose products their technologies support, making them increasingly less attractive as a choice for a voice interface.

The Voice AI market currently also includes “legacy vendors,” a number of whom we believe offer dated technologies. Furthermore, in many cases, legacy vendor technologies still require significant effort by product creators to turn legacy AI product offerings into solutions that can compete with the quality of Voice AI products currently offered by big tech companies, which is oftentimes neither economical nor practical.

Due to the high barrier to entry in Voice AI, the number of full solution platform providers is very limited. In our view, it takes many years and significant investment to build all the components of Voice AI. It then takes further time and resources to make the solutions competitive, mature, and viable for adoption. Finally, it requires significant investment to globalize the solution in multiple languages and regions. Although the number of platforms is limited, we note that the big tech players have significant resources. Against this landscape, SoundHound has achieved its successes to date through technology innovation, business model innovation, and global alliances that we believe make us well-positioned to continue to grow and execute our business plan.

With the recent popularization of Generative AI and Large Language Models in early 2023, we view this as an inflection point for Conversational AI, with a clear intersection between technology readiness and subsequent demand and adoption. Such intersections are rare, and SoundHound is in a unique position to create tremendous value.

We believe the impact of Generative AI and Large Language Models to the field of Conversational AI is similar to the impact of Deep Neural Networks to Machine Learning: Better quality models can be created faster and with fewer tedious engineering requirements. And we view the market impact of this to be transformative, similar to the mobile ecosystem disruption of the last decade. Fast movers like us will create tremendous value.

We view the current environment as an opportunity to provide disruptive technologies with capabilities we believe are superior to existing alternatives, allowing customers to maintain their brand, control the user experience, get access to the data, and define their own privacy policies, while being able to customize, differentiate, innovate, and monetize.

Revenue Model

Market Momentum

Our entry into the Voice AI space began with 10 years of constant innovation in “stealth” building disruptive technologies in Voice AI using innovative approaches. Our goal was to build a differentiated Voice AI technology that we fully own and which is significantly better than other solutions in the market. We achieved that goal and unveiled the result in 2015, launching it as the Houndify platform in 2016.

Building a Diverse, Global Customer Base

SoundHound continues to expand the capabilities that make us well-positioned to serve the needs of customers globally. We have grown our solution from a single language capability to 25 languages.

Our customers include a range of product and service providers of all sizes, spanning a range of industries, including automotive, IoT, apps, restaurants, and more. Many of our global customers have end users in multiple regions and industries and we have seen our products successfully used by them across multiple contexts and purposes.

Three pillars for growth

We have identified three pillars for revenue growth: Royalties, Subscription, and Monetization, and all three pillars contribute to our current revenues today. While the majority of current revenues come from royalties, over time we expect our revenues from subscription and monetization pillars to increase and eventually represent a larger portion of our overall revenues.

(1) **Royalties**: This involves voice-enabling a product. The product creator pays us a royalty based on volume, usage, or duration. SoundHound collects royalties when our platform is integrated into a product such as a car, smart TV, or IoT.

(2) **Subscription**: This involves voice-enabling a service that doesn't rely on a physical product. Examples include when SoundHound enables customer service or food ordering for restaurants or content management, appointments, or voice commerce, we generate subscription revenue from the service providers.

(3) **Monetization**: This pillar creates an ecosystem that enables monetization services in products and services from both pillar one and pillar two. When users of a voice-enabled product access the voice-enabled monetization, this creates new leads and transactions. SoundHound generates monetization revenue for generating these leads and transactions, and will share revenue with the product creators.

We expect the disruptive three-pillar business model will create a monetization flywheel. As more products integrate into our platform, more users will use it, and more services will choose to integrate as well. This creates even more usage, and results in a flow of revenue share to product creators, which further encourages even greater adoption and integration with our platform, and we expect the cycle will perpetually continue to expand and create an ecosystem with a compound impact on our business.

SoundHound's criteria for adoption

When it comes to criteria for adoption, our goal is to win on every dimension. We believe our product will be adopted because customers typically choose the best technology and want to own their brand and control their data. We strive to provide our customers with the best technology, and we can provide a white label solution giving our customers control of their brands. In some industries you may have to choose between technology and brand control. In our case, we aim to offer our customers the best of both, enabling them to offer disruptive technologies to their users while maintaining control of their brand and user experience.

With our disruptive monetization strategy, we also provide a path to monetization. By choosing our platform, product creators can generate additional revenue while making their product better using Voice AI, providing further incentive to choose our platform.

We offer an ecosystem with our expert domain selections that seamlessly arbitrates between LLMs and real time domains and limits "AI hallucinations", along with definable privacy controls, which are becoming increasingly important in the industry of Voice AI. We also offer edge, cloud and hybrid solutions, which means our technology can optionally run without a cloud connection for increased flexibility and privacy. Our focus is on delivering the most advanced Voice AI in the world and thus allowing our partners to differentiate and innovate their overall experiences for their brands. Additionally, there is no conflict of interest between us and our partners and customers as we do not compete with them (as some other Voice AI vendors do).

We believe that product creators know their product and users best. The idea of a single third-party assistant taking over their product is not reflective of our anticipated future. We envision that every product will have its own identity, and they will have Voice AI customized in different ways. They can each tap into a single platform to access the ever-growing set of domains, but the product creators can innovate on top of platform and create value for the end users in their own way.

Research and Development

Research and development have been the foundation of our company since its origin. We have invested significantly over the years in making conversational Voice AI technology by leveraging advanced technologies across signal processing, speech recognition, machine learning and more. The complexities of our design and the associated technological breakthroughs has required more than ten years of research and development activities to fine tune our technology for commercial use. We continue to explore different innovation strategies to strengthen our capabilities.

In particular, we are continually working to improve the speed and accuracy of our Voice AI solutions and make customer adoption easier and faster. We have protected our innovations throughout with patents and trade secrets, and we have continued to strengthen our competitive positioning by staying on top of the latest advancements in the Voice AI industry. We expect to continue to keep research and development and, more broadly, innovation and product quality at the forefront of our strategy and core focus.

Sales and Marketing

We take an insight-driven, account-based marketing approach to build and expand our relationships with customers and partners. We collect feedback directly from them to garner insights that help drive the business and product. We also work with analysts and higher education institutions to conduct studies, test and validate technology performance, providing key proof points for those considering our products. In parallel, marketing and communications drive our brand equity and narrative through ongoing announcements, campaigns, events, speaking opportunities, and public relations efforts.

Our demand generation efforts span the full customer funnel to target prospects across a variety of channels including: advertising, email, social media, search engines and many other digital channels.

Sales and marketing will play a critical role in the next phase of our evolution as a company, with key ongoing investments in our team and leadership. While our products are already scaling with existing customers, markets and verticals, we see significant opportunities to grow into new ones. Increased sales and marketing efforts will enable us to capitalize on the tremendous momentum we are building and we expect to continue expanding resources to grow our personnel and leadership team focused on sales and marketing.

Intellectual Property

SoundHound’s intellectual property portfolio includes over 155 patents granted and over 115 patents pending worldwide. These patents cover areas such as speech recognition, natural language understanding, machine learning, human interfaces, and others, including monetization and advertising.

Out of our 270 patents granted and pending, more than 40 of these patents are in conversational monetization. Because we predict that search traffic will change from keyword-based queries to conversational interactions, we have a large number of patents in the area of conversational advertising.

Human Capital

At SoundHound, our success is driven by the quality of our people, who we believe are among the best and brightest in the industry. We strive to create an environment that supports employee success and a culture where everyone has a voice in driving innovation.

Employees

As of December 31, 2023, we had approximately 260 full-time employees, of which approximately 54% were in the United States and 46% were in our international locations. We have not experienced work stoppages and believe our employee relations are good.

Employee Experience

We focus on delivering a great employee experience, anchored by meaningful work, career opportunities and well-being, to continue to attract and retain high quality talent. We support employee well-being from multiple dimensions, including economic, health, development, and lifestyle with a comprehensive suite of compensation, benefits and flexible work options.

For the vast majority of SoundHound's employees, productivity is not tied to being in an office and collaboration can happen between people anywhere. SoundHound's modern approach to work gives our employees more flexibility to choose where and how to work. Depending on their role, many of our employees can choose their office location, as well as work from home some or all of the time. We believe this allows us to engage with a wider pool of talent and retain employees who want or need more flexibility.

Diversity and Inclusion

We recognize that everyone deserves respect and equal treatment, regardless of gender, race, ethnicity, age, disability, sexual orientation, gender identity, cultural background or religious belief. We are creating an inclusive workplace through community-building, training and internal awareness. In 2023, we continued to support our many community partners and employee resource groups that build community for employees from underrepresented groups.

Government Regulations

We are subject to various laws, regulations, and permitting requirements of federal, state, and local authorities, related to health and safety, consumer privacy, anti-corruption and export controls. The foregoing may include the U.S. Foreign Corrupt Practices Act of 1977, the U.S. Export Administration Regulations, Money Laundering Control Act of 1986 and any other equivalent or comparable laws of other countries. We believe that we are in material compliance with all such laws, regulations, and permitting requirements.

Legal Proceedings

From time to time, we may become involved in actions, claims, suits and other legal proceedings arising in the ordinary course of our business, including assertions by third parties relating to personal injuries sustained using our products and services, intellectual property infringement, breaches of contract or warranties or employment-related matters. We are not currently a party to any actions, claims, suits or other legal proceedings the outcome of which, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our business, financial condition and results of operations.

Available Information

Our website is located at *www.soundhound.com*, and our investor relations website is located at *investors.soundhound.com*. Access to copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and our Proxy Statements, and any amendments to these reports, is available via a link through our investor relations website, free of charge, after we file or furnish them with the SEC and they are available on the SEC's website. We also utilize our investor relations website to webcast our earnings calls and provide notifications of news or announcements regarding our business updates, financial performance and other items that may be material or of interest to our investors, including SEC filings, investor events, press releases and earnings releases. Further, corporate governance information, including our certificate of incorporation, bylaws, governance guidelines, board committee charters, and code of ethics, is also available on our investor relations website. The contents of our websites are not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Item 1A. Risk Factors

Investing in our securities involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information appearing elsewhere in this Annual Report, including our financial statements, the notes thereto and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The occurrence of any of the following risks could have a material adverse effect on our business, reputation, financial condition, results of operations and future growth prospects, as well as our ability to accomplish our strategic objectives. As a result, the trading price of our securities could decline and you could lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations and the market price of our securities.

Summary

The risk factors described below are a summary of the principal risk factors associated with an investment in us. These are not the only risks we face. You should carefully consider these risk factors and the other reports and documents filed by us with the SEC.

Risks Related to our Business and Financial Condition

- We have generated substantial net losses and negative operating cash flows since inception and may never achieve or maintain profitability or generate positive cash flows;
- We may require additional capital to continue planned business operations but may not be able to obtain such capital when desired on favorable terms, if at all, or without dilution to our stockholders;
- Our operating results could be materially and adversely affected if it loses any of its largest customers due to concentration risk;
- The loss of one or more key members of our management team or personnel, or our failure to attract, integrate and retain additional personnel in the future, could harm our business and negatively affect our ability to successfully grow our business;
- The market in which we operate is highly competitive and rapidly changing and we may be unable to compete successfully;
- Adverse conditions in the Voice AI market or the global economy more generally could have adverse effects on our results of operations;
- Our operating results could be materially and adversely affected if we lose any of our largest customers, many of which are OEMs;
- We depend on skilled employees and the loss of one or more key members of our management team or personnel, or our failure to attract, integrate and retain additional personnel in the future, could harm our business and negatively affect our ability to successfully grow our business;
- Cybersecurity and data privacy incidents or breaches may damage client relations and inhibit our growth;
- Our business is subject to a variety of domestic and international laws, rules, policies and other obligations, including data protection and anticorruption;
- Interruptions or delays in our services or services from data center hosting facilities or public clouds could impair the delivery of services and harm our business;
- We rely on third-party telecommunications and internet service providers, including connectivity to our cloud software, and any failure by these service providers to provide reliable services could cause us to lose customers and subject us to claims for credits or damages, among other things;

- Our customers rely on third-party telecommunications and internet service providers to provide them with access and connectivity to our cloud software, and changes in how telecommunication and internet service providers handle and charge for access to telecommunications and the internet could materially harm our customer relationships, business, financial condition and operations results;

- If we are unable to maintain and enhance our brand or reputation as an industry leader, our operating results may be adversely affected;

- Our acquisition of Synq3, Inc. and any potential future acquisitions or strategic transactions may subject us to various risks that could adversely affect our business and for which we may not achieve the anticipated benefit of such a transaction;

- We have identified material weaknesses in our internal control over financial reporting and may identify additional material weaknesses in the future, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet its periodic reporting obligations and the trading price of our stock could be negatively affected.

Risks Related to our Intellectual Property and Technology

- Our use of open source technology could impose limitations on our ability to commercialize our software;

- Third parties have claimed in the past and may claim in the future that we are infringing their intellectual property, and we could be exposed to significant litigation or licensing expenses or be prevented from selling our products or making our technologies available to our customers if such claims are successful;

- Unauthorized use of our proprietary technology and intellectual property could adversely affect our business and results of operations;

Risks Related to our Securities and our Dual Class Common Stock Structure

- Our stock price and trading volume may fluctuate significantly;

- Our management has limited experience in operating a public company. The requirements of being a public company may strain our resources and divert management's attention, and the increases in legal, accounting and compliance expenses may be greater than we anticipate;

- We have a dual class common stock structure that has the effect of concentrating voting control with the holders of our Class B Common Stock. Our Class B Common Stock has multiple votes per share and this ownership will limit or preclude your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transactions requiring stockholder approval, and that may adversely affect the trading price of our Class A Common stock;

- We are considered a "controlled company" within the meaning of Nasdaq listing standards and, as a result, qualify for, and may rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to shareholders of companies that are subject to such requirements;

Risks Related to U.S. and International Taxation

- Our ability to use its net operating loss carryforwards and certain other tax attributes may be limited.

Risks Related to SoundHound's Business and Financial Condition

The market in which SoundHound operates is highly competitive and rapidly changing and SoundHound may be unable to compete successfully.

There are a number of companies that develop or may develop products that compete in the Voice AI market. The market for SoundHound's products and technologies is characterized by intense competition, evolving industry and regulatory standards, emerging business and distribution models, disruptive software technology developments, short product and service life cycles, price sensitivity on the part of customers, and frequent new product introductions, including alternatives to certain of SoundHound's products from other vendors which may be offered at significantly lower costs or free of charge. Current and potential competitors have established, or may establish, cooperative relationships among themselves or with third parties to increase the ability of their technologies to address the needs of SoundHound's current and prospective customers. Furthermore, current or prospective customers may decide to develop competing products or to establish, strategic relationships with SoundHound's competitors.

Competition in the Voice AI market could adversely affect SoundHound's operating results by reducing the volume of the products and technologies SoundHound licenses or sells, the prices SoundHound can charge or the obligations of SoundHound to incur expenses or capital costs associated with the development, acquisition or promotion of new products or technologies. Some of SoundHound's current or potential competitors are large technology companies that have significantly greater financial, technical and marketing resources than SoundHound does, and others are smaller specialized companies that possess specialized expertise or regional focus and may have greater price flexibility than SoundHound does in connection with their business models. These competitors may be able to respond more rapidly than SoundHound can to new or emerging technologies or changes in customer requirements, or may decide to offer products at low or unsustainable cost to win new business or to retain their existing clients. They may also devote greater resources to the development, promotion and sale of their products than SoundHound does, and in certain cases may be able to include or combine their competitive products or technologies with other of their products or technologies in a manner whereby the competitive functionality is available at lower cost or free of charge within the larger offering. To the extent they do so, the penetration of SoundHound's products, and therefore its revenue, may be adversely affected. SoundHound's large competitors may also have greater access to customer data, which provides them with a competitive advantage in developing new products and technologies. SoundHound's success depends substantially upon its ability to enhance its products and technologies, to develop and introduce, on a timely and cost-effective basis, new products and technologies that meet changing customer requirements and incorporate technological enhancements, and to maintain SoundHound's alignment with the technologies and market strategies of its customers, which change and advance over time. If SoundHound is unable to develop new products and enhance functionalities or technologies to adapt to these changes and maintain SoundHound's alignment with its customers, its business will suffer.

Adverse conditions in the Voice AI market or the global economy more generally could have adverse effects on SoundHound's results of operations.

SoundHound's business depends on, and is directly affected by, the global Voice AI market, as well as the global economy more generally, including global economic trends affecting the automotive, internet of things ("IoT"), mobile application, call center, semiconductor device maker and restaurant and hospitality industries. For example, SoundHound's largest customers are currently in the automotive industry, and automotive production and sales are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences, changes in interest rate levels and credit availability, consumer confidence, fuel costs, fuel availability, environmental impact, governmental incentives and regulatory requirements, and political volatility, especially in energy-producing countries and growth markets. Such factors may also negatively impact consumer demand for products, including automobiles, that incorporate or use SoundHound products or technologies. In addition, global production and sales trends can be affected by SoundHound's customers' ability to continue operating in response to challenging economic conditions, and in response to labor relations issues, regulatory requirements, trade agreements and other factors. The volume of global automotive production, in particular, has fluctuated, sometimes significantly, from year to year, and such fluctuations give rise to fluctuations in the demand for SoundHound's products. Any significant adverse change in any of these factors, including, but not limited to, general economic conditions and the resulting bankruptcy of a customer or the closure of a customer manufacturing facility, may result in a reduction in sales and production by SoundHound's customers, and could have a material adverse effect on SoundHound's business, results of operations and financial condition.

SoundHound's strategy to increase cloud connected and embedded products and technologies and expand the number of foreign languages SoundHound understands may adversely affect its near-term revenue growth and results of operations.

SoundHound has been and is continuing to develop new cloud-connected and embedded products and technologies and expand the number of foreign languages that its products and technologies understand. The design and development of new cloud-connected and embedded products and technologies and the addition of new languages will involve significant expense. SoundHound's research and development costs have greatly increased in recent years and, together with certain expenses associated with delivering SoundHound's connected services, are projected to continue to escalate in the near future. SoundHound may encounter difficulties with designing, developing, and releasing new cloud-connected and embedded components, as well as integrating these components with SoundHound's existing technologies. These development issues may further increase costs and may affect SoundHound's ability to innovate in a manner that allows SoundHound to remain competitive relative to its peers. As a result, SoundHound's strategy to incorporate more cloud-connected and embedded components may adversely affect its revenue growth and results of operations.

Pricing pressures from SoundHound's customers may adversely affect its results of operations.

SoundHound may experience pricing pressure from its customers in the future, including, relative to its automotive industry customers, pricing pressure resulting from the strong purchasing power of major OEMs SoundHound may be expected to quote fixed prices or be forced to accept prices with annual price reduction commitments for long-term sales arrangements or discounted reimbursements for SoundHound's work. Any price reductions could impact SoundHound's sales and profit margins. SoundHound's profitability is also influenced by its success in designing and marketing technological improvements in Voice AI systems. If SoundHound is unable to offset any price reductions in the future, its business, results of operations and financial condition would be adversely affected.

Currently, SoundHound's largest customers are OEMs, and while SoundHound invests effort and money seeking OEMs' validation of SoundHound's technology, and there can be no assurance that SoundHound will win or be able to renew its contracts with OEM customers, which could adversely affect SoundHound's results of operations.

Some of SoundHound's largest customers are currently OEMs and SoundHound invests effort and money in product research and development in relationship to SoundHound's OEM customers from the time an OEM or a "Tier 1" supplier to OEMs begins designing for an upcoming program through the date on which an OEM or Tier 1 supplier customer chooses SoundHound's technology to be incorporated directly or indirectly into one or more specific vehicle models to be produced by such customer. This selection process is known as a "design win." SoundHound could expend its resources on these and similar efforts without success. After a design win, a product or technology that did not receive the design win may not be able to displace the winner until the customer begins a new selection process because it is very unlikely that a customer will change complex technology until a product model is revamped. In addition, the company with the winning design may have an advantage with the customer going forward because of the established relationship between the winning company and such customer, which could make it more difficult for such company's competitors to win the designs for other service contracts. Even if SoundHound has an established relationship with a customer, any failure to perform under a service contract or innovate in response to their feedback may neutralize its advantage with that customer. If SoundHound fails to win a significant number of customer design competitions in the future or to renew a significant number of existing service contracts, SoundHound's operating results would be adversely affected. Moreover, to the extent SoundHound is unable to renew existing service contracts, this would negatively impact its revenue. The period of time from winning a contract to implementation is long and SoundHound is subject to the risks of cancellation or postponement of the contract or unsuccessful implementation.

SoundHound's products are technologically complex and incorporate many technological innovations. Prospective customers generally must make significant commitments of resources to test and validate SoundHound's products before including them in a product or vehicle. The development cycles of SoundHound's products with new customers are approximately six months to two years after a design win, depending on the customer and the complexity of the product. These development cycles result in SoundHound investing its resources in customers and customer products prior to realizing any revenues from the related customer contracts. Further, SoundHound is subject to the risk that a customer cancels or postpones implementation of SoundHound's technology, as well as that SoundHound will not be able to implement its technology successfully. Additionally, SoundHound's sales could be less than forecast if the product is unsuccessful, including for reasons unrelated to its technology. Long development cycles and product cancellations or postponements may adversely affect SoundHound's business, results of operations.

SoundHound's operating results could be materially and adversely affected if it loses any of its largest customers.

The loss of business from any of SoundHound's major customers, whether by lower overall demand for the products manufactured by its major customers, cancellation of existing contracts or the failure to award SoundHound new business, could have a material adverse effect on SoundHound's operating results. Alternatively, there is a risk that one or more of SoundHound's major customers could be unable to pay its invoices as they become due or that a customer will simply refuse to make such payments given its financial difficulties. If a major customer becomes subject to bankruptcy or similar proceedings whereby contractual commitments are subject to stay of execution and the possibility of legal or other modification, or if a major customer otherwise successfully procures protection against SoundHound legally enforcing its obligations, it is likely that SoundHound will be forced to record a substantial loss. In addition, certain of SoundHound's customers that are tier 1 suppliers to the automotive industry exclusively sell to certain OEMs, including some of SoundHound's other customers. A bankruptcy of, or other significant disruption to, any of these OEMs could intensify any adverse impact on our business and results of operations.

During the years ended December 31, 2023, two customers accounted for 62% of SoundHound's total revenues. During the years ended December 31, 2022 and 2021, three customers accounted for the following approximate percentages of SoundHound's total revenues during the respective applicable period: 67% and 61%. Accounts receivable balances due from three customers collectively totaled 87% of the Company's consolidated accounts receivable balance at December 31, 2023. Accounts receivable balances due from two customers collectively totaled 75% of the Company's consolidated accounts receivable balance at December 31, 2022. The unbilled receivables balances from three customers collectively totaled 86% of the Company's consolidated unbilled receivables balance at December 31, 2023. The unbilled receivables balances from three customers collectively totaled 78% of the Company's consolidated unbilled receivables balance at December 31, 2022.

In addition to upfront payments pursuant to professional services or custom engineering agreements, SoundHound generally enters into master service agreements with its largest customers and also provides them with engineering and custom services. Our largest current customers entered into master services agreements with SoundHound pursuant to which they are provided Houndify Cloud Services and, in some cases, associated services on an as-needed basis. The license fees that SoundHound receives under our master services agreements are either fixed minimum monthly hosting fees with overage charges based on usage, or determined based on the volume of products that our customers sell that utilize SoundHound technology. Our master services agreements generally renew automatically for one year terms and are terminable by the customer upon prior written notice of six months to one year.

Adverse economic conditions or reduced technology spending may adversely impact SoundHound's business.

Our business depends on the overall demand for technology and on the economic performance of our current and prospective customers. In general, worldwide economic conditions may remain unstable, including inflation, and these conditions would make it difficult for our customers, prospective customers and us to forecast and plan future business activities accurately, and they could cause our customers or prospective customers to reevaluate their decision to purchase our features. Weak global economic conditions, changes in consumer behavior or a reduction in technology spending even if economic conditions stabilize, could adversely impact our business and results of operations in a number of ways, including longer sales cycles, lower demand or prices for our platform, fewer subscriptions and lower or no growth. For example, increased inflation in recent months, the residual effects of the collapse of Silicon Valley Bank and other financial institutions in March 2023, and related instability in the global financial markets, may cause difficulties for our customers, resulting in reduced spending by them on our business.

SoundHound's operating results may fluctuate significantly from period to period, and this may cause its stock price to decline.

SoundHound's operating results may fluctuate materially in the future. These fluctuations may cause SoundHound's results of operations to not meet the expectations of securities analysts or investors which would likely cause the price of its stock to decline. Factors that may contribute to fluctuations in operating results include:

- the volume, timing and fulfillment of large customer contracts;
- renewals of existing customer contracts and wins of new customer programs;
- increased expenditures incurred pursuing new product or market opportunities;
- receipt of royalty reports;
- fluctuating sales by SoundHound's customers to their end-users;
- contractual counterparties failing to meet their contractual commitments to SoundHound;
- introduction of new products by SoundHound or its competitors;

- cybersecurity or data breaches;
- reduction in the prices of SoundHound's products in response to competition, market conditions or contractual obligations;
- increased costs to raise cash in the market place, including increased borrowing costs as a result of inflation;
- accounts receivable that are not collectible;
- higher than anticipated costs related to fixed-price contracts with SoundHound's customers;
- change in costs due to regulatory or trade restrictions;
- expenses incurred in litigation matters, whether initiated by SoundHound or brought by third-parties against SoundHound, and settlements or judgments it is required to pay in connection with disputes; and
- general economic trends as they affect the customer bases into which SoundHound and its customers sell and operate.

Due to the foregoing factors, among others, SoundHound's revenue and operating results may fluctuate significantly from period to period. SoundHound's expense levels are based in significant part on its expectations of future revenue, and SoundHound may not be able to reduce its expenses quickly to respond to near-term shortfalls in projected revenue. Therefore, SoundHound's failure to meet revenue expectations would seriously harm its operating results, financial condition, and cash flows.

SoundHound depends on skilled employees and could be impacted by a shortage of critical skills.

Much of SoundHound's future success depends on the continued service and availability of skilled employees, particularly with respect to technical areas. Skilled and experienced personnel in the areas where SoundHound competes are in high demand, and competition for their talents is intense. Many of SoundHound's key employees receive a total compensation package that includes equity awards. New regulations or volatility in the stock market could diminish SoundHound's use, and the value, of its equity awards. This would place SoundHound at a competitive disadvantage in attracting qualified personnel or force it to offer more cash compensation.

Cybersecurity and data privacy incidents or breaches may damage client relations and inhibit SoundHound's growth.

The confidentiality and security of SoundHound's information, and that of third parties, is critical to SoundHound's business. SoundHound's services involve the transmission, use, and storage of customers' and their customers' information, which may be confidential or contain personally identifiable information. Any cybersecurity or data privacy incidents could have a material adverse effect on SoundHound's results of operations and financial condition. While SoundHound maintains a broad array of information security and privacy measures, policies and practices, its networks may be breached through a variety of means, resulting in someone obtaining unauthorized access to SoundHound's information, to information of SoundHound's customers or their customers, or to SoundHound's intellectual property; disabling or degrading service; or sabotaging systems or information. In addition, hardware, software, systems, or applications SoundHound develops or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to SoundHound's systems or facilities, or those of third parties with whom SoundHound does business, through fraud or other forms of deceiving SoundHound's employees, contractors, and vendors. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, SoundHound may be unable to anticipate these techniques or to implement adequate preventative measures. SoundHound will continue to incur significant costs to continuously enhance its information security measures to defend against the threat of cybercrime. Any cybersecurity or data privacy incident or breach may result in:

- loss of revenue resulting from the operational disruption;
- loss of revenue or increased bad debt expense due to the inability to invoice properly or to customer dissatisfaction resulting in collection issues;

- loss of revenue due to loss of customers;
- material remediation costs to recreate or restore systems;
- material investments in new or enhanced systems in order to enhance SoundHound's information security posture;
- cost of incentives offered to customers to restore confidence and maintain business relationships;
- reputational damage resulting in the failure to retain or attract customers;
- costs associated with potential litigation or governmental investigations;
- costs associated with any required notices of a data breach;
- costs associated with the potential loss of critical business data;
- difficulties enhancing or creating new products due to loss of data or data integrity issues; and
- other consequences of which SoundHound is not currently aware but would discover through the process of remediating any cybersecurity or data privacy incidents or breaches that may occur.

SoundHound's business is subject to a variety of domestic and international laws, rules, policies and other obligations, including data protection and anticorruption.

SoundHound is subject to U.S. and international laws and regulations in multiple areas, including data protection, anticorruption, labor relations, tax, foreign currency, anti-competition, import, export and trade regulations, and SoundHound is subject to a complex array of federal, state and international laws relating to the collection, use, retention, disclosure, security and transfer of personally identifiable information. In many cases, these laws apply not only to transfers between unrelated third-parties but also to transfers between SoundHound and its subsidiaries. Many jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. The European Commission adopted the European General Data Protection Regulation (the "GDPR"), which went into effect on May 25, 2018. In addition, California adopted significant new consumer privacy laws that became effective beginning in January 2020. Complying with the GDPR and other requirements may cause SoundHound to incur substantial costs and may require it to change our business practices. Additionally,

China has recently implemented new regulation pertaining to cybersecurity and the protection of personal information, including the Data Security Law which took effect in September 2001 and the Personal Information Protection Law which took effect in November 2021. Interpretation, application and enforcement of these laws, rules and regulations evolve from time to time and their scope may continually change, through new legislation, amendments to existing legislation or changes in enforcement. Compliance with cybersecurity and data security legislation could significantly increase the cost to SoundHound of carrying out its business in China, require significant changes to its operations or even prevent SoundHound from providing certain service offerings in jurisdictions in which SoundHound currently operates or in which it may operate in the future.

Despite SoundHound's efforts to comply with applicable laws, regulations and other obligations relating to privacy, data protection and information security, it is possible that SoundHound's practices, offerings or platform could fail to meet all of the requirements imposed on SoundHound by legislation relating to cybersecurity, data security and/or related implementing regulations. Any failure on SoundHound's part to comply with such law or regulations or any other obligations relating to privacy, data protection or information security, or any compromise of security that results in unauthorized access, use or release of personally identifiable information or other data, or the perception or allegation that any of the foregoing types of failure or compromise has occurred, could damage SoundHound's reputation, discourage new and existing counterparties from contracting with SoundHound or result in investigations, fines, suspension or other penalties and private claims or litigation, any of which could materially adversely affect SoundHound's business, financial condition and results of operations. Even if SoundHound's practices are not subject to legal challenge, the perception of privacy concerns, whether or not valid, may harm its reputation and brand and adversely affect its business, financial condition and results of operations. Moreover, the legal uncertainty created by certain of these laws, including the Data Security Law, and recent government actions could materially adversely affect its ability, on favorable terms, to raise capital, including engaging in follow-on offerings of its securities in the U.S. market once SoundHound is a public.

Compliance with data security and personal information protection laws, may result in additional expenses to SoundHound and subject it to negative publicity, which could harm SoundHound's reputation among users and negatively affect the trading price of its shares in the future. Furthermore, SoundHound's data transfer policies may be subject to additional compliance requirement and regulatory burdens, and SoundHound may be required to make further adjustments to its business practices to comply with the interpretation and implementation of such laws, which may increase our compliance costs and adversely affect our operating results.

Any failure by SoundHound, its customers or other parties with whom SoundHound does business to comply with its privacy policy or with federal, state or international privacy-related or data protection laws and regulations could result in proceedings against SoundHound by governmental entities or others. Any alleged or actual failure to comply with applicable privacy laws and regulations may:

- cause SoundHound's customers to lose confidence in its solutions;
- harm SoundHound's reputation;
- expose SoundHound to litigation, regulatory investigations and to resulting liabilities including reimbursement of customer costs, damages penalties or fines imposed by regulatory agencies; and
- require SoundHound to incur significant expenses for remediation.

SoundHound is also subject to a variety of anticorruption laws in respect of its international operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and the Canadian Corruption of Foreign Public Officials Act, and regulations issued by the U.S. Customs and Border Protection, the U.S. Bureau of Industry and Security, the U.S. Treasury Department's Office of Foreign Assets Control, and various other foreign governmental agencies. SoundHound cannot predict the nature, scope or effect of future regulatory requirements to which its international operations might be subject or the manner in which existing laws might be administered or interpreted. Actual or alleged violations of these laws and regulations could lead to enforcement actions and financial penalties that could result in substantial costs.

Because a significant portion of SoundHound's revenues are derived, and a significant portion of its research and development activities are based, outside the United States, its results could be harmed by economic, political, regulatory, foreign currency fluctuations and other risks associated with these international regions.

Because SoundHound operates worldwide, its business is subject to risks associated with doing business internationally. SoundHound currently generates most of its international revenue in Europe and Asia, and SoundHound anticipates that revenue from international operations could increase in the future. SoundHound conducts a significant portion of the development of its voice recognition and natural language understanding solutions in Canada, Germany, Japan and China. SoundHound is exposed to fluctuating exchange rates of foreign currencies including the euro, British pound, Canadian dollar, Chinese RMB, Japanese yen, Indian rupee and South Korean won. Accordingly, SoundHound's future results could be harmed by a variety of factors associated with international sales and operations, including:

- adverse political and economic conditions, or changes to such conditions, in a specific region or country;
- trade protection measures, including tariffs and import/export controls, imposed by the United States and/or by other countries or regional authorities such as China, Canada or the European Union;
- the impact on local and global economies of the United Kingdom leaving the European Union;
- changes in foreign currency exchange rates or the lack of ability to hedge certain foreign currencies;
- compliance with laws and regulations in many countries and any subsequent changes in such laws and regulations;
- geopolitical turmoil, including terrorism and war;
- changing data privacy regulations and customer requirements to locate data centers in certain jurisdictions;

- evolving restrictions on cross-border investment, including recent enhancements to the oversight by the Committee on Foreign Investment in the United States pursuant to the Foreign Investment Risk Preview Modernization Act and substantial restrictions on investment from China;

- changes in applicable tax laws;

- difficulties in staffing and managing operations in multiple locations in many countries;

- longer payment cycles of foreign customers and timing of collections in foreign jurisdictions; and

- less effective protection of intellectual property than in the United States.

SoundHound's business in China is subject to aggressive competition and is sensitive to economic, market and political conditions.

SoundHound operates in the highly competitive Voice AI market in China and face competition from both international and smaller domestic manufacturers. SoundHound currently generates less than $0.1 million annually in revenue from its operations in China, though SoundHound expects to expand its business in China going forward. SoundHound anticipates that additional competitors, both international and domestic, may seek to enter the Chinese market resulting in increased competition. Increased competition may result in price reductions, reduced margins and SoundHound's inability to gain or hold market share. There have been periods of increased market volatility and moderation in the levels of economic growth in China, which resulted in periods of lower automotive production growth rates in China than those previously experienced, including in the Chinese automotive production industry, which affects SoundHound because SoundHound's largest customers are currently OEMs. In addition, political tensions between China and the United States may negatively impact SoundHound's ability to conduct business in China. If SoundHound is unable to grow or maintain its position in the Chinese market, the pace of growth slows or vehicle sales in China decrease, SoundHound's business, results of operations and financial condition could be materially adversely effected. Government regulations and business considerations may also require SoundHound to conduct business in China through joint ventures with Chinese companies. SoundHound's participation in joint ventures would limit its control over Chinese operations and may expose SoundHound's proprietary technologies to misappropriation by joint venture partners. The above risks, if realized, could have a material adverse effect on SoundHound's results of operations.

If the Chinese government deems that the contractual arrangements in relation to SoundHound's variable interest entity do not comply with Chinese governmental restrictions on foreign investment, or if these regulations or the interpretation of existing regulations changes in the future, SoundHound could be subject to penalties or be forced to relinquish SoundHound's interests in those operations.

SoundHound currently generates less than $0.1 million annually in revenue from its operations in China, though SoundHound expects to expand its business in China going forward. Foreign ownership of certain types of internet businesses, such as internet information services, is subject to restrictions under applicable Chinese laws, rules and regulations. For example, foreign investors are generally not permitted to own more than 50% of the equity interests in a value-added telecommunication service provider. Any such foreign investor must also have experience and a good track record in providing value-added telecommunications services overseas. Accordingly, under current and applicable Chinese laws, it is possible that SoundHound will lose the license that currently permits its operations of its Chinese subsidiary.

It is uncertain whether any new Chinese laws, rules or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If SoundHound or its variable interest entity are found to be in violation of any existing or future Chinese laws, rules or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant Chinese regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including revoking the operating licenses of its Chinese subsidiary or variable interest entity, requiring SoundHound to discontinue or restrict its operations, restricting its right to collect revenue, blocking one or more of its websites, requiring SoundHound to restructure its operations or taking other regulatory or enforcement actions against SoundHound. The imposition of any of these measures could result in a material adverse effect on SoundHound's ability to conduct all or any portion of its business operations through its Chinese subsidiary. In addition, it is unclear what impact Chinese government actions would have on SoundHound and on its ability to consolidate the financial results of its variable interest entity in its consolidated financial statements, if the Chinese government authorities were to find SoundHound's legal structure and contractual arrangements to be in violation of Chinese laws, rules and regulations. If the imposition of any of these government actions causes SoundHound to lose its right to direct the activities of its variable interest entity or otherwise separate from it and if SoundHound is not able to restructure its ownership structure and operations in a satisfactory manner, SoundHound would no longer be able to consolidate the financial results of its variable interest entity in its consolidated financial statements. Any of these events could have a material adverse effect on SoundHound's business, financial condition and results of operations through its Chinese subsidiary.

Interruptions or delays in SoundHound's services or services from data center hosting facilities or public clouds could impair the delivery of its services and harm its business.

Because SoundHound's services are complex and incorporate a variety of third-party hardware and software, its services may have errors or defects that could result in unanticipated downtime for its customers and harm to its reputation and its business. SoundHound has from time to time, found defects in its services, and new errors in its services may be detected in the future. In addition, SoundHound currently serves its customers from data center hosting facilities or third-party public clouds SoundHound directly manages. Any damage to, or failure of, the systems and facilities that serve SoundHound's customers in whole or in part could result in interruptions in its service. Interruptions in SoundHound's service may reduce its revenue, cause SoundHound to issue credits or pay service level agreement penalties, cause customers to terminate their on-demand services, and adversely affect SoundHound's renewal rates and its ability to attract new customers.

SoundHound is subject to certain U.S. and foreign anti-corruption, anti-money laundering, export control, sanctions, and other trade laws and regulations. SoundHound can face serious consequences for violations.

Among other matters, U.S. and foreign anti-corruption, anti-money laundering, export control, sanctions, and other trade laws and regulations, which are collectively referred to as Trade Laws, prohibit companies and their employees, agents, clinical research organizations, legal counsel, accountants, consultants, contractors, and other partners from authorizing, promising, offering, providing, soliciting, or receiving directly or indirectly, corrupt or improper payments or anything else of value to or from recipients in the public or private sector. Violations of Trade Laws can result in substantial criminal fines and civil penalties, imprisonment, the loss of trade privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm, and other consequences. SoundHound also expects its non-U.S. activities to increase in time.

SoundHound's business is subject to risks, expenses and uncertainties associated with selling its solutions in locations outside the United States that could adversely affect its operating results.

During the years ended December 31, 2023, 2022 and 2021, SoundHound derived approximately 85%, 89% and 81%, respectively, of its revenues from customers located in countries outside the United States, and SoundHound plans to increase its international operations in the future. Accordingly, SoundHound expects to increasingly face significant operational risks and expenses from doing business internationally.

SoundHound's international operating results may be affected by volatility in currency exchange rates and its ability to effectively manage its currency transaction risks. SoundHound would incur currency transaction risks if SoundHound were to enter into either a purchase or a sale transaction using a different currency from the currency in which SoundHound reports revenue. In such cases, SoundHound may suffer an exchange loss because SoundHound does not currently engage in currency swaps or other currency hedging strategies to address this risk. As SoundHound realizes its strategy to expand internationally, its exposure to currency risks may increase. Given the volatility of exchange rates, SoundHound can give no assurance that it will be able to effectively manage its Currency transaction risks or that any volatility in currency exchange rates will not have a material adverse effect on its results of operations.

Other risks and uncertainties SoundHound faces from its global operations include, but are not limited to:

- difficulties in staffing and managing foreign operations;
- limited protection for the enforcement of contract and intellectual property rights in certain countries where SoundHound may sell SoundHound's solutions or work with suppliers or other third parties;
- potentially longer sales and payment cycles and potentially greater difficulties in collecting accounts receivable;
- costs and difficulties of customizing solutions for foreign countries;

- challenges in providing solutions across a significant distance, in different languages and among different cultures;
- laws and business practices favoring local competition;
- being subject to a wide variety of complex foreign laws, treaties and regulations and adjusting to any unexpected changes in such laws, treaties and regulations;
- specific and significant regulations, including, but not limited to, the European Union's GDPR, which imposes compliance obligations on companies who possess and use data of EU residents;
- differences in analysis of regulatory, legal and tax issues across various countries, such as different interpretations of antitrust and competition laws;
- uncertainty and resultant political, financial and market instability arising from the United Kingdom's exit from the European Union;
- compliance with U.S. laws affecting activities of U.S. companies abroad, including the U.S. Foreign Corrupt Practices Act;
- uncertainties related to geopolitical risks, including the relationship between the U.S. government and the government of other nations;
- tariffs, trade barriers and other regulatory or contractual limitations on SoundHound's ability to sell or develop its solutions in certain foreign markets;
- operating in countries with a higher incidence of corruption and fraudulent business practices;
- changes in regulatory requirements, including export controls, tariffs and embargoes, other trade restrictions, competition, corporate practices and data privacy concerns;
- potential adverse tax consequences arising from global operations;
- seasonal reductions in business activity in certain parts of the world, particularly during the summer months in Europe and at year-end globally;
- rapid changes in government, economic and political policies and conditions; and
- political or civil unrest or instability, terrorism or epidemics or pandemics (including any risks related to or resulting from COVID-19) and other similar outbreaks or events.

SoundHound's failure to effectively manage the risks and uncertainties associated with its existing and planned global operations could limit the future growth of its business and adversely affect its operating results.

SoundHound relies on third-party telecommunications and internet service providers, including connectivity to its cloud software, and any failure by these service providers to provide reliable services could cause SoundHound to lose customers and subject it to claims for credits or damages, among other things.

SoundHound relies on services from third-party telecommunications providers in order to provide services to its customers and their customers, including telephone numbers. In addition, SoundHound depends on its internet bandwidth suppliers to provide uninterrupted and error-free service through their networks. SoundHound exercises little control over these third-party providers, which increases its vulnerability to problems with the services they provide.

When problems occur, it may be difficult to identify the source of the problem. Service disruption or outages, whether caused by SoundHound's service, the products or services of SoundHound's third-party service providers, or SoundHound's customers' or their customers' equipment and systems, may result in loss of market acceptance of its products and technologies and any necessary remedial actions may force it to incur significant costs and expenses.

If any of these service providers fail to provide reliable services, suffer outages, degrade, disrupt, increase the cost of or terminate the services that SoundHound and its customers depend on, SoundHound may be required to switch to another service provider. Delays caused by switching SoundHound’s technology to another service provider, if available, and qualifying this new service provider could materially harm its operating results. Further, any failure on the part of third-party service providers to achieve or maintain expected performance levels, stability and security could harm SoundHound’s relationships with its customers, cause it to lose customers, result in claims for credits or damages, increase its costs or the costs incurred by its customers, damage its reputation, significantly reduce customer demand for its products and technologies and seriously harm its and operating results.

SoundHound’s customers rely on third-party telecommunications and internet service providers to provide them with access and connectivity to SoundHound’s cloud software, and changes in how telecommunication and internet service providers handle and charge for access to telecommunications and the internet could materially harm SoundHound’s customer relationships, business, financial condition and operations results.

SoundHound’s customers must have access to wireless telecommunications and/or broadband internet access services in order to use certain of its products and certain of its offerings require substantial capacity to operate effectively. In the United States, wireless telecommunications and internet access services are provided by relatively few companies that, depending on the geographic area, have market power over such offerings. It is possible that these companies could charge SoundHound, its customers, or both fees to guarantee a service amount of capacity, or for quality of wireless telecommunications and broadband internet access services, that could advantage SoundHound’s competitors by degrading, disrupting, limiting, or otherwise restricting the use of infrastructure required to support SoundHound’s services. These providers likely have the ability to increase SoundHound's rates, SoundHound’s customers’ rates, or both for wireless telecommunications and/or broadband internet access services which may increase the cost of SoundHound’s products and technologies making its products and technologies less competitive or decreasing SoundHound’s profit margins.

SoundHound’s plans to expand upon and establish new public cloud-based data centers for its U.S. and international operations may be unsuccessful and may present execution and competitive risks.

SoundHound plans to expand upon and establish new public cloud deployments in the future to facilitate its platform in the U.S. and certain international markets. SoundHound may partner with one or more third-parties to develop, test and deploy its technology to offer a full stack of products on the public cloud in the U.S. and certain international markets. SoundHound’s public cloud-based platform offering is critical to developing and providing its products to its customers, scaling its business for future growth, accurately maintaining data and otherwise operating its business. Infrastructure buildouts on the public cloud are complex, time-consuming and may involve substantial expenditures. In addition, the implementation of public cloud-based data centers involves risks, including loss of information and potential disruption to SoundHound’s normal operations. Deficiencies in the design, implementation or maintenance of the cloud-based data centers could materially harm SoundHound’s business.

As SoundHound considers approaches for expanding internationally, government regulation protecting the non-discriminatory provision of internet access may be nascent or non-existent. In those markets where regulatory safeguards against unreasonable discrimination are nascent or non-existent and where local network operators possess substantial market power, SoundHound could experience anti-competitive practices that could impede its growth, cause it to incur additional expenses or otherwise harm its business. Future regulations or changes in laws and regulations or their existing interpretations or applications could also hinder SoundHound’s operational flexibility, raise compliance costs and result in additional liabilities for SoundHound, which may harm its business.

Sales to customers outside the United States or customers with international operations and SoundHound’s international sales efforts and operations expose it to risks inherent in international sales and operations.

An element of SoundHound’s growth strategy is to expand its international sales efforts and develop a worldwide customer base. SoundHound’s international expansion may not be successful and may not produce the return on investment it expects.

SoundHound’s international subsidiaries employ workers primarily in Canada, Germany, Japan, China, France and Korea. Operating in international markets requires significant resources and management attention and subjects it to intellectual property, regulatory, economic and political risks that are different from those in the United States. As

SoundHound increases its international sales efforts it will face risks in doing business internationally that could harm its business, including:

- the need to establish and protect SoundHound's brand in international markets;
- the need to localize and adapt SoundHound's products for specific countries, including translation into foreign languages and associated costs and expenses;
- difficulties in staffing and managing foreign operations, particularly hiring and training qualified sales and service personnel;
- the need to implement and offer customer care in various languages;
- different pricing environments, longer sales and accounts receivable payment cycles and collections issues;
- weaker protection for intellectual property and other legal rights than in the U.S. and practical difficulties in enforcing intellectual property and other rights outside of the U.S.;
- privacy and data protection laws and regulations that are complex, expensive to comply with and may require that customer data be stored and processed in a designated territory;
- increased risk of piracy, counterfeiting and other misappropriation of SoundHound's intellectual property in its locations outside the U.S.;
- new and different sources of competition;
- general economic conditions in international markets;
- fluctuations in the value of the U.S. dollar and foreign currencies, which may make SoundHound's products more expensive in other countries or may increase its costs, impacting its operating results when translated into U.S. dollars;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax, telecommunications and telemarketing laws and regulations;
- increased risk of international telecom fraud;
- laws and business practices favoring local competitors;
- compliance with laws and regulations applicable to foreign operations and cross border transactions, including the Foreign Corrupt Practices Act, the U.K. Bribery Act and other anti-corruption laws, supply chain restrictions, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on SoundHound's ability to sell its products in certain foreign markets, and the risks and costs of non-compliance;
- increased financial accounting and reporting burdens and complexities;
- restrictions or taxes on the transfer of funds;
- adverse tax consequences; and
- unstable economic and political conditions and potential accompanying shifts in laws and regulations.

These risks could harm SoundHound's international operations, increase its operating costs and hinder its ability to grow its international business and, consequently, its overall business and results of operations.

In addition, compliance with laws and regulations applicable to SoundHound's international operations increases its cost of doing business outside the United States. SoundHound may be unable to keep current with changes in foreign government requirements and laws as they change from time to time, which often occurs with minimal or no advance notice. Failure to comply with these regulations could harm its business. In many countries outside the United States, it is common for others to engage in business practices that are prohibited by SoundHound's internal policies and procedures or United States or international regulations applicable to it. Although SoundHound has implemented policies and procedures designed to ensure compliance with these laws and policies, there can be no assurance that all of its employees, contractors, strategic partners and agents will comply with these laws and policies. Violations of laws or key control policies by SoundHound's employees, contractors, strategic partners or agents could result in delays in revenue recognition, financial reporting misstatements, fines, delays in filing financial reports required as a public company, penalties, or prohibitions on selling its products, any of which could harm its business.

Tax matters may cause significant variability in SoundHound's operating results and may impact its overall financial condition.

SoundHound's businesses are subject to income taxation in the United States, as well as in many tax jurisdictions throughout the world. Tax rates in these jurisdictions may be subject to significant change. If SoundHound's effective tax rate increases, its operating results and cash flow could be adversely affected. SoundHound's effective income tax rate can vary significantly between periods due to a number of complex factors including:

- projected levels of taxable income;
- pre-tax income being lower than anticipated in countries with lower statutory rates or higher than anticipated in countries with higher statutory rates;
- increases or decreases to valuation allowances recorded against deferred tax assets;
- tax audits conducted and settled by various tax authorities;
- adjustments to income taxes upon finalization of income tax returns;
- the ability to claim foreign tax credits;
- the repatriation of non-U.S. earnings for which SoundHound has not previously provided for income taxes; and
- changes in tax laws and their interpretations in countries in which SoundHound is subject to taxation.

SoundHound regularly evaluates the need for a valuation allowance on deferred tax assets, considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. This analysis is heavily dependent upon SoundHound's current and projected operating results. A decline in future operating results could provide substantial evidence that a full or partial valuation allowance for deferred tax assets is necessary. This could have a material adverse effect on SoundHound's results of operations and financial condition.

Forecasts of SoundHound's market and market growth may prove to be inaccurate, and even if the markets in which it competes achieve the forecasted growth, there can be no assurance that its business will grow at similar rates, or at all.

Growth forecasts described in this Annual Report relating to SoundHound's market opportunities, including in the Voice AI market and adjacent markets, and the expected growth thereof, are subject to significant uncertainty and are based on assumptions and estimates which may prove to be inaccurate. Even if these markets meet its size estimate and experience the forecasted growth, it may not grow its business at a similar rate, or at all. Its growth is subject to many factors, including its success in implementing its business strategy and ability to penetrate adjacent markets, which is subject to many risks and uncertainties. Accordingly, the forecasts of market growth included in this Annual Report should not be taken as indicative of its future growth.

If SoundHound is unable to acquire new customers, its operating results will be harmed. Likewise, potential customer turnover in the future, or costs it incurs to retain its existing customers, could materially and adversely affect its operating results.

SoundHound's success depends on its ability to acquire new customers in new and existing verticals, and in new and existing geographic markets. If SoundHound is unable to attract a sufficient number of new customers, it may be unable to reduce gross margins at desired rates and its operating results may suffer. The Voice AI market is competitive and many of SoundHound's competitors have substantial financial, personnel and other resources that they utilize to develop solutions and attract customers. As a result, it may be difficult for us to add new customers to SoundHound's existing customer base. Competition in the marketplace may also lead us to win fewer new customers or result in us providing discounts and other commercial incentives. Additional factors that impact SoundHound's ability to acquire new customers include the perceived need for Voice AI -enabled products or Voice AI services, the size of prospective customers' budgets for Voice AI, the utility and efficacy of SoundHound's existing and new products, whether proven or perceived, and general economic conditions. These factors may have a meaningful negative impact on operating results.

If SoundHound does not successfully anticipate market needs, enhance its existing products, execute on delivering quality products and services, or develop new products and services that meet those needs on a timely basis, it may not be able to compete effectively and its ability to generate revenues will suffer.

SoundHound cannot guarantee that it will be able to anticipate future market needs and opportunities or be able to develop product and service enhancements or new products and services to meet such needs or opportunities in a timely manner, if at all. Even if SoundHound is able to anticipate, develop and commercially introduce enhancements and new products and services, there can be no assurance that enhancements or new products and services will achieve widespread market acceptance.

New products, as well as enhancements to its existing products, could fail to attain sufficient market acceptance for many reasons, including:

- delays in releasing new products, or product enhancements;
- failure to accurately predict market demand and to supply products that meet this demand in a timely fashion;
- defects in its products, errors or failures of its products;
- negative publicity or perceptions about the performance or effectiveness of products;
- introduction or anticipated introduction of competing products or technologies by its competitors; and
- installation, configuration or usage errors by its customers.

If SoundHound fails to anticipate market requirements or fail to develop and introduce product enhancements or new products to meet those needs in a timely manner, it could cause us to lose existing customers and prevent us from gaining new customers, which would significantly harm its business, financial condition and results of operations.

If SoundHound spends significant time and effort on research and development and is unable to generate an adequate return on its investment, its results of operations may be materially and adversely affected.

SoundHound's business model is predicated, in part, on maintaining a customer base that will generate a recurring stream of revenues. If that recurring stream of revenues is not maintained or does not increase as expected, or if SoundHound's business model changes as the industry evolves, its operating results may be adversely affected.

SoundHound's business model is dependent, in part, on its ability to maintain and increase a customer base that generates recurring revenues. Existing and future customers of SoundHound's products, technologies and systems may not purchase its subscriptions for its proprietary products or enter into service contracts with SoundHound at the same rate at which customers currently purchase those subscriptions or enter into service contracts with us. If SoundHound's current and future customers purchase a lower volume of subscriptions for SoundHound's proprietary products or do not continue entering into service contracts with us, SoundHound's recurring revenue stream relative to its total revenues would be reduced and its operating results would be adversely affected.

SoundHound's brand, reputation and ability to attract, retain and serve its customers are dependent in part upon the reliable performance of its products and technologies.

SoundHound's brand, reputation and ability to attract, retain and serve its customers are dependent in part upon the reliable performance of, and the ability of its existing customers and new customers to access and use, its solutions, including real-time analytics and intelligence.

Interruptions in SoundHound's systems or the third-party systems on which SoundHound and its products rely, whether due to system failures, computer viruses, physical or electronic break-ins, or other factors, could affect the security or availability of our products, network infrastructure, cloud infrastructure and website.

Problems with the reliability or security of SoundHound's systems could harm its reputation. Damage to SoundHound's reputation and the cost of remedying these problems could negatively affect its business, financial condition, and operating results. Additionally, SoundHound's third-party hosting suppliers in certain instances may have no obligations to renew their agreements with us on commercially reasonable terms or at all, and certain of the agreements governing these relationships may be terminated by either party at any time. If SoundHound is unable to maintain, renew, or expand its agreements with these providers on commercially reasonable terms, it may experience costs or downtime as it transitions its operations.

Any disruptions or other performance problems with its products could harm SoundHound's reputation and business and may damage its customers' businesses. Interruptions in its service delivery might reduce SoundHound's revenue, cause SoundHound to issue credits to customers, subject us to potential liability and cause customers not to renew their subscription purchases of its products.

If SoundHound is unable to maintain and enhance its brand or reputation as an industry leader, its operating results may be adversely affected.

SoundHound believes that maintaining and enhancing its reputation as the leader in Voice AI market is critical to its relationship with its customers and its customers' end-users and its ability to maintain customers and continue to attract new customers. The successful promotion of its brand will depend on multiple factors, including its marketing efforts, its ability to continue to deliver a superior customer experience and develop high-quality features for its products and its ability to successfully differentiate its products from those of its competitors. Its brand promotion activities may not be successful or yield increased revenue. The promotion of its brand requires SoundHound to make substantial expenditures, and it anticipates that the expenditures will increase as its market becomes more competitive, as it expands into new geographies and vertical markets and as more sales are generated through its reseller partners. To the extent that these activities yield increased revenue, this revenue may not offset the increased expenses it incurs. If SoundHound does not successfully maintain and enhance its brand and reputation, its operating results may be adversely affected.

We may engage in future acquisitions or strategic transactions which may require us to seek additional financing or financial commitments, increase our expenses and/or present significant distractions to our management.

In January 2024, we completed our acquisition of Synq3, Inc. and we are continuing to actively evaluate opportunities to grow and enhance our business and technologies. In the event we engage in an acquisition or strategic transaction, including by making an investment in another company, we may need to acquire additional financing. Obtaining financing through the issuance or sale of additional equity and/or debt securities, if possible, may not be at favorable terms and may result in additional dilution to our current stockholders. Additionally, any such transaction may require us to incur non-recurring or other charges, may increase our near and long-term expenditures and may pose significant integration challenges or disrupt our management or business, which could adversely affect our operations and financial results. For example, an acquisition or strategic transaction, may entail numerous operational and financial risks, including the risks outlined above and additionally:

- exposure to unknown financial or product liabilities;
- disruption of our business and diversion of our management's time and attention in order to develop acquired products or technologies;
- higher than expected acquisition and integration costs;

- write-downs of assets or goodwill or impairment charges;
- increased amortization expenses;
- difficulty and cost in combining the operations and personnel of any acquired businesses with our operations and personnel;
- impairment of relationships with key suppliers or customers of any acquired businesses due to changes in management and ownership; and
- inability to retain key employees of any acquired businesses.

Accordingly, although there can be no assurance that we will undertake or successfully complete any transactions of the nature described above, any transactions that we do complete could have a material adverse effect on our business, results of operations, financial condition and prospects.

If intangible assets and goodwill that we recorded in connection with our acquisitions become impaired, we may have to take significant charges against earnings.

Under generally accepted accounting principles in the United States, we must assess, at least annually and potentially more frequently, whether the value of indefinite-lived intangible assets and goodwill have been impaired. Intangible assets and goodwill will be assessed for impairment in the event of an impairment indicator. Any reduction or impairment of the value of intangible assets and goodwill will result in a charge against earnings, which could materially adversely affect our results of operations and shareholders' equity in future periods.

Our acquisitions expose us to risks that could adversely affect our business, and we may not achieve the anticipated benefits of acquisitions of businesses or technologies.

As a part of our growth strategy, we have made and may continue to make selected acquisitions of complementary products and/or businesses. Any acquisition involves numerous risks and operational, financial, and managerial challenges, including the following, any of which could adversely affect our business, financial condition, or results of operations:

- difficulties in integrating new operations, technologies, products, and personnel;
- problems maintaining uniform procedures, controls and policies with respect to our financial accounting systems;
- lack of synergies or the inability to realize expected synergies and cost-savings;
- difficulties in managing geographically dispersed operations, including risks associated with entering foreign markets in which we have no or limited prior experience;
- underperformance of any acquired technology, product, or business relative to our expectations and the price we paid;
- negative near-term impacts on financial results after an acquisition, including acquisition-related earnings charges;
- the potential loss of key employees, customers, and strategic partners of acquired companies;
- claims by terminated employees and shareholders of acquired companies or other third parties related to the transaction;
- the assumption or incurrence of additional debt obligations or expenses, or use of substantial portions of our cash;
- the issuance of equity securities to finance or as consideration for any acquisitions that dilute the ownership of our stockholders (which in the case of certain of our prior acquisitions were significant);
- the issuance of equity securities to finance or as consideration for any acquisitions may not be an option if the price of our common stock is low or volatile which could preclude us from completing any such acquisitions;

- diversion of management's attention and company resources from existing operations of the business;
- inconsistencies in standards, controls, procedures, and policies;
- the impairment of intangible assets as a result of technological advancements, or worse-than-expected performance of acquired companies;
- assumption of, or exposure to, historical liabilities of the acquired business, including unknown contingent or similar liabilities, including product liability, that are difficult to identify or accurately quantify; and
- risks associated with acquiring intellectual property, including potential disputes regarding acquired companies' intellectual property.

In addition, the successful integration of acquired businesses requires significant efforts and expense across all operational areas, including sales and marketing, research and development, finance, legal, and information technologies. There can be no assurance that any of the acquisitions we may make will be successful or will be, or will remain, profitable. Our failure to successfully address the foregoing risks may prevent us from achieving the anticipated benefits from any acquisition in a reasonable time frame, or at all.

The integration of our acquisitions may result in significant accounting charges that adversely affect the announced results of our company.

The financial results of our company may be adversely affected by cash expenses and non-cash accounting charges incurred in connection with our acquisitions. In addition to the anticipated cash charges, costs associated with the amortization of intangible assets are expected. The price of our common stock could decline to the extent our financial results are materially affected by the foregoing charges or if the foregoing charges are larger than anticipated.

Our recent acquisitions may result in unexpected consequences to our business and results of operations.

Although we believe that our recently acquired businesses will generally be subject to risks similar to those to which we are subject to in our existing operations, we may not have discovered all risks applicable to these businesses during the due diligence process. Some of these risks could produce unexpected and unwanted consequences for us. Undiscovered risks may result in us incurring financial liabilities, which could be material and have a negative impact on our business operations.

Failure to realize the benefits expected from our recent acquisitions could adversely affect the value of our common stock.

The success of our recent acquisition will depend, in part, on our ability to:

- integrate Synq3's customer base and capitalize on our cross-selling opportunities;
- realize cost savings from reduced back-office and infrastructure expenses, elimination of duplicative company and management structure costs;
- operate our combined businesses efficiently, achieve the strategic operating objectives for our business and realize significant cost savings and synergies;
- realize the attractive risk-adjusted equity returns from our acquisitions for our stockholders; and
- capitalize on the embedded and/or underexploited expansion opportunities offered by our acquisitions that we can expand upon.

However, to realize the anticipated benefits of our acquisition we must successfully integrate their business in a manner that permits those benefits and cost savings to be realized. Although we expect significant benefits to result from this acquisition, there can be no assurance that we will be able to successfully realize these benefits. The challenges involved in this integration will be complex and time consuming and may require a disproportionate amount of resources and management attention and could result in the loss of valuable employees, the disruption of each company's ongoing business or inconsistencies in standards, controls, procedures, practices, and policies that could adversely impact our operations. If we do not successfully manage these and related issues and challenges, we may not achieve the anticipated benefits of these acquisitions and our revenue, expenses, operating results, financial condition and stock price could be materially adversely affected.

SoundHound has generated substantial net losses and negative operating cash flows since its inception and may continue to do so for the foreseeable future.

To date, SoundHound has generated substantial net losses and negative cash flows from operating activities. SoundHound may continue to have net losses and negative operating cash flows as SoundHound continues to invest in its development activities, and in sales and marketing. SoundHound also expects to incur the incremental costs of operating as a public company, contributing to SoundHound's losses and operating uses of cash. SoundHound's costs may also increase due to such factors as higher than anticipated financing and other costs; increases in the costs of labor or infrastructure, in particular following the implementation of the restructuring plan; and major incidents or catastrophic events. If any of these or similar factors occur, SoundHound's net losses and accumulated deficit could increase significantly and the price of shares of its common stock could decline.

SoundHound may require additional capital to continue its planned business operations but may not be able to obtain such capital when desired on favorable terms, if at all, or without dilution to its stockholders.

SoundHound will require additional capital to continue its planned business operations. SoundHound anticipates that current cash, cash equivalents, cash provided by operating activities and funds available through SoundHound's at-the-market offering program (ATM program), will not be sufficient to meet its future capital needs. SoundHound will need additional financing to execute on its current or future business strategies, including to:

- potentially hire additional software engineers, sales and marketing professionals, and other personnel as needed following implementation of the restructuring plan;
- develop new or enhance existing products and services;
- enhance SoundHound's operating infrastructure;
- acquire complementary businesses or technologies; or
- otherwise respond to competitive pressures.

If SoundHound raises additional funds through the issuance of equity, including its ATM Program, or convertible debt securities, the percentage ownership of its stockholders could be significantly diluted, and these newly-issued securities may have rights, preferences or privileges senior to those of existing stockholders, including those acquiring shares in this offering. SoundHound cannot assure you that additional financing will be available on terms favorable to SoundHound, or at all, particularly in light of inflationary pressures and resulting increases in the cost of borrowing. If adequate funds are not available or are not available on acceptable terms, if and when needed, SoundHound's ability to fund its operations, take advantage of unanticipated opportunities, develop or enhance its products, or otherwise respond to competitive pressures would be significantly limited.

The loss of one or more key members of SoundHound's management team or personnel, or its failure to attract, integrate and retain additional personnel in the future, could harm its business and negatively affect its ability to successfully grow its business.

SoundHound is highly dependent upon the continued service and performance of the key members of SoundHound's management team and other personnel. The loss of any of these individuals, each of whom is "at will" and may terminate his or her employment relationship with us at any time, could disrupt SoundHound's operations and significantly delay or prevent the achievement of our business objectives.

Additionally, if any of SoundHound's key management team members or other employees were to leave, SoundHound could face substantial difficulty in hiring qualified successors, particularly with consideration to our recent reduction in force related to our restructuring plan and could experience a loss in productivity while any successor obtains the necessary training and experience. Although SoundHound has arrangements with some of its executive officers designed to promote retention, its employment relationships are generally at-will and SoundHound has had key employees leave in the past. SoundHound cannot assure you that one or more key employees will not leave in the future. SoundHound intends to continue to hire additional highly qualified personnel, including research and development and operational personnel, as needed (with consideration to our restructuring plan) but may not be able to attract, assimilate or retain qualified personnel in the future or may be required to pay increased compensation in order to do so. Any failure to attract, integrate, motivate and retain such employees could harm SoundHound's business or impair our ability to timely meet business goals and objectives.

The Company has identified material weaknesses in its internal control over financial reporting and may identify additional material weaknesses in the future, which may result in material misstatements of the Company's consolidated financial statements or cause the Company to fail to meet its periodic reporting obligations and the trading price of our stock could be negatively affected.

Since becoming a public company, our Company has been classified as a non-accelerated filer, emerging growth company and smaller reporting company. On June 30, 2023 (the annual measurement date for SEC filing status), our public float was in excess of $700 million, and accordingly we have become a large accelerated filer for the year ended December 31, 2023 and are now subject to the requirements of 404(b) of Sarbanes-Oxley Act of 2002 ("SOX") for the year ended December 31, 2023.

The Company did not maintain an effective control environment as it lacked sufficient oversight of activities related to its internal control over financial reporting due to a lack of appropriate level of experience and training commensurate with its financial reporting requirements. Further, due to rapid business growth, changes to existing controls or the implementation of new controls have not been sufficient to respond to changes to the risks of material misstatement to financial reporting, which resulted in the Company not designing and maintaining effective controls related to substantially all accounts and disclosures. These material weaknesses contributed to the following additional material weaknesses as of December 31, 2023:

- The Company did not design and maintain effective controls to verify appropriate accounting for complex financing transactions.
- The Company did not design and maintain effective controls to verify appropriate segregation of duties, including assessment of incompatible duties, identification of instances where incompatible duties were assigned to an individual, and addressing conflicts on a timely basis.
- The Company did not design and maintain effective controls over certain information technology (IT) general controls over information systems that are relevant to the preparation of the Company's financial statements. Specifically, the Company did not design and maintain: (i) user access controls to ensure appropriate segregation of duties and to adequately restrict user and privileged access to appropriate personnel; (ii) program change management controls to ensure that program and data changes are identified, tested, authorized and implemented appropriately; and (iii) computer operations controls to ensure that processing and transfer of data, and data backups and recovery are monitored.

The material weaknesses related to the control environment, risk assessment and complex financing transactions resulted in the revision of the consolidated financial statements as of and for the periods ended September 30, 2022, December 31, 2022, March 31, 2023 and June 30, 2023. The material weaknesses related to segregation of duties and IT general controls did not result in a misstatement to our annual or interim consolidated financial statements. Additionally, the material weaknesses could result in misstatements to substantially all of our accounts and disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected.

Effective internal control over financial reporting is necessary to provide reliable financial reports and to assist in the effective prevention or detection of material misstatements due to error or fraud. Any inability to provide reliable financial reports or prevent or detect material misstatements due to error or fraud could harm our business. We regularly review and update our internal control over financial reporting, disclosure controls and procedures, and corporate governance policies. In addition, we are required under the rules and regulations of the SEC regarding compliance with SOX to report annually on the effectiveness of our internal control over financial reporting. Any system of internal controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Accordingly, a material weakness increases the risk that the financial information we report contains material misstatements.

While we are in the process of addressing our material weaknesses as disclosed herein, elements of our remediation plan can only be accomplished over time and we can offer no assurance that these initiatives will ultimately have the intended effects. Any failure to maintain effective internal control over financial reporting could adversely impact our ability to report our financial results on a timely and accurate basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations or may lose confidence in our reported financial information. Likewise, if our financial statements are not filed on a timely basis as required by the SEC and The NASDAQ Stock Market, we could face severe consequences from those authorities. In either case, it could result in a material adverse effect on our business or have a negative effect on the trading price of our common stock. Further, if we fail to remedy these deficiencies (or any other future deficiencies) or maintain effective internal control over financial reporting, we could be subject to regulatory scrutiny, civil or criminal penalties or shareholder litigation. We can give no assurance that the measures we have taken and plan to take in the future will remediate the material weaknesses identified or that any additional material weaknesses or restatements of our financial statements will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or circumvention of those controls.

Further, in the future, if we cannot conclude that we have effective internal control over our financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified opinion regarding the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements, which could lead to a decline in our stock price.

Natural disasters, health epidemics, or other catastrophic events may cause damage or disruption to our operations, commerce and the global economy, and have a negative effect on our business and operations.

Our business operations are subject to interruption by natural disasters, flooding, fire, power shortages, health epidemics, terrorism, political unrest, telecommunications failure, vandalism, cyber-attacks, geopolitical instability, war, the effects of climate change (such as drought, wildfires, hurricanes, and increased storm severity) and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers, could decrease demand for our services, and could cause us to incur substantial expense. Our insurance may not be sufficient to cover losses or additional expenses that we may sustain. Our corporate headquarters are located near major seismic faults in California. Customer data could be lost, significant recovery time could be required to resume operations and our financial condition and operating results could be adversely affected in the event of a major natural disaster or catastrophic event. In addition, the impacts of climate change on the global economy and our industry are rapidly evolving. We may be subject to increased regulations, reporting requirements, standards or expectations regarding the environmental impacts of our business.

Risks Relating to SoundHound's Intellectual Property and Technology

SoundHound's use of open source technology could impose limitations on its ability to commercialize its software.

SoundHound uses open source technology in some of its software and expect to continue to use open source technology in the future. Although we monitor its use of open source technology to avoid subjecting its software to conditions SoundHound does not intend, we may face allegations from others alleging ownership of, or seeking to enforce the terms of, an open source license, including by demanding release of the open source software, derivative works, or SoundHound's proprietary source code that was developed using such technology. These allegations could also result in litigation. The terms of many open source licenses have not been interpreted by United States courts. There is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on SoundHound's ability to commercialize its software. In such an event, we may be required to seek licenses from third parties to continue commercially offering its software, to make its proprietary code generally available in source code form, to re-engineer its software or to discontinue the sale of its software if re-engineering could not be accomplished on a timely basis, any of which could adversely affect SoundHound's business and revenue.

The use of open source technology could subject SoundHound to a number of other risks and challenges. Certain open source technology is subject to further development or modification by anyone. Others may develop such software to be competitive with or no longer useful by us. It is also possible for competitors to develop their own solutions using open source software, potentially reducing the demand for SoundHound's software. If SoundHound is unable to successfully address these challenges, its operating results may be adversely affected, and its development costs may increase.

Third parties have claimed in the past and may claim in the future that SoundHound is infringing their intellectual property, and we could be exposed to significant litigation or licensing expenses or be prevented from selling SoundHound's products or making its technologies available to its customers if such claims are successful.

SoundHound has been and in the future may be subject to claims and legal actions alleging that we or its customers may be infringing or contributing to the infringement of the intellectual property rights of others (though no material legal actions against SoundHound are currently pending). We may be unaware of intellectual property rights of others that may cover some of its technologies and products. If it appears necessary or desirable, we may seek licenses for these intellectual property rights. However, we may not be able to obtain licenses from some or all claimants, the terms of any offered licenses may not be acceptable to us, and we may not be able to resolve disputes without litigation. Any litigation regarding intellectual property could be costly and time-consuming and could divert the attention of SoundHound's management and key personnel from its business operations. Intellectual property disputes could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from licensing certain of its products, cause severe disruptions to its operations or the markets in which we compete, or require us to satisfy indemnification commitments with its customers including contractual provisions under various arrangements. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of SoundHound's confidential information could be compromised by disclosure during this type of litigation. For example, during the course of this kind of litigation, confidential information may be inadvertently disclosed in the form of documents or testimony in connection with discovery requests, depositions or trial testimony. This disclosure could have a material adverse effect on SoundHound's business and its financial results. Any of these could seriously harm SoundHound's business.

Unauthorized use of SoundHound's proprietary technology and intellectual property could adversely affect its business and results of operations.

SoundHound's success and competitive position depend in large part on its ability to obtain and maintain intellectual property rights protecting its products and technologies. We rely on a combination of patents, copyrights, trademarks, trade secrets, confidentiality provisions and licensing arrangements to establish and protect SoundHound's intellectual property and proprietary rights. Unauthorized parties may attempt to copy or discover aspects of SoundHound's products or to obtain, license, sell or otherwise use information that we regard as proprietary. Policing unauthorized use of SoundHound's products is difficult and we may not be able to protect its technology from unauthorized use. Additionally, SoundHound's competitors may independently develop technologies that are substantially the same or superior to its technologies and that do not infringe its rights. In these cases, we would be unable to prevent its competitors from selling or licensing these similar or superior technologies. In addition, the laws of some foreign countries do not protect SoundHound's proprietary rights to the same extent as the laws of the United States. Although the source code for SoundHound's proprietary software is protected both as a trade secret and as a copyrighted work, litigation may be necessary to enforce its intellectual property rights, to protect its trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Litigation, regardless of the outcome, can be very expensive and can divert management's efforts.

SoundHound's software products may have bugs, which could result in delayed or lost revenue, expensive correction, liability to its customers and claims against us.

Complex software products such as SoundHound's may contain errors, defects or bugs. Defects in the solutions or products that we develop and sell to its customers could require expensive corrections and result in delayed or lost revenue, adverse customer reaction and negative publicity about us or SoundHound's products and technologies. Customers who are not satisfied with any of SoundHound's products may also bring claims against us for damages, which, even if unsuccessful, would likely be time-consuming to defend, and could result in costly litigation and payment of damages. Such claims could harm SoundHound's reputation, financial results and competitive position.

We may be unable to respond quickly enough to changes in technology and technological risks and to develop its intellectual property into commercially viable products.

Changes in legislative, regulatory or industry requirements or in competitive technologies may render certain of SoundHound's products obsolete or less attractive to its customers, which could adversely affect its results of operations. SoundHound's ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely basis will be a significant factor in its ability to be competitive. There is a risk that we will not be able to achieve the technological advances that may be necessary for us to be competitive or that certain of its products will become obsolete. SoundHound is also subject to the risks generally associated with new product introductions and applications, including lack of market acceptance, delays in product development and failure of products to operate properly. These risks could have a material adverse effect on SoundHound's business, results of operations and financial condition.

Risks Related to SoundHound's Class A Common Stock and the Securities Market

SoundHound's stock price and trading volume has fluctuated significantly and may continue to fluctuate significantly in the future.

The market price and trading volume of SoundHound's Class A Common Stock has fluctuated widely and may continue to fluctuate widely, depending on many factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our results of operations due to factors related to our business;
- success or failure of our business strategies;
- competition and industry capacity;
- changes in interest rates and other factors that affect earnings and cash flow;
- our level of indebtedness, our ability to make payments on or service our indebtedness and our ability to obtain financing as needed;
- our ability to retain and recruit qualified personnel, particularly in light of our recent restructuring;
- our quarterly or annual earnings, or those of other companies in our industry;
- announcements by us or our competitors of significant acquisitions or dispositions;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the failure of securities analysts to cover, or positively cover, our Class A Common Stock;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- investor perception of the Company and the AI industry;
- overall market fluctuations unrelated to our operating performance;
- results from any material litigation or government investigation;
- changes in laws and regulations (including tax laws and regulations) affecting our business;
- changes in capital gains taxes and taxes on dividends affecting stockholders; and
- general economic conditions and other external factors.

Low trading volume for SoundHound's Class A Common Stock, which may occur if an active trading market does not develop, among other reasons, would amplify the effect of the above factors on stock price volatility.

In addition, over the last few years, the stock market more broadly has experienced price and volume fluctuations, including due to factors relating to the outbreak of COVID-19, inflationary pressures, and the wars in Ukraine and in Gaza, and this volatility has sometimes been unrelated to the operating performance of particular companies. As a result, there is a potential for rapid and substantial decreases in the price of our Class A Common Stock, including decreases unrelated to our operating performance or prospects. This market and share price volatility relating to these outside effects, as well as general economic, market or political conditions, has and could further reduce the market price of our Class A Common Stock in spite of our operating performance and could also increase our cost of capital, which could prevent us from accessing debt and equity capital on terms acceptable to us or at all.

Additionally, a proportion of our Class A Common Stock may be traded by short sellers which may put pressure on the supply and demand for our Class A Common Stock, creating further price volatility. In particular, a possible “short squeeze” due to a sudden increase in demand of our Class A Common Stock that largely exceeds supply may lead to sudden extreme price volatility in our Class A Common Stock. Investors may purchase our Class A Common Stock to hedge existing exposure in our Class A Common Stock or to speculate on the price of our Class A Common Stock. Speculation on the price of our Class A Common Stock may involve long and short exposures. To the extent aggregate short exposure exceeds the number of shares of Class A Common Stock available for purchase in the open market, investors with short exposure may have to pay a premium to repurchase our Class A Common Stock for delivery to lenders of our Class A Common Stock. Those repurchases may in turn, dramatically increase the price of our Class A Common Stock until investors with short exposure are able to purchase additional shares to cover their short position. This is often referred to as a “short squeeze.” Following such a short squeeze, once investors purchase the shares necessary to cover their short position, the price of our Class A Common Stock may rapidly decline. A short squeeze could lead to volatile price movements in our shares that are not directly correlated to the performance or prospects of our company and could cause purchasers of our Class A Common Stock to incur substantial losses.

Should the market price of our shares drop significantly, stockholders may institute securities class action lawsuits against us. A lawsuit against SoundHound could cause SoundHound to incur substantial costs and could divert the time and attention of its management and other resources.

We do not intend to pay cash dividends for the foreseeable future.

The timing, declaration, amount and payment of future dividends to stockholders falls within the discretion of our board of directors and will depend on many factors, including our financial condition, earnings, capital requirements of our business and covenants associated with debt obligations, as well as legal requirements, regulatory constraints, industry practice and other factors that our board of directors deems relevant. We do not intend to and there can be no assurance that we will pay any dividend in the future.

SoundHound’s management has limited experience in operating a public company. The requirements of being a public company may strain SoundHound’s resources and divert management’s attention, and the increases in legal, accounting and compliance expenses may be greater than SoundHound anticipates.

As a public company, and particularly since we are no longer an “emerging growth company” or a “smaller reporting company,” we will continue to incur significant legal, accounting and other expenses that SoundHound did not incur as a private company. SoundHound is subject to the reporting requirements of the Exchange Act, and is required to comply with the applicable requirements of the Sarbanes-Oxley Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as the rules and regulations subsequently implemented by the SEC and the listing standards of the Nasdaq, including changes in corporate governance practices and the establishment and maintenance of effective disclosure and financial controls. Compliance with these rules and regulations can be burdensome. SoundHound’s management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased, and will continue to increase, SoundHound’s historical legal and financial compliance costs and will make some activities more time-consuming and costly. For example, SoundHound expects to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. SoundHound has hired and will continue to need to hire additional accounting and financial staff, and engage outside consultants, all with appropriate public company experience and technical accounting knowledge and maintain an internal audit function, which has and will increase its operating expenses. Moreover, SoundHound could incur additional compensation costs in the event that it decides to pay cash compensation closer to that of other publicly listed companies, which would increase its general and administrative expenses and could materially and adversely affect its profitability. SoundHound will evaluate these rules and regulations, and cannot predict or estimate the amount of additional costs SoundHound may incur or the timing of such costs.

SoundHound’s executive officers have limited experience in the management of a publicly traded company. Their limited experience in dealing with the increasingly complex laws pertaining to public companies could be a significant disadvantage in that it is likely that an increasing amount of their time may be devoted to these activities, which will result in less time being devoted to the management and growth of the post-combination company. SoundHound may not have adequate personnel with the appropriate level of knowledge, experience and training in the accounting policies, practices or internal control over financial reporting required of public companies. SoundHound's management will need to continually assess its staffing and training procedures to improve its internal control over financial reporting. For example, SoundHound did not timely file its Form 10-Q for the quarter ended March 31, 2021 and had to file an extension for its Form 10-Q for the quarter ended September 30, 2023 and unless the matters discussed in this risk factor and elsewhere in this Annual Report are mitigated, the risk exists that SoundHound may not be able to file timely in the future. Further, the development, implementation, documentation and assessment of appropriate processes, in addition to the need to remediate any potential deficiencies, will require substantial time and attention from management. The development and implementation of the standards and controls necessary for us to achieve the level of accounting standards required of a public company may require costs greater than expected. It is possible that SoundHound will be required to expand its employee base and hire additional employees to support its operations as a public company which will increase our operating costs in future periods.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including regulations implemented by the SEC and the Nasdaq, are subject to varying interpretations, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. SoundHound intends to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If, notwithstanding our efforts, we fail to comply with new laws, regulations and standards, regulatory authorities may initiate legal proceedings against us, and our business may be harmed.

Failure to comply with these rules might also make it more difficult for us to obtain certain types of insurance, including director and officer liability insurance, and we might be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events would also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on committees of our board of directors or as members of senior management.

SoundHound may be subject to securities litigation, which is expensive and could divert management attention.

The per share price of our Class A Common Stock may be volatile and, in the past, companies that have experienced volatility in the market price of their stock have been subject to securities litigation, including class action litigation. Litigation of this type could result in substantial costs and diversion of management's attention and resources, which could have a material adverse effect on our business, financial condition, and results of operations. Any adverse determination in litigation could also subject SoundHound to significant liabilities.

Risks Applicable to a Dual Class Common Stock Structure

SoundHound has a dual class common stock structure that has the effect of concentrating voting control with the holders of our Class B Common Stock. Our Class B Common Stock has multiple votes per share and this ownership will limit or preclude your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transactions requiring stockholder approval, and that may adversely affect the trading price of our Class A Common stock.

SoundHound has a dual class common stock structure and the holders of SoundHound Class B Common Stock have ten votes per share. SoundHound Founders own shares of Class B Common Stock representing approximately 63% of the voting power of the outstanding capital stock of SoundHound. In addition, because of the ten-to-one voting ratio between our Class B and Class A Common Stock, holders of our Class B Common Stock could continue to control a majority of the combined voting power of our Common Stock and therefore control all matters submitted to our stockholders for approval until such time, if any, as a sufficient number of shares of our Class B Common Stock are converted into shares of our Class A Common Stock in accordance with the terms of the Second Amended & Restated Certificate of Incorporation of the Company (the "Amended Charter"). This concentrated control may limit or preclude your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transactions requiring stockholder approval. In addition, this concentrated control may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may feel are in your best interest as one of our stockholders. As a result, such concentrated control may adversely affect the market price of our Class A Common Stock.

Shares of Class B Common Stock are convertible into shares of Class A Common Stock and will automatically convert into shares of Class A Common Stock upon the occurrence of certain future events, generally including transfers, subject to limited excepts set forth in the Amended Charter. The conversion of Class B Common Stock to Class A Common Stock will have the effect, over time, of increasing the relative voting power of those holders of Class B Common Stock who retain their shares in the long term. As a result, it is possible that one or more of the persons or entities holding our Class B Common Stock could gain significant voting control as other holders of Class B Common Stock sell or otherwise convert their shares into Class A Common Stock.

The Amended Charter provides for a dual-class multiple voting Common Stock structure, and we cannot predict the effect this structure of our Common Stock may have on the market price of our Class A Common Stock.

We cannot predict whether having an Amended Charter that permits the issuance of multiple voting shares in a dual-class structure will result in a lower or more volatile market price of our Class A Common Stock, adverse publicity or other adverse consequences. For example, certain index providers have announced and implemented restrictions on including companies with multiple-class share structures in certain of their indices. In July 2017, FTSE Russell announced that it would require new constituents of its indices to have greater than 5% of the company's voting rights in the hands of public stockholders, and S&P Dow Jones announced that it would no longer admit companies with multiple-class share structures to certain of its indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400 and S&P SmallCap 600, which together make up the S&P Composite 1500. Also in 2017, MSCI, a leading stock index provider, opened public consultations on its treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices; however, in October 2018, MSCI announced its decision to include equity securities "with unequal voting structures" in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. Under such announced and implemented policies, the dual-class structure of our common stock would make us ineligible for inclusion in certain indices and, as a result, mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track those indices would not invest in our Class A Common Stock. These policies are relatively new and it is unclear what effect, if any, they will have on the valuations of publicly-traded companies excluded from such indices, but it is possible that they may adversely affect valuations, as compared to similar companies that are included. Due to the dual-class structure of our common stock, we will likely be excluded from certain indices and we cannot assure you that other stock indices will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and could make our Class A Common stock less attractive to other investors. As a result, the market price of our Class A Common stock could be adversely affected.

We are considered a "controlled company" within the meaning of Nasdaq listing standards and, as a result, qualify for, and may rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to shareholders of companies that are subject to such requirements.

SoundHound qualifies as a "controlled company" within the meaning of the corporate governance standards of Nasdaq. Under these rules, a listed company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including the requirement that (i) a majority of our board of directors consist of independent directors, (ii) we have a compensation committee that is composed entirely of independent directors and (iii) director nominees be selected or recommended to the board by independent directors. We are currently in compliance with all of these corporate governance requirements. However, SoundHound may in the future rely on the corporate governance exemptions as we adopted the dual class common stock structure reflected in our Amended and Restated Charter and qualify as a controlled company. To the extent we will rely on any of these exemption, holders of our Class A Common Stock will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of Nasdaq and we cannot predict the impact this may have on the price of our Class A Common Stock.

Delaware law and provisions in our charter documents could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our common stock.

The Amended Charter, Amended & Restated Bylaws of the Company (the "Amended Bylaws"), and Delaware law contain provisions that could depress the trading price of our common stock by acting to discourage, delay, or prevent a change of control of SoundHound or changes in SoundHound that our management or stockholders may deem advantageous. Among other things, the Amended Charter and Amended Bylaws include the following provisions:

- permit the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- authorize the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;
- eliminates the ability of our stockholders to call special meetings of stockholders, except to the extent otherwise provided in the Amended Bylaws;
- prohibit stockholder action by written consent, except to the extent otherwise provided in the Amended Bylaws, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter, or repeal our Amended Bylaws; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management. As a Delaware corporation, we are also subject to provisions of Delaware law. Pursuant to the Amended Charter, we have opted out of Section 203 of the DGCL, which prevents interested stockholders, such as certain stockholders holding more than 15% of our outstanding common stock, from engaging in certain business combinations unless (i) prior to the time such stockholder became an interested stockholder, our board of directors approved the transaction that resulted in such stockholder becoming an interested stockholder, (ii) upon consummation of the transaction that resulted in such stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our common stock, or (iii) following board approval, such business combination receives the approval of the holders of at least two-thirds of our outstanding common stock not held by such interested stockholder at an annual or special meeting of stockholders. However, our Amended Charter includes provisions similar to the provisions contained in Section 203 of the DGCL, which are designed to limit SoundHound's ability to enter into certain business combination transactions within a three (3) year period following the adoption of the Amended Charter.

Any provision of our Amended Charter, our Amended Bylaws, or Delaware law that has the effect of delaying, preventing, or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

Risks Related to U.S. and International Taxation Generally

Changes in tax laws or exposure to additional income tax liabilities could affect SoundHound's future profitability.

Factors that could materially affect SoundHound's future effective tax rates include but are not limited to:

- changes in tax laws or the regulatory environment;
- changes in accounting and tax standards or practices;
- changes in the composition of operating income by tax jurisdiction; and
- SoundHound's operating results before taxes.

Because SoundHound does not have a long history of operating at its present scale and it has significant expansion plans, SoundHound's effective tax rate may fluctuate in the future. Future effective tax rates could be affected by operating losses in jurisdictions where no tax benefit can be recorded under GAAP, changes in the composition of earnings in countries with differing tax rates, changes in deferred tax assets and liabilities, or changes in tax laws.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), was signed into law making significant changes to the Internal Revenue Code of 1986, as amended (the "Code"). In particular, sweeping changes were made to the

U.S. taxation of foreign operations. Changes include, but are not limited to, a permanent reduction to the corporate income tax rate, limiting interest deductions, adopting elements of a territorial tax system, assessing a repatriation tax or "toll-charge" on undistributed earnings and profits of U.S.-owned foreign corporations, and introducing certain anti-base erosion provisions, including a new minimum tax on global intangible low-taxed income and base erosion and anti-abuse tax. The legislation has had no effect on SoundHound's provision for income taxes because SoundHound has incurred annual losses in the U.S. to date and management set up a full valuation allowance against its U.S. federal and states deferred tax assets.

In addition to the impact of the Tax Act on SoundHound's federal taxes, the Tax Act may impact its taxation in other jurisdictions, including with respect to state income taxes. State legislatures have not had sufficient time to respond to the Tax Act. Accordingly, there is uncertainty as to how the laws will apply in the various state jurisdictions. Additionally, other foreign governing bodies may enact changes to their tax laws that could result in changes to SoundHound's global tax position and materially adversely affect its business, results of operations and financial condition. Additionally, the IRS and several foreign tax authorities have increasingly focused attention on intercompany transfer pricing with respect to sales of products and technologies and the use of intangibles. Tax authorities could disagree with SoundHound's future intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. If SoundHound does not prevail in any such disagreements, its profitability may be affected.

SoundHound's ability to use its net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2023, SoundHound had $395.5 million of U.S. federal and $109.4 million of state net operating loss carryforwards available to reduce future taxable income. The federal and state net operating loss carryforwards will start to expire in 2025 and 2028, respectively, with the exception of $306.8 million federal net operating loss carryforwards and $5.6 million state net operating loss carryforwards, which can be carried forward indefinitely. It is possible that SoundHound will not generate taxable income in time to use these net operating loss carryforwards before their expiration or at all. Under legislative changes made in December 2017, U.S. federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such net operating losses is limited. It is uncertain if and to what extent various states will conform to the newly enacted federal tax law. In addition, the federal and state net operating loss carryforwards and certain tax credits may be subject to significant limitations under Section 382 and Section 383 of the Code, respectively, and similar provisions of state law. Under those sections of the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change attributes, such as research tax credits, to offset its post-change income or tax may be limited. In general, an "ownership change" will occur if there is a cumulative change in SoundHound's ownership by "5-percent shareholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. In addition, certain U.S. states have imposed additional limitations on the use of net operating loss carryforwards not otherwise imposed on the use of U.S. federal net operating loss carryforwards and may impose additional limitations in the future.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations.

We are subject to income taxes in the United States and other jurisdictions, and our tax liabilities will be subject to the allocation of expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation;
- costs related to intercompany restructurings;
- changes in tax laws, regulations or interpretations thereof; or
- lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates.

In addition, we may be subject to audits of our income, sales and other transaction taxes by taxing authorities. Outcomes from these audits could have an adverse effect on our financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

SoundHound acknowledges the increasing importance of cybersecurity in its operations and recognizes the potential risks and threats associated with cyber incidents. The Company is committed to maintaining the confidentiality, integrity, and availability of its information systems and data. However, no system can be completely immune to cyber threats. We face a number of cybersecurity risks in connection with our business. To date, such risks have not materially affected our business, including threats to and breaches of our data systems, malware and computer virus attacks.

Risk Management and Strategy

The following information provides an overview of our approach to managing cybersecurity risks. The Company assesses, identifies and manages cybersecurity related risks. Cybersecurity related risks are evaluated to assess top risks to the enterprise on a bi-annual basis. SoundHound has implemented a comprehensive cybersecurity program designed to identify, assess, and manage cyber risks.

This program includes, but is not limited to:

- Regular risk assessments and vulnerability assessments.
- Implementation of industry-accepted cybersecurity controls and best practices.
- Employee training and awareness programs to enhance the company's overall cybersecurity posture.
- Continuous monitoring and incident response plans to detect and mitigate potential threats promptly.

We have a set of Company-wide policies and procedures concerning cybersecurity matters, such as policies related to encryption standards, antivirus protection, remote access, multi factor authentication, confidential information and the use of the internet, social media, email and wireless devices. These policies go through an annual internal review process and are approved by appropriate members of management.

We have continued to expand investments in IT security, including additional end-user training, using layered defenses, identifying and protecting critical assets, strengthening monitoring and alerting, and engaging experts. We regularly test defenses by performing simulations and drills at both a technical level and by reviewing our operational policies and procedures. We review our operational policies and procedures with third party experts on an annual basis as part of our annual audit process. We also maintain cyber insurance coverage.

In addition to assessing our own cybersecurity preparedness, we also consider and evaluate cybersecurity risks associated with use of third-party service providers. Our Vendor Management Team conducts an annual review of third-party hosted applications with a specific focus on any sensitive data shared with third parties. The internal business owners of the hosted applications are required to document user access reviews at least annually and provide from the vendor a System and Organization Controls (SOC) 1 or SOC 2 report. If a third-party vendor is not able to provide a SOC 1 or SOC 2 report, we take additional steps to assess their cybersecurity preparedness and assess our relationship on that basis. Our assessment of risks associated with use of third-party providers is part of our overall cybersecurity risk management framework.

SoundHound will report any cybersecurity incidents determined to be material. Material aspects of the nature, scope and timing of the incident, and the impact or reasonably likely impact of the incident on the Company, including on SoundHound’s financial condition and results of operations will be disclosed.

Governance

The audit committee oversees risks from cybersecurity threats as part of its broader risk oversight responsibilities. The board recognizes the importance of cybersecurity in safeguarding the company’s assets and operations.

SoundHound has a dedicated Information Security Management committee responsible for overseeing risks from cybersecurity threats. The committee’s charter outlines its specific responsibilities related to cybersecurity risk oversight, and assists senior management in fulfilling its oversight responsibilities by creating, implementing, overseeing and maintaining SoundHound’s Information Security Management System. The purpose of the ISMS is to protect the Company’s information systems and assets, taking into account the potential for external threats, internal threats, and threats arising from transactions with trusted third parties and vendors. The board of directors is informed of cybersecurity risks, at least annually, through established processes, including periodic briefings, reports, and updates on the evolving landscape of cybersecurity threats.

Management

SoundHound designates the Information Security Management Committee as responsible for assessing and managing cybersecurity risks. Committee members possess professional experience or backgrounds presenting relevant experience or capacity to address those matters within the scope of the Committee's responsibility, including senior executives, department leaders, and subject matter experts. Committee members are familiar, or have the ability to quickly gain familiarity, with major technology platforms employed by the Company; have knowledge of technological ecosystems and challenges confronted in current or emerging business environments; have the capacity to understand new or emerging technologies and cyber security threats; are familiar, or have the ability to quickly gain familiarity, with information security principles, privacy regulations, standards, and guidelines; and possess experience relating to enterprise risk management and process.

We view cybersecurity as a shared responsibility. All employees are required to complete cybersecurity training as part of onboarding, on an annual basis and have access to more frequent cybersecurity training online. We also require employees in certain roles to complete additional role-based, specialized cybersecurity training. The designated persons or committees actively monitor cybersecurity incidents through processes that monitor the prevention, detection, mitigation and remediation of cybersecurity incidents, including continuous assessment and adaptation to emerging threats.

Item 2. Properties

Our corporate headquarters is located in Santa Clara, California, within a consolidated building covering 61,360 square feet. Our lease began in 2017 and is set to expire in 2025. In addition to our headquarters, we lease offices in Toronto, Paris and various other locations in the U.S. and internationally.

Item 3. Legal Proceedings

The material set forth in the section titled "Legal Proceedings" in Note 7 of our Notes to Consolidated Financial Statements is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our Class A common stock is listed on the Nasdaq Global Market under the symbol "SOUN." Our Class B common stock is neither listed nor traded. Our listed redeemable warrants are listed on the Nasdaq Global Market under the symbol "SOUNW."

Stockholders

According to the records of our transfer agent, there were 77 holders of record of our Class A common stock, 3 holders of record of our Class B common stock and holders of record of our listed redeemable warrants on December 31, 2023.

Dividends

We do not anticipate paying any cash dividends in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2023 relating to all our equity compensation plans:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options (in thousands)	Weighted Average Exercise Price of Outstanding Options	Number of Granted Restricted Stock Awards Outstanding (in thousands)	Number of Securities Remaining Available for Future Issuance (in thousands)
Equity compensation plans approved by security holders	16,841	$ 3.59	16,344	2,362
Equity compensation plans not approved by security holders	—	—	—	—
Total	16,841	3.59	16,344	2,362

Performance Graph

In accordance with Exchange Act Rule 14a-3(b), the disclosure for this item will be included in our annual report to be provided to the Company's stockholders in connection with the Annual Meeting of Shareholders to be held in 2024, which annual report shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year.

Recent Sales of Unregistered Securities

None that have not already been disclosed in a prior Quarterly Report on Form 10-Q or Current Report on Form 8-K.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of SoundHound should be read together with our consolidated financial statements and notes thereto. The fiscal years presented are the periods ended December 31, 2023 ("2023") and December 31, 2022 ("2022"). Information concerning the fiscal year ended December 31, 2021 ("2021") and a comparison of 2022 and 2021 may be found under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for 2022, filed with the SEC on March 28, 2023.

Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to SoundHound's plans and strategy for its business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" and "Cautionary Statement Regarding Forward Looking Statements" section of this report, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Unless otherwise indicated or the context otherwise requires, references in this section to "SoundHound," "we," "us," "our" and other similar terms refer to SoundHound AI, Inc.

The Company has revised the previously issued condensed consolidated statements of operations and comprehensive loss, condensed consolidated balance sheets, condensed consolidated statements of cash flows and condensed consolidated statements of redeemable convertible preferred stock and stockholders' deficit tables as of and for the three and six months ended June 30, 2023 and as of and for the three months ended March 31, 2023 as well as the previously issued consolidated statements of operations and comprehensive loss, consolidated balance sheets, consolidated statements of cash flows and consolidated statements of redeemable convertible preferred stock and stockholders' deficit tables and as of and for the year ended December 31, 2022 to correct for such errors as described in Note 20 of our notes to the consolidated financial statements. All relevant prior period amounts affected by these revisions have been corrected in Management's Discussion and Analysis of Financial Condition and Results of Operation in this Form 10-K.

Company Overview

We are a global leader in conversational intelligence, offering independent Voice AI solutions that enable businesses to deliver high-quality conversational experiences to their customers. Built on proprietary technology, SoundHound's voice AI delivers best-in-class speed and accuracy in numerous languages to product creators across automotive, TV, and IoT, and to customer service industries via groundbreaking AI-driven products like Smart Answering, Smart Ordering, and Dynamic Interaction™, a real-time, multimodal customer service interface. Along with SoundHound Chat AI, a powerful voice assistant with integrated Generative AI, SoundHound powers millions of products and services, and processes billions of interactions each year for world class businesses.

We believe voice-enabled conversational user interface is a more natural interface for nearly all use cases, and product creators should have the ability to design, customize, differentiate, innovate and monetize the interface to their own product, as opposed to outsourcing it to a third-party assistant. For example, using SoundHound, businesses can voice-enable their products so consumers can say things like, "Turn off the air conditioning and lower the windows," while in their cars, "Find romantic comedies released in the last year," while streaming on their TV and even place food orders before arriving at a restaurant by talking to their cars, TVs or other IoT devices. Additionally, SoundHound's technology can address complex user queries such as, "Show me all restaurants within half a mile of the Space Needle that are open past 9pm on Wednesdays and have outdoor seating," and follow-on qualifications such as "Okay, don't show me anything with less than 3 stars or fast food."

The SoundHound developer platform, Houndify, is an open-access platform that allows developers to leverage SoundHound's Voice AI technology and a library of over 100 content domains, including commonly used domains for points of interest, weather, flight status, sports and more. SoundHound's Collective AI is an architecture for connecting domain knowledge that encourages collaboration and contribution among developers. The architecture is based on proprietary software engineering technology, CaiLAN (Conversational AI Language), and machine learning technology, CaiNET (Conversational AI Network) to ensure fast, accurate and appropriate responses.

Our market position is strengthened by the technical barriers to entry in the Voice AI space, which tend to discourage new market participants. Furthermore, our technology is backed by significant investments in intellectual property, with over 155 patents granted and over 115 patents pending, spanning multiple fields including speech recognition, natural language understanding, machine learning, monetization and more. We have achieved this critical momentum in part thanks to a long-tenured leadership team with deep expertise and proven ability to attract and retain talent. We believe that SoundHound has extensive technical expertise and a proven track record of innovation and value creation for us to continue to attract customers in the growing market for Voice AI transactions, which is estimated to grow to $160 billion per year by 2026.

We believe that SoundHound is well-positioned to fill the growing void and demand for an independent Voice AI platform. The Voice AI offerings from big tech companies are primarily an extension of their more core services and offerings. Rather than strengthening a customer's product, it can take over the entire experience, thus disintermediating the company's brand, users and data. As a result, brands relying on big tech mostly lose their ability to innovate, differentiate and customize. In some cases, these providers even compete with the products they support, making them increasingly less attractive as a choice for a voice interface.

The alternative options are generally legacy vendors tending to use dated technologies at a high price. Furthermore, many of these technologies still require significant effort by the product creators to turn them into solutions that can compete with the quality of the big tech offering, which in many cases is not practical. Due to the high barrier to entry in Voice AI, there are not many independent players.

This creates a great opportunity for SoundHound: we believe that we provide disruptive technologies that are superior to the alternatives, with better terms, allowing customers to maintain their brand, control the user experience, get access to the data and define their own privacy policies, while being able to customize, differentiate, innovate and monetize.

When it comes to criteria for adoption, our goal is to win on every dimension. The first two criteria customers typically consider are technology and brand control. We strive to provide our customers with the best technology, and we provide a white label solution giving our customers control of their brands. In some industries you may have to choose between technology and brand control. In our case, we offer our customers the best of both, we enable them to offer disruptive technologies to their users while maintaining control of their brand and user experience.

With our disruptive monetization strategy, we also provide an additional path to monetization for our customer base. By choosing our platform, product creators can generate additional revenue while making their product better using Voice AI, providing further incentive to choose our platform.

We believe that we offer a superior ecosystem, benefiting from our Collective AI product architecture along with offering customers definable privacy controls, which are becoming increasingly important in the industry of Voice AI. Additionally, there is no conflict of interest between us and our partners and customers as we do not compete with them (as some other Voice AI vendors do). We also offer edge and hybrid solutions. This means our technology can optionally run without a cloud connection for increased flexibility and privacy. Our focus is on delivering the most advanced Voice AI in the world and thus allowing our partners to differentiate and innovate their overall experiences for their brands.

We strongly believe that product creators know their product and users best. The idea of a single third-party assistant taking over their product is not reflective of our anticipated future. We envision that every product will have its own identity, and they will have Voice AI customized in different ways. They can each tap into a single Collective AI to access the ever-growing set of domains, but the product creators can innovate on top of Collective AI and create value for the end users in their own way. This is the future that we are focusing on enabling.

When a product is voice enabled, we see three stages of integration and value propositions. The first stage is to enable the core use cases of the product. For example, the product could be a TV, a coffee machine, a car, a wearable device, a robot, a smart speaker or an appliance, and with your voice you can control the functionality of the device and the product. On a TV, you can ask it to change the channel, increase the volume, rewind by 30 seconds, search for movies and even add personalization by adding a TV show to your favorites. Note that this is different from adding a third-party voice assistant to the product. Our view is that every product needs to have an interface, and voice-AI is a natural and compelling interface that unlocks new use cases and potential. Consider just the simple example of rewinding or fast forwarding by a specific duration. That is a command that can be done with voice within a few seconds, but it can take many steps to do using alternative interfaces such as a remote control or a companion app.

Once the core features of a product are voice-enabled, it can be further enhanced in the second stage of integration: the addition of third-party content and domains. SoundHound has extensive partnerships with content providers and, through these partnerships, can fulfill many needs of our customers. For example, your TV, car or even a coffee machine can answer questions about weather, sports scores, stock prices or flight status, and even search for local businesses. The addition of these public domains further enhances the value proposition of the product.

Finally, as the third step, you enter the world of monetization where you can add features that deliver value to the end user, and also generate revenues that we share with the product creators. To summarize with an example, imagine walking up to your coffee machine and asking for a triple shot extra hot latte. While you are waiting for your drink, you can ask for weather and sports scores, and if you desire, you can even order bagels from your favorite nearby bakery.

There are three pillars to our revenue model. The first pillar is Product Royalties, where we voice enable a product and the product creator pays us a royalty based on volume, usage or duration. SoundHound collects royalties when Houndify is placed in a car, smart speaker or an appliance, for example.

The second pillar is Service Subscription. This is when, for example, SoundHound enables customer service or food ordering for restaurants or content management, appointments and voice commerce. And, for that, we generate subscription revenue from the service providers. Pillars one and two can grow independently and they are proven, established business models.

The third pillar creates a monetization ecosystem that brings the services from pillar two to the products in pillar one. When the users of a voice-enabled product in pillar one access the voice-enabled services of pillar two, these services generate new leads and transactions. SoundHound generates monetization revenue from the services for generating these leads and transactions, and we will share the revenue with the product creators of pillar one. For example, when the driver of a voice-enabled car places an order to a restaurant that is also voice enabled, we will have unlocked a seamless transaction. Accordingly, the restaurant will pay us for that order, and we will share that revenue with the product creator or the car manufacturer. In this example, each party receives value in the ecosystem. The restaurant is happy because they generated a new lead and booked a sale. The user is happy because they have received value through a natural ordering process, simply by speaking to their car. And the car manufacturer is happy because they delivered value to the end user and generated additional revenue from the usage of their product. During the periods presented in the consolidated financial statements, we have not generated revenue from leads and transactions on voice-enabled products from voice-enabled services other than from the SoundHound music identification app. Going forward, SoundHound expects monetization revenue to be generated through a combination of advertising revenue from the music identification app and, over time, from leads and transactions on voice-enabled products from voice-enabled services, which we expect will provide much more seamless opportunities for consumers to access goods and services that they covet as we further build out and scale the voice-enabled ecosystem.

We expect this disruptive, three-pillar business model will create a monetization flywheel; as more products integrate into our platform, more users will use it and more services will choose to integrate as well. This creates even more usage, and results in a flow of revenue share to product creators, which further encourages even greater adoption and integration with our platform and the cycle will perpetually continue and expand. This ecosystem increases adoption and increases our addressable market. While all three pillars contribute to our revenues today in 2023, the majority of the contribution is currently from our first pillar of royalties with only a small contribution from pillar three from our music identification app. Over time, the subscription and monetization portions are expected to grow and make a bigger contribution to our overall revenue.

Recent Developments

Synq3 Acquisition

In December 2023, we entered an Agreement and Plan of Merger (the "Acquisition") with a closing date of January 3, 2024 with Synq3, Inc. ("Synq3"), a leading provider of voice AI and other technology solutions to the restaurant industry, to acquire its issued and outstanding equity. The Company has incurred and will incur certain significant costs relating to the Acquisition, such as legal, accounting, financial advisory, printing and other professional services fees, as well as other customary payments. SoundHound's acquisition of Synq3 is expected to expand its AI customer service solutions and create the largest Voice AI provider for restaurants. The combination will significantly extend its market reach to over 10,000 signed locations and accelerate the deployment of leading-edge generative AI capabilities to the industry — strengthening SoundHound's leadership as the Company moves to rapidly roll out its proprietary AI solutions to restaurants across the U.S. and beyond. Together, with a total of more than 25 national and multinational chains, the highly complementary businesses will match nearly two decades of SoundHound AI innovation with decades of Synq3 industry expertise and established relationships.

Refer to the "Liquidity and Capital Resources" section for discussion on the purchase price and the Acquisition's impact on SoundHound's liquidity and refer to "Item 1A. Risk Factors" in this Form 10-K for a discussion regarding the risks associated with the Acquisition.

Sales Agreement

On July 28, 2023, we entered into a Controlled Equity Offering Sales Agreement (the "Sales Agreement") pursuant to which we may offer and sell up to $150.0 million of shares of our Class A common stock to raise capital. Refer to the "Liquidity and Capital Resources" section for further detail on the Sales Agreement. Between January and February 2024, we raised additional funds from sales of Class A common stock under this agreement, selling 34,578,019 shares of our common stock at a weighted-average price of $3.37 per share and raising $116.4 million of gross proceeds.

Known Trends, Demands, Commitments, Events or Uncertainties Impacting Our Business

SoundHound believes that its performance and future success depend on many factors that present significant opportunities for us but also pose risks and challenges, including the following:

- ***Investments in Technology.*** Our business model since inception has been to invest in our technology in the form of dedicated research and development. We will continue to invest in the development of our software platform to deliver consumers with continually improving value and delight. Our investments include continuous enhancements to our technology we've developed over the last two decades, investments in data to help refine and improve our underlying algorithms and other costs to attract and retain a world-class technical workforce.

- ***Revenue Growth.*** Our commercial success, including acceptance and use of our applications, will depend on a number of factors, some of which are beyond our control, such as size of the market opportunity, successful integration with original equipment manufacturers ("OEM"), competition and demand from the public and members of the conversational AI community. Our product offerings have disruptive effects in the ways human interact with computers and we are developing new, innovative economic models that we believe will enhance value to customers, partners and shareholders. For our revenue growth to continue, we will need to invest in sales and marketing to ensure our messaging, capabilities and offerings are well understood and valued by customers. With our primary focus on enterprise customers, we also need to align with enterprise sales cycles, which can be longer than consumer cycles. Additionally, as we build new customer relationships, we continually focus on maintaining and growing our existing relationships through long-term partnerships through significant upfront investment in customer specific engineering projects.

- ***Cost of Revenues.*** The results of our business will depend in part on our ability to establish and increase our gross margins by scaling our business model and effectively managing our costs to produce our applications. Our revenue will be directly supported by data center investments in technology, both on premise and in the cloud. The associated workloads, along with supporting labor costs, will need to be managed effectively as we scale to improve our margins over time. Our Houndify platform is also powered by a library of over 100 content domains, including commonly used domains for points of interest, weather, flight status, sports and more.

- ***Seasonality.*** Our ability to accurately forecast demand for our technology could be negatively affected by many factors, including seasonal demand. We anticipate that we will experience fluctuations in customer and user demand based on seasonality. For example, in the past, we have seen approximately one third of our revenue in the first half of the year with the remaining two thirds in the second half. Additionally, given that we address markets across several different industry verticals, the associated overall seasonality impact to us may not be consistent year-to-year.

- ***Development of International Markets.*** We have rapidly expanded our capabilities and global reach. For example, we have globalized our solution to include 25 languages. We view opportunities for conversational Voice AI to be global in reach, and we expect our growth to be fueled across multiple geographies.

- ***Industry Risks.*** The military conflict between Russia and Ukraine and the Israel-Hamas war have had an adverse impact on the global economy and financial markets. Although our business has not been materially impacted by the Russia-Ukraine conflict or the Israel-Hamas war, it is impossible to predict the extent to which our operations, or those of our customers' suppliers and manufacturers, will be impacted in the short and long term, or the ways in which the conflicts may impact our business. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict but could be substantial. Further, inflation has risen significantly worldwide and the United States has recently experienced historically high levels of inflation. This inflation and government efforts to combat inflation, such as recent and future significant increases to benchmark interest rates and other related monetary policies, have and could continue to increase market volatility and have an adverse effect on the domestic and international financial markets and general economic conditions.

Components of Our Results of Operations

Revenues

SoundHound generates revenues through: (1) "Product Royalties," meaning royalties from voice-enabled products which are driven by volume, usage or life of applicable products and are affected by number of devices, users and units of usage, (2) "Service Subscriptions," meaning subscription revenues, derived from monthly fees based on usage-based revenue, revenue per query or revenue per user, and (3) "Monetization," meaning revenues generated from focused ad targeting to users of products and services that employ our technologies. Currently, our monetization revenue is derived only from our music identification application primarily in the form of ad impression revenue — revenue generated when an ad is shown in our music identification app — and, to a lesser extent, affiliate revenue for referrals to music stores for content sales and downloads of our premium music application.

"Houndified Products," meaning products of our customers that employ SoundHound technology, and "Houndified Services," meaning services provided to customers related to SoundHound technology, provide our customers with access to our Houndify platform over a contractual period without taking possession of the software. This generally includes revenues derived from up-front services ("professional services") that develop and customize the Houndify platform to fit customers' specific needs. These professional services are included in both our Product Royalties and Service Subscriptions revenues. Non-distinct professional services are recognized over the contractual life of the contract, whereas revenues from distinct professional services are recognized as the services are performed or when the services are complete depending on the arrangement.

We have and may continue to experience volatility for our remaining performance obligations and deferred revenue as a result of the timing for completing our performance obligations. We had remaining performance obligations in the amount of $12.7 million as of December 31, 2023. Given the applicable contract terms, $6.4 million is expected to be recognized as revenue within one year, $3.3 million is expected to be recognized between 2 to 5 years and the remainder of $3.0 million is expected to be recognized after 5 years. Deferred revenue consists of billings or payments received in advance of revenue being recognized and can fluctuate with changes in billing frequency and other factors. As a result of these factors, as well as our mix of revenue streams and billing frequencies, we do not believe that changes in our remaining performance obligations and deferred revenue in a given period are directly correlated with our revenue growth in that period.

We anticipate that we will experience fluctuations in our revenues from quarter-to-quarter due to a variety of factors, including the supply and demand of end user products such as automobiles, the size and success of our sales force and the number of users who are aware of and use our applications. See Note 4 to our consolidated financial statements included within this Annual Report on Form 10-K for more information.

Operating Expenses

We classify our operating expenses into the following five categories, which are cost of revenues, sales and marketing, research and development, general and administrative and restructuring. Excluding cost of revenues, each expense category includes overhead, including rent and related occupancy costs, which is allocated based on headcount. We plan to continue investing to support our go-to-market strategies and customer engagement, develop our current and future applications and support our operations as a public company. While our gross margin may continue to fluctuate in the near-term due to revenue contributions from varying product mixes, we expect it will stabilize as we continue to scale our business.

Cost of Revenues

SoundHound's cost of revenues are comprised of direct costs associated directly with SoundHound's revenue streams as described above. This primarily includes costs and depreciation related to hosting for cloud-based services, such as data centers, electricity charges, content fees and certain personnel-related expenses that are directly related to these revenue streams.

Sales and Marketing

Sales and marketing expenses consist of personnel-related costs of the sales and marketing team, promotional campaigns, advertising fees and other marketing related costs. Advertising costs are expensed to sales and marketing when incurred.

Research and Development

Our research and development expenses are our largest operating expense as we continue to develop our software platforms and produce new technological capabilities.

The costs of these activities consist primarily of personnel-related expenses, third-party consultants and costs associated with technological supplies and materials, along with other direct and allocated expenses such as facility costs, depreciation and other shared expenses. We expense research and development costs associated with the design and development of new products prior to the establishment of their technological feasibility in the periods in which they are incurred.

General and Administrative

General and administrative expenses consist of personnel-related costs, accounting and legal expenses, third-party consulting costs, insurance and allocated overhead including rent, depreciation and utilities.

Restructuring

Restructuring expenses consist of employee severance payments, employee benefits and share-based compensation related to reduced headcount from the Company's restructuring plan ("Restructuring Plan") announced in January 2023. Refer to the "Liquidity and Capital Resources" section and Note 10 to our consolidated financial statements included within this Annual Report on Form 10-K for more information.

Interest Expense

Interest expense consists of stated interest incurred on our outstanding convertible notes and term debt during the relevant periods, as well as the amortization of debt discounts and issuance costs over the life of the instruments or a shorter period if a lender can demand payment in the event certain events occur that are outside of the control of the Company.

The issuance of debt instruments with direct transaction costs, embedded derivatives and warrant instruments has resulted in debt discounts. Direct transaction costs consist of various transaction fees and third-party costs, such as bank and legal fees, that are incurred upon issuance. Overall, the discounts from debt issuance costs result in an increased amount of interest expense over the amortization period.

Other Income (Expense), Net

Other income (expense), net consists of the change in fair value related to our derivative liability, interest income and other income (expense).

Provision for Income Taxes

Income tax expense includes federal, state and foreign taxes and is based on reported income before income taxes. We are in a cumulative loss position for tax purposes based on historical earnings. As of December 31, 2023, the Company had $395.5 million of U.S. federal and $109.4 million of state net operating loss carryforwards available to reduce future taxable income. The federal and state net operating loss carryforwards will start to expire in 2025 and 2028, respectively, with the exception of $306.8 million federal net operating loss carryforwards and $5.6 million state net operating loss carryforwards, which can be carried forward indefinitely.

The Company had federal and state research and development credit carryforwards of $14.4 million and $10.9 million, respectively, as of December 31, 2023. The federal credits will expire starting in 2029 if not utilized. The state credits can be carried forward indefinitely. The Company also had Canadian SR&ED tax credits of $1.7 million, which expire starting in 2038 if not utilized.

Under Sections 382 and 383 of the Internal Revenue Code of 1986 and similar state tax laws, utilization of net operating loss carryforwards and tax credits may be subject to annual limitations due to certain ownership changes. Our net operating loss carryforwards and tax credits could expire before utilization if subject to annual limitations.

Results of Operations

The following table sets forth the significant components of our results of operations ($ in thousands):

	Year Ended December 31,		Change	
	2023	2022	$	%
Revenues	$ 45,873	$ 31,129	$ 14,744	47 %
Operating expenses:				
Cost of revenues	11,307	9,599	1,708	18 %
Sales and marketing	18,893	20,367	(1,474)	(7)%
Research and development	51,439	76,392	(24,953)	(33)%
General and administrative	28,285	30,443	(2,158)	(7)%
Restructuring	4,557	—	4,557	100 %
Total operating expenses	114,481	136,801	(22,320)	(16)%
Loss from operations	(68,608)	(105,672)	37,064	(35)%
Other expense, net:				
Interest expense	(17,570)	(6,893)	(10,677)	155 %
Other income (expense), net	1,155	(1,259)	2,414	(192)%
Total other expense, net	(16,415)	(8,152)	(8,263)	101 %
Loss before provision for income taxes	(85,023)	(113,824)	28,801	(25)%
Provision for income taxes	3,914	2,889	1,025	35 %
Net loss	$ (88,937)	$ (116,713)	$ 27,776	(24)%

The following table summarizes our gross profit and gross margin ($ in thousands):

	Year Ended December 31,		Change
	2023	2022	%
Revenues	$ 45,873	$ 31,129	47 %
Cost of revenues	11,307	9,599	18 %
Gross profit	$ 34,566	$ 21,530	61 %
Gross margin	75 %	69 %	6 %

Revenues

The following tables summarize our revenues by type and geographic regions ($ in thousands):

	Year Ended December 31,		Change	
	2023	2022	$	%
Product Royalties	$ 43,299	$ 28,447	$ 14,852	52 %
Service Subscriptions	1,940	1,838	102	6 %
Monetization	634	844	(210)	(25)%
	$ 45,873	$ 31,129	$ 14,744	47 %

	Year Ended December 31,		Change	
	2023	2022	$	%
Korea	$ 22,962	$ 14,530	$ 8,432	58 %
United States	6,769	3,344	3,425	102 %
Germany	5,950	4,134	1,816	44 %
France	4,090	4,023	67	2 %
Japan	3,707	3,866	(159)	(4)%
Other	2,395	1,232	1,163	94 %
	$ 45,873	$ 31,129	$ 14,744	47 %

Total revenues increased by $14.7 million, or 47%, in 2023 compared to 2022 which is principally due to an increase in Product Royalties revenue by $14.9 million, or 52%, during 2023 compared to 2022. The increase in Product Royalties during the year ended December 31, 2023 compared to during the year ended December 31, 2022 was the result of several factors. First, we recognized an increase of $2.8 million in edge solution ("Houndify Edge") minimum guarantee licensing revenue with a Korean automotive customer which is recognized upfront by the Company for units to be utilized over the life of the contract. Second, we recognized an increase in unit-based Product Royalties of $5.4 million with various customers in Korea. Third, we recognized $3.6 million in licensing revenues related to a non-recurring voice data licensing agreement with a semiconductor customer from the United States during the fourth quarter of 2023. The fourth increase in Product Royalties was principally due to a contract modification with a German automotive customer that resulted in additional professional services and reduced our estimated customer life, which led to a $1.9 million increase compared to the year ended December 31, 2022. Additionally, we recognized an increase of $1.0 million in unit-based Product Royalties for the same customer during the year ended December 31, 2023 compared to the year ended December 31, 2022.

Service Subscriptions revenue increased by $0.1 million, or 6%. During the year ended December 31, 2022, the Company performed non-recurring engineering projects of $0.3 million related to a proof-of-concept project on the viability of the Company's voice-enabled solutions for the restaurant industry. We shifted our strategy towards the end of 2023 to directly grow our subscription-based offerings. During the year ended December 31, 2023, the Company increased its Service Subscriptions revenue with restaurants by $0.4 million which was a result of the growing demand for the Company's voice-enabled solutions and greater efficiency in shortening the lead time for our voice-solution to go live.

Monetization revenue decreased by $0.2 million, or 25% primarily due to the temporary shift of our marketing efforts towards other revenue streams.

Cost of Revenues

Cost of revenues increased by $1.7 million, or 18%, in 2023 compared to 2022. $2.3 million of the increase is related to increasing our sales of Houndify Edge solutions where certain premium versions carry fixed per unit costs. Additionally, personnel-related costs such as salaries and benefits increased by $0.3 million. The increase in cost of revenues was offset by cloud migration costs as we migrated our data hosting to a new cloud service provider, resulting in a decrease of $0.9 million in data center costs during the year ended December 31, 2023.

Gross margin increased to 75% during 2023 from 69% during 2022. Gross margin in 2023 benefited from a favorable product mix, as a number of our significant Product Royalties contracts for 2023 compared to 2022 provided higher margin products to customers as well. This was primarily driven by the contract modification with a German automotive customer that resulted in a reduction in our estimate of customer life during the year ended December 31, 2023, the voice data licensing agreement with a United States-based semiconductor customer, and a significant increase in royalties revenue related to a Korean automotive customer, all of which contributed positively to our margins due to insignificant direct costs. In addition, we experienced decreased data center costs, as described above, in 2023 compared to 2022 due to our cloud migration. Lastly, gross margin benefited from the overall scaling of our business. Gross margin in 2022 benefited from increased margins on the Houndify Edge solution delivered to a customer during the second half of 2022. Our gross margin may fluctuate in the near-term due to revenue contributions from varying product mixes.

Sales and Marketing

Sales and marketing expenses decreased by $1.5 million, or 7%, from $18.9 million in 2023 compared to $20.4 million in 2022. In 2022, we began growing these expenses to capture new market opportunities, particularly in the restaurant industry. We recalibrated our expenses in early 2023 and focused our demand generation, lead generation and customer conversion efforts with greater emphasis on high returns on investment. Part of this recalibration led to reductions in sales and marketing headcount as part of the Restructuring Plan. Employee compensation and other benefits expense, consisting primarily of salaries and stock-based compensation expense, were reduced by $1.1 million. We also reduced our external sales and marketing activities, leading to decreases of $0.6 million in consulting fees, $0.2 million in legal fees, $0.1 million in dues and subscriptions and $0.1 million in advertising costs. The decrease was partially offset by increased information technology and facility allocations of $0.7 million due to higher proportion of sales and marketing personnel as a percentage of total headcount.

Research and Development

Research and development expenses decreased by $25.0 million, or 33%, in 2023 compared to 2022. The decrease is primarily due to a reduction in employee headcount and other cost reduction measures applied as part of the Restructuring Plan. Employee compensation and other benefits expense, consisting primarily of salaries and stock-based compensation expense, reduced by $20.3 million. We also reduced spending on consulting fees by $4.0 million in 2023. Further, we reduced our spending on information technology and facility allocations, depreciation and amortization expense and travel costs by $0.9 million, $0.7 million and $0.2 million, respectively. The decrease was partially offset by increased legal fees and rent and lease expense of $0.4 million and $0.6 million, respectively.

General and Administrative

General and administrative expenses decreased by $2.2 million, or 7%, in 2023 compared to 2022. Employee compensation and other benefits expense, consisting primarily of salaries and stock-based compensation expense, were reduced by $4.6 million. The decrease is primarily due a reduction in employee headcount and other cost reduction measures applied as part of the Restructuring Plan. Further contributors to the reduction in general and administrative expenses include reductions of $0.4 million in consulting fees, $0.4 million in insurance, and $0.9 million in other business taxes. The decrease was partially offset by increases of $2.6 million and $1.4 million in legal and professional fees and offices expenses, respectively, as we continue to operate as a public entity. We expect our general and administrative expenses to increase in the short term as we invest in our control environment. However, in the long term, we expect general and administrative expenses to grow at a rate below that of our revenue, aligning with our strategic emphasis on cost effectiveness and sustainable financial performance.

Restructuring

Restructuring expense was $4.6 million for the year ended December 31, 2023 as a result of the Restructuring Plan. This consisted of $0.8 million of sales and marketing costs, $3.5 million of research and development costs and $0.3 million of general and administrative costs. Refer to "Liquidity and Capital Resources" for additional information.

Interest Expense

Interest expense increased by $10.7 million, or 155%, in 2023 compared to 2022. The increase in interest expense is primarily attributable to the Senior Secured Term Loan Credit Agreement with ACP Post OAK Credit II LLC (the "Term Loan") executed in April 2023, which resulted in $9.9 million of interest expense in 2023. Further, $5.4 million was incurred from the amortization of the debt discount, Lender Fees and issuance cost in 2023. The Term Loan resulted in higher interest expense in 2023 compared to the Company's 2021 note payable ("SVB March 2021 Note") and 2021 convertible note ("SCI June 2021 Note") in 2022, which were terminated at the time that the Term Loan was obtained. Comparatively, in 2022, we incurred approximately $4.3 million of interest expense and approximately $1.9 million of amortization of debt discount and issuance costs.

Other Income (Expense), Net

The following table summarizes our other income (expense), net by type ($ in thousands):

	Year Ended December 31,		Change	
	2023	2022	$	%
Interest income	$ 2,866	$ 390	$ 2,476	635 %
Change in fair value of derivative and warrant liability	—	(606)	606	*
Loss on change in fair value of ELOC program	(1,901)	(1,075)	(826)	77 %
Other income, net	190	32	158	493 %
Total other income (expense), net	$ 1,155	$ (1,259)	$ 2,414	(192)%

* Not meaningful

Interest Income

Interest income increased by $2.5 million, or 635%, in 2023 compared to 2022. The increase was primarily attributable to interest earned on greater money market and treasury bond balances during 2023 as we engaged in significant transactions that increased our liquidity. Refer to "Liquidity and Capital Resources" for a discussion of the changes in our business that led to an increase in cash for the year ended December 31, 2023.

Loss on Change in Fair Value of Equity Line of Credit Program

The Company recorded changes in the fair value of the derivative liability associated with the ELOC (as defined below) of $1.9 million and $1.1 million respectively, for the years ended December 31, 2023 and 2022 as other income (expense), net on its consolidated statements of operations and comprehensive loss. This decrease in fair value is driven by the sale in 2023 of the remaining number of shares available for sale under the ELOC Program, as shares were sold at a purchase price equal to 97% of the volume weighted average stock price for a given purchase date.

Provision for Income Taxes

($ in thousands)	Year Ended December 31,		Change	
	2023	2022	$	%
Provision for income taxes	$ 3,914	$ 2,889	$ 1,025	35 %

Provision for income taxes increased by $1.0 million, or 35%, in 2023 compared to 2022. The increase was primarily attributable to increased withholding tax from foreign customers and foreign taxes as we experienced increased sales outside of the United States in 2023 compared to 2022.

Liquidity and Capital Resources

Total unrestricted cash and cash equivalents on hand as of December 31, 2023 was $95.3 million. Although the Company has incurred recurring losses each year since its inception, the Company expects it will be able to fund its operations for at least the next twelve months. We believe we will meet longer-term expected future cash requirements and obligations through a combination of cash flows from operating activities, available cash balances, sales of common stock under our Sales Agreement (as defined below) and available credit through our Term Loan (as defined below). However, our projections of future cash needs and cash flows may differ from historical results. If current cash on hand, cash equivalents, short-term investments and cash that may be generated from our business operations are insufficient to continue to operate our business, or if we elect to invest in or acquire a company or companies or new technology or technologies that are synergistic with or complementary to our technologies, we may be required to obtain more working capital. We may seek to obtain working capital during our fiscal year 2024 or thereafter through sales of our equity securities (including through our currently active Sales Agreement) or through bank credit facilities or public or private debt from various financial institutions where possible, though the availability of such funding, and applicable terms, will be dependent on prevailing market conditions.

If we do identify sources for additional funding, the sale of additional equity securities or convertible debt will result in dilution to our stockholders. We can give no assurance that we will generate sufficient cash flows in the future to satisfy our liquidity requirements or sustain future operations, or that other sources of funding, such as sales of equity or debt, would be available or would be approved by our security holders, if needed, on favorable terms or at all. If we fail to obtain additional working capital as and when needed, such failure could have a material adverse impact on our business, results of operations and financial condition. Furthermore, such lack of funds may inhibit our ability to respond to competitive pressures or unanticipated capital needs, or may force us to reduce operating expenses, which would significantly harm the business and development of operations.

The Company's consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business.

Sources and Material Cash Requirements

Our principal sources of liquidity are our cash and cash equivalents, which are sourced primarily from the Term Loan, and marketable securities. The primary uses of cash include the funding of operating expenses, as well as debt service obligations.

The following table presents our material cash requirements for future periods:

	Year Ended December 31,		
	2024	**Thereafter**	**Total**
Term Loan	$ —	$ 100,000	$ 100,0
Cash interest payable on the Term Loan	13,874	31,576	45,4
Lender Fees payable on the Term Loan	7,280	10,400	17,6
Cloud service provider agreement	11,000	78,000	89,0
Operating leases	3,250	3,126	6,3
Finance leases	122	12	1
Total material cash requirements	$ 35,526	$ 223,114	$ 258,6

Synq3 Acquisition

On January 3, 2024, the Company acquired all of the issued and outstanding equity of Synq3 for total consideration of approximately $5.0 million in cash, subject to customary net working capital adjustments, and 8,968,610 shares of the Company's Class A common stock. The Company has agreed to pay up to $4.0 million of additional consideration in cash and shares of the Company’s Class A common stock to certain stockholders of Synq3 based on tiered annual revenue targets for each fiscal year 2024, 2025 and 2026, of which 20% is to be paid in cash and the remaining in the Company's Class A common stock. The stock consideration was based on a reference value of $2.23 per share upon the execution of the merger agreement dated December 6, 2023. In connection with the closing, approximately $0.5 million of additional consideration in cash and 1,179,524 shares of our Class A common stock are being withheld for a period of 15 months to partially secure the indemnification obligations of Synq3 stockholders under the merger agreement.

Sales Agreement

On July 28, 2023, we entered into the Sales Agreement with Cantor Fitzgerald & Co., H.C. Wainwright & Co., LLC, and D.A. Davidson & Co. (each a "Sales Agent" and collectively, the "Sales Agents"), pursuant to which the Company may offer and sell up to $150.0 million of shares of our Class A common stock from time to time through or to the Sales Agents acting as agent or principal. Sales of our Class A common stock, if any, under the Sales Agreement will be made at market prices by any method that is deemed to be an "at the market offering" as defined in Rule 415 under the Securities Act. We will pay the Sales Agents commission for their services in acting as agent in the sale of our Class A common stock. The Sales Agents are entitled to aggregate compensation at a fixed commission rate of 2.5% of the gross sales price per share sold under the Sales Agreement. We have also agreed to reimburse the Sales Agents for certain specified expenses, including the reasonable and documented fees and disbursements of its legal counsel in an amount not to exceed $75 thousand in the aggregate in connection with the execution of the Sales Agreement.

During the year ended December 31, 2023, the Company sold 5,805,995 shares of our Class A common stock under the Sales Agreement at a weighted-average price of $2.19 per share and raised $12.7 million of gross proceeds. In January and February 2024, we raised additional funds from sales of Class A common stock under this agreement, selling 34,578,019 shares of our common stock at a weighted-average price of $3.37 per share and raising $116.4 million of gross proceeds.

Equity Line of Credit (ELOC)

On August 16, 2022, we entered into a common stock purchase agreement (the "Common Stock Purchase Agreement") and related registration rights agreement (the "CFPI Registration Rights Agreement") with CF Principal Investments LLC ("CFPI"). Pursuant to the Common Stock Purchase Agreement, the Company, had the right to sell to CFPI up to the lesser of (i) 25,000,000 shares of Class A common stock and (ii) the Exchange Cap (as defined in the Common Stock Purchase Agreement), subject to certain limitations and conditions set forth in the Common Stock Purchase Agreement at a purchase price equal to 97% of the volume weighted average stock price for a given purchase date (the "ELOC Program" or "ELOC"). On February 14, 2023, the Company's Registration Statement on Form S-1 registering the resale of the ELOC shares was declared effective. In connection with the execution of the Common Stock Purchase Agreement and the side letter on February 14, 2023, the Company issued 250,000 shares of Common Stock (the "Initial Commitment Shares") and an additional cash commitment fee of $0.3 million.

As of December 31, 2023, we have sold the entirety of the 25,000,000 shares under the ELOC Program for aggregate proceeds of approximately $71.7 million, with the volume weighted average stock price of shares purchased by the Counterparty ranging from $1.75 to $4.26 per share. We utilized proceeds from the ELOC for working capital and other general corporate purposes.

Series A Preferred Stock

On January 20, 2023, we entered into Preferred Stock Purchase Agreements (the "Purchase Agreements") with certain investors (the "Investors") pursuant to which the Company issued and sold to the Investors an aggregate of 835,011 shares of its newly designated Series A convertible preferred stock with a par value of $0.0001 per share (the "Series A Preferred Stock"), raising approximately $25.0 million in cash proceeds. The Series A Preferred Stock is not mandatorily redeemable. Each share of Series A Preferred Stock is convertible, at the option of the holder, into such number of shares of Class A Common Stock equal to the liquidation preference per share ("Liquidation Preference") at the time of conversion divided by $1.00 (the "Conversion Price"). In addition, each share of Series A Preferred Stock will automatically convert into shares of Class A Common Stock at the Conversion Price on or after January 20, 2024 if and when the daily volume-weighted average closing price per share of Class A Common Stock is at least 2.5 times the Conversion Price for each of any 90 trading days during any 120 consecutive trading day period, which 120-trading day period may commence (but may not end) prior to January 20, 2024.

The holders of Series A Preferred Stock are entitled to cumulative dividends payable for such share at the rate of 14% per annum, compounding semi-annually to Liquidation Preference on January 1 and July 1 of each year. During the year ended December 31, 2023, the Company recorded $2.8 million of cumulative dividends attributable to Series A Preferred Stock holders, all of which were paid in shares. The Company may also elect to pay any dividend in cash in lieu of accretion to Liquidation Preference if permitted under the agreements and instruments governing its outstanding indebtedness at such time.

The Purchase Agreements contain customary representations, warranties and covenants. The shares of Series A Preferred Stock were issued and sold in a private placement exempt from the registration requirements of the Securities Act. The Company does not intend to register the shares of Series A Preferred Stock or the underlying Series A common stock for resale under the Securities Act.

Restructuring

On January 5, 2023, SoundHound announced the Restructuring Plan, which intended to reduce operating costs, improve operating margins, improve cash flows and accelerate the Company's path to profitability. The Restructuring Plan included a reduction of the Company's then-current workforce by approximately 40% or 180 positions globally.

Costs associated with the Restructuring Plan consist of employee severance payments, employee benefits and share-based compensation. The costs associated with the Restructuring Plan were recorded to the restructuring expense line item within our consolidated statements of operations and comprehensive loss as incurred. During the year ended December 31, 2023, we recorded $4.6 million of restructuring expenses in connection with the Restructuring Plan, of which $1.4 million were cash payments. The Restructuring Plan was complete as of December 31, 2023.

Business Combination

On November 15, 2021, Archimedes Tech SPAC Partners Co. ("ATSP"), SoundHound, Inc. ("Legacy SoundHound") and ATSPC Merger Sub, Inc. ("Merger Sub") entered into a merger agreement ("Merger Agreement") pursuant to which Merger Sub merged with and into Legacy SoundHound, with Legacy SoundHound continuing as the surviving corporation resulting in the reverse recapitalization of SoundHound (the "Business Combination"). The Business Combination was completed on April 26, 2022 (the "Closing"). In connection with the Closing of the Business Combination, the Company issued $113.0 million of securities in a private placement (the "PIPE") investment. Upon the Closing of the Business Combination, ATSP changed its name to SoundHound AI, Inc.

Cash proceeds of the Business Combination were funded through a combination of $5.4 million in cash held in trust by ATSP (following satisfaction of redemptions by public stockholders) with 532,050 shares of SoundHound AI Class A common stock remaining outstanding, and $113.0 million in aggregate gross proceeds from PIPE investors in exchange for 11,300,000 shares of SoundHound Class A Common Stock that closed substantially contemporaneously with the Closing of the Business Combination. The combined company incurred $27.7 million of expenses related to the transaction. After giving effect to these transactions, SoundHound received $90.7 million in net proceeds, which were intended to be used for general corporate purposes, including investments in sales, marketing and advancement of product development, but which may also be used to acquire other companies in the Voice AI industry.

Accounting Impact of the Business Combination

The Business Combination was accounted for as a "reverse recapitalization," with no goodwill or other intangible assets recorded, in accordance with GAAP. A reverse recapitalization did not result in a new basis of accounting, and the financial statements of the combined entity represent the continuation of the financial statements of Legacy SoundHound in many respects.

Under this method of accounting, ATSP was treated as the "acquired" company for financial reporting purposes. For accounting purposes, SoundHound was deemed to be the accounting acquirer in the transaction and, consequently, the transaction was treated as a recapitalization of SoundHound (i.e., a capital transaction involving the issuance of stock by ATSP for the stock of SoundHound). Accordingly, the consolidated assets, liabilities and results of operations of SoundHound became the historical financial statements of the combined company, and ATSP's assets, liabilities and results of operations were consolidated with SoundHound's beginning on the acquisition date. Operations prior to the Business Combination were presented as those of SoundHound in future reports. The net assets of SoundHound were recognized at carrying value, with no goodwill or other intangible assets recorded.

Contractual and Other Obligations

Because we expect to continue investing in software application and development, we enter into various contracts and agreements to increase our availability of capital. Cash that is received through these obligations is used to meet both short- and long-term liquidity requirements as discussed above. These requirements generally include funding for the research and development of software, the development of applications that enable voice interaction, marketing programs and personnel-related costs. The primary types of obligations into which we enter include contractual obligations, operating and finance lease obligations and a diversified spread of debt instruments. See Note 7, Note 9 and Note 15 to our consolidated financial statements included within this Annual Report on Form 10-K for more information.

Debt Financing

On April 14, 2023 ("Term Loan Closing Date"), the Company entered into a Senior Secured Term Loan Credit Agreement ("Credit Agreement") with ACP Post Oak Credit II LLC, as Administrative Agent and Collateral Agent for the Lenders (the “Agent”), and the lenders from time to time party thereto (the “Lenders”). The Credit Agreement provides for a term loan facility in an aggregate principal amount of up to $100.0 million, the entirety of which was funded on the closing date of the arrangement. The Credit Agreement also permits the Company to request additional commitments of up to $25.0 million in the aggregate. In addition, the Company is obligated to pay incremental lender fees, beginning on the Term Loan Closing Date, equal to initially 3.5% of the principal amount of the Term Loans, decreasing to 2.5% after the 18-month anniversary, semi-annually (the “Lender Fees”) to provide a collateral protection insurance policy on behalf of the Lenders. The Lender Fees are effectively additional fees payable to the Lenders as the Lenders are the sole beneficiary of the insurance policy and is therefore being recognized as interest expense over the term of the Term Loan based on the effective interest method. The Company used the proceeds from the Term Loan to (i) repay outstanding amounts equal to approximately $30.0 million under the Company’s existing loan facilities, (ii) fund an escrow account on the Term Loan Closing Date in the name of the Agent for an amount equal to the first four interest payments, (iii) pay certain fees and expenses incurred in connection with entering into the Credit Agreement, and (iv) fund the Lender Fee, together with related taxes, with the remaining proceeds to be used to fund growth investments and for general corporate purposes as permitted under the Credit Agreement.

The outstanding principal balance of the Term Loan bears interest at the applicable margin plus, at the Company’s election, either (i) the secured overnight financing rate (“SOFR”) plus 0.15% or (ii) the alternate base rate (“ABR”), which is a per annum rate equal to the greatest of (a) the Prime Rate (as defined in the Credit Agreement), (b) the NYFRB Rate (as defined in the Credit Agreement) plus 0.50% and (c) the Adjustable Rate (as defined in the Credit Agreement) plus 1.00%. The applicable margin under the Credit Agreement is 8.50% per annum with respect to SOFR loans, and 7.50% per annum with respect to ABR loans. As of December 31, 2023, the interest rate was approximately 14.0%. Subject to certain exceptions as set forth in the Credit Agreement, interest on the Term Loan is payable quarterly in arrears on the last business day of each fiscal quarter. The Term Loan is set to mature on April 14, 2027 (the “Maturity Date”). The Credit Agreement provides for no scheduled principal payments prior to the Maturity Date.

Note Repayment

Concurrently with the Company’s entry into the Credit Agreement, the Company used a portion of the proceeds to prepay in full all outstanding obligations under, and terminated, the SCI June 2021 Note and the SVB March 2021 Note. In connection with the SCI June 2021 Note prepayment, the Company paid a total of approximately $11.7 million, which consisted of (i) the remaining principal amount outstanding of approximately $11.5 million, (ii) a prepayment premium of approximately $0.2 million and (iii) a nominal amount for transaction expenses. The Company recorded a loss on debt extinguishment of $0.4 million related to the early repayment in interest expense in the consolidated statements of operations and comprehensive loss. In connection with the SVB March 2021 Note prepayment, the Company paid a total of $18.5 million, which consisted of (i) the remaining principal amount outstanding of $18.1 million, (ii) a prepayment premium of $0.3 million, (iii) accrued and unpaid interest of $0.1 million and (iv) a nominal amount for transaction expenses. The Company recorded a loss on debt extinguishment of $0.4 million related to the early repayment in interest expense in the consolidated statements of operations and comprehensive loss.

Cash Flows

The following table summarizes our cash flows (in thousands):

	Year Ended December 31,	
	2023	2022
Net cash used in operating activities	$ (68,265)	$ (94,019)
Net cash used in investing activities	(392)	(1,329)
Net cash provided by financing activities	168,237	82,001
Effects of exchange rate changes on cash	(20)	—
Net change in cash, cash equivalents, and restricted cash equivalents	$ 99,560	$ (13,347)

Cash Flows Used in Operating Activities

Net cash used in operating activities was $68.3 million during 2023 compared to $94.0 million during 2022. The $25.7 million decrease in cash used in operating activities was primarily due to our decreased net loss (refer to the "Results of Operations"), adjusted for non-cash expenses, including stock-based compensation and depreciation and amortization. We experienced a significant increase in our contract assets balance of $19.6 million due to significant licensing revenue transactions where we recognize revenue upfront upon delivery of intellectual property with cash payments occurring in future periods. This difference in timing between revenue recognition and cash collection decreased the amount of cash available for operations.

Cash Flows Used in Investing Activities

Net cash used in investing activities was $0.4 million during 2023 compared to $1.3 million during 2022. The $0.9 million decrease in cash used in investing activities was driven by reduced purchases of property and equipment during 2023.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities was $168.2 million during 2023 compared to $82.0 million during 2022. The $86.2 million increase in cash provided by financing activities was primarily due to the $85.1 million in net proceeds from the issuance of the Term Loan, $71.6 million in net proceeds from sales of Class A common stock under the ELOC program, and $25.0 million in proceeds from the issuance of Series A Preferred Stock in 2023. These multiple capital fundraising activities in 2023 led to increased cash flows when compared to the net proceeds of $90.7 million received from the Business Combination in 2022. Increases to cash flows provided by financing activities in both 2023 and 2022 were offset by the repayment of outstanding notes payable in both years.

Indemnification Agreements

We enter into standard indemnification arrangements in the ordinary course of business. Pursuant to these arrangements, we indemnify, hold harmless and agree to reimburse the indemnified parties for losses suffered or incurred by the indemnified party, in connection with any trade secret, copyright, patent or other intellectual property infringement claim by any third party with respect to its technology. The term of these indemnification agreements is generally perpetual any time after the execution of the agreement. The maximum potential amount of future payments we could be required to make under these arrangements is not determinable. We have never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, we believe the fair value of these agreements is minimal.

Critical Accounting Policies and Estimates

In preparing our consolidated financial statements in accordance with GAAP and pursuant to the rules and regulations of the SEC, we make assumptions, judgments and estimates that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. We evaluate our assumptions, judgments and estimates on a regular basis. We also discuss our critical accounting policies and estimates with the Audit Committee of the Board of Directors.

We believe that the assumptions, judgments and estimates involved in the accounting for revenue recognition, convertible notes and derivative liabilities, warrant liabilities and stock-based compensation have the greatest potential impact on our consolidated financial statements. These areas are key components of our results of operations and are based on complex rules requiring us to make judgments and estimates, and consequently, we consider these to be our critical accounting policies. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results.

Revenue Recognition

We recognize revenue with customers in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. We primarily derive revenue from the following performance obligations: (1) hosted services, (2) professional services, (3) monetization, and (4) licensing. We apply significant judgement in identifying and evaluating any terms and conditions in contracts which may impact revenue recognition.

Hosted Services

Hosted services, along with non-distinct customization, integration, maintenance and support professional services, allow customers to access the Houndify platform over the contract period without taking possession of the software. The contract terms of hosted services range from one to twenty years.

The Company has determined that the hosted services arrangements are a single performance obligation comprised of a series of distinct services, since each day of providing access to hosted services is substantially the same and the customer simultaneously receives and consumes the benefits as access is provided. These services are provided either on a usage basis (i.e., variable consideration) or on a fixed fee subscription basis. The Company recognizes revenue as each distinct service period is performed.

Hosted services generally include up-front services to develop and/or customize the Houndify application to each customer’s specification. Judgement is required to determine whether these professional services are distinct from the hosted services. In making this determination, factors such as the degree of integration, the customers’ ability to start using the software prior to customization, and the availability of these services from other independent vendors are considered.

In instances where the Company concluded that the up-front services are not distinct performance obligations, revenue for these activities is recognized over the period which the hosted services are provided and is included within hosted services revenue.

Professional Services

Revenue from distinct professional services, such as non-integrated development services, is either recognized over time based upon the progress towards completion of the project, or at a point in time at project completion, depending on the nature of the arrangement. Measuring the stage of completion of a project requires significant judgement and estimates, including actual efforts spent in relation to estimated total costs, and percentage of completion based on input and output measures.

Monetization

Monetization revenues are primarily derived from advertising payments associated with ad impressions placed on the SoundHound music identification application. The Company derives an immaterial amount of revenue from sales commissions earned from song purchases facilitated by the SoundHound app and App store fees paid for ads-free downloads of the SoundHound music identification app. The amount of revenue is based on actual monetization generated or usage, which represents variable consideration with the constrained estimate. Therefore, the Company recognizes the related revenues when ads are placed, when commissions are paid, or when the SoundHound app is downloaded. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as a principal or an agent in the transaction. The Company has determined that it does not act as the principal in monetization arrangements because it does not control the transfer of the service and it does not set the price. Based on these factors, the Company reports revenue on a net basis.

Licensing

The Company licenses voice solutions that are embedded in customer products. Licensing revenue is a distinct performance obligation that is recognized when control is transferred to the customer, which is at a point in time for non-customized solutions. Revenues generated from licensing is based on royalty models with a combination of minimum guarantees and per unit pricing. Royalty periods are generally subsequent to when control of the license passes to the customer. The Company records licensing revenue as a usage-based royalty from customers' usage of intellectual property in the same period in which the underlying sale occurs. The Company provides assurance-type warranty services and to date, post-contract support has been an immaterial performance obligation within the context of the contract.

When a contract has multiple performance obligations, the transaction price is allocated to each performance obligation based on its relative estimated standalone selling price ("SSP"). Judgments are required to determine the SSP for each distinct performance obligation. SSP is determined by maximizing observable inputs from pricing of standalone sales, when possible. Since prices vary from customer to customer based on customer relationship, volume discount and contract type, in instances where the SSP is not directly observable, the Company estimates SSP by considering the following factors:

- Costs of developing and supplying each performance obligation;

- Industry standards;

- Major product groupings; and

- Gross margin objectives and pricing practices, such as contractually stated prices, discounts offered and applicable price lists.

These factors may vary over time, depending upon the unique facts and circumstances related to each deliverable. If the facts and circumstances underlying the factors considered change or should future facts and circumstances lead the Company to consider additional factors, the Company's best estimate of SSP may also change.

Common Stock Offerings

We enter into certain agreements to sell common stock with counterparties to further support our growth strategy through initiatives such as accretive acquisitions and internal investments, to bolster working capital and for general corporate purposes. We evaluate our common stock purchase agreements to determine whether they are indexed to our own common stock, and therefore whether they should be accounted for as derivatives with changes in fair value as other income (expense), net in the consolidated statement of operations and comprehensive loss in the period in which they occur. We subsequently assess the changes in the fair value of the derivative liability and record these changes through profit or loss in the consolidated statements of operations and comprehensive loss.

Warrants

We determine whether to classify contracts, such as warrants, that may be settled in our own stock as equity of the entity or as a liability. An equity-linked financial instrument must be considered indexed to the Company's own stock to qualify for equity classification. The Company classifies warrants as liabilities for any contracts that may require a transfer of assets. Warrants classified as liabilities are accounted for at fair value and remeasured at each reporting date until exercise, expiration or modification that results in equity classification. Any change in the fair value of the warrants is recognized as other expense, net in the consolidated statements of operations and comprehensive loss.

Stock-Based Compensation

We measure stock options and other stock-based awards granted to employees, directors and other service providers based on their fair value on the date of grant and recognize compensation expense of those awards over the requisite service period. We recognize the impact of forfeitures on stock-based compensation expense as forfeitures occur. We apply the straight-line method of expense recognition. The Company uses the Black-Scholes option-pricing model to determine the fair value of stock options and ESPP shares. The Black-Scholes option-pricing model requires the use of highly subjective and complex assumptions to determine the fair value of the awards, including the expected term of the award and the price volatility of the underlying stock. The Company calculates the fair value of the awards by using the Black-Scholes option-pricing model with the following assumptions:

Expected Volatility — The Company estimates volatility for the awards by evaluating the average historical volatility of a peer group of companies for the period immediately preceding the award grant for a term that is approximately equal to the awards's expected term.

Expected Term — The expected term of the Company's awards represents the period that the stock-based awards are expected to be outstanding. The Company has elected to use the midpoint between the stock options' vesting term and contractual expiration period to compute the expected term, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. For the valuation of ESPP shares, the Company uses the period of time from the valuation date to the purchase date.

Risk-Free Interest Rate — The risk-free interest rate is based on the implied yield currently available on U.S. Treasury zero-coupon issues with a term that is equal to the awards' expected term at the grant date.

Expected Dividend Yield — The Company has not declared or paid dividends to date and does not anticipate declaring dividends. As such, expected dividend yield is zero.

Recent Accounting Pronouncements

See Note 2 of our notes to the consolidated financial statements included within this Annual Report on Form 10-K for information regarding recent accounting pronouncements that are of significance, or potential significance to us.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates.

Interest Rate Risk

The Company has exposure to interest rate risk, primarily in the form of variable-rate borrowings. Refer to "Liquidity and Capital Resources" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations".

As of December 31, 2023, the Company had total borrowings of $100.0 million outstanding with an interest rate of 14.0%. With all other variables remaining constant, an increase in the short-term interest rate of 1 percent would result in an increase in the annual interest expense of approximately $1.0 million. Refer to Note 9: Convertible Notes and Note Payable for additional information related to the Company's debt.

Foreign Exchange Risk

Our consolidated financial statements are presented in U.S. dollars, which is also the functional currency for our foreign operations. Where transactions may be denominated in foreign currencies, we are subject to market risk with respect to fluctuations in the relative value of currencies. We recorded exchange rate losses of approximately $0.5 million and $0.7 million during the years ended December 31, 2023 and 2022, respectively. We do not believe that an immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on operating results.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of SoundHound AI, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of SoundHound AI, Inc. and its subsidiaries (the "Company") as of December 31, 2023, and the related consolidated statements of operations and comprehensive loss, of redeemable convertible preferred stock and stockholders' equity (deficit) and of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO because material weaknesses in internal control over financial reporting existed as of that date related to the Company not designing and maintaining (i) an effective control environment due to insufficient oversight of activities related to internal control over financial reporting due to lack of an appropriate level of experience and training commensurate with the Company's financial reporting requirements, (ii) effective controls to respond to changes to the risks of material misstatement to financial reporting which resulted in the Company not designing and maintaining effective controls related to substantially all accounts and disclosures, (iii) effective controls to verify appropriate accounting for complex financing transactions, (iv) effective controls to verify appropriate segregation of duties, including assessment of incompatible duties and addressing conflicts on a timely basis, and (v) effective controls over certain information technology general controls over information systems that are relevant to the preparation of the Company's financial statements, including not maintaining user access controls, program change management controls, and computer operations controls.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses referred to above are described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. We considered these material weaknesses in determining the nature, timing, and extent of audit tests applied in our audit of the 2023 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue recognition

As described in Notes 2 and 4 to the consolidated financial statements, the Company derives its revenue primarily from the following performance obligations: (1) hosted services, (2) professional services, (3) monetization and (4) licensing. Contracts are accounted for by management when the parties have approved and committed to the contract, the rights of the parties and payment terms are identifiable, the contract has commercial substance and collectability of consideration is probable. Revenues are generally recognized upon the transfer of control of promised products or services provided to customers, reflecting the amount of consideration the Company expects for those products or services. Management applies significant judgment in identifying and evaluating any terms and conditions in contracts which may impact revenue recognition. The Company's consolidated revenues for the year ended December 31, 2023 were $45.9 million.

The principal considerations for our determination that performing procedures relating to revenue recognition is a critical audit matter are (i) the significant judgment by management in identifying and evaluating any terms and conditions in contracts with customers which may impact revenue recognition and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to revenue recognition. As described in the "Opinions on the Financial Statements and Internal Control over Financial Reporting" section, material weaknesses were identified related to this matter.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, (i) evaluating and determining the nature and extent of audit procedures performed and evidence obtained that are responsive to the material weaknesses identified; (ii) obtaining an understanding of management's process for identifying and evaluating terms and conditions in contracts, including evaluating management's determination of the impact of those terms and conditions on revenue recognition; (iii) testing, on a sample basis, (a) the completeness and accuracy of management's identification and evaluation of terms and conditions by examining contracts and (b) revenue transactions by obtaining and inspecting source documents, such as contracts, purchase orders, invoices, proof of delivery, and subsequent cash receipts; (iv) testing, on a sample basis, the timing of recognition of revenue transactions; and (v) testing, on a sample basis, the determination of the standalone selling price of performance obligations and testing the completeness and accuracy of the underlying data used by management in determining standalone selling price of performance obligations.

/s/ PricewaterhouseCoopers LLP
San Francisco, California
March 1, 2024

We have served as the Company's auditor since 2023.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of SoundHound AI, Inc.
Santa Clara, California

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SoundHound AI, Inc. (the "Company") as of December 31, 2022, and the related consolidated statements of operations and comprehensive loss, consolidated statements of redeemable convertible preferred stock and stockholders' deficit, and consolidated statements of cash flows for each of the two years in the period ended December 31, 2022 , and the related notes (collectively, referred to as the “consolidated financial statements”).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Armanino LLP
San Jose, California

We have served as the Company's auditor since 2020. In 2023, we became the predecessor auditor.

March 28, 2023, except for the effects of the tables reflecting the impact of the revisions as of and for the year ended December 31, 2022 discussed in Note 20 (not presented herein) to the consolidated financial statements appearing under Item 8 of the Company's 2023 annual Report (Form 10-K), as to which the date is March 1, 2024.

SOUNDHOUND AI, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 95,260	$ 9,245
Accounts receivable, net of allowances of $203 and $109 as of December 31, 2023 and 2022, respectively	4,050	3,414
Prepaid expenses	924	2,514
Contract assets and unbilled revenue, net	11,780	1,671
Other current assets	1,528	859
Total current assets	113,542	17,703
Restricted cash equivalents, non-current	13,775	230
Right-of-use assets	5,210	8,119
Property and equipment, net	1,515	3,447
Deferred tax asset	11	55
Contract assets and unbilled revenue, non-current, net	16,492	7,041
Other non-current assets	577	1,391
Total assets	$ 151,122	$ 37,986
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 1,653	$ 2,798
Accrued liabilities	13,884	8,537
Operating lease liabilities	2,637	3,282
Finance lease liabilities	121	160
Income tax liability	1,618	1,314
Deferred revenue	4,310	5,812
Notes payable	—	16,668
Total current liabilities	24,223	38,571
Operating lease liabilities, net of current portion	3,089	5,715
Deferred revenue, net of current portion	4,910	7,543
Notes payable, net of current portion	84,312	18,299
Other non-current liabilities	6,420	4,423
Total liabilities	122,954	74,551
Commitments and contingencies (Note 7)		
Stockholders' equity (deficit):		
Series A Preferred Stock, $0.0001 par value; 1,000,000 shares authorized; 475,005 and 0 shares issued and outstanding, aggregate liquidation preference of $16,227 and $— as of December 31, 2023 and December 31, 2022, respectively	14,187	—
Class A Common Stock, $0.0001 par value; 455,000,000 shares authorized; 216,943,349 and 160,297,664 shares issued and outstanding as of December 31, 2023 and 2022, respectively	22	16
Class B Common Stock, $0.0001 par value; 44,000,000 shares authorized; 37,485,408 and 39,735,408 shares issued and outstanding as of December 31, 2023 and 2022, respectively	4	4
Additional paid-in capital	606,135	466,857
Accumulated deficit	(592,379)	(503,442)
Accumulated other comprehensive income	$ 199	—
Total stockholders' equity (deficit)	28,168	(36,565)
Total liabilities and stockholders' equity (deficit)	$ 151,122	$ 37,986

The accompanying notes are an integral part of these consolidated financial statements.

SOUNDHOUND AI, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(In thousands, except share and per share data)

	Year Ended December 31,		
	2023	**2022**	**2021**
Revenues	$ 45,873	$ 31,129	$ 21,197
Operating expenses:			
Cost of revenues	11,307	9,599	6,585
Sales and marketing	18,893	20,367	4,240
Research and development	51,439	76,392	59,178
General and administrative	28,285	30,443	16,521
Restructuring	4,557	—	—
Total operating expenses	114,481	136,801	86,524
Loss from operations	(68,608)	(105,672)	(65,327)
Other expense, net:			
Interest expense	(17,570)	(6,893)	(8,342)
Other income (expense), net	1,155	(1,259)	(5,415)
Total other expense, net	(16,415)	(8,152)	(13,757)
Loss before provision for income taxes	(85,023)	(113,824)	(79,084)
Provision for income taxes	3,914	2,889	456
Net loss	(88,937)	(116,713)	(79,540)
Cumulative dividends attributable to Series A Preferred Stock	(2,774)	—	—
Net loss attributable to SoundHound common shareholders	(91,711)	(116,713)	(79,540)
Other comprehensive loss:			
Unrealized gains on investments	199	—	1
Comprehensive loss	$ (91,512)	$ (116,713)	$ (79,539)
Net loss per share:			
Basic and diluted	$ (0.40)	$ (0.74)	$ (1.18)
Weighted-average common shares outstanding:			
Basic and diluted	229,264,904	157,317,695	67,255,538

The accompanying notes are an integral part of these consolidated financial statements.

SOUNDHOUND AI, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share and per share data)

	Legacy SoundHound Redeemable Convertible Preferred Stock		Legacy SoundHound Common Stock		Series A Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balances as of December 31, 2020	19,132,387	$ 273,687	11,818,761	$ 1	0	$ —	0	$ —	0	$ —	$ 30,836	$ (1)	$ (307,189)	$ (276,353)
Retroactive application of Business Combination	87,171,583	—	53,849,015	—	—	—	—	—	—	—	—	—	—	—
Adjusted Balances, beginning of period	106,303,970	$ 273,687	65,667,776	$ 1	—	$ —	—	$ —	—	$ —	$ 30,836	$ (1)	$ (307,189)	$ (276,353)
Issuance of common stock upon exercise of stock options	—	—	2,590,780	—	—	—	—	—	—	—	2,490	—	—	2,490
Issuance of common stock warrants	—	—	—	—	—	—	—	—	—	—	3,843	—	—	3,843
Other comprehensive gain, net of tax	—	—	—	—	—	—	—	—	—	—	—	1	—	1
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	6,322	—	—	6,322
Issuance of redeemable convertible Series C preferred stock upon net exercise of Series C Warrants	645,356	5,816	—	—	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(79,540)	(79,540)
Balances as of December 31, 2021	106,949,326	$ 279,503	68,258,556	$ 1	$ —	0	$ —	$ —	$ —	$ —	$ 43,491	$ —	$ (386,729)	$ (343,237)

SOUNDHOUND AI, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share and per share data)

	Legacy SoundHound Redeemable Convertible Preferred Stock		Legacy SoundHound Common Stock		Series A Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Issuance of common stock upon exercise of stock options	—	—	2,582,535	—	—	0	—	—	—	—	2,840	—	—	2,840
Net exercise of outstanding warrants	—	—	673,416	—	—	0	—	—	—	—	—	—	—	—
Conversion of convertible note	—	—	2,046,827	—	—	0	—	—	—	—	20,239	—	—	20,239
Effect of reverse recapitalization, net of costs (Note 3)	(106,949,326)	(279,503)	(73,561,334)	(1)	—	0	140,114,060	14	40,396,600	4	279,486	—	—	279,503
PIPE financing	—	—	—	—	—	0	11,300,000	1	—	—	86,584	—	—	86,585
Issuance of Class A common shares pursuant to the Business Combination	—	—	—	—	—	0	4,693,050	1	—	—	4,105	—	—	4,106
Issuance of Class A common shares upon conversion of Class B common shares	—	—	—	—	—	0	661,192	—	(661,192)	—	—	—	—	—
Issuance of Class A common shares upon exercise of stock options	—	—	—	—	—	0	1,013,171	—	—	—	1,320	—	—	1,320

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SOUNDHOUND AI, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share and per share data)

	Legacy SoundHound Redeemable Convertible Preferred Stock		Legacy SoundHound Common Stock		Series A Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Issuance of Class A common shares upon vesting of restricted stock units	—	—	—	—	—	0	2,516,191	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	0	—	—	—	—	28,792	—	—	28,792
Net loss	—	—	—	—	—	0	—	—	—	—	—	—	(116,713)	(116,713)
Balances as of December 31, 2022	—	—	—	—	0	$ —	160,297,664	16	39,735,408	4	466,857	—	(503,442)	$ (36,565)
Issuance of common stock under the ELOC program	—	—	—	—	—	—	25,000,000	4	—	—	73,762	—	—	73,766
ELOC program fee settled in common stock	—	—	—	—	—	—	250,000	—	—		915	—	—	915
Issuance of common stock under the Sales Agreement	—	—	—	—	—	—	5,805,995	1	—	—	12,411	—	—	12,412
Issuance of Series A Preferred Stock	—	—	—	—	835,011	24,942	—	—	—	—	—	—	—	24,942
Issuance of Class A common shares upon conversion of Class B common shares	—	—	—	—	—	—	2,250,000	—	(2,250,000)	—	—	—	—	—
Issuance of Class A common shares upon conversion of Series A Preferred Stock					(360,006)	(10,755)	11,597,654	1	—	—	10,754	—	—	—

SOUNDHOUND AI, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share and per share data)

	Legacy SoundHound Redeemable Convertible Preferred Stock		Legacy SoundHound Common Stock		Series A Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Issuance of Class A common shares upon exercise of stock options	—	—	—	—	—	—	3,585,829	—	—	—	8,506	—	—	8,506
Issuance of Class A common shares upon vesting of restricted stock units	—	—	—	—	—	—	7,678,184	—	—	—	—	—	—	—
Issuance of common stock warrants	—	—	—	—	—	—	—	—	—	—	4,136	—	—	4,136
Issuances of ESPP	—	—	—	—	—	—	478,023	—	—	—	863	—	—	863
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	27,931	—	—	27,931
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(88,937)	(88,937)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	199		199
Balances as of December 31, 2023	—	$ —	—	$ —	475,005	$ 14,187	216,943,349	$ 22	37,485,408	$ 4	$ 606,135	$ 199	$ (592,379)	$ 28,168

The accompanying notes are an integral part of these consolidated financial statements.

SOUNDHOUND AI, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net loss	$ (88,937)	$ (116,713)	$ (79,540)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	2,313	4,037	5,502
Stock-based compensation	27,931	28,792	6,322
Loss on change in fair value of ELOC program	1,901	1,075	—
Change in fair value of derivative and warrant liability	—	606	4,920
Amortization of debt issuance costs	5,400	2,287	4,746
Non-cash lease amortization	3,346	3,189	3,586
Loss on debt extinguishment	837	—	—
Foreign currency gain/loss from remeasurement	143		
Deferred income taxes	30	2,127	112
Other, net	93	—	—
Changes in operating assets and liabilities:			
Accounts receivable, net	(627)	(1,354)	1,515
Prepaid expenses	1,590	(1,238)	(168)
Other current assets	(821)	299	(917)
Contract assets	(19,578)	(8,658)	—
Other non-current assets	671	(274)	(1,470)
Accounts payable	(1,162)	302	424
Accrued liabilities	4,266	116	3,671
Operating lease liabilities	(3,657)	(3,912)	(3,565)
Deferred revenue	(4,135)	(7,646)	(10,281)
Other liabilities	2,131	2,946	(1,034)
Net cash used in operating activities	(68,265)	(94,019)	(66,177)
Cash flows from investing activities:			
Purchases of property and equipment	(392)	(1,329)	(636)
Net cash used in investing activities	(392)	(1,329)	(636)
Cash flows from financing activities:			
Proceeds from the issuance of Series A Preferred Stock, net of issuance costs	24,942	—	—
Proceeds from sales of common stock under the ELOC program, net of issuance cost	71,615	—	—
Proceeds from sales of common stock under the Sales Agreement	12,412	—	—
Proceeds from issuance of debt, net of issuance costs	85,087	—	44,738
Proceeds from the issuance of common stock	9,369	4,160	2,490
Proceeds from Business Combination and PIPE, net of transaction costs	—	90,689	—
Payments on notes payable	(35,029)	(11,545)	—
Payments on finance leases	(159)	(1,303)	(2,575)
Net cash provided by financing activities	168,237	82,001	44,653
Effects of exchange rate changes on cash	(20)	—	—
Net change in cash, cash equivalents, and restricted cash equivalents	99,560	(13,347)	(22,160)
Cash, cash equivalents, and restricted cash equivalents, beginning of year	9,475	22,822	44,982
Cash, cash equivalents, and restricted cash equivalents, end of year	$ 109,035	$ 9,475	$ 22,822
Reconciliation to amounts on the consolidated balance sheets:			
Cash and cash equivalents	$ 95,260	$ 9,245	$ 21,626
Current portion of restricted cash equivalents	—	—	460
Non-current portion of restricted cash equivalents	13,775	230	736
Total cash, cash equivalents, and restricted cash equivalents shown in the consolidated statements of cash flows	$ 109,035	$ 9,475	$ 22,822

SOUNDHOUND, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS — Continued

For the Year Ended December 31, 2023 and 2022

(In thousands)

	Year Ended December 31,		
	2023	**2022**	**2021**
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 11,984	$ 4,364	$ 2,631
Cash paid for income taxes	$ 2,356	$ 1,044	$ 263
Noncash investing and financing activities:			
Conversion of convertible preferred stock to common stock	$ 10,755	$ —	$ —
Debt discount through issuance of common stock warrants	$ 4,136	$ —	$ 4,367
Issuance of common stock to settle commitment shares related to the ELOC program	$ 915		
Conversion of redeemable convertible preferred stock to common stock pursuant to Business Combination	$ —	$ 279,503	$ —
Conversion of convertible note into common stock pursuant to Business Combination	$ —	$ 20,239	$ —
Operating lease liabilities arising from obtaining right-of-use assets	$ —	$ 650	$ 3,422
Operating lease liabilities and right-of-use assets through adoption of ASC 842	$ —	$ —	$ 11,428
Issues of series C redeemable convertible preferred stock for exercise of warrants	$ —	$ —	$ 5,816
Property and equipment acquired under finance leases or debt	$ —	$ —	$ 584

The accompanying notes are an integral part of these consolidated financial statements.

SOUNDHOUND AI, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Nature of Operations

SoundHound AI, Inc. (“we,” “us,” “our,” “SoundHound” or the “Company”) turns sound into understanding and actionable meaning. SoundHound’s technology applications enable humans to interact with the things around them in the same way they interact with each other: by speaking naturally to mobile phones, cars, televisions, music speakers, coffee machines, and every other part of the emerging “connected” world. SoundHound's voice AI platform enables product creators to develop their own voice interfaces with their customers. The SoundHound Chat AI voice assistant allows businesses and brands to provide a next-generation voice experience for their users, seamlessly integrating Generative AI and a mix of real-time information domains. Houndify is an open-access platform that allows developers to leverage SoundHound's Voice AI technology. We have developed a range of proprietary technologies on our voice AI platform, including Speech-to-Meaning, Deep Meaning Understanding, Collective AI, Dynamic Interaction and SoundHound Chat AI. The SoundHound music app allows customers to identify and play songs by singing or humming into the smartphone’s microphone, or by identifying the sound playing in the background from external sources. We also provide edge, cloud and hybrid connectivity solutions that allow brands to optimize their voice-enabled products and devices with options ranging from fully-embedded to exclusively cloud-connected.

On April 26, 2022 (the “Closing Date”), pursuant to a merger agreement dated as of November 15, 2021 by and among Archimedes Tech SPAC Partners Co. (“ATSP”), ATSPC Merger Sub, Inc. and SoundHound, Inc. (“Legacy SoundHound”), the parties consummated the merger of ATSPC Merger Sub, Inc. with and into Legacy SoundHound, with Legacy SoundHound continuing as the surviving corporation (the “Merger”), as well as the other transactions contemplated by the Merger Agreement (the Merger and such other transactions, the “Business Combination”). In connection with the closing (the “Closing”) of the Business Combination, Legacy SoundHound became a wholly owned subsidiary of ATSP and ATSP changed its name to SoundHound AI, Inc., and all of Legacy SoundHound common stock (“Legacy SoundHound Common Stock”) and Legacy SoundHound redeemable convertible preferred stock (“Legacy SoundHound Preferred Stock”) automatically converted into shares of the Company’s Class A common stock, par value of $0.0001 per share (the “Class A Common Stock”), and the Company’s Class B common stock, par value of $0.0001 per share (the “Class B Common Stock”, and collectively with the Class A Common Stock, the “Common Stock”). The Company’s Class A Common Stock and certain of the Company's warrants commenced trading on the Nasdaq Global Market (“Nasdaq”) under the symbols “SOUN” and “SOUNW,” respectively, on April 28, 2022. Refer to Note 3 for more information on the Business Combination.

Legacy SoundHound was determined to be the accounting acquirer in the Business Combination based on the following facts:

- Former Legacy SoundHound stockholders have a controlling voting interest in the Company;
- The Company’s board of directors immediately after the closing of the Business Combination was comprised of five board members, primarily from the board of directors of Legacy SoundHound; and
- Legacy SoundHound’s management continues to hold executive management roles for the Company following the Business Combination and are responsible for the day-to-day operations.

Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Legacy SoundHound issuing stock for the net assets of ATSP, accompanied by a reverse recapitalization. The primary asset acquired from ATSP was related to the cash amounts that were assumed. Separately, the Company also assumed warrants that were deemed to be equity upon Closing of the Business Combination. No goodwill or other intangible assets were recorded as a result of the Business Combination.

While ATSP was the legal acquirer in the Business Combination, because Legacy SoundHound was deemed the accounting acquirer, the historical financial statements of Legacy SoundHound became the historical financial statements of the combined company upon the consummation of the Business Combination. As a result, the financial statements included in this report reflect (i) the historical operating results of Legacy SoundHound prior to the Business Combination; (ii) the combined results of the Company and Legacy SoundHound following the Closing of the Business Combination; (iii) the assets and liabilities of Legacy SoundHound at their historical cost; and (iv) the Company’s equity structure for all periods presented.

In accordance with guidance applicable to recapitalization transactions, the equity structure has been retroactively restated in all comparative periods up to the Closing Date, to reflect the number of shares of the Company’s Class A Common Stock and Class B Common Stock issued to Legacy SoundHound Common Stockholders and Legacy SoundHound Preferred Stockholders in connection with the Business Combination. As such, the shares and corresponding capital amounts and loss per share related to Legacy SoundHound Preferred Stock and Legacy SoundHound Common Stock prior to the Business Combination have been retroactively restated as shares reflecting the conversion ratio established in the Business Combination.

Going Concern

Since inception, the Company has generated recurring losses as well as negative operating cash flows and reported a net loss of $88.9 million for the year ended December 31, 2023. As of December 31, 2023, the Company had an accumulated deficit of $592.4 million. Management expects to continue to incur additional substantial losses in the foreseeable future. The Company has historically funded its operations primarily through equity or debt financings.

Total unrestricted cash and cash equivalents on hand as of December 31, 2023 was $95.3 million. Although the Company has incurred recurring losses each year since its inception, the Company expects it will be able to fund its operations for at least the next twelve months. The Company may seek funding through additional debt or equity financing arrangements, implement incremental expense reduction measures or a combination thereof to continue financing its operations. Refer to Note 21 for information regarding the Company's equity financing activity subsequent to December 31, 2023. The Company's consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business.

Other Risk and Uncertainties

Inflation has risen significantly worldwide and the United States has recently experienced historically high levels of inflation. This inflation and government efforts to combat inflation, such as recent and future significant increases to benchmark interest rates and other related monetary policies, have and could continue to increase market volatility and have an adverse effect on the domestic and international financial markets and general economic conditions.

Additionally, U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine and the Israel-Hamas war. Although our business has not been materially impacted by the Russia-Ukraine conflict or the Israel-Hamas war, it is impossible to predict the extent to which our operations, or those of our customers’ suppliers and manufacturers, will be impacted in the short and long-term, or the ways in which the conflict may impact our business. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict but could be substantial.

NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Significant Accounting Policies

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding annual financial reporting. Any reference in these notes to applicable accounting guidance is meant to refer to the authoritative U.S. GAAP included in the Accounting Standards Codification (“ASC”), and Accounting Standards Update (“ASU”) issued by the Financial Accounting Standards Board (“FASB”).

Principles of Consolidation

The Company’s consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

We consolidate any variable interest entity (“VIE”) where we have determined we are the primary beneficiary. The primary beneficiary is the entity which has both: (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance; and (ii) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE.

Foreign Currency

The functional currency of the Company and its subsidiaries is the U.S. dollar. Foreign currency denominated transactions are converted into U.S. dollars at the average rates of exchange prevailing during the period. Assets and liabilities denominated in foreign currency are remeasured into U.S. dollars at current exchange rates at the balance sheet date for monetary assets and liabilities and at historical exchange rates for non-monetary assets and liabilities. During the years ended December 31, 2023, 2022 and 2021, the Company recognized net losses/(gains) related to foreign currency transactions and remeasurements of $0.5 million, $0.7 million and $0.5 million, respectively, in the consolidated statements of operations as other expense, net.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the amounts reported and disclosures in the consolidated financial statements and accompanying notes. Such estimates include revenue recognition, allowance for doubtful accounts, accrued liabilities, derivative and warrant liabilities, calculation of the incremental borrowing rate, financial instruments recorded at fair value on a recurring basis, valuation of deferred tax assets and uncertain tax positions and the fair value of common stock and other assumptions used to measure stock-based compensation expense. The Company bases its estimates on historical experience, the current economic environment, and on assumptions it believes are reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Changes in those estimates resulting from changes in the economic environment will be reflected in the financial statements in future periods. Actual results could differ materially from those estimates.

Accounts Receivable, Net

Accounts receivable consist of current trade receivables due from customers recorded at invoiced amounts, net of allowance for doubtful accounts. Accounts receivable do not bear interest and the Company generally does not require collateral or other security in support of accounts receivable.

When the Company records customer receivables and contract assets arising from revenue transactions, an allowance is recorded for credit losses for the current expected credit losses ("CECL") inherent in the asset over its expected life. The allowance for credit losses is a valuation account deducted from the amortized cost basis of the assets to present their net carrying value at the amount expected to be collected. Each period, the allowance for credit losses is adjusted through earnings to reflect expected credit losses over the remaining lives of the assets.

The Company estimates expected credit losses based on relevant information about past events, including historical experience, payment terms, environmental and industry factors, and reasonable and supportable forecasts that affect the collectability of the reported amount. When measuring expected credit losses, we pool assets with similar country risk and credit risk characteristics. Changes in the relevant information may materially affect the estimates of expected credit losses.

Property and Equipment, Net

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the respective assets.

The estimated useful lives of the Company's property and equipment are as follows:

Computer equipment	3 – 4 years
Software	3 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of useful life or the term of the lease

Maintenance and repairs that do not extend the life or improve the asset are expensed as incurred.

Impairment of Long-Lived Assets

The Company evaluates property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the total of estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Impairment, if any, would be assessed using discounted cash flows or other appropriate measures of fair value. Through December 31, 2023, there have been no such impairments.

Leases

We determine if an arrangement is a lease at its inception. Operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. We generally use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future payments, because the implicit rate of the lease is generally not known. Right-of-use ("ROU") assets related to our operating lease liabilities are measured at lease inception based on the initial measurement of the lease liability, plus any prepaid lease payments and less any lease incentives, as applicable. Our lease terms that are used in determining our operating lease liabilities at lease inception may include options to extend or terminate the leases when it is reasonably certain that we will exercise such options. We amortize our ROU assets as operating lease expense generally on a straight-line basis over the lease term and classify both the lease amortization and imputed interest as operating expenses. The Company has lease agreements with lease and nonlease components. The Company elected to not separate lease and nonlease components for its asset class of equipment.

Segment Information

The Company has determined that the Chief Executive Officer is its chief operating decision maker. The Company's Chief Executive Officer reviews discrete financial information on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, the Company has determined that it operates as a single reportable segment.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less from the date of purchase to be cash equivalents. The Company's cash equivalents consist of treasury bills and money market funds. The treasury bills are treated as available-for-sale securities. Cash equivalents are measured and reported at fair value using quoted prices in active markets for similar securities. The deposits exceed federally insured limits. Changes in fair value for cash equivalents classified as available for sale securities are recorded to other comprehensive loss.

As of December 31, 2023, available-for-sale securities consisted of U.S. treasury bills and government bonds with original maturities of three months or less. As of December 31, 2022, the Company did not have any available-for-sale securities.

Restricted Cash

The Company's restricted cash were established according to the requirements under the Credit Agreement (as defined in Note 9) and leases for the Company's corporate headquarters, data center and sales office and are subject to certain restrictions. Restricted cash is classified as current or non-current on the consolidated balance sheets based on the expected duration of the restriction. Non-current restricted cash relates to interest that is required to be held in escrow in an amount equal to the minimum required balance defined in the Credit Agreement.

Concentrations of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, the balances of which frequently exceed federally insured limits. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

As of December 31, 2023, accounts receivable balances due from Customer A, C, and E accounted for 40%, 32% and 15% of the Company's consolidated accounts receivable balance, respectively. As of December 31, 2022, accounts receivable balances due from Customer A and C accounted for 49% and 26% of the Company's consolidated accounts receivable balance, respectively.

As of December 31, 2023, unbilled receivables from Customer A, B, and C accounted for 59%, 16% and 11% of the Company's consolidated unbilled receivables balance, respectively. As of December 31, 2022, unbilled receivables from Customer A, B, and C accounted for 31%, 19% and 28% of the Company's consolidated unbilled receivables balance, respectively.

For the year ended December 31, 2023, Customer A and B accounted for 49% and 13% of the revenue, respectively. For the year ended December 31, 2022, Customer A, C and D accounted for 42%, 13% and 12% of revenue, respectively. For the year ended December 31, 2021, Customer C, D and F accounted for 12%, 18% and 31% of revenue, respectively.

Common Stock Offerings

The Company enters into certain agreements to sell common stock with counterparties through the Equity Line of Credit ("ELOC") and the Sales Agreement (as defined in Note 13) to further support its growth strategy through initiatives such as accretive acquisitions and internal investments, to bolster working capital, and/or for general corporate purposes. The Company evaluates its common stock purchase agreements to determine whether they should be accounted for as derivatives with changes in fair value as other income (expense), net in the period in which they occur.

Equity Issuance Costs

The Company capitalizes certain legal, professional, accounting and other third-party fees that are directly associated with in-process equity-classified financings as deferred offering costs until such financings are consummated. After consummation of the financing, these costs are recorded as a reduction of the proceeds received from the equity financing. If a planned equity financing is abandoned, the deferred offering costs are expensed immediately as a charge to operating expenses in the consolidated statements of operations.

Revenue Recognition

The Company recognizes revenue under Accounting Standards Codification Topic 606 ("ASC 606"), *Revenue from Contracts with Customers*, when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the Company performs the following five steps:

(i) Identification of the contract(s) with a customer;

(ii) Identification of the performance obligations in the contract;

(iii) Determination of the transaction price, including the constraint on variable consideration;

(iv) Allocation of the transaction price to the performance obligations in the contract; and

(v) Recognition of revenue when, or as, performance obligations are satisfied.

Contracts are accounted for when both parties have approved and committed to the contract, the rights of the parties and payment terms are identifiable, the contract has commercial substance and collectability of consideration is probable.

Under ASC 606, assuming all other revenue recognition criteria have been met, the Company recognizes revenue for arrangements upon the transfer of control of the Company’s performance obligations to its customers. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer and is the unit of account in ASC 606. Revenues are recognized when control of the promised goods or services are transferred to a customer in an amount that reflects the consideration that the Company expects to receive in exchange for those services.

The Company elected the practical expedient to recognize the incremental costs of obtaining a contract including sales commissions as an expense when incurred if the amortization period of such incremental cost would otherwise have been one year or less. Sales commissions are included in sales and marketing expense in the consolidated statements of operations and comprehensive loss.

Research and Development

The Company’s research and development costs are expensed as incurred. These costs include salaries and other personnel related expenses, contractor fees, facility costs, supplies, and depreciation of equipment associated with the design and development of new products prior to the establishment of their technological feasibility.

Warrants

The Company determines whether to classify contracts, such as warrants, that may be settled in its own stock as equity of the entity or as a liability. An equity-linked financial instrument must be considered indexed to the Company’s own stock to qualify for equity classification. The Company classifies warrants as liabilities for any contracts that may require a transfer of assets. Warrants classified as liabilities are accounted for at fair value and remeasured at each reporting date until exercise, expiration or modification that results in equity classification. Any change in the fair value of the warrants is recognized as other income (expense), net in the consolidated statements of operations.

Income Taxes

The Company accounts for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is established when, in management’s estimate, it is more-likely-than-not that the deferred tax asset will not be realized. The Company adopted a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company records a liability for the difference between the benefit recognized and measured and the tax position taken or expected to be taken on the Company’s tax return.

The Company classifies interest and penalties related to uncertain tax positions in income tax expense, if applicable. There has been no interest expense or penalties related to unrecognized tax benefits recorded through December 31, 2023.

Stock-Based Compensation

The Company measures and records the expense related to stock-based payment awards based on the fair value of those awards as determined on the date of grant. The Company recognizes stock-based compensation expense over the requisite service period of the individual grant, generally equal to the vesting period, and uses the straight-line method to recognize stock-based compensation, except for restricted stock unit awards (“RSUs”) with vesting conditions tied to certain performance criteria ("Performance-Based RSUs"). Stock-based compensation costs for Performance-Based RSUs are recognized on a graded-vesting basis over the vesting period based on the most probable outcome of the performance conditions. If the minimum performance targets are not met, no compensation cost is recognized and any recognized compensation cost is reversed, except for awards subject to a market condition, The Company accounts for forfeitures as they occur. The Company uses the Black-Scholes option-pricing model to determine the fair value of stock options and employee stock purchase plan ("ESPP") shares. The Black-Scholes option-pricing model requires the use of highly subjective and complex assumptions to determine the fair value of the awards, including the expected term of the award and the price volatility of the underlying stock. The Company calculates the fair value of the awards granted by using the Black-Scholes option-pricing model with the following assumptions:

Expected Volatility — The Company estimates volatility for the awards by evaluating the average historical volatility of a peer group of companies for the period immediately preceding the award grant for a term that is approximately equal to the awards’ expected term.

Expected Term — The expected term of the Company’s awards represents the period that the stock-based awards are expected to be outstanding. The Company has elected to use the midpoint between the stock options’ vesting term and contractual expiration period to compute the expected term, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. For the valuation of ESPP shares, the Company uses the period of time from the valuation date to the purchase date.

Risk-Free Interest Rate — The risk-free interest rate is based on the implied yield currently available on U.S. Treasury zero-coupon issues with a term that is equal to the awards’ expected term at the grant date.

Expected Dividend Yield — The Company has not declared or paid dividends to date and does not anticipate declaring dividends. As such, expected dividend yield is zero.

Restricted Stock Units

The Company issues RSUs to grantees as compensation for services. The fair value of the RSUs is determined at the grant date based on the fair value of the Company’s Class A Common Stock and for RSUs with service conditions only, is recognized straight-line over the service period.

Stock-based compensation related to Performance-Based RSUs is recognized to the extent it is determined that performance is probable of being achieved.

The Company issues RSUs with vesting conditions tied to certain market conditions (“Market-Based RSUs”). To derive the fair value of Market-Based RSUs, the Company applies a Monte Carlo simulation to determine the grant date fair value. Stock-based compensation related to Market-Based RSUs is recognized over the derived service period.

Fair Value Measurements

The Company defines fair value as the exchange price that would be received from an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The Company follows a three-level valuation hierarchy for disclosure of fair value measurements as follows:

- *Level 1* — Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- *Level 2* — Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.

- *Level 3* — Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Preferred Stock

The Company assesses its preferred stock instruments at issuance and each reporting period for classification and derivative features requiring bifurcation.

The Company presents as temporary equity any stock which (i) the Company undertakes to redeem at a fixed or determinable price on the fixed or determinable date or dates; (ii) is redeemable at the option of the holders, or (iii) has conditions for redemption which are not solely within the control of the Company. For stock presented as temporary equity that is not currently redeemable, the Company assesses the probability of the event that would lead to redemption. If it is probable that the equity instrument will become redeemable, the Company accretes changes in the redemption value over the period from the date of issuance, or from the date that it becomes probable that the instrument will become redeemable, if later, to the earliest redemption date of the instrument using an appropriate methodology. If an equity instrument classified as temporary equity is not probable of redemption, subsequent adjustment of the amounts presented in temporary equity is unnecessary.

Net Loss Per Share

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, without consideration for potentially dilutive securities.

Diluted net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common stock and potentially dilutive securities outstanding for the period. For purposes of the diluted net loss per share calculation, Series A Preferred Stock, stock options, ESPP shares, RSUs and warrants are considered to be potentially dilutive securities. See Note 14 for further information.

Accordingly, in periods in which the Company reports a net loss, diluted net loss per share is the same as basic net loss per share, since dilutive common stock is not assumed to have been issued if their effect is anti-dilutive.

The Company issued Series A Preferred Stock, which accrues cumulative dividends which are either paid in cash or compounding to the liquidation preference at the discretion of the board of directors. The Company accrues dividends as adjustments to net loss before net loss attributable to common stockholders.

The Company applies the two-class method to calculate its basic and diluted net loss per share as the Company has issued shares that meet the definition of participating securities. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that otherwise would have been available to common stockholders. The Company's participating securities contractually entitle the holders of such shares to participate in dividends, but do not contractually require the holders of such shares to participate in losses of the Company. Accordingly, in periods in which the Company reports a net loss, such losses are not allocated to such participating securities.

Recent Accounting Pronouncements — Adopted

The Company continually assess any ASUs or other new accounting pronouncements issued by the FASB to determine their applicability and impact. Where it is determined that a new accounting pronouncement will result in a change to the Company's financial reporting, the Company takes the appropriate steps to ensure that such changes are properly reflected in the consolidated financial statements or notes thereto.

In June 2016, the FASB issued ASU 2016-13 to update the methodology used to measure current expected credit losses ("CECL"). This ASU applies to financial assets measured at amortized cost, including loans, held-to-maturity debt securities, net investments in leases, and trade accounts receivable as well as certain off-balance sheet credit exposures, such as loan commitments. This ASU replaces the current incurred loss impairment methodology with a methodology to reflect CECL and requires consideration of a broader range of reasonable and supportable information to explain credit loss estimates. The guidance must be adopted using a modified retrospective transition method through a cumulative-effect adjustment to retained earnings/(deficit) in the period of adoption. In November 2019, the FASB issued ASU 2019-10, Financial Instruments — Credit Losses (“Topic 326”), Targeted Transition Relief, which amends the transition guidance for ASU 2016-13. The ASU provides entities with the option to irrevocably elect the fair value option in Subtopic 825-10 on an instrument-by-instrument basis. ASU 2019-10 and ASU 2016-13 are effective for years beginning after December 15, 2022, with early adoption permitted. The Company adopted the standard on January 1, 2023. ASU 2016-13 did not result in any material impact on the Company's consolidated financial statements and related disclosures.

Recent Accounting Pronouncements — Not Yet Adopted

In November 2023, the Financial Accounting Standards Board issued Accounting Standards Update No. 2023-07, Segment Reporting, which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The updated standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that the updated standard will have on the financial statement disclosures.

In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update No. 2023-09, which requires more detailed income tax disclosures. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The disclosure requirements will be applied on a prospective basis, with the option to apply them retrospectively. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that the updated standard will have on the financial statement disclosures.

NOTE 3. BUSINESS COMBINATION

As discussed in Note 1, on April 26, 2022, the Business Combination was consummated. Pursuant to the Company’s Second Amended and Restated Certificate of Incorporation (the “certificate of incorporation”), the Company is authorized to issue 500,000,000 shares of capital stock consisting of 455,000,000 shares of Class A Common Stock, 44,000,000 shares of Class B Common Stock, and 1,000,000 shares of preferred stock. All stock has a par value of $0.0001 per share. The holders of Class A Common Stock are entitled to one vote for each share of Class A Common Stock held and the holders of Class B Common Stock are entitled to ten votes per share on all matters submitted to stockholders for their vote or approval. The holders of Class A Common Stock and Class B Common Stock vote together as one class, other than on certain specific matters described in the Company's certificate of incorporation.

The Business Combination was approved by ATSP’s stockholders at a special meeting thereof (the “Special Meeting”), held in lieu of the 2022 annual meeting of the Company’s stockholders. The Business Combination fulfilled the definition of an “initial business combination” as required by the ATSP’s Amended and Restated Certificate of Incorporation. This fulfillment resulted in ATSP ceasing to be a shell company upon the Closing.

An aggregate of 12,767,950 shares of Class A Common Stock sold in ATSP’s initial public offering (the “public shares”) exercised their rights to redemption. The redemption right provided holders the right to have their public shares redeemed for a pro rata portion of the trust account holding the proceeds from ATSP’s initial public offering. The value of the shares is calculated as of two (2) business days prior to the date of the Special Meeting, which was $10.00 per share, or $127.7 million in the aggregate.

As a result of the Business Combination, among other things (1) all outstanding shares of Legacy SoundHound Common Stock as of immediately prior to the Closing (including Legacy SoundHound Common Stock resulting from the Legacy SoundHound Preferred Stock Conversion), were exchanged at an conversion ratio of 5.5562 (the “Conversion Ratio”) for an aggregate of 140,114,060 shares of Class A Common Stock and 40,396,600 Class B

Common Stock; (2) each outstanding warrant to purchase shares of Legacy SoundHound Common Stock automatically converted into a warrant to purchase, subject to substantially the same terms and conditions as were applicable under these warrants prior to the Effective Time, shares of Class A Common Stock, proportionately adjusted for the Conversion Ratio, with the per share exercise price equal to the exercise price prior to the Effective Time divided by the Conversion Ratio and were net exercised upon the Closing; (3) each outstanding option to purchase shares of Legacy SoundHound Common Stock converted into an option to purchase, subject to substantially the same terms and conditions as were applicable under these options prior to the Effective Time, shares of Class A Common Stock equal to the number of shares subject to such option prior to the Effective Time multiplied by the Conversion Ratio, with the per share exercise price equal to the exercise price prior to the Effective Time divided by the Conversion Ratio; (4) each Legacy SoundHound RSU converted into a restricted stock unit of SoundHound, subject to substantially the same terms and conditions as were applicable under the SoundHound RSU prior to the Closing. SoundHound RSU holders received the same consideration holders would have received if the SoundHound RSU was converted into Legacy SoundHound Common Stock immediately prior to the Effective Time.

In connection with the Merger Agreement, ATSP entered into subscription agreements (collectively, the “Subscription Agreements”) with certain accredited investors (the “Subscribers”). Pursuant to the Subscription Agreements, the Subscribers agreed to purchase, and ATSP agreed to sell to the Subscribers, an aggregate of 11,300,000 shares of Class A Common Stock (“PIPE Shares”), for a purchase price of $10.00 per share and an aggregate purchase price of $113.0 million (the “PIPE Investment”). The PIPE shares are identical to the shares of Class A Common Stock that were held by the ATSP’s public stockholders at the time of the Closing, except that the PIPE Shares were not entitled to any redemption rights. The sale of PIPE Shares was consummated concurrently with the Closing.

The Business Combination is accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, ATSP was treated as the “acquired” company for financial reporting purposes. The net assets of Legacy SoundHound were stated at historical cost, with no goodwill or other intangible assets recorded.

In accounting for the Business Combination and after redemptions, net proceeds received by the Company totaled $90.7 million. The table below shows the total net proceeds from the Business Combination and the PIPE Investment (in thousands):

Cash - ATSP trust and cash (net of redemption)	$	5,357
Cash - PIPE Investment		113,000
Less: transaction costs		(27,668)
Net proceeds from Business Combination and PIPE Investment	$	90,689

Relating to the consummation of the Business Combination, the Company incurred $27.7 million in total transaction costs consisting of direct legal, accounting and other fees. $4.1 million of Legacy SoundHound transaction costs specific and directly attributable to the Business Combination were initially capitalized as deferred offering costs and included in other non-current assets on the consolidated balance sheets. Total transaction expenses were recorded as an offset against proceeds received on the closing of the Business Combination, accounted for as additional paid-in capital.

The amount recorded to additional paid-in-capital was comprised of $86.6 million net proceeds from the PIPE investment and $4.1 million after net redemptions of ATSP shareholders.

The number of shares of common stock issued immediately following the consummation of the Business Combination was as follows:

Class A Common Stock - conversion of Legacy SoundHound Common Stock and Legacy SoundHound Preferred Stock outstanding prior to Business Combination	140,114,060
Class B Common Stock - conversion of Legacy SoundHound Common Stock and Legacy SoundHound Preferred Stock outstanding prior to Business Combination	40,396,600
Class A Common Stock - PIPE Investment	11,300,000
Class A Common Stock - issuance to ATSP shareholders	532,050
Class A Common Stock - issuance to Legacy SoundHound founders and representatives	4,161,000
Total shares of common stock immediately after Business Combination	196,503,710

NOTE 4. REVENUE RECOGNITION

Revenue Recognition

The Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenues are generally recognized upon the transfer of control of promised products or services provided to customers, reflecting the amount of consideration the Company expects to receive for those products or services.

The Company's arrangements with customers may contain multiple obligations. Individual services are accounted for separately if they are distinct — that is, if a service is separately identifiable from other items in the contract and a customer can benefit from it in its own or with other resources that are readily available to the customer.

The Company derives its revenue primarily from the following performance obligations: (1) hosted services, (2) professional services, (3) monetization, and (4) licensing. Revenues are reported net of applicable sales and use taxes that are passed through to customers. The Company applies significant judgement in identifying and evaluating any terms and conditions in contracts which impact revenue recognition.

The Company has the following performance obligations in contracts with customers:

Hosted Services

Hosted services, along with non-distinct customization, integration, maintenance and support professional services, allow customers to access the Houndify platform over the contract period without taking possession of the software. The contract terms of hosted services range from one year to twenty years.

The Company has determined that the hosted services arrangements are a single performance obligation comprised of a series of distinct services, since each day of providing access to hosted services is substantially the same and the customer simultaneously receives and consumes the benefits as access is provided. These services are provided either on a usage basis (i.e., variable consideration) or on a fixed fee subscription basis. The Company recognizes revenue as each distinct service period is performed.

Hosted services generally include up-front services to develop and/or customize the Houndify application to each customer's specification. Judgement is required to determine whether these professional services are distinct from the hosted services. In making this determination, factors such as the degree of integration, the customers' ability to start using the software prior to customization, and the availability of these services from other independent vendors are considered.

In instances where the Company concluded that the up-front services are not distinct performance obligations, revenues for these activities are recognized over the period which the hosted services are provided and is included within hosted services revenue.

Professional Services

Revenues from distinct professional services, such as non-integrated development services, are either recognized over time based upon the progress towards completion of the project, or at a point in time at project completion. The Company assesses distinct professional services to determine whether the transfer of control is over-time or at a point in time. The Company considers three criteria in making their assessment including (1) the customer simultaneously receives and consumes the benefits; (2) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (3) the Company's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. If none of the criteria are met, revenues are determined to be recognized at a point in time.

For distinct professional services determined to be recognized over-time, measuring the stage of completion of a project requires significant judgement and estimates and is based on input and output measures. During the year ended December 31, 2023, $7.4 million of professional service revenue was recognized over time, with the remaining $0.9 million recognized at a point in time when the performance obligation was fulfilled and control of the service was transferred to the customer. During the year ended December 31, 2022, $2.2 million of professional service revenue was recognized over time, with the remaining $2.0 million recognized at a point in time when the performance obligation was fulfilled and control of the service was transferred to the customer. During the year ended December 31, 2021, $2.4 million of professional service revenue was recognized over time, with the remaining $4.7 million recognized at a point in time when the performance obligation was fulfilled and control of the service was transferred to the customer.

Monetization

Monetization revenues are primarily derived from advertising payments associated with ad impressions placed on the SoundHound music identification application. The Company derives an immaterial amount of revenue from sales commissions earned from song purchases facilitated by the SoundHound app and App store fees paid for ads-free downloads of the SoundHound music identification app. The amount of revenue is based on actual monetization generated or usage, which represent a variable consideration with constrained estimates. Therefore, the Company recognizes the related revenues at a point in time when advertisements are placed, when commissions are paid or when the SoundHound application is downloaded. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as a principal or an agent in the transaction. The Company has determined that it does not act as the principal in monetization arrangements because it does not control the transfer of the service and it does not set the price. Based on these factors, the Company reports revenue on a net basis.

Licensing

The Company licenses voice solutions that are embedded in customer's products. Licensing revenues are a distinct performance obligation that is recognized when control is transferred to the customer, which is at a point in time for non-customized solutions. For licenses with non-distinct customized solutions, revenues are recognized over time based on the progress towards completion of the customized solution. Revenues generated from licensing are based on royalty models with a combination of minimum guarantees and per unit pricing. Royalty periods are generally subsequent to when control of the license passes to the customer. The Company records licensing revenue as a usage-based royalty from customers' usage of intellectual property in the same period in which the underlying sale occurs. For royalty arrangements that include fixed considerations related to a minimum guarantee from a customer, the fixed consideration allocated to the license is recognized when the control of the license passes to the customer. The Company provides assurance-type warranty services and to date, post-contract support has been an immaterial performance obligation within the context of the contract.

When a contract has multiple performance obligations, the transaction price is allocated to each performance obligation based on its relative estimated standalone selling price ("SSP"). Judgments are required to determine the SSP for each distinct performance obligation. SSP is determined by maximizing observable inputs from pricing of standalone sales, when possible. Since prices vary from customer to customer based on customer relationship, volume discount and contract type, in instances where the SSP is not directly observable, the Company estimates SSP by considering the following factors:

- Costs of developing and supplying each performance obligation;
- Industry standards;
- Major product groupings; and
- Gross margin objectives and pricing practices, such as contractually stated prices, discounts offered and applicable price lists.

These factors may vary over time, depending upon the unique facts and circumstances related to each deliverable. If the facts and circumstances underlying the factors considered change or should future facts and circumstances lead the Company to consider additional factors, the Company’s best estimate of SSP may also change.

The Company's long-term contracts do not have significant financing components, as there is generally payment and performance in each year of the contract. The Company has elected the practical expedient to not adjust promised amounts of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. If there is a period of one year or longer between the transfer of promised services and payment, it is generally for reasons other than financing, thus, the Company does not adjust the transaction price for financing components.

For the years ended December 31, 2023, 2022 and 2021, revenue under each performance obligation was as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Licensing	$ 18,600	$ 8,322	$ —
Hosted services	18,364	17,743	12,764
Professional services	8,275	4,220	7,142
Monetization	634	844	1,291
Total	$ 45,873	$ 31,129	$ 21,197

For the years ended December 31, 2023, 2022 and 2021, the disaggregated revenue by geographic location* was as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Korea	$ 22,962	$ 14,530	$ 2,460
United States	6,769	3,344	4,030
Germany	5,950	4,134	7,526
France	4,090	4,023	2,616
Japan	3,707	3,866	3,797
Other	2,395	1,232	768
Total	$ 45,873	$ 31,129	$ 21,197

*Revenue by geographic region is allocated to individual countries based on the billing location of the customer. The end customer location may be different than the customer's billing location.

For the years ended December 31, 2023, 2022 and 2021, the disaggregated revenue by recognition pattern was as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Over time	$ 25,757	$ 19,955	$ 15,210
Point-in-time	20,116	11,174	5,987
Total	$ 45,873	$ 31,129	$ 21,197

The Company also disaggregates revenue by service type. This disaggregation consists of Product Royalties, Service Subscriptions and Monetization. Product Royalties revenues are derived from Houndified Products, which are voice-enabled tangible products across the automotive and consumer electronics industries. Revenues from Product Royalties are based on volume, usage, or life of the products, which are driven by number of devices, users, or unit of time. Service Subscription revenues are generated through Houndified Services, which include customer services, food ordering, content, appointments, and voice commerce. Subscription revenues are derived from monthly fees based on usage-based revenue, revenue per query or revenue per user. Both Houndified Products and Houndified Services may include professional services that develop and customize the Houndify platform to fit customers' specific needs. Revenues from Monetization are generated from the SoundHound music identification app and are primarily attributable to user ad impression revenue. For the years ended December 31, 2023, 2022 and 2021, the disaggregated revenue by service type was as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Product royalties	$ 43,299	$ 28,447	$ 18,356
Service subscriptions	1,940	1,838	1,550
Monetization	634	844	1,291
Total	$ 45,873	$ 31,129	$ 21,197

Contract Balances

The Company performs its obligations under a contract with a customer by providing access to software, licensing right to use software, or providing services in exchange for consideration from the customer. The timing of the Company's performance often differs from the timing of the customer's payment, which results in the recognition of a receivable, a contract asset or deferred revenue. As of December 31, 2021, accounts receivable, net of allowances, were $2.1 million, contract assets were $54 thousand and deferred revenue was $21.0 million.

During the year ended December 31, 2022, $7.6 million of licensing revenue was recognized from the Company's Houndify Edge solution, which was delivered to a customer during the second half of 2022, related to minimum guarantee units to be utilized over the life of the contract and resulted in a corresponding increase in the contract assets balance. During the year ended December 31, 2023, the Company and the same customer modified the minimum guarantee units in an existing contract in the ordinary course of business. The Company accounted for a contract modification prospectively resulting in an increase to net revenue in the amount of $10.4 million during the year ended December 31, 2023, with corresponding increases in contract asset balances. Additionally, during the year ended December 31, 2023, the Company recognized $3.6 million of licensing revenue related to right-to-use licenses for a new contract in 2023, where delivery occurred and total consideration was fixed.

The Company has not recorded any asset impairment charges related to contract assets during the periods presented in the consolidated financial statements.

The balance of contract assets for the years ended December 31, 2023 and 2022 includes $5.1 million and $3.5 million, respectively, of unbilled receivables which represents amounts for which the Company has an unconditional right to bill the customer.

Revenues recognized included in the balances of the deferred revenue at the beginning of the reporting period for the years ended December 31, 2023, 2022 and 2021 were $7.9 million, $6.4 million and $14.9 million, respectively.

As of December 31, 2023, the aggregate amount of the transaction price allocated to the remaining performance obligations related to customer contracts that were unsatisfied or partially unsatisfied was $12.7 million. Given the applicable contract terms, $6.4 million is expected to be recognized as revenue within one year, $3.3 million is expected to be recognized between 2 to 5 years and the remainder of $3.0 million is expected to be recognized after 5 years. This amount does not include contracts to which the customer is not committed, contracts for which the Company recognizes revenue equal to the amount the Company has the right to invoice for services performed, or future sales-based or usage-based royalty payments in exchange for access to the Company's hosted services. This amount is subject to change due to future revaluations of variable consideration, terminations, other contract modifications or currency adjustments. The estimated timing of the recognition of remaining unsatisfied performance obligations is subject to change and is affected by changes to scope, changes in timing of delivery of products and services, or contract modifications.

Research and Development

The Company's research and development costs are expensed as incurred. These costs include salaries and other personnel related expenses, contractor fees, facility costs, supplies, and depreciation of equipment associated with the design and development of new software products prior to the establishment of technological feasibility.

NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following (in thousands):

	December 31, 2023	December 31, 2022
Computer equipment	$ 19,278	$ 20,946
Software and voice recordings	9,714	9,420
Leasehold improvements	3,882	3,850
Furniture and fixtures	777	761
Total property and equipment, at cost	33,651	34,977
Less: accumulated depreciation and amortization	(32,136)	(31,530)
Total property and equipment, net	$ 1,515	$ 3,447

As of December 31, 2023 and 2022, property and equipment, net includes assets under finance lease obligations (see Note 15 for additional information) with an aggregate cost of approximately $0.5 million and $0.6 million, respectively and accumulated depreciation of approximately $0.1 million and $0.3 million, respectively. Depreciation and amortization expense in respect of capitalized property and equipment totaled approximately $2.3 million, $4.0 million and $5.5 million for the years ended December 31, 2023, 2022 and 2021, respectively.

NOTE 6. ACCRUED LIABILITIES

Accrued liabilities consisted of the following (in thousands):

	December 31, 2023	December 31, 2022
Accrued compensation expenses	$ 6,961	$ 6,134
Accrued vendor payables	3,792	1,002
Accrued lender fees	2,603	—
Accrued ELOC liability	—	1,075
Accrued interest	—	236
Other accrued liabilities	528	90
	$ 13,884	$ 8,537

NOTE 7. COMMITMENTS AND CONTINGENCIES

Contracts

In August 2021, the Company entered into an exclusive agreement with a cloud service provider to host its voice artificial intelligence platform pursuant to which the Company committed to pay a minimum of $98.0 million in cloud costs over a seven-year period subject to variable increases based on usage.

Aggregate non-cancelable future minimum payments were as follows as of December 31, 2023 (in thousands):

2024	11,000
2025	14,000
2026	16,000
2027	24,000
2028	24,000
Total	$ 89,000

Legal Proceedings

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of its business activities. The Company accrues contingent liabilities when it is probable that future expenditures will be made, and such expenditures can be reasonably estimated. In the opinion of management, there are no pending claims for which the outcome is expected to result in a material adverse effect on the financial position, results of operations or cash flows of the Company.

Other Matters

The Company has not historically collected U.S. state or local sales and use tax, or other similar taxes, in any jurisdiction. On June 21, 2018, the U.S. Supreme Court decided, in *South Dakota v. Wayfair, Inc.*, that state and local jurisdiction may, in certain circumstances, enforce sales and use tax collection obligations on remote vendors that have no physical presence in such jurisdiction. A number of states have already begun, or have positioned themselves to begin, requiring sales and use tax collection from remote vendors. The details and effective dates of these collection requirements vary from state to state. The Company continues to analyze potential sales tax exposure using a state-by-state assessment. In accordance with ASC 450, Contingencies, the Company estimated and recorded a liability of $0.2 million and $1.1 million as of December 31, 2023 and 2022.

NOTE 8. WARRANTS

Warrants Related to Convertible Notes and Note Payable

In connection with the issuance of the Company’s 2021 note payable (“SVB March 2021 Note”) and 2021 convertible note (“SCI June 2021 Note”), the Company issued detachable warrants to purchase 708,808 and 354,404 shares of Legacy SoundHound common stock, respectively, with an exercise price of $3.67 per share to the lenders, which were immediately exercisable. On the Closing Date, all outstanding warrants issued in connection to the SVB March 2021 Note and the SCI June 2021 Note were fully net exercised by their respective lenders, leading to a net issuance of 673,416 shares of Class A Common Stock.

In connection with the Credit Agreement (as defined in Note 9), on the Term Loan Closing Date the Company issued a warrant to purchase up to 3,301,536 shares of the Company's Class A common stock to the Agent (the "Term Loan Warrant"). The Term Loan Warrant has a per share exercise price of $2.59 and may be exercised, including on a cashless basis, by the holder at any time prior to the 10-year anniversary of the issue date. The Term Loan Warrant will be automatically cashless exercised immediately prior to a change in control of the Company. On the Term Loan Closing Date, the Company allocated the gross proceeds and issuance costs between the Term Loan and the Term Loan Warrant based on their relative fair values, resulting in the initial recognition of the Term Loan Warrant at $4.1 million as additional paid-in-capital on the consolidated balance sheets. As of December 31, 2023, there were 3,301,536 warrants issued and outstanding in connection with the Credit Agreement.

Warrants Related to the Business Combination

Public Warrants

Prior to the Business Combination, ATSP issued public warrants (“Public Warrants”). Each Public Warrant entitles the holder to the right to purchase one share of common stock at an exercise price of $11.50 per share. No fractional shares were issued upon exercise of the Public Warrants. The Company may redeem the outstanding warrants, for $0.01 per warrant, upon not less than 30 days’ prior written notice of redemption, if the reported last sale price of the common stock equals or exceeds $18.00 per share (as adjusted for stock dividends, sub-divisions, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period commencing after the warrants become exercisable and ending on the third trading day before the Company sends the notice of redemption to the warrant holders. Upon issuance of a redemption notice by the Company, the warrant holders may, at any time after the redemption notice, exercise the Public Warrants for cash, or on a cashless basis.

Subsequent to the closing of the Business Combination, the Company’s Public Warrants continue to be classified as equity instruments, as they are indexed to the Company’s stock.

Private Warrants

Prior to the Business Combination, ATSP issued private warrants (“Private Warrants”). The Private Warrants were initially issued in the same form as the Public Warrants with the exception that the Private Warrants: (i) would not be redeemable by the Company and (ii) may be exercised for cash or on a cashless basis, so long as they are held by the initial purchasers or any of their permitted transferees. If the Private Warrants are held by holders other than the initial purchasers or any of their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by the holders on the same basis as the Public Warrants.

The Private Warrants were initially classified as derivative liability instruments as they met the definition of a derivative and were not considered indexed in the Company's own stock as the settlement value could be dependent on who held the Private Warrants at the time of exercise. Upon the Closing of the Business Combination, the Company modified its Private Warrants to be identical to its Public Warrants (collectively, "SPAC Warrants"). Therefore, the Private Warrants met requirements for classification as equity instruments, as they are indexed to the Company’s stock.

As of December 31, 2023, there were 3,665,996 SPAC Warrants issued and outstanding.

NOTE 9. NOTE PAYABLE

SNAP June 2020 Note

In June 2020, the Company issued a promissory note (the “SNAP June 2020 Note”) to a Lender in exchange for $15.0 million in cash proceeds. The note had an annual interest rate of 5% and a maturity date of June 26, 2022, if not converted earlier pursuant to conversion terms and change in control events.

The Company recognized total interest expense of $0.7 million associated with the SNAP June 2020 Note for the year ended December 31, 2022, out of which $0.4 million relates to amortization of the debt discount. The Company recognized total interest expense of $2.0 million associated with the SNAP June 2020 Note for the year ended December 31, 2021, out of which $1.3 million relates to amortization of the debt discount. The debt discount related to the SNAP June 2020 Note is amortized over the life of the instrument, beginning at note issuance and ending on April 26, 2022, the date on which the note was converted. The Company was amortizing the discounts on an effective interest basis over the period from issuance through the Early Maturity Date. The effective interest rate was 14.3% for the years ended December 31, 2022 and 2021.

As a result of the Business Combination, on the Closing Date, the SNAP June 2020 Note conversion feature was triggered. As a result, on the Closing Date, all outstanding principal of $15.0 million and accrued interest of

$1.4 million were converted into 2,046,827 shares of Class A Common Stock. In addition, the remaining debt discount of $0.2 million and related derivative liability with fair value of $4.1 million as of the Closing Date were extinguished.

SVB March 2021 Note

In March 2021, the Company entered into a loan and security agreement with a commercial bank to borrow $30.0 million. The loan bore interest at an annual rate equal to the greater of 9.00% or 5.75% above the Prime Rate. During the year ended December 31, 2023, the interest rate was 13.75%. Payments were interest-only for the first twelve months and are now principal and interest through maturity. The Company recorded interest expense in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2023, 2022 and 2021 of $0.6 million, $2.8 million and $2.1 million respectively. The total amount of debt discount at issuance was $3.5 million. During the years ended December 31, 2023, 2022 and 2021, the Company recorded $16 thousand, $1.0 million and $2.4 million related to the amortization of the debt discount in interest expense, respectively. The Company was amortizing the discounts on an effective interest basis over the period from issuance through the Early Maturity Date. The effective interest rate was 13.4%, 14.9% and 20.9% for the year ended December 31, 2023, 2022 and 2021.

Concurrently with the Company's entry into the Credit Agreement, the Company used a portion of the proceeds to prepay in full all outstanding obligations under, and terminated, the SVB March 2021 Note. In connection with the SVB March 2021 Note prepayment, the Company paid a total of $18.5 million on April 14, 2023, which consisted of (i) the remaining principal amount outstanding of $18.1 million, (ii) a prepayment premium of $0.3 million, (iii) accrued and unpaid interest of $0.1 million and (iv) a nominal amount for transaction expenses. The Company recorded a loss on debt extinguishment of $0.4 million related to the early repayment in interest expense in the consolidated statements of operations and comprehensive loss.

SCI June 2021 Note

In June 2021, the Company entered into a loan and security agreement with a lender to obtain credit extensions to the Company. Extensions were available in $5.0 million increments up to a total commitment amount of $15.0 million. The Company drew an initial $5.0 million on June 14, 2021 and the remaining $10.0 million on December 1, 2021. The loan bore interest at an annual rate equal to the greater of 9.00% or 5.75% above the Prime Rate. During the year ended December 31, 2023, the interest rate was 13.75%. Payments were interest-only for the first twelve months and are now principal and interest through maturity. The Company incurred and paid $0.5 million, $1.5 million and $0.3 million in interest expense in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2023, 2022 and 2021 respectively. During the years ended December 31, 2023, 2022 and 2021, the Company recorded $31 thousand, $0.8 million and $1.0 million related to the amortization of the debt discounts in interest expense, respectively. The Company was amortizing the discounts on an effective interest basis over the period from issuance through the Early Maturity Date. The effective interest rate was 18.6%, 17.3% and 26.1% for the year ended December 31, 2023, 2022 and 2021.

Concurrently with the Company's entry into the Credit Agreement, the Company used a portion of the proceeds to prepay in full all outstanding obligations under, and terminated, the SCI June 2021 Note. In connection with the SCI June 2021 Note prepayment on April 14, 2023, the Company paid a total of approximately $11.7 million, which consisted of (i) the remaining principal amount outstanding of approximately $11.5 million, (ii) a prepayment premium of approximately $0.2 million and (iii) a nominal amount for transaction expenses. The Company recorded a loss on debt extinguishment of $0.4 million related to the early repayment in interest expense in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2023.

Term Loan

On April 14, 2023 (the "Term Loan Closing Date"), the Company entered into a Senior Secured Term Loan Credit Agreement (the "Credit Agreement") with ACP Post Oak Credit II LLC, as administrative agent and collateral agent for the Lenders (the "Agent"), and the lenders from time to time party thereto (the "Lenders"). The Credit Agreement provides for a term loan facility in an aggregate principal amount of up to $100.0 million (the "Term Loan"), the entirety of which was funded on the Term Loan Closing Date. The Credit Agreement also permits the Company to request additional commitments of up to $25.0 million in the aggregate, with funding of such commitments in the sole discretion of the Lenders, under certain circumstances and under the same terms as the Term Loan. On the Term Loan Closing Date, the Company also entered into that certain Guarantee and Collateral Agreement, dated as of April 14, 2023, by and among the Company, the other grantors named therein and the Agent (the “Guarantee and Collateral Agreement”). In addition, the Company is obligated to pay incremental lender fees, beginning on the Closing Date, equal to initially 3.5% of the principal amount of the Term Loans, decreasing to 2.5% after the 18-month anniversary, semi-annually (the “Lender Fees”) to provide a collateral protection insurance policy on behalf of the Lenders. The Lender Fees are effectively additional fees payable to the Lenders as the Lenders are the sole beneficiary of the insurance policy and is therefore being recognized as interest expense over the term of the Term Loan based on the effective interest method.

The Company used the proceeds from the Term Loan to (i) repay outstanding amounts equal to approximately $30.0 million under the Company’s existing loan facilities, (ii) fund an escrow account on the Term Loan Closing Date in the name of the Agent for an amount equal to the first four interest payments, (iii) pay certain fees and expenses incurred in connection with entering into the Credit Agreement, and (iv) fund the Lender Fees, together with related taxes, with the remaining proceeds to be used to fund growth investments and for general corporate purposes as permitted under the Credit Agreement.

The outstanding principal balance of the Term Loan bears interest at the applicable margin plus, at the Company’s election, either (i) the Term SOFR rate published by CME Group Benchmark Administration Limited for a one-month interest period plus 0.15% or (ii) the alternate base rate (“ABR”), which is a per annum rate equal to the greatest of (a) the Prime Rate (as defined in the Credit Agreement), (b) the NYFRB Rate (as defined in the Credit Agreement) plus 0.50% and (c) the Term SOFR rate plus 1.00%. The applicable margin under the Credit Agreement is 8.50% per annum with respect to SOFR loans, and 7.50% per annum with respect to ABR loans. As of December 31, 2023, the contractual interest rate was approximately 14.0%. The Company was amortizing the discounts on an effective interest basis over the period from issuance through the Early Maturity Date. The effective interest rate was 25.18% for the year ended December 31, 2023. The Company incurred and paid $9.9 million in stated interest in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2023. During the year ended December 31, 2023, the Company recorded $5.4 million in interest expense related to the debt discount. The remaining period over which the discount will be amortized is 3.33 years as of December 31, 2023.

Subject to certain exceptions as set forth in the Credit Agreement, interest on the Term Loan is payable quarterly in arrears on the last business day of each fiscal quarter. The Term Loan is set to mature on April 14, 2027 (the “Maturity Date”). The Credit Agreement provides for no scheduled principal payments prior to the Maturity Date.

The Term Loan is secured by substantially all of the assets of the Company and its subsidiaries and is guaranteed by the Company’s subsidiaries other than Excluded Subsidiaries. As set forth in more detail in the Credit Agreement, the Company is required to make mandatory prepayments on the Term Loan in the event of certain specified events, including in the event of certain capital raises by the Company and its subsidiaries. The Company may also elect to prepay amounts at any time. If the Term Loan is prepaid for any reason prior to the second anniversary of the Closing Date, in additional to principal and accrued interest, the Company will have to pay an amount equal to the discounted future interest payments from the date of redemption through the second anniversary of the Closing Date, calculated on the basis of the interest rate in effect on the redemption date and discounted based on the applicable rate for US treasury securities of equal tenor plus 50 basis points. Additionally, the Company will have to pay the excess of 14% of the Term Loans over the amount of the Lender Fees paid through the Redemption Date.

The Credit Agreement also contains customary representations and warranties for a facility of this nature and affirmative and negative covenants. In particular, the Credit Agreement requires the Company to have liquidity at least equal to the Interest Escrow Required Amount (as defined in the Credit Agreement) as of the last day of each fiscal quarter. The Interest Escrow Required Amount as described in Note 2 is included in restricted cash equivalents, non-current, on the consolidated balance sheet as of December 31, 2023. In addition, the Credit Agreement limits the Company’s and its subsidiaries’ ability to incur indebtedness, make restricted payments, including cash dividends on its common stock, make certain investments, loans and advances, enter into mergers and acquisitions, sell, assign transfer or otherwise dispose of its assets, enter into transactions with its affiliates and engage in sale and leaseback transactions, among other restrictions. As of December 31, 2023, the Company was in compliance with all covenants prescribed in the Credit Agreement.

The Credit Agreement includes customary events of default, including, but not limited to, nonpayment of principal or interest, breaches of representations and warranties, failure to perform or observe covenants, cross-defaults with certain other indebtedness, final judgments or orders, certain change of control events, and certain bankruptcy-related events or proceedings. Upon the occurrence of an event of default (subject to notice and grace periods), obligations under the Credit Agreement could be accelerated.

The aggregate long-term debt maturities were as follows as of December 31, 2023 (in thousands):

2024		—
2025		—
2026		—
2027		100,000
Total		100,000
Less: unamortized discount		(15,688)
Long-term portion of debt	$	84,312

The following table summarizes the Company's debt balances as of December 31, 2023 and December 31, 2022 (in thousands):

	December 31, 2023		December 31, 2022	
Term Loan	$	100,000	$	—
SVB March 2021 Note		—		22,050
SCI June 2021 Note		—		12,979
Total debt	$	100,000	$	35,029
Current portion of debt		—		(16,668)
Unamortized discount and debt issuance costs		(15,688)		(62)
Carrying value of long-term debt	$	84,312	$	18,299

NOTE 10. RESTRUCTURING

In January 2023, the Company announced a restructuring plan (the “Restructuring Plan”) intended to reduce operating costs, improve operating margins, improve cash flows and accelerate the Company’s path to profitability. The Restructuring Plan included a reduction of the Company’s then-current workforce by approximately 40% or 180 positions globally.

Costs associated with the Restructuring Plan consist of employee severance payments, employee benefits and share-based compensation. The costs associated with the Restructuring Plan were recorded to the restructuring expense line item within our consolidated statements of operations as incurred. During the year ended December 31, 2023, we recorded $4.6 million of restructuring expenses in connection with the Restructuring Plan, of which $1.4 million were cash payments. The Restructuring Plan was substantially complete as of December 31, 2023.

NOTE 11. FAIR VALUE MEASUREMENT

The following table presents the fair value of the Company's financial instruments that are measured or disclosed at fair value on a recurring basis (in thousands):

	December 31, 2023		
	Level 1	Level 2	Level 3
Assets:			
Cash equivalents:			
Treasury bills	$ 35,961	$ —	$ —
Money market funds	54,542	$ —	$ —
Total assets	$ 90,503	$ —	$ —

There were no financial instrument assets measured or disclosed at fair value on a recurring basis as of December 31, 2022.

Equity Line of Credit

Liabilities:	Equity Line of Credit
January 1, 2022	$ —
Issuance of ELOC	1,075
December 31, 2022	1,075
Change in fair value	1,901
Settlements	(2,976)
December 31, 2023	$ —

The Company estimated the Level 3 fair value of the liability related to the ELOC using contractual inputs of the commitment shares and reimbursement fees prior to the settlement. The Company determined that the ELOC was not indexed to the Company's own common stock and, therefore, should be accounted for in accordance with ASC 815: *Derivatives*. Accordingly, the Company recorded a derivative liability with an initial fair value of $1.1 million based on the upfront commitment fee and the reimbursement amount to the investor as consideration for its irrevocable commitment to purchase up to 25,000,000 shares of the Company's common stock.

Subsequent changes in the fair value of the derivative liability are dependent upon, among other things, changes in the closing share price of the Company's common stock, the quantity and purchase price of shares purchased during the reporting period, the unused capacity under the ELOC as of the balance sheet date and the cost of raising other forms of capital. The Company adjusts the previous fair value estimate of the committed equity facility at each reporting period based on changes in the weighted average purchase price of shares purchased during the period, the unused capacity available under the ELOC, expected stock price volatility and other macroeconomic factors which impact the cost of raising comparable forms of capital.

The changes in the fair value of the committed equity facility were an increase of $1.9 million for the year ended December 31, 2023, which is included in other (income) expense, net on the consolidated statements of operations and comprehensive income (loss). The fair value of the liability then is remeasured as of the settlement date equal to the difference between the volume weighted average price at a 3% discount compared to the fair value of the common stock.

Series C Warrants (April 2013 and November 2013)

In December 2021, the Series C Warrants were fully exercised. Immediately prior to their exercise, the Company revalued the warrants to their intrinsic value, resulting in a change in fair value of $3.8 million. This change in fair value was recorded as a component of other expense, net, in the accompanying consolidated statements of operations and comprehensive loss. The warrants were recorded as Series C Preferred Stock at their fair value of $5.8 million upon net share settlement.

Derivative Liability (SNAP June 2020 Note)

To determine the fair value of the embedded derivative associated with the SNAP June 2020 Note, the Company utilized the income approach model using the With and Without method. Using the With and Without method, the Company modeled expected cash flows to the noteholder under Next Equity Financing, Change in Control, SPAC/Private Investment in Public Equity, and IPO scenarios. The value of the embedded derivative was determined as the differential value from the perspective of the With and Without Method. The Company utilized the following assumptions at the valuation date:

	December 31, 2021
Probability of Next Equity Financing	3 %
Probability of SPAC/PIPE	95 %
Probability of IPO	2 %
	100 %
Weighted average term (years)	0.27
Weighted average discount rate	25 %

The significant unobservable inputs used in the fair value measurement of the derivative liability are the remaining expected term, the discount rate, and the probability of financing for each scenario. Significant increases (decreases) in the term would result in significantly lower (higher) fair value measurements. Significant increases (decreases) in the discount rate would result in significantly lower (higher) fair value measurements.

On April 26, 2022, the Closing of the Business Combination, the embedded derivative was valued at fair value which was equivalent to its intrinsic value. The embedded derivative had a fair value of $4.1 million. As the Closing of the Business Combination triggered the Conversion Feature contained within the SNAP June 2020 Note, therefore converting the note's principal to equity, the embedded derivative associated with the note was extinguished. The Company recorded the remeasurement of derivative liabilities in other expense, net on the consolidated statements of operations and comprehensive loss. The fair value of the embedded derivative was recorded as additional paid-in capital upon extinguishment on the consolidated balance sheet.

The following table summarizes the fair value remeasurement of the embedded derivative for the years ended December 31, 2022 and 2021 (in thousands):

	Year Ended December 31, 2022	Year Ended December 31, 2021
Remeasurement of conversion feature — loss	$ (606)	$ (1,108)

The following table sets forth a summary of changes in fair value of the Company's derivative liability and warrant liability for which fair value was determined by Level 3 inputs:

	Derivative Liability	Warrant Liability
Balance as of December 31, 2020	$ 2,380	$ 2,004
Change in fair value	$ 1,108	$ 3,812
Exercise of warrants	$ —	$ (5,816)
Balance as of December 31, 2021	$ 3,488	$ —
Change in fair value	$ 606	$ —
Extinguishment of embedded derivative upon conversion of convertible note	$ (4,094)	$ —
Balance as of December 31, 2022	$ —	$ —

Term Loan and Term Loan Warrant

The fair value of the Company's variable rate Term Loan approximates aggregate principal amount as the interest rate of the loan approximates market rates.

The Company issued a Class A Common Stock warrant in connection with the Term Loan (see Note 8 for additional information). The warrant was recorded based on the allocation of its relative fair value of the debt proceeds of $4.1 million. The warrants were classified as equity instruments at inception with a corresponding discount recorded at issuance against the outstanding note payable in connection with the Term Loan. The common stock warrant is not subject to remeasurement at each subsequent balance sheet date due to its classification as an equity instrument as it is considered indexed to the Company's stock. The Term Loan warrant expires in April 2033.

The Company determined the fair value of the Term Loan common stock warrant at issuance using the Black-Scholes option-pricing model using the following assumptions:

Expected dividend rate	— %
Risk-free interest rate	3.60 %
Expected volatility	52 %
Expected term (in years)	5

As of December 31, 2023, no warrants related to the Term Loan had been exercised.

NOTE 12. PREFERRED STOCK

Legacy SoundHound Preferred Stock

Legacy SoundHound Preferred Stock was not mandatorily redeemable. Legacy SoundHound Preferred Stock was contingently redeemable upon a deemed liquidation event which the Company determined was not solely within its control as the Company determined that a deemed liquidation event can only occur with the approval of the board of directors and the preferred shareholders maintained control of the board of directors as of December 31, 2021 and through April 26, 2022, the effective date of the Business Combination, and thus has classified shares of Legacy SoundHound Preferred Stock as temporary equity. Since the occurrence of a deemed liquidation event was not probable, the carrying values of the shares of legacy SoundHound Preferred Stock were not being accreted to their redemption values.

A summary of the Legacy SoundHound Preferred Stock authorized, issued and outstanding as of the date of the Business Combination is as follows*:*

	Shares Authorized	Shares Issued	Liquidation Preference	Carrying Value
Series A	19,106,048	19,106,048	$ 28,239	$ 4,967
Series B	33,702,134	33,702,134	66,360	11,038
Series C	5,687,525	5,687,525	38,163	11,837
Series C-1	4,436,090	4,436,090	89,298	16,061
Series D	20,258,299	20,258,299	527,992	85,648
Series D-1	8,418,535	8,418,535	277,812	49,957
Series D-2	8,418,530	8,418,530	277,811	49,949
Series D-3	6,922,165	6,922,165	276,887	50,046
Series D-3A	20,835,869	—	—	—
	127,785,195	106,949,326	$ 1,582,562	$ 279,503

Upon the closing of the Business Combination, the outstanding shares of Series A, B, C, C-1, D, D-1, D-2, and D-3 preferred stock were converted into 106,949,326 shares of SoundHound AI Class A Common Stock at the exchange ratio of 1-for-1. Shares Authorized and Shares Issued above have been retroactively adjusted to reflect the exchange of 1 share of Legacy SoundHound stock into 5.5562 shares of the Company's Class A or Class B Common Stock. As a result of the conversion of the Legacy SoundHound redeemable convertible preferred stock, the Company reclassified the amount of redeemable convertible preferred stock to additional paid in capital.

Upon the consummation of the Business Combination, the Company is authorized to issue 1,000,000 shares of preferred stock with a par value of $0.0001 per share. The number of authorized shares of preferred stock may also be increased or decreased by the affirmative vote of the holders of a majority of the voting power of all the then-outstanding shares of capital stock of the Company entitled to vote thereon, without a separate vote of the holders of preferred stock. Any new series of preferred stock may be designated, fixed and determined as provided by the Board without approval of the holders of common stock or preferred stock and the preferred stock holders may be granted such rights, powers (including voting powers) and preferences as determined by the Board in its sole discretion, including the right to elect one or more directors.

Series A Convertible Preferred Stock

On January 20, 2023, the Company entered into the Purchase Agreements with the Investors, pursuant to which the Company issued and sold to the Investors an aggregate of 835,011 shares of its newly designated Series A Convertible Preferred Stock for issuance price of $30.00 per share, raising an aggregate of approximately $25.0 million in cash proceeds. On January 20, 2023, the Company filed a Certificate of Designations of Preferences, Rights and Limitations of the Series A Preferred Stock with the Secretary of State of the State of Delaware (the "Certificate of Designations"), designating shares of Series A Preferred Stock. The shares of Series A Preferred Stock were issued and sold in a private placement exempt from the registration requirements of the Securities Act. The Company does not intend to register the shares of Series A Preferred Stock or the underlying common stock for resale under the Securities Act. The holders of Series A Preferred Stock are entitled to cumulative dividends payable for such share at the rate of 14% per annum, compounding semi-annually to Liquidation Preference on January 1 and July 1 of each year. The Company may also elect to pay any dividend in cash in lieu of accretion to Liquidation Preference if permitted under the agreements and instruments governing its outstanding indebtedness at such time. After payment of the cumulative dividend, including by way of accretion to the Liquidation Preference, any additional dividends declared or paid shall be distributed among the holders of Preferred Stock and common stock then outstanding pro rata based on the number of shares of common stock then held by each holder (assuming conversion of all such Preferred Stock into common stock at the then-effective conversion price.

Liquidation Preference

The Liquidation Preference per share of Preferred Stock was initially equal to $30.00, the original issue price per share. On July 1, 2023, the Company's Series A Preferred Stock holders received dividends paid-in-kind as an increase in the Liquidation Preference, thereby increasing the Liquidation Preference per share to approximately $31.90. Additionally, as of December 31, 2023, the Series A Preferred Stock had accrued additional dividends since the last dividend payment date which has the effect of increasing the Liquidation Preference to approximately $34.16.

Redemption

The Series A Preferred Stock is not mandatorily redeemable.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or in the event of any Deemed Liquidation Event (as defined below), the holders of the Series A Preferred Stock will be entitled to receive, prior and in preference to any distribution of the proceeds of the transaction or any of the assets of the Company to holders of the common stock, an amount per share equal to the greater of (i) two and a half time (2.5x) the Liquidation Preference (including any accrued and unpaid dividends since the last dividend payment date) or (ii) the amount as would have been payable had the Series A Preferred Stock been converted into common stock.

A Deemed Liquidation Event includes (i) a merger or acquisition of the Company in which 50% or less of the voting securities of the surviving entity are no longer held by the shareholders of the Company immediately prior to such transaction or (ii) a sale, lease, transfer, exclusive license, or other disposal of all or substantially all of the Company’s assets. If the Company is not liquidated within 90 days of a Deemed Liquidation Event, the holders of the Series A Preferred Stock will have the option to require the redemption of the Preferred Stock to the extent the Company has sufficient available proceeds to do so. The Company determined that a Deemed Liquidation Event can only occur with the approval of the board of directors, and therefore the exercise of this contingent redemption feature is within the control of the Company and the Investors are not in control of the Company. Therefore, the Series A Preferred Stock is not classified as redeemable equity within the Company’s consolidated balance sheet and consolidated statements of redeemable convertible preferred stock and stockholders’ equity (deficit).

Conversion

Each share of Series A Preferred Stock is convertible, at the option of the holder, into such number of shares of Class A Common Stock equal to the Liquidation Preference per share at the time of conversion divided by $1.00 (the “Conversion Price”). In addition, each share of Series A Preferred Stock will automatically convert into shares of Class A Common Stock at the Conversion Price on or after January 20, 2024 if and when the daily volume-weighted average closing price per share of Class A Common Stock is at least 2.5 times the Conversion Price for each of any 90 trading days during any 120 consecutive trading day period, which 120-trading day period may commence (but may not end) prior to January 20, 2024. During the year ended December 31, 2023, some Investors optionally converted 360,006 shares of Series A Preferred Stock into 11,597,656 shares of Class A Common Stock. The conversion was pursuant to the original terms of the agreement and therefore the carrying value of Series A Preferred Stock was converted into Class A Common Stock with no gain or loss upon conversion.

Voting Rights

The Investors do not have voting rights, except with respect to certain protective provisions and as required by the Delaware General Corporation Law. However, as long as the Series A Preferred Stock are outstanding, the Company may not take certain actions that may materially and adversely impact the powers, preferences, or rights of the Investors without the consent of at least a majority of the Investors.

NOTE 13. COMMON STOCK

The Company had 250,030,433 shares of Legacy SoundHound common stock authorized for issuance prior to the closing of the Business Combination.

On April 26, 2022, following the Business Combination and pursuant to the Company's certificate of incorporation, the Company is authorized to issue 500,000,000 shares of capital stock, consisting of (a) 455,000,000 shares of Class A Common Stock with a par value of $0.0001 per share, (b) 44,000,000 shares of Class B Common Stock with a par value of $0.0001 per share, and (c) 1,000,000 shares of preferred stock with a par value of $0.0001 per share. The outstanding shares of the Company's common stock are fully paid and non-assessable.

As a result of the Business Combination, 73,561,334 shares of Legacy SoundHound common stock, along with 106,949,326 shares of Legacy SoundHound preferred stock, were converted into 180,510,660 shares of the Company's common stock, consisting of 140,114,060 shares of Class A Common Stock and 40,396,600 shares of the Company's Class B Common Stock. On all matters to be voted upon, subject to the rights of any holders of any series of preferred stock, holders of shares of Class A Common Stock and Class B Common Stock will vote together as a single class on all matters submitted to the stockholders for their vote or approval. Holders of Class A Common Stock are entitled to one vote per share on all matters submitted to the stockholders for their vote or approval. Holders of Class B Common Stock are entitled to ten votes per share on all matters submitted to stockholders for their vote or approval.

Each share of Class B Common Stock shall automatically convert into one fully paid and nonassessable share of Class A Common Stock. Shares of Class B Common Stock will be convertible into shares of Class A Common Stock and will be automatically convert into shares of Class A Common Stock upon the occurrence of certain future events, generally including transfers, subject to limited excepts set forth in the amended charter. The conversion of Class B Common Stock to Class A Common Stock will have the effect, over time, of increasing the relative voting power of those holders of Class B Common Stock who retain their shares in the long term. As a result, it is possible that one or more of the persons or entities holding our Class B Common Stock could gain significant voting control as other holders of Class B Common Stock sell or otherwise convert their shares into Class A Common Stock.

Equity Line of Credit ("ELOC")

On August 16, 2022, the Company entered into a common stock purchase agreement ("Common Stock Purchase Agreement") and related registration rights agreement (the "CFPI Registration Rights Agreement") with CF Principal Investments LLC (the "Counterparty"). Pursuant to the Common Stock Purchase Agreement, the Company had the right, but not the obligation, to direct the Counterparty to purchase up to 25,000,000 shares of Class A Common Stock, subject to certain limitations and conditions as described below (the "ELOC Program") at a purchase price equal to 97% of the volume weighted average stock price for a given purchase date. In connection with the execution of the Common Stock Purchase Agreement and the side letter on February 14, 2023, the Company issued 250,000 shares of Common Stock (the "Initial Commitment Shares") and additional cash commitment fee of $0.3 million.

The Company controlled the timing and amount of any sales to the Counterparty, which depended on a variety of factors including, among other things, market conditions, the trading price of the Company's common stock, and determinations by the Company as to appropriate sources of funding for its business and operations. However, the Counterparty's obligation to purchase shares is subject to certain conditions, including the daily trading volume of the Company's stock. In all instances, the Company may not sell shares of its common stock under the Purchase Agreement if it would result in the Counterparty and its affiliate beneficially owning more than 4.99% of its outstanding voting power or shares of common stock at any one point in time, or the aggregation number of shares of common stock would not exceed 39,365,804 shares of common stock representing 19.99% of the voting power or number of shares of common stock.

The Company evaluated the Common Stock Purchase Agreement with the Counterparty and determined that it was not indexed to the Company's own common stock and, therefore, should be accounted for as a derivative instrument at fair value with changes in fair value as other income (expense), net in the period in which they occur. Accordingly, the Company recorded a derivative liability with an initial fair value of $1.1 million based on the upfront commitment fee in the form of proceeds from future issuance of commitment shares to the Counterparty plus certain fees and expenses as specified in the Purchase Agreement. Subsequent changes in the fair value of the derivative liability were dependent upon, among other things, changes in the closing share price of the Company's common stock, the quantity and purchase price of shares purchased by the Counterparty during the reporting period and the cost of raising other forms of capital.

The Company recorded changes in the fair value of the derivative liability associated with the ELOC of $1.9 million and $1.1 million respectively, for the years ended December 31, 2023 and 2022 as other income (expense), net on its consolidated statements of operations and comprehensive loss. The Company incurred third-party costs of $0.2 million related to the execution of the Common Stock Purchase Agreement which were recorded as general and administrative expenses in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2023. Refer to Note 2 for information on the fair value of the derivative liability.

During the year ended, the Company sold the entirety of the 25,000,000 shares under the ELOC Program for aggregate proceeds of approximately $71.7 million, with the volume weighted average stock price of shares purchased by the Counterparty ranging from $1.75 to $4.26 per share.

Sales Agreement

On July 28, 2023, the Company entered into a Controlled Equity Offering Sales Agreement (the "Sales Agreement") with Cantor Fitzgerald & Co., H.C. Wainwright & Co., LLC, and D.A. Davidson & Co. (each a "Sales Agent" and collectively, the "Sales Agents"), pursuant to which the Company may offer and sell up to $150.0 million of shares of our Class A common stock from time to time through or to the Sales Agents acting as agent or principal. Sales of our Class A common stock, if any, under the Sales Agreement will be made at market prices by any method that is deemed to be an "at the market offering" as defined in Rule 415 under the Securities Act. We will pay the Sales Agents commission for their services in acting as agent in the sale of our Class A common stock. The Sales Agents are entitled to aggregate compensation at a fixed commission rate of 2.5% of the gross sales price per share sold under the Sales Agreement. We have also agreed to reimburse the Sales Agents for certain specified expenses, including the reasonable and documented fees and disbursements of its legal counsel in an amount not to exceed $75 thousand in the aggregate in connection with the execution of the Sales Agreement.

During the year ended December 31, 2023, the Company sold 5,805,995 shares of our common stock under the Sales Agreement, at a weighted-average price of $2.19 per share and raised $12.7 million of gross proceeds. The commissions and offering costs borne by the Company during the year were approximately $0.3 million. As of December 31, 2023, the Company has a remaining capacity to sell up to an additional $137.3 million of the Company's common stock under the Sales Agreement.

NOTE 14. STOCK INCENTIVE PLANS

In April 2016, we adopted the 2016 Equity Incentive Plan (the "2016 Plan") as a successor and continuation of the 2006 Plan. Under the 2016 Plan, the Company was permitted to grant awards of stock options and RSUs, as well as stock appreciation rights and other stock awards. During the year ended December 31, 2021, the Company amended the 2016 Plan to increase the number of shares of common stock reserved for issuance by 6,667,478 to an aggregate of 48,347,329. As of the Closing Date of the Business Combination, the Company no longer has shares available for issuance under the 2016 Plan.

The 2016 Plan provides for incentive stock options to be granted to employees at an exercise price not less than 100% of the fair value at the grant date as determined by the Board of Directors, unless the optionee is a 10% stockholder, in which case the option price will not be less than 110% of such fair market value. Options granted generally have a maximum term of 10 years from grant date, are exercisable upon vesting unless otherwise designated for early exercise by the Board of Directors at the time of grant, and generally vest over a four-year period, with a 25% cliff vesting after one year and then ratably on a monthly basis for the remaining three years. RSUs granted generally vest over a four-year period, with 25% cliff vesting after one year and then ratably on a quarterly basis for the remaining three years.

On April 26, 2022, the stockholders of the Company approved the SoundHound AI, Inc. 2022 Incentive Award Plan (the “2022 Incentive Plan”) (collectively, with the 2006 Plan and the 2016 Plan, the “Plans”), which became effective upon the Closing. The Company initially reserved 19,650,371 shares of Class A Common Stock for the issuance of awards under the 2022 Incentive Plan (“Initial Limit”). The Initial Limit represents 10% of the aggregate number of shares of the Company’s common stock outstanding immediately after the Closing and is subject to increase each year over a ten-year period. The Incentive Award Plan provides for the grant of stock options, which may be ISOs or non-statutory stock options (“NSOs”), stock appreciation rights (“SARs”), restricted shares, restricted stock units and other stock or cash-based awards that the Incentive Award Plan Administrator determines are consistent with the purpose of the Incentive Award Plan and the interests of the Combined Company, or collectively, awards. As of December 31, 2023, the Company had 2,361,806 awards remaining for issuance under the 2022 Incentive Plan.

On April 26, 2022, the stockholders of the Company approved the SoundHound AI, Inc. 2022 Employee Stock Purchase Plan (the “ESPP”), which became effective upon the Closing. An aggregate of 3,930,074 shares of the Company’s Class A Common Stock has been reserved for issuance or transfer pursuant to rights granted under the ESPP (“Aggregate Number”). The Aggregate Number represents 2% of the aggregate number of shares of the Company’s common stock outstanding immediately after the Closing and is subject to increase each year over a ten-year period. The ESPP provides eligible employees with an opportunity to purchase common stock from the Company at a discount through accumulated payroll deductions. The ESPP is being implemented through a series of offerings of purchase rights to eligible employees. Under the ESPP, the Company’s Board of Directors may specify offerings but generally provides for a duration of 27 months. The purchase price will be specified pursuant to the offering, but cannot, under the terms of the ESPP, be less than 85% of the lower of the fair market value per share of the Company’s common stock on either the offering date or on the purchase date. The ESPP also includes a six-month look-back provision for the purchase price if the stock price on the purchase date is less than the stock price on the offering date. The first offering period under the ESPP began on November 1, 2022. As of December 31, 2023, we had issued 478,023 shares pursuant to the ESPP.

Option Activity

Stock option activity under the Plans was as follows for the years ended December 31, 2023, 2022 and 2021:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in Thousands)
Outstanding, December 31, 2020	28,772,180	$ 2.38		
Granted	6,303,953	7.22		
Exercised	(2,590,780)	0.96		9,667
Forfeited or cancelled	(2,123,948)	3.13		
Outstanding, December 31, 2021	30,361,405	$ 3.45	6.24	$ 168,705
Granted	391,619	6.17		
Exercised	(3,595,706)	1.16		22,534
Forfeited or cancelled	(1,736,893)	4.63		
Outstanding, December 31, 2022	25,420,425	3.74	6.32	1,448
Exercised	(3,585,829)	2.37	—	$ 5,207
Forfeited or cancelled	(4,993,229)	5.24	—	—
Outstanding, December 31, 2023	16,841,367	$ 3.59	4.77	$ 1,392
Exercisable, December 31, 2023	15,084,586	3.26	4.45	1,392

Options exercised early are subject to the vesting provisions mentioned above, and any unvested shares are subject to repurchase at the original price upon termination of employment, death, or disability. There were no option exercises during the year ended December 31, 2023, 2022 and 2021 that were subject to repurchase.

The weighted average grant date fair value per option granted was $3.11, during the year ended December 31, 2022 and $3.06 during the year ended December 31, 2021. There were no options granted during the year ended December 31, 2023. The total fair value of options vested was approximately $4.5 million, $9.9 million and $5.4 million during the years ended December 31, 2023, 2022 and 2021, respectively. The Company recorded stock-based compensation expense related to options of $4.0 million, $8.7 million and $6.3 million for the years ended December 31, 2023, 2022 and 2021. As of December 31, 2023, the unamortized expense related to outstanding options was $4.5 million. The weighted average remaining amortization period over which the balance as of December 31, 2023 is to be amortized is 1.51 years.

For the purpose of determining the estimated fair value of share-based payment awards issued in the form of stock options, the Company uses the Black-Scholes option-pricing model. The assumptions under the Black-Scholes option-pricing model during the years ended December 31, 2022 and 2021 were as follows for option awards:

	2022	2021
Dividend yield	0 %	0 %
Expected volatility	51 %	42 %
Expected term (years)	5.88	6.01
Risk free interest rate	2.58 %	1.14 %

ESPP Activity

For the purpose of determining the estimated fair value of ESPP shares, the Company uses the Black-Scholes option-pricing model. The assumptions under the Black-Scholes option-pricing model during the year ended December 31, 2023 and 2022 were as follows for ESPP awards:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Dividend yield	0 %	0 %
Expected volatility	56 %	77 %
Expected term (years)	0.49	0.52
Risk free interest rate	5.26 %	4.53 %

During the year ended December 31, 2023 , the Company recorded $0.4 million of stock-based compensation related to its ESPP. There was $0.1 million of unrecognized stock-based compensation expense for the year ended December 31, 2023, related to the ESPP that is expected to be recognized over an average vesting period of 0.36 years.

Restricted Stock Unit Activity

The activity for nonvested Restricted Stock Units under the Plans was as follows for the year ended December 31, 2023, 2022 and 2021:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested, December 31, 2021	—	—
Granted	20,416,417	4.26
Vested	(2,516,191)	4.99
Forfeited	(1,183,843)	4.46
Nonvested, December 31, 2022	16,716,383	4.14
Granted	11,158,301	2.38
Vested	(7,678,184)	3.32
Forfeited	(3,852,909)	3.90
Nonvested, December 31, 2023	16,343,591	3.39

The Company recorded stock-based compensation expense of $1.3 million related to Performance-Based RSUs during the year ended December 31, 2023. Unamortized expense related to Performance-Based RSUs was $6.6 million as of December 31, 2023.

To derive the fair value of Market-Based RSUs, the Company applies a Monte Carlo simulation to determine the grant date fair value. The assumptions under the Monte Carlo simulation model and the calculated fair value of the Market-Based RSUs granted to employees during the year ended December 31, 2022 were as follows. The Company did not grant Market-Based RSUs during the year ended December 31, 2023.

	Year Ended December 31, 2022
Expected volatility	52 %
Expected term (years)	4
Drift rate	2.9 %

The Company recorded $1.5 million and $1.1 million in stock-based compensation expense related to Market-Based RSUs during the year ended December 31, 2023 and 2022. Unamortized expense related to Market-Based RSUs was $0.6 million as of December 31, 2023. There were no Market-Based RSU's granted during the year ended, December 31, 2023.

During the year ended December 31, 2023 and 2022, the fair value of RSUs that vested was $25.5 million and $12.0 million. During the year ended December 31, 2023 and 2022 the Company recorded $20.4 million and $19.0 million of stock-based compensation related to RSUs. As of December 31, 2023 and the unamortized expense related to RSUs was $50.5 million. The weighted average remaining amortization period over which the balance as of December 31, 2023 is to be amortized is 2.32 years.

Equity Award Modifications

In connection with the Restructuring Plan (as defined in Note 10), the Company entered into severance arrangements with 166 affected employees. Pursuant to these arrangements, these employees received acceleration of vesting of RSUs and extensions of the post-termination exercise period of stock option awards. All award modifications related to restructuring activities were expensed in the year ended December 31, 2023. The total incremental compensation cost resulting from these modifications is $3.2 million. There were no significant modifications during the years ended December 31, 2022 and December 31, 2021.

Compensation Costs

The Company's founders held 7,270,503 of Legacy SoundHound common stock pre-conversion prior to the Business Combination. The founders exchanged their shares for Legacy SoundHound Class B common stock immediately prior to the closing of the business combination. Upon the Business Combination, the founders exchanged their Legacy SoundHound Class B shares in exchange for 40,396,600 shares of Class B Common Stock according to the Conversion Ratio. As the Class B Common Stock shares have ten votes per share, the exchange resulted in incremental stock-based compensation expense of $1.0 million which is included in general and administrative expenses on the consolidated statements of operations and comprehensive loss for the year ended December 31, 2022.

Stock-based compensation is classified in the following expense accounts on the consolidated statements of operations and comprehensive loss for the years ended December 31, 2023, 2022 and 2021 (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Cost of revenue	$ 412	$ 99	$ —
Sales and marketing	3,601	2,794	509
Research and development	11,992	13,986	4,434
General and administrative	8,784	11,913	1,379
Restructuring costs	3,142	—	—
Total	$ 27,931	$ 28,792	$ 6,322

NOTE 15. LEASES

The Company leases certain facilities under non-cancelable operating leases that expire at various dates through 2030. Some leases include renewal options, which would permit extensions of the expiration dates at rates approximating fair market rental values. The Company also enters into certain finance leases for computer equipment. The finance leases are collateralized by the financed assets.

Aggregate non-cancelable future minimum lease payments under operating and finance leases were as follows as of December 31, 2023 (in thousands):

	Operating Lease	Finance Lease
Year Ending December 31:		
2024	$ 3,250	$ 122
2025	928	12
2026	471	—
2027	471	—
2028	471	—
Thereafter	785	—
Total	6,376	134
Less: imputed interest	(650)	(5)
Present value of lease liabilities	5,726	129
Less: current portion	(2,637)	(121)
Lease liabilities, net of current portion	$ 3,089	$ 8

The components of lease cost were as follows during the years ended December 31, 2023, 2022 and 2021 (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Operating lease cost	$ 3,177	$ 3,423	$ 3,654
Short-term lease cost	$ 1,298	$ 466	$ 524
Finance lease cost:			
Amortization of finance leased assets	$ 161	$ 995	$ 2,575
Interest on lease liabilities	$ 23	$ 79	$ 472

The table below presents additional information related to our leases as of December 31, 2023:

	Operating Lease	Finance Lease
Weighted average remaining lease term (years)	3.67	1.00
Weighted average discount rate	5.83 %	10.50 %

The Company's rent expense totaled approximately $5.3 million, $3.9 million and $4.2 million during the years ended December 31, 2023, 2022 and 2021, respectively.

NOTE 16. OTHER INCOME (EXPENSE), NET

Other income (expense), net on the consolidated statements of operations and comprehensive loss is comprised of the following for the years ended December 31, 2023, 2022 and 2021 (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Other income (expense), net:			
Interest income	$ 2,866	$ 390	$ 7
Change in fair value of derivative and warrant liability	—	(606)	(4,920)
Loss on change in fair value of ELOC program	(1,901)	(1,075)	—
Other income (expense), net	190	32	(502)
Total other income (expense), net	$ 1,155	$ (1,259)	$ (5,415)

NOTE 17. NET LOSS PER SHARE

The following table presents the calculation of basic and diluted net loss per share attributable to common stockholders for the years ended December 31, 2023, 2022 and 2021:

	Year Ended December 31,		
	2023	2022	2021
Numerator:			
Net loss (in thousands)	$ (88,937)	$ (116,713)	$ (79,540)
Cumulative dividends attributable to Series A Preferred Stock	(2,774)	—	—
Net loss attributable to SoundHound common shareholders (in thousands)	(91,711)	(116,713)	(79,540)
Denominator:			
Weighted average shares outstanding – basic and dilutive	229,264,904	157,317,695	67,255,538
Basic and diluted net loss per share	$ (0.40)	$ (0.74)	$ (1.18)

For the years ended December 31, 2023, 2022 and 2021, the diluted net loss per share is equal to the basic earnings per share as the effect of potentially dilutive securities would have been antidilutive.

The following table summarizes the outstanding shares of potentially dilutive securities that were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive for the years ended December 31, 2023, 2022 and 2021:

	Year Ended December 31,		
	2023	2022	2021
Stock options	16,841,367	25,420,425	30,361,405
Restricted stock units	16,343,591	16,716,383	—
Estimated ESPP stock units	299,116	476,636	—
Common stock warrants	6,967,532	3,665,996	1,063,214
Redeemable convertible preferred stock	—	—	106,949,326
Series A Preferred Stock	16,226,645	—	—
Total	56,678,251	46,279,440	138,373,945

NOTE 18. INCOME TAXES

The following is a geographical breakdown of income (loss) before income taxes:

	Year Ended December 31,		
	2023	2022	2021
Domestic	$ (86,724)	$ (116,964)	$ (79,962)
Foreign	1,701	3,140	878
	$ (85,023)	$ (113,824)	$ (79,084)

The provision for income taxes consisted of the following:

	Year Ended December 31,		
	2023	2022	2021
Current provision:			
Federal	$ —	$ —	$ —
State	3	7	5
Foreign	3,881	755	339
Total current provision	$ 3,884	$ 762	$ 344
Deferred provision:			
Federal	$ —	$ —	$ —
State	—	—	—
Foreign	30	2,127	112
Total deferred provision	$ 30	$ 2,127	$ 112
Total provision for income taxes	$ 3,914	$ 2,889	$ 456
Effective income tax expense rate	(4.6)%	(2.5)%	(0.6)%

The Company has incurred net pre-tax losses in the United States only for all periods presented. The Company recorded an income tax expense of $3.9 million, $2.9 million, and $0.5 million for the years ended December 31, 2023, 2022, and 2021 respectively, which reflects withholding tax paid for sales to customers in foreign jurisdictions and income tax related to foreign subsidiaries.

The provision for income taxes differed from the amount computed by applying the federal statutory rate to our income before income taxes as follows:

	Year Ended December 31,		
	2023	2022	2021
Federal statutory income tax rate	21.0 %	21.0 %	21.0 %
Tax provision at statutory rate	$ (17,855)	$ (23,903)	$ (16,608)
State income tax rate	3	7	5
Foreign withholding and income tax	3,689	2,298	388
Foreign rate differential	(136)	(115)	—
Research and development credits	(2,105)	(1,731)	(1,605)
Change in valuation allowance	18,604	24,272	15,804
Stock based compensation	2,899	1,540	728
Permanent book tax differences	516	751	996
Other deferred adjustments	(1,701)	—	—
Other	—	(230)	748
	$ 3,914	$ 2,889	$ 456

The components of our deferred tax assets and liabilities were as follows:

	Year Ended December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	$ 89,880	$ 79,060
Research and development credits	17,825	13,809
Property and equipment and intangible assets	227	178
Deferred revenue	767	1,612
Stock-based compensation	2,246	3,062
Operating lease liabilities	1,333	2,106
Section 174 research and development capitalization	21,186	13,319
Accruals and reserves	588	888
Other	—	23
Total deferred tax assets	134,052	114,057
Valuation allowance	(132,873)	(112,204)
Total deferred tax assets, net	1,179	1,853
Deferred tax liabilities:		
Right-of-use assets	(1,168)	(1,811)
Total deferred tax liabilities	(1,168)	(1,811)
Net deferred tax assets	$ 11	$ 42
Recorded as:		
Non-current deferred tax assets	$ 1,179	$ 55
Non-current deferred tax liabilities (included as a component of other non-current liabilities)	(1,168)	(13)
Net deferred tax assets	$ 11	$ 42

Based on available objective evidence, management believes it is more-likely-than-not that the domestic federal and state deferred tax assets; and excess Canadian SR&ED tax credits will not be fully realized due to the Company's cumulative losses arising in the United States, and its inability to utilize excess tax credits in Canada. Accordingly, the Company has recorded a valuation allowance on deferred tax assets in excess of deferred tax liabilities against its federal and state deferred tax assets and excess Canadian SR&ED tax credits as of December 31, 2023, and 2022. The valuation allowance increased by $20.7 million from the year ended December 31, 2022 to December 31, 2023.

The Company capitalized research and development expenditures incurred during the years ended December 31, 2023 and 2022, and amortizes such expenditures over 5 or 15 years, as applicable, pursuant to Section 174 of the Internal Revenue Code as required by the 2017 Tax Cuts and Jobs Act. The mandatory capitalization requirement did not have a material impact on our net deferred tax assets or cash tax liabilities.

The Company has not provided U.S. income or foreign withholding taxes on the undistributed earnings of its foreign subsidiaries as of December 31, 2023 because it intends to indefinitely reinvest such earnings outside of the U.S. If these foreign earnings were to be repatriated in the future, the related U.S. tax liability will not be material.

As of December 31, 2023, the Company had net operating loss carryforwards of $395.5 million of U.S. federal and $109.4 million of state net operating loss carryforwards available to reduce future taxable income. The federal and state net operating loss carryforwards will start to expire in 2025 and 2028, respectively, with the exception of $306.8 million federal net operating loss carryforwards and $5.6 million state net operating loss carryforwards, which can be carried forward indefinitely.

The Company had federal and state research and development credit carryforwards of $14.4 million and $10.9 million, respectively, as of December 31, 2023. The federal credits will expire starting in 2029 if not utilized. The state credits can be carried forward indefinitely. The Company also had Canadian SR&ED tax credits of $1.7 million, which will expire starting in 2038 if not utilized.

Under Sections 382 and 383 of the Internal Revenue Code of 1986 and similar state tax laws, utilization of net operating loss carryforwards and tax credits may be subject to annual limitations due to certain ownership changes. The Company's net operating loss carryforwards and tax credits could expire before utilization if subject to annual limitations.

The Company files U.S. federal income tax returns as well as income tax returns in many U.S. states and foreign jurisdictions. As of December 31, 2023, the tax years 2005 through the current period remain open to examination by the major jurisdictions in which the Company is subject to tax. Fiscal years outside the normal statute of limitation remain open to audit by tax authorities due to tax attributes generated in those early years, which have been carried forward and may be audited in subsequent years when utilized.

Changes in gross unrecognized tax benefits during the periods presented were as follows (in thousands):

Balance as of December 31, 2020	$	4,301
Increase for tax positions of prior years		36
Increase for tax positions of current year		731
Balance as of December 31, 2021	$	5,068
Increase for tax positions of prior years		0
Increase for tax positions of current year		1062
Balance as of December 31, 2022		6,130
Increase for tax positions of prior years		370
Increase for tax positions of current year		1,095
Balance as of December 31, 2023	$	7,595

These unrecognized tax benefits, if recognized, would not affect the effective tax rate and would be offset by the reversal of related deferred tax assets which are subject to a full valuation allowance. As of December 31, 2023, the

Company has not accrued any interest or penalties. The Company does not anticipate any significant change in the Company's uncertain tax positions within 12 months of this date.

NOTE 19. RELATED PARTY TRANSACTIONS

The Company entered into revenue contracts to perform professional services for certain companies who are also investors in the Company. As of June 30, 2022, these entities are no longer related parties. Below we provide our disclosures for transactions with the companies through June 30, 2022.

During the year ended December 31, 2022 and 2021, we recognized revenue from the companies of $5.2 million and $7.0 million, respectively.

On January 20, 2023, our Chief Financial Officer and one of our directors each entered into Purchase Agreements, purchasing 3,334 shares of Series A Preferred Stock each for a total purchase price of $100,000 each.

NOTE 20. REVISION OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During the period ended September 30, 2023, the Company identified immaterial prior period errors related to the following: 1) accounting for the ELOC as a derivative instrument; 2) classification of Lender Fees and allocation of the warrants in connection with the Term Loan; and 3) the incorrect recording of in-kind dividends associated with the Company's Series A Preferred Stock. The identified errors were included in the Company's previously issued quarterly unaudited condensed consolidated financial statements for the three and six months ended June 30, 2023, the three months ended March 31, 2023 and annual consolidated financial statements as of and for the year ended December 31, 2022.

In accordance with SEC Staff Accounting Bulletin No. 99, "Materiality," and SEC Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements;" the Company evaluated the errors and determined that the related impacts were not material to its consolidated financial statements for the prior year periods when they occurred, but the Company determined it would be appropriate to correct the errors in the current period in the Company's consolidated statements of operations and comprehensive loss, consolidated balance sheets, consolidated statements of cash flows or consolidated statements of redeemable convertible preferred stock and stockholders' deficit for any periods impacted.

The Company revised the previously issued condensed consolidated statements of operations and comprehensive loss, condensed consolidated balance sheets, condensed consolidated statements of cash flows and condensed consolidated statements of redeemable convertible preferred stock and stockholders' deficit tables as of and for the three and six months ended June 30, 2023 and as of and for the three months ended March 31, 2023 as well as the previously issued consolidated statements of operations and comprehensive loss, consolidated balance sheets, consolidated statements of cash flows and consolidated statements of redeemable convertible preferred stock and stockholders' deficit tables and as of and for the year ended December 31, 2022 to correct for such errors. All relevant prior period amounts affected by these revisions have been corrected in the notes in this Form 10-K.

The following tables reflect the impact of these revisions on the Company's unaudited condensed consolidated financial statements as of and for the three and six months ended June 30, 2023 (*dollars in thousands, except per share amounts*):

Condensed Consolidated Balance Sheet	June 30, 2023		
	As Previously Reported	Adjustment	As Revised
Accrued liabilities	$ 16,381	$ (2,872)	$ 13,509
Total current liabilities	27,003	(2,872)	24,131
Notes payable, net of current portion	66,428	15,872	82,300
Other non-current liabilities	16,824	(12,821)	4,003
Total liabilities	118,789	179	118,968
Additional paid-in capital	564,197	3,597	567,794
Accumulated deficit	(550,403)	(3,776)	(554,179)
Total stockholders’ equity	38,789	(179)	38,610
Total liabilities and stockholders’ equity	$ 157,578	$ —	$ 157,578

Condensed Consolidated Statements Of Operations And Comprehensive Loss	Three Months Ended June 30, 2023		
	As Previously Reported	Adjustment	As Revised
General and administrative	$ 6,377	$ 47	$ 6,424
Loss from operations	(16,436)	(47)	(16,483)
Other income (expense), net	493	(1,328)	(835)
Total other expense, net	(5,079)	(1,328)	(6,407)
Loss before provision for income taxes	(21,515)	(1,375)	(22,890)
Net loss	(21,932)	(1,375)	(23,307)
Less: accrual of Series A Preferred Stock paid-in-kind dividends	—	(877)	(877)
Net loss attributable to common stockholders	$ (21,932)	$ (2,252)	$ (24,184)
Net loss per share:			
Basic and diluted	$ (0.10)	$ (0.01)	$ (0.11)

Condensed Consolidated Statements Of Operations And Comprehensive Loss	Six Months Ended June 30, 2023		
	As Previously Reported	Adjustment	As Revised
General and administrative	$ 13,502	$ 211	$ 13,713
Loss from operations	(41,474)	(211)	(41,685)
Other income (expense), net	587	(2,225)	(1,638)
Total other expense, net	(6,081)	(2,225)	(8,306)
Loss before provision for income taxes	(47,555)	(2,436)	(49,991)
Net loss	(48,301)	(2,436)	(50,737)
Less: accrual of Series A Preferred Stock paid-in-kind dividends	—	(1,559)	(1,559)
Net loss attributable to common stockholders	$ (48,301)	$ (3,995)	$ (52,296)
Net loss per share:			
Basic and diluted	$ (0.23)	$ (0.02)	$ (0.25)

	Three Months Ended June 30, 2023		
Condensed Consolidated Statement of Stockholders' Equity (Deficit)	**As Previously Reported**	**Adjustment**	**As Revised**
Additional paid-in capital	$ 564,197	$ 3,597	$ 567,794
Accumulated deficit	(550,403)	(3,776)	(554,179)
Net loss	$ (21,932)	$ (1,375)	$ (23,307)

	Six Months Ended June 30, 2023		
Condensed Consolidated Statements of Cash Flows	**As Previously Reported**	**Adjustment**	**As Revised**
Net loss	$ (48,301)	$ (2,436)	$ (50,737)
Adjustments to reconcile net loss to net cash used in operating activities:			
Loss on change in fair value of ELOC program	—	1,901	1,901
Changes in operating assets and liabilities			
Other non-current assets	628	(265)	363
Accrued liabilities	5,045	250	5,295
Net cash used in operating activities	(33,651)	(550)	(34,201)
Proceeds from sales of common stock under the ELOC program, net	70,905	550	71,455
Net cash provided by financing activities	$ 154,008	$ 550	$ 154,558
Noncash financing activities:			
Accrued and unpaid debt issuance costs	$ 16,461	$ (16,461)	$ —
Non-cash debt discount	4,315	(179)	4,136
Issuance of common stock to settle commitment shares related to the ELOC program	$ —	$ 915	$ 915

The following tables reflect the impact of these revisions on the Company's unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2023 (*dollars in thousands, except per share amounts*):

	March 31, 2023		
Condensed Consolidated Balance Sheet	**As Previously Reported**	**Adjustment**	**As Revised**
Other non-current assets	$ 2,074	$ (432)	$ 1,642
Total assets	72,803	(432)	72,371
Additional paid-in capital	505,889	1,969	507,858
Accumulated deficit	(528,471)	(2,401)	(530,872)
Total stockholders' deficit	2,382	(432)	1,950
Total liabilities and stockholders' deficit	$ 72,803	$ (432)	$ 72,371

SOUNDHOUND AI, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended March 31, 2023		
Condensed Consolidated Statements Of Operations And Comprehensive Loss	**As Previously Reported**	**Adjustment**	**As Revised**
General and administrative	$ 7,125	$ 165	$ 7,290
Loss from operations	(25,038)	(165)	(25,203)
Other income (expense), net	94	(896)	(802)
Total other expense, net	(1,002)	(896)	(1,898)
Loss before provision for income taxes	(26,040)	(1,061)	(27,101)
Net loss	(26,369)	(1,061)	(27,430)
Less: accrual of Series A Preferred Stock paid-in-kind dividends	—	(682)	(682)
Net loss attributable to common stockholders	$ (26,369)	$ (1,743)	$ (28,112)
Net loss per share:			
Basic and diluted	$ (0.13)	$ (0.01)	$ (0.14)

	Three Months Ended March 31, 2023		
Condensed Consolidated Statement of Stockholders' Equity (Deficit)	**As Previously Reported**	**Adjustment**	**As Revised**
Additional paid-in capital	$ 505,889	$ 1,969	$ 507,858
Accumulated deficit	(528,471)	(2,401)	(530,872)
Net loss	$ (26,369)	$ (1,061)	$ (27,430)

	Three Months Ended March 31, 2023		
Condensed Consolidated Statements of Cash Flows	**As Previously Reported**	**Adjustment**	**As Revised**
Net loss	$ (26,369)	$ (1,061)	$ (27,430)
Adjustments to reconcile net loss to net cash used in operating activities:			
Loss on change in fair value of ELOC program	—	571	571
Changes in operating assets and liabilities			
Other non-current assets	19	167	186
Accrued liabilities	4,306	250	4,556
Net cash used in operating activities	(14,467)	(73)	(14,540)
Payment of financing costs associated with ELOC program	—	(250)	(250)
Proceeds from sales of common stock under the ELOC program, net	28,360	323	28,683
Net cash provided by financing activities	$ 51,568	$ 73	$ 51,641
Noncash financing activities:			
Issuance of common stock to settle commitment shares related to the ELOC program	$ —	$ 915	$ 915

The following tables reflect the impact of these revisions on the Company’s consolidated financial statements as of and for the year ended December 31, 2022 (*dollars in thousands, except per share amounts*):

SOUNDHOUND AI, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2022		
Consolidated Balance Sheet	**As Previously Reported**	**Adjustment**	**As Revised**
Other non-current assets	$ 1,656	$ (265)	$ 1,391
Total assets	38,251	(265)	37,986
Accrued liabilities	7,462	1,075	8,537
Total current liabilities	37,496	1,075	38,571
Additional paid-in capital	466,857	—	466,857
Accumulated deficit	(502,102)	(1,340)	(503,442)
Total stockholders' deficit	(35,225)	(1,340)	(36,565)
Total liabilities and stockholders' deficit	$ 38,251	$ (265)	$ 37,986

	Year Ended December 31, 2022		
Consolidated Statements Of Operations And Comprehensive Loss	**As Previously Reported**	**Adjustment**	**As Revised**
General and administrative	$ 30,178	$ 265	$ 30,443
Loss from operations	(105,407)	(265)	(105,672)
Other income (expense), net	(184)	(1,075)	(1,259)
Total other expense, net	(7,077)	(1,075)	(8,152)
Loss before provision for income taxes	(112,484)	(1,340)	(113,824)
Net loss	$ (115,373)	$ (1,340)	$ (116,713)
Net loss per share:			
Basic and diluted	$ (0.73)	$ (0.01)	$ (0.74)

	Year Ended December 31, 2022		
Consolidated Statement of Stockholders' Equity (Deficit)	**As Previously Reported**	**Adjustment**	**As Revised**
Accumulated deficit	$ (502,102)	$ (1,340)	$ (503,442)
Net loss	$ (115,373)	$ (1,340)	$ (116,713)

	Year Ended December 31, 2022		
Consolidated Statements of Cash Flows	**As Previously Reported**	**Adjustment**	**As Revised**
Net loss	$ (115,373)	$ (1,340)	$ (116,713)
Adjustments to reconcile net loss to net cash used in operating activities:			
Loss on change in fair value of ELOC program	—	1,075	1,075
Changes in operating assets and liabilities			
Other non-current assets	(539)	265	(274)
Net cash used in operating activities	$ (94,019)	$ —	$ (94,019)

NOTE 21. SUBSEQUENT EVENTS

SYNQ3 Acquisition

On January 3, 2024, the Company acquired all of the issued and outstanding equity of Sync3, Inc. ("SYNQ3"), a leading provider of voice AI and other technology solutions to the restaurant industry, for total consideration of approximately $5.0 million in cash, subject to customary net working capital adjustments, and 8,968,610 shares of the Company's Class A Common Stock. The Company has agreed to pay up to $4.0 million of additional consideration in cash and shares of Class A Common Stock to certain stockholders of SYNQ3 based on tiered annual revenue targets for each fiscal year 2024, 2025 and 2026, of which 20% is to be paid in cash and the remaining in the Company's Class A Common Stock. The stock consideration was based on a reference value of $2.23 per share upon the execution of the merger agreement dated December 6, 2023. In connection with closing, approximately $0.5 million of additional consideration in cash and 1,179,524 shares of Class A Common Stock are being withheld for a period of 15 months to partially secure the indemnification obligations of SYNQ3's stockholders under the merger agreement.

Conversion of Preferred Stock Series A

On January 12, 2024, one investor optionally converted 35,000 shares of preferred stock into 1,199,364 shares of Class A Common Stock. The conversion was pursuant to the original terms of the agreement and therefore the carrying value of Series A Preferred Stock was converted into Class A Common Stock with no gain or loss upon conversion.

Sales Agreement Issuance

In January and February 2024, the Company sold 34,578,019 shares of our common stock under the Sales Agreement, at an average price of $3.37 per share and raised $116.4 million of gross proceeds. The commissions and offering costs borne by the Company were approximately $2.9 million. Following this issuance, the Company has a remaining capacity to sell up to an additional $20.8 million of the Company's common stock under the Sales Agreement.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management performed, with the participation of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), an evaluation of the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of the end of the period covered by this Annual Report. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2023 due to the material weaknesses in its internal control over financial reporting described below.

However, after giving full consideration to the material weaknesses described below, and the additional analyses and other procedures management performed to ensure that its consolidated financial statements included in this Annual Report were prepared in accordance with U.S. GAAP, the Company's management has concluded that its consolidated financial statements present fairly, in all material respects, its financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. GAAP.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended). Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, our management used the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements may not be prevented or detected on a timely basis. The Company did not maintain an effective control environment as it lacked sufficient oversight of activities related to its internal control over financial reporting due to a lack of appropriate level of experience and training commensurate with its financial reporting requirements. Further, due to rapid business growth, changes to existing controls or the implementation of new controls have not been sufficient to respond to changes to the risks of material misstatement to financial reporting, which resulted in the Company not designing and maintaining effective controls related to substantially all accounts and disclosures. These material weaknesses contributed to the following additional material weaknesses as of December 31, 2023:

- The Company did not design and maintain effective controls to verify appropriate accounting for complex financing transactions.
- The Company did not design and maintain effective controls to verify appropriate segregation of duties, including assessment of incompatible duties, identification of instances where incompatible duties were assigned to an individual, and addressing conflicts on a timely basis.
- The Company did not design and maintain effective controls over certain information technology (IT) general controls over information systems that are relevant to the preparation of the Company's financial statements. Specifically, the Company did not design and maintain: (i) user access controls to ensure appropriate segregation of duties and to adequately restrict user and privileged access to appropriate personnel; (ii) program change management controls to ensure that program and data changes are identified, tested, authorized and implemented appropriately; and (iii) computer operations controls to ensure that processing and transfer of data, and data backups and recovery are monitored.

The material weaknesses related to the control environment, risk assessment and complex financing transactions resulted in the revision of the consolidated financial statements as of and for the periods ended September 30, 2022, December 31, 2022, March 31, 2023, and June 30, 2023. The material weaknesses related to segregation of duties and IT general controls did not result in a misstatement to our annual or interim consolidated financial statements. Additionally, the material weaknesses could result in misstatements to substantially all of our accounts and disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected.

Because of these material weaknesses, management concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2023.

The effectiveness of our internal control over financial reporting as of December 31, 2023 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears under Item 8.

Remediation Efforts for the Material Weaknesses

We are in the process of designing and implementing controls and taking other actions to remediate the material weaknesses described above. Specifically, during the quarter ended December 31, 2023, we implemented measures designed to improve our internal control over financial reporting to remediate the material weaknesses, including the following:

- Engaged a third party to perform a risk assessment that includes the identification and walkthrough of key business processes and conducting design and operational control testing to address key risks.

- Completed a segregation of duties assessment identifying key conflicts and mitigating controls.

- Initiated the design and implementation of a Segregation of Duties automated tool for our Enterprise Resource Planning (ERP) system. We also began the design and implementation of similar controls for the remaining financially relevant applications.

- Initiated the design and implementation of controls related to the review of Service Organization Control reports, which cover program change management and computer operations for many of the applications that we rely on for financial reporting.

- Developed policies and procedures for the quarterly user access review of all users with access to the financially relevant systems and then implemented the quarterly user access review for one design cycle.

- Initiated the design and implementation of the controls related to review and approval of complex financing transactions.

- Completed the implementation of an automated month and quarter-end accounting close workflow tool to facilitate the review and support of key financial close process controls.

The material weaknesses will not be considered remediated until management completes the design and implementation of the measures described above, the controls operate for a sufficient period of time, and management has concluded, through testing, that the controls are effective.

Changes in Internal Control over Financial Reporting

As described above in the section "Remediation Efforts for the Material Weaknesses," there were changes in our internal control over financial reporting during the quarterly period ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Insider Trading Arrangements

During the fiscal quarter ended December 31, 2023, the following Section 16 officers and directors adopted, modified or terminated a "Rule 10b5-1 trading arrangement" (as defined in Item 408 of Regulation S-K of the Exchange Act):

- Dr. Keyvan Mohajer, Chief Executive Officer and Director, adopted a new trading plan on December 12, 2023 (with the first trade under the new plan not to be made prior to March 12, 2024). The trading plan will be effective until June 7, 2024 and provides for the sale of up to 1,800,000 shares of Dr. Mohajer's 15,439,064 shares of Class B common stock. up to 833,435 shares of Class A common stock issuable upon exercise of outstanding options, and up to 355,000 shares of Class A common stock issuable upon vesting and settlement of certain RSUs and PSUs, provided that certain conditions are met.

- Dr. Seyed Majid Emami, Chief Science Officer and Senior Vice President of Engineering, adopted a new trading plan on December 8, 2023 (with the first trade under the new plan not to be made prior to March 8, 2024). The trading plan will be effective until November 30, 2024 and provides for the sale of up to 1,950,000 shares of Dr. Emami's 18,033,756 shares of Class B common stock and up to 666,748 shares of Class A common stock issuable upon exercise of outstanding options, provided that certain conditions are met.

- James M. Hom, Chief Product Officer and Director, adopted a new trading plan on December 8, 2023 (with the first trade under the new plan not to be made prior to March 8, 2024). The trading plan will be effective until May 31, 2024 and provides for the sale of up to 2,000,000 shares of Mr. Hom's 4,012,588 shares of Class B common stock and up to 100,000 shares of Class A common stock issuable upon vesting and settlement of certain RSUs and PSUs, provided that certain conditions are met.

There were no "non-Rule 10b5-1 trading arrangements" (as defined in Item 408 of Regulation S-K of the Exchange Act) adopted, modified or terminated during the fiscal quarter ended December 31, 2023 by our directors and Section 16 officers. Each of the Rule 10b5-1 trading arrangements are in accordance with our Insider Trading Policy and actual sale transactions made pursuant to such trading arrangements will be disclosed publicly in Section 16 filings with the SEC in accordance with applicable securities laws, rules and regulations.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Part III

The information required by Part III is omitted from this Annual Report in that we will file a definitive proxy statement pursuant to Regulation 14A with respect to our 2024 Annual Meeting (the "Proxy Statement") no later than 120 days after the end of the fiscal year covered by this Annual Report, and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement which specifically address the items set forth herein are incorporated by reference.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be included in the Proxy Statement.

Item 11. Executive Compensation

The information required by this item will be included in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owner and Management and Related Stockholder Matters.

The information required by this item will be included in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included in the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this item will be included in the Proxy Statement.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of this Annual Report on Form 10-K:

1. *Financial Statements*: See Index to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

2. *Financial Statement Schedules*: All schedules have been omitted as the requested information is not applicable or the information is presented in the consolidated financial statements or related notes included in this Form 10-K.

3. *Exhibits*: See Item 15(b) of this Form 10-K below.

(b) Exhibits.

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
2.1+	Agreement and Plan of Merger, dated December 6, 2023, by and among SoundHound AI, Inc., Black Knights Merger Sub I, Inc., a Delaware corporation, Black Knight Merger Sub II, LLC, a Delaware limited liability company and Synq3, Inc.*	8-K	2.1	12/07/23
3.1	Second Amended and Restated Certificate of Incorporation of SoundHound AI, Inc.	8-K	3.1	05/02/22
3.2	Amended and Restated Bylaws of SoundHound AI, Inc.	8-K	3.2	05/02/22
3.3	SoundHound AI, Inc. Certificate of Designations of Preferences, Rights and Limitations of Series A Convertible Preferred Stock.	8-K	3.1	01/24/23
4.1	Amended and Restated Warrant Agreement.	8-K	4.1	05/02/22
4.2	Form of Specimen Class A Common Stock Certificate.	S-1	4.2	05/16/22
4.3	Form of Specimen Warrant Certificate.	S-1	4.3	05/16/22
4.4	Amended and Restated Warrant Agreement.	8-K	4.1	05/02/22
4.5	Form of Class A Common Stock Purchase Warrant	10-Q	4.1	05/12/23
4.6	Description of Securities	10-K	4.5	03/28/23
10.1#	SoundHound AI, Inc. 2022 Incentive Award Plan.	Proxy Statement	Annex D	04/08/22
10.2#	SoundHound AI, Inc. 2022 Employee Stock Purchase Plan.	Proxy Statement	Annex E	04/08/22
10.3#	Form of Restricted Stock Unit Agreement.	8-K	10.8	05/02/22
10.4#	Form of Stock Option Award Agreement.	8-K	10.9	05/02/22
10.5	Form of Indemnity Agreement.	8-K	10.10	05/02/22
10.6#	Employment Agreement with Keyvan Mohajer, Chief Executive Officer, dated June 2, 2022.	8-K	10.1	06/08/22
10.7#	Employment Agreement with Nitesh Sharan, Chief Financial Officer, dated June 2, 2022.	8-K	10.2	06/08/22
10.8#	Employment Agreement with Timothy Stonehocker, Chief Technology Officer, dated June 2, 2022.	8-K	10.3	06/08/22
10.9#	Non-Employee Director Compensation Policy.	8-K	10.4	06/08/22
10.10	Form of Preferred Stock Purchase Agreement.	8-K	10.1	01/24/23
10.11+	Senior Secured Term Loan Agreement	10-Q	10.1	05/12/23
10.12	Form of Controlled Equity Offering Sales Agreement	S-3	10.1	07/24/23
19.1*	Insider Trading Policy			
21.1	Subsidiaries of the Company.	8-K	21.1	05/02/22

23.1*	Consent of PricewaterhouseCoopers
23.2*	Consent of Armanino LLP
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1*	Executive Compensation Clawback Policy
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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* Filed herewith.

** Furnished herewith.

+ The Company agrees to furnish supplementally to the SEC a copy of any omitted schedule or exhibit upon the request of the SEC in accordance with Item 601(b)(2) of Regulation S-K.

Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SoundHound AI, Inc.

Date: March 1, 2024	/s/ Dr. Keyvan Mohajer
	Name: Dr. Keyvan Mohajer
	Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Name	Position	Date
/s/ Dr. Keyvan Mohajer Dr. Keyvan Mohajer	Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2024
/s/ Nitesh Sharan Nitesh Sharan	Chief Financial Officer (Principal Financial and Accounting Officer)	March 1, 2024
/s/ James Hom James Hom	Director	March 1, 2024
/s/ Dr. Eric Ball Dr. Eric Ball	Director	March 1, 2024
/s/ Larry Marcus Larry Marcus	Director	March 1, 2024
/s/ Diana Sroka Diana Sroka	Director	March 1, 2024

SoundHound AI, Inc. Insider Trading Policy

(Effective June 13, 2023)

1. Introduction

The Board of Directors of SoundHound AI, Inc. ("SoundHound") has adopted this policy to provide guidelines to all directors, officers, employees and consultants of SoundHound with respect to trading in SoundHound securities, as well as the securities of publicly traded companies with whom SoundHound has a business relationship.

This policy has been designed to prevent insider trading or even allegations of insider trading. Your strict adherence to this policy will help safeguard SoundHound's reputation and will further ensure that SoundHound conducts its business with the highest level of integrity and in accordance with the highest ethical standards. Each SoundHound director, officer, employee or consultant is responsible for the consequences of his, her or their actions. You are responsible for understanding and complying with this policy.

Federal and state securities laws prohibit the purchase or sale of a company's securities by anyone who is aware of material information about that company that is not generally known or available to the public. These laws also prohibit anyone who is aware of material nonpublic information (as defined in Section 4) from disclosing this information to others who may trade. Companies and their controlling persons may also be subject to liability if they fail to take reasonable steps to prevent insider trading by company personnel.

It is important that you understand the breadth of activities that constitute illegal insider trading and the consequences, which can be severe. Cases have been successfully prosecuted against trading by employees through foreign accounts, trading by family members and friends, and trading involving only a small number of shares. Both the U.S. Securities and Exchange Commission (the "SEC") and the Financial Industry Regulatory Authority ("FINRA") investigate and are very effective at detecting insider trading. Both the SEC and the U.S. Department of Justice pursue insider trading violations vigorously.

2. Sanctions and Penalties

Violations of the insider trading laws can result in severe civil and criminal sanctions. For example, under U.S. securities laws, individuals may be subject to substantial prison sentences, criminal fines of up to $5 million and civil fines of up to three times the profit gained or loss avoided. "Profit gained" or "loss avoided" generally means the difference between the purchase or sale price of the Company's stock and its value as measured by the trading price of the stock a reasonable period after public dissemination of the nonpublic information. Failure to comply with this policy may also subject you to sanctions imposed by SoundHound, up to and including immediate dismissal for cause, whether or not your failure to comply with this policy results in a violation of law.

3. Persons Covered

As a director, officer, employee or consultant of SoundHound or its subsidiaries, this policy applies to you. The same restrictions that apply to you apply to your family members who reside with you, anyone else who lives in your household, and any family members who do not live in your household but whose transactions in SoundHound securities are directed by you or are subject to your influence or control (such as parents or children who consult with you before they trade in SoundHound securities). You are responsible for making sure that any transaction in securities covered by this policy by any of these people complies with this policy.

4. Definition of Material Non-Public Information

"Material non-public information" is any material information about SoundHound or any company whose securities are listed for trading or quotation in the United States that has not yet become publicly available.

Information is "material" if a reasonable investor would likely consider it important in making a decision to buy, hold or sell securities. Any information that could reasonably be expected to affect the price of the security is material. The information may be positive or negative. Financial information is frequently material, even if it covers only part of a fiscal period or less than all of SoundHound's operations, since either of these might convey enough information about SoundHound's consolidated results to be considered material information. Other common examples of information that may be material include:

- information regarding sales, revenues or earnings (including projections);
- financial forecasts of any kind, including earnings estimates or changes in previously announced earnings estimates;
- significant business trends and metrics;
- significant proposed mergers, acquisitions, investments or divestitures;
- joint ventures/commercial partnerships with third parties;
- significant developments in products or services;
- information regarding regulatory review of Company products;
- intellectual property and other proprietary information;
- gain or loss of substantial customers or suppliers;
- execution or termination of significant contracts;
- impending bankruptcy or financial liquidity problems;
- financings or restructurings;
- significant unusual gains or losses;
- changes in business strategies;
- significant pricing changes;
- developments in significant litigation or government investigations;
- public or private debt or equity offerings;
- significant changes in senior management;
- SoundHound share repurchases; or
- stock splits or dividend information.

It is not possible to define all categories of material information, and you should recognize that the public, the media and the courts may use hindsight in judging what is material. Therefore, it is important to err on the safe side and assume information is material if there is any doubt.

Information is “non-public” if it is not generally known or available to the public. Information may still be non-public even though it is widely known within SoundHound.

Release of information to the media does not immediately mean the information has become publicly available. Information is considered to be available to the public only when it has been released broadly to the marketplace (such as by a press release or an SEC filing) and the investing public has had time to absorb and evaluate it. Ordinarily, information about SoundHound should not be considered public until at least one full trading day has passed following its formal release to the market. For example, if SoundHound announces earnings before trading begins on a Tuesday, the first time you can buy or sell SoundHound securities is the opening of the market on Wednesday (assuming you are not aware of other material non-public information at that time). If, however, SoundHound announces earnings after trading begins that Tuesday, the first time you can buy or sell SoundHound securities is the opening of the market on the Thursday.

5. Requirements Applicable to Everyone

No trading in SoundHound securities while aware of material non-public information

You are prohibited from engaging in any transaction in SoundHound securities while aware of material non-public information about SoundHound. It makes no difference whether or not you relied upon or used material non-public information in deciding to trade – if you are aware of material non- public information about SoundHound, the prohibition applies. You should avoid even the appearance of an improper transaction to preserve SoundHound’s reputation for adhering to the highest ethical standards of conduct.

This prohibition covers virtually all transactions in SoundHound securities. “Securities” includes common stock, options to purchase common stock, debt securities, preferred stock and derivative securities such as put and call options, warrants, swaps, caps and collars. Transactions in SoundHound securities include purchases, sales, pledges, hedges, loans and gifts of SoundHound securities, as well as other direct or indirect transfers of SoundHound securities. Certain of these transactions are addressed in more detail below and may not be permitted under this policy. This prohibition extends to trades of SoundHound securities in which you have any “beneficial” or other interest, or over which you exercise investment control, including:

- transactions in SoundHound securities held in joint accounts or accounts of persons or entities controlled directly or indirectly by you;
- transactions in SoundHound securities for which you act as trustee, executor, or custodian; and
- transactions in any other account or investment involving in any way any SoundHound securities over which you exercise any direct or indirect control.

Stock Option Exercises. This prohibition does not apply to the exercise of stock options issued under SoundHound plans if the exercise price is paid in cash or through SoundHound withholding a portion of the shares underlying the options. Similarly, SoundHound may withhold underlying shares to satisfy tax withholding requirements. This prohibition does apply, however, to sales of the underlying stock and broker-assisted cashless exercises of options, as well as to any other market sales for the purpose of generating the cash needed to cover the costs of exercise.

Vesting of Restricted Stock or Settlement of Performance Stock Units. This prohibition does not apply to the automatic deduction of shares by SoundHound from your performance stock unit account to satisfy the minimum statutory tax withholding liability upon the vesting of restricted stock or settlement

of performance stock units. The prohibition does apply, however, to any open market sale of vested shares, including to satisfy tax liabilities.

10b5-1 Plans. This prohibition does not apply to trades made pursuant to a valid "10b5-1 plan" approved by SoundHound as described below.

6. Event-specific blackout periods may apply

Although you are always responsible for monitoring for yourself whether you possess material non- public information, from time-to-time SoundHound may decide to impose a special trading blackout on those who are aware of particular information that SoundHound determines may be considered material non-public information. This kind of trading blackout may be imposed in connection with a potential acquisition, a financial analyst conference, an anticipated positive or negative earnings surprise or other material development. If you are subject to the blackout, you may not trade in any SoundHound securities, except pursuant to a 10b5 1 plan previously approved by SoundHound, until notified that the blackout has ended.

The General Counsel, in consultation with the Chief Executive Officer and the Chief Financial Officer, will determine whether an event-specific blackout should be imposed. The existence of an event- specific blackout will not be generally announced. If you are covered by the event-specific blackout, you will be notified by the General Counsel. Any person made aware of an event-specific blackout should not disclose the existence of the blackout to anyone else.

7. No trading in securities of other companies while aware of material non-public information

SoundHound may engage in business transactions with companies whose securities are publicly traded. These transactions may include, among other things, mergers, acquisitions, divestitures or renewal or termination of significant contracts or other arrangements. Information learned in connection with these transactions or relationships may constitute material non-public information about the other company. You are prohibited from trading in the securities of these companies while aware of material non-public information about the companies and from communicating that information to any other person for such use.

8. No "tipping" of material non-public information

You may not pass material non-public information about SoundHound or any other company on to others or otherwise make unauthorized disclosure or use of this information, regardless of whether you profit or intend to profit by the tipping, disclosure, or use. This practice, known as "tipping", also violates the securities laws and can result in the same civil and criminal penalties that apply to insider trading, even though you did not trade and did not gain any benefit from another's trading.

Regulation FD (Fair Disclosure) is an issuer disclosure rule implemented by the SEC that addresses selective disclosure of Material Nonpublic Information. The regulation provides that when the Company, or person acting on its behalf, discloses material nonpublic information to certain enumerated persons (in general, securities market professionals and holders of the Company's securities who may well trade on the basis of the information), it must make public disclosure of that information. The timing of the required public disclosure depends on whether the selective disclosure was intentional or unintentional; for an intentional selective disclosure, the Company must make public disclosures simultaneously; for a non-intentional disclosure the Company must make public disclosure promptly. Under the regulation, the required public disclosure may be made by filing or furnishing a Form 8-K, or by another method or combination of methods that is reasonably designed to effect broad, non-exclusionary distribution of the information to the public.

It is the policy of the Company that all public communications of the Company (including, without limitation, communications with the press, other public statements, statements made via the Internet or social media outlets, or communications with any regulatory authority) be handled ***only*** through the Company's Chief Executive Officer (the "**CEO**"), an authorized designee of the CEO or the Company's public or investor relations firm. Please refer all press, analyst or similar requests for information to the CEO and do not respond to any inquiries without prior authorization from the CEO. If the CEO is unavailable, the Company's Chief Financial Officer (or the authorized designee of such officer) will fill this role.

9. Frequent trading of SoundHound securities is strongly discouraged

Frequent trading of SoundHound securities can create an appearance of wrongdoing even if the decision to trade was based solely on public information such as stock price ranges and other market events. You are strongly discouraged from trading in SoundHound securities for short-term trading profits. Daily or frequent trading, which can be time-consuming and distracting, is strongly discouraged. SoundHound reserves the right to request brokerage account statements to assure compliance with this and other provisions of the policy.

10. No short sales of SoundHound securities

You may not engage in short sales of SoundHound securities (sales of securities that are not then owned), including "sales against the box" (short sales not exceeding the number of shares already owned). Generally, short sales are transactions whereby a person will benefit from a decline in the price of the securities, and SoundHound believes it is inappropriate for employees to engage in these transactions with respect to SoundHound securities.

11. No trading in derivatives of SoundHound

You may not trade in derivatives of an SoundHound security, such as exchange-traded put or call options and forward transactions.

12. No hedging transactions

Certain forms of hedging or monetization transactions may offset a decrease, or limit your ability to profit from an increase, in the value of SoundHound securities you hold, enabling you to continue to own SoundHound securities without the full risks and rewards of ownership. SoundHound believes that such transactions separate the holder's interests from those of other stockholders. Therefore, you and any person acting on your behalf are prohibited from purchasing any financial instruments (such as prepaid variable forward contracts, equity swaps, collars or exchange funds) or otherwise engaging in any transactions that hedge or offset any decrease in the market value of SoundHound securities or limit your ability to profit from an increase in the market value of SoundHound securities.

13. No margin accounts or pledges

Securities held in a margin account or pledged as collateral for a loan may be sold without your consent by the broker if you fail to meet a margin call or by the lender in foreclosure if you default on the loan. Because a margin or foreclosure sale may occur at a time when you are aware of material nonpublic information or otherwise are not permitted to trade in SoundHound securities, you are prohibited from holding SoundHound securities in a margin account or pledging SoundHound securities as collateral for a loan.

14. Limited use of standing orders

Standing orders should be used only for five (5) business days. A standing order placed with a broker to sell or purchase stock at a specified price leaves you with no control over the timing of the transaction. A standing order transaction executed by the broker when you are aware of material nonpublic information may result in unlawful insider trading. A standing order incorporated into a 10b5-1 plan approved by SoundHound is permitted.

15. No trading on rumors

Rumors within SoundHound concerning matters which, if true, would be material non-public information are deemed to constitute material non-public information for purposes of this policy. Accordingly, you should not trade on the basis of these rumors.

16. Material non-public information must be kept confidential

Material non-public information about SoundHound or its business partners is the property of SoundHound, and unauthorized disclosure or use of that information (including, without limitation, via email or by posting on Internet message boards, blogs, or social media) is prohibited. That information should be maintained in strict confidence and should be discussed, even within SoundHound, only with persons who have a "need to know." You should exercise the utmost care and circumspection in dealing with information that may be material non-public information. Conversations in public places, such as hallways, elevators, restaurants and airplanes, involving information of a sensitive or confidential nature should be avoided. Written information should be appropriately safeguarded and should not be left where it may be seen by persons not entitled to the information. The unauthorized disclosure of information could result in serious consequences to SoundHound, whether or not the disclosure is made for the purpose of facilitating improper trading in securities.

17. Participation in electronic bulletin boards, chat rooms, blogs or websites must be consistent with this Policy

Any written or verbal statement that would be prohibited under the law or under this policy is equally prohibited if made on electronic bulletin boards, chat rooms, blogs, websites or any other form of social media, including the disclosure of material non-public information about SoundHound or material non- public information with respect to other companies that you come into possession of as an employee of SoundHound. However, nothing contained in this policy shall be construed as prohibiting employees from participating in an investigation by any governmental agency including but not limited to the National Labor Relations Board, or construed as violating the National Labor Relations Act, or otherwise preventing an employee from disclosing information about unlawful acts in the workplace, such as harassment.

18. Public disclosures should be made only by designated persons

No individuals other than specifically authorized personnel should release material information to the public or respond to inquiries from the media, analysts, investors or others outside of SoundHound. You should not respond to these inquiries unless expressly authorized to do so and should refer any inquiries to the Vice President, Investor Relations or the Vice President, Corporate Marketing.

19. Post-employment transactions may be prohibited

The portions of this policy relating to trading while in possession of material non-public information and the use or disclosure of that information continue to apply to transactions in SoundHound securities even after termination of employment or association with SoundHound. If you are aware of material non- public information about SoundHound when your employment or other business relationship with SoundHound ends, you may not trade in SoundHound securities or disclose the material non-public information to anyone else until that information is made public or becomes no longer material.

20. Exceptions

In certain limited circumstances, a transaction otherwise prohibited by this policy may be permitted if, prior to the transaction, the General Counsel determines that the transaction is not inconsistent with the purposes of this policy. In the event that the person seeking the exemption is the General Counsel, any exception must be granted by the CEO. The existence of a personal financial emergency does not excuse you from compliance with this policy and will not be the basis for an exception to the policy for a transaction that is inconsistent with the purposes of the policy. All exceptions (including the scope and duration thereof) must be in writing and be disclosed to the Board of Directors no less frequently than quarterly.

21. Applicability of Policy Regarding Material Non-Public Information to Other Companies

This Policy and the guidelines described herein also apply to material nonpublic information relating to other companies, including the Company's customers, vendors or suppliers ("business partners"), when that information is obtained in the course of employment with, or other services performed on behalf of the Company. Civil and criminal penalties, as well as termination of employment, may result from trading on material nonpublic information regarding the Company's business partners. You should treat material nonpublic information about the Company's business partners with the same care as is required with respect to information relating directly to the Company.

22. Prohibition Against Buying or Selling Company Common Stock Within a Six-Month Period by Directors, Officers and 10% Stockholders

Purchases and sales (or sales and purchases) of Company common stock by directors, officers and 10% stockholders of the Company occurring within any six-month period in which a mathematical profit is realized result in illegal "short-swing profits." The prohibition against short-swing profits is found in Section 16 of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Section 16 prescribes a strict prohibition against profitable "insider trading" in a company's securities within any six-month period regardless of the presence or absence of material nonpublic information that may affect the market price of those securities. Each officer (as defined in Rule 16(a)-1(f) under the Exchange Act), director and 10% stockholder of the Company is subject to the prohibition against short-swing profits under Section 16. Such persons are required to file Forms 3, 4 and 5 reports reporting his or her initial ownership, including beneficial ownership (as defined below) of the Company's common stock and any subsequent changes in such ownership, including beneficial ownership. Directors, officers and 10% stockholders are required to report transactions on Form 4 by the end of the second business day following the transaction date. Profit realized, for the purposes of Section 16, is calculated generally to provide maximum recovery by the Company. The measure of damages is the profit computed from any purchase and sale or any sale and purchase within the short-swing (i.e., six-month) period, without regard to any setoffs for losses, any first- in or first-out rules, or the identity of the shares of common stock. This approach sometimes has been called the "lowest price in, highest price out" rule.

For purposes of determining beneficial ownership for Section 16 reporting and short-swing profit liability, beneficial ownership means a direct or indirect pecuniary interest in the subject securities through any contract, arrangement, understanding, relationship or otherwise. "Pecuniary interest" means the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in the subject securities. Discussed below are several of the situations that may give rise to an indirect pecuniary interest.

(a) Family Holdings. A director, officer or 10% stockholder ("Insider") is deemed to have an indirect pecuniary interest in securities held by members of the Insider's immediate family sharing the same household. Immediate family includes grandparents, parents (and step-parents), spouses, siblings, children (and step-children) and grandchildren, as well as parents-in-law, siblings-in-law, children-in-law and all adoptive relationships. An Insider may disclaim beneficial ownership of shares held by members of his or her immediate family, but the burden of proof will be on the Insider to uphold the lack of a pecuniary interest.

(b) Partnership Holdings. Beneficial ownership of a partnership's securities is attributed to the general partner of a limited partnership in proportion to such person's partnership interest. Such interest is measured by the greater of the general partner's share of partnership profits or of the general partner's capital account (including any limited partnership interest held by the general partner).

(c) Corporate Holdings. Beneficial ownership of securities held by a corporation will not be attributed to its stockholders who are not controlling stockholders and who do not have or share investment control over the corporation's portfolio securities.

(d) Derivative Securities. Ownership of derivative securities (warrants, rights, stock appreciation rights, convertible securities, options and the like) is treated as indirect ownership of the underlying equity securities. Acquisition of derivative securities must be reported, although the timing of such reporting depends upon the Rule 16b-3 status of the employee plan under which the grant was made.

In order to avoid trading activity that could inadvertently[1] trigger a short-swing profit, it is the Company's policy that no executive officer, director and 10% stockholder of the Company who has a 10b5-1 plan in place may engage in voluntary purchases or sales of Company securities outside of and while such 10b5-1 plan remains in place.

23. Additional Requirements Applicable to Restricted Persons

"Restricted Persons" are those who are at an enhanced risk of possessing inside information and who therefore must exercise greater diligence to comply with insider trading prohibitions. This group includes all members of the Board of Directors, officers and certain senior finance, legal, HR, business development, investor relations, corporate communication and management employees at corporate headquarters and in SoundHound's business units, as well as any other employees in a role that makes it likely they will have involvement with material non-public information. This list is updated on a quarterly basis by the General Counsel in consultation with the Chief Financial Officer and the Corporate Vice President, People & Culture. You will be notified by the General Counsel if you are considered a Restricted Person under this policy.

[1] Note that Section 16 violations do not require intent, so even an inadvertent violation of Section 16 is still a violation.

If you are a Restricted Person that is not a director or executive officer, the procedures set forth in this section of the policy will cease to apply to your transactions in SoundHound securities upon the expiration of any blackout period that is applicable to your transactions at the time your employment or other relationship with SoundHound ends. Directors will remain Restricted Persons for a period of six months following the last day of service as a director of SoundHound, and executive officers will remain Restricted Persons for a period of six months following the last day of employment with SoundHound.

24. Quarterly blackout periods

No Restricted Person may trade in SoundHound securities during a quarterly blackout period, regardless of whether they are then actually aware of material non-public information.

A quarterly blackout period is in effect with respect to each quarterly earnings announcement, starting five (5) trading days before the end of the month of the applicable SoundHound fiscal quarter and ending when one full trading day has passed following the public announcement of SoundHound's quarterly financial results. SoundHound has selected this period because it is the time when there is likely to be material non-public information about SoundHound that may be available to Restricted Persons.

For certain Restricted Persons designated by the General Counsel, in consultation with the Chief Executive Officer and the Chief Financial Officer from time to time, the quarterly blackout period may start prior to the 15th day of the third month of the quarter.

Notwithstanding the above, a quarterly blackout period does not prohibit trading in SoundHound securities pursuant to a valid pre-existing 10b5-1 plan approved by SoundHound as described below.

25. Trading pre-clearance requirement for certain Restricted Persons

Restricted Persons, including but not limited to the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer and certain other individuals as may be designated from time to time by the General Counsel, in consultation with the Chief Executive Officer and the Chief Financial Officer, must obtain pre-clearance by the General Counsel or, in his or her absence, the Chief Financial Officer (each an "Approving Person") before engaging in any transaction involving SoundHound securities, including, but not limited to, purchases, sales, and gifts. Restricted Persons shall also include those individuals having regular access to material non-public information (defined for these purposes to include employees of the Company and its subsidiaries, and consultants or contractors to the Company or its subsidiaries who have or may have access to material non-public information and members of the immediate family or household of any such person).

Those Restricted Persons who are required to obtain pre-clearance will be notified from time to time by the General Counsel of the applicable pre-clearance or other procedures applicable to them. Each Approving Person should consult with the other Approving Person, or his or her designee, prior to granting pre-clearance for trades. Neither Approving Person may engage in a transaction in SoundHound securities unless the other Approving Person has pre-cleared the transaction.

The Approving Persons are under no obligation to approve a transaction submitted for pre-clearance and may determine not to permit a transaction, even if it would not violate the federal securities laws or a specific provision of this policy. In certain circumstances, other employees may be asked to clear with an Approving Person all proposed transactions before initiating them. The fact that a particular intended trade has been denied pre-clearance should be treated as confidential information and should not be disclosed to any person unless authorized by the Approving Person.

If a request for pre-clearance is approved, you have five business days to effect the transaction (or, if sooner, before commencement of a quarterly or event-specific blackout period). Under no circumstance may a person trade while aware of material non-public information about SoundHound, even if pre- cleared. Thus, if you become aware of material non-public information after receiving pre-clearance, but before the trade has been executed, you must not effect the pre-cleared transaction.

SoundHound's approval of any particular transaction under this pre-clearance procedure does not insulate any Restricted Person from liability under the securities laws. Under the law, the ultimate responsibility for determining whether an individual is aware of material non-public information about SoundHound rests with that individual in all cases.

26. 10b5-1 Plans

SEC Rule 10b5-1(c) of the Exchange Act permits corporate insiders to establish written trading plans (commonly referred to as "10b5-1 plans") that can be useful in enabling insiders to plan ahead without fear that they might become exposed to material non-public information that will prevent them from trading. Where a valid 10b5-1 plan has been established at a time when the insider was not in possession of material non-public information, trades executed as specified by the plan do not violate the securities laws or this policy even if the insider is in possession of material non-public information at the time the trade is executed. Trades executed as specified by the plan are not subject to the pre-clearance requirement.

To qualify as a 10b5-1 plan for purposes of this policy, the plan must be approved in advance by the General Counsel, and you should allow at least five business days for that approval. One of the factors that the General Counsel may consider in determining whether to approve a 10b5-1 plan is compliance with SoundHound's applicable minimum stock ownership guidelines. These pre-planned trading programs are available only to officers and such other SoundHound employees as may be designated from time to time by the Chief Executive Officer, the Chief Financial Officer and the General Counsel. For more information about how to establish a 10b5-1 plan, please contact the General Counsel.
SoundHound reserves the right to disapprove any submitted plan, and to suspend or instruct you to terminate any plan that it has previously approved.

Any 10b5-1 plan under this policy is required to comply as to structure and operation with SEC Rule 10b5-1(c) of the Exchange Act, as it may be amended from time to time, and with any and all rules or regulations of the SEC with respect to such plans.

27. Inquiries

Any questions about this policy, its application to a proposed transaction, or the requirements of applicable laws should be directed to the General Counsel.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-266239), Form S-3 (No. 333-264972) and Form S-3 (No. 333-273393) of SoundHound AI, Inc. of our report dated March 1, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
San Francisco, California
March 1, 2024

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-266239), Form S-3 (No. 333-264972) and Form S-3 (No. 333-273393) of our report dated March 28, 2023, except for the effects of the tables reflecting the impact of the revisions as of and for the year ended December 31, 2022 discussed in Note 20 (not presented herein) to the consolidated financial statements appearing under Item 8 of the Company's 2023 Annual Report on Form 10-K, as to which the date is March 1, 2024, relating to the consolidated financial statements of SoundHound AI, Inc., for the year ended December 31, 2023.

/s/ Armanino LLP
San Jose, California

March 1, 2024

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Dr. Keyvan Mohajer, certify that:

1. I have reviewed this annual report on Form 10-K of SoundHound AI, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 1, 2024

/s/ Dr. Keyvan Mohajer

Name: Dr. Keyvan Mohajer
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Nitesh Sharan, certify that:

1. I have reviewed this annual report on Form 10-K of SoundHound AI, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

March 1, 2024

/s/ Nitesh Sharan

Name: Nitesh Sharan
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of SoundHound AI, Inc. (the "Company") on Form 10-K for the annual period ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Dr. Keyvan Mohajer, as Chief Executive Officer and Principal Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned's knowledge and belief, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Dr. Keyvan Mohajer

Dr. Keyvan Mohajer
Chief Executive Officer and Principal Executive Officer

Date: March 1, 2024

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of SoundHound AI, Inc. (the "Company") on Form 10-K for the annual period ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Nitesh Sharan, as Chief Financial Officer and Principal Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned's knowledge and belief, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Nitesh Sharan

Nitesh Sharan
Chief Financial Officer and Principal Financial Officer

Date: March 1, 2024

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SOUNDHOUND AI, INC.

EXECUTIVE COMPENSATION CLAWBACK POLICY

Adopted as of November 2, 2023

The Board of Directors (the "**Board**") of SoundHound AI, Inc. (the "**Company**") has adopted the following executive compensation clawback policy (this "**Policy**"). This Policy shall supplement any other clawback or compensation recovery policy or policies adopted by the Company or included in any agreement between the Company, or any subsidiary of the Company, and a person covered by this Policy. If any such other policy or agreement provides that a greater amount of compensation shall be subject to clawback, such other policy or agreement shall apply to the amount in excess of the amount subject to clawback under this Policy.

This Policy shall be interpreted to comply with Securities and Exchange Commission ("**SEC**") Rule 10D-1 and Listing Rule 5608 (the "**Listing Rule**") of The Nasdaq Stock Market, LLC ("**Nasdaq**"), as may be amended or supplemented and interpreted from time to time by Nasdaq. To the extent this Policy is in any manner deemed inconsistent with the Listing Rule, this Policy shall be treated as having been amended to be compliant with the Listing Rule.

1. **Definitions**. Unless the context indicates otherwise the following definitions apply for purposes of this Policy:

(a) **Executive Officer**. An executive officer is the Company's chief executive officer and/or president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Executive officers of the Company's parent(s) or subsidiaries are deemed executive officers of the Company if they perform such policy making functions for the Company. Policy-making function is not intended to include policy-making functions that are not significant. Identification of an executive officer for purposes of the Listing Rule would include at a minimum executive officers identified in the Listing Rule.

(b) **Financial Reporting Measures**. Financial reporting measures are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also financial reporting measures. A financial reporting measure need not be presented within the financial statements or included in a filing with the SEC and may be such financial measures as may be determined by the Board or the Compensation Committee thereof (the "**Compensation Committee**").

(c) **Incentive-Based Compensation**. Incentive-based compensation is any compensation that is granted, earned or vested based wholly or in part upon the attainment of a financial reporting measure.

(d) **Received**. Incentive-based compensation is deemed "received" in the Company's fiscal period during which the financial reporting measure specified in the incentive-based compensation award is attained, even if the payment or grant of the incentive-based compensation occurs after the end of that period.

2. **Application of this Policy**. This recovery of Incentive-Based Compensation from an Executive Officer as provided for in this Policy shall apply only in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of Company with any financial reporting requirement under the United States securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. Questions as to "materiality" will be made by the Compensation Committee in coordination with the Audit Committee.

3. **<u>Recovery Period</u>**.

(a) The Incentive-Based Compensation subject to recovery is the Incentive-Based Compensation Received during the three (3) completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement as described in Section 2 above, provided that the person served as an Executive Officer at any time during the performance period applicable to the Incentive-Based Compensation in question. The date that the Company is required to prepare an accounting restatement shall be determined pursuant to the Listing Rule.

(b) Notwithstanding the foregoing, this Policy shall only apply if the Incentive-Based Compensation is Received (i) while the Company has a class of securities listed on Nasdaq and (ii) on or after October 2, 2023.

(c) The provisions of the Listing Rule shall apply with respect to Incentive-Based Compensation received during a transition period arising due to a change in the Company's fiscal year.

4. **<u>Erroneously Awarded Compensation</u>**. The amount of Incentive-Based Compensation subject to recovery from the applicable Executive Officers under this Policy ("**Erroneously Awarded Compensation**") shall be equal to the amount of Incentive-Based Compensation Received that exceeds the amount of Incentive Based-Compensation that otherwise would have been Received had it been determined based on the restated amounts and shall be computed without regard to any taxes paid. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement: (a) the amount shall be based on a reasonable estimate by the Company's Chief Financial Officer (or principal accounting officer, if the office of Chief Financial Officer is not then filled) of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received, which estimate shall be subject to the review and approval of the Compensation Committee; and (b) the Company must maintain reasonable documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq if requested. Notwithstanding the foregoing, if the proposed Incentive-Based Compensation recovery would affect compensation paid to the Company's Chief Financial Officer, the determination shall be made by the Compensation Committee.

5. **<u>Timing of Recovery</u>**. The Company shall recover any Erroneously Awarded Compensation reasonably promptly except to the extent that the conditions of paragraphs (a), (b), or (c) below apply. The Compensation Committee shall determine the repayment schedule for each amount of Erroneously Awarded Compensation in a manner that complies with this "reasonably promptly" requirement. Such determination shall be consistent with any applicable legal guidance by the SEC, Nasdaq, judicial opinion, or otherwise. The determination of "reasonably promptly" may vary from case to case and the Compensation Committee is authorized to adopt additional rules or policies to further describe what repayment schedules satisfy this requirement.

(a) Erroneously Awarded Compensation need not be recovered if the direct expense paid to a third party to assist in enforcing (or making determinations in connection with the enforcement of) this Policy would exceed the amount to be recovered and the Compensation Committee has made a determination that recovery would be impracticable. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company shall (i) make a reasonable attempt to recover such Erroneously Awarded Compensation, (ii) document such reasonable attempt or attempts to recover, and (iii) provide appropriate documentation to the Compensation Committee or Nasdaq, if requested.

(b) Erroneously Awarded Compensation need not be recovered if recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on a violation of home country law, the Company shall obtain an opinion of home country counsel, in form and substance that would be reasonably acceptable to Nasdaq, that recovery would result in such a violation and shall provide such opinion to Nasdaq, if requested.

(c) Erroneously Awarded Compensation need not be recovered if recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder (as such provision may be amended, modified or supplemented).

6. **Compensation Committee Decisions**. Decisions of the Compensation Committee with respect to this Policy shall be final, conclusive and binding on all Executive Officers subject to this Policy.

7. **No Indemnification**. Notwithstanding anything to the contrary in any other policy of the Company or any agreement between the Company and an Executive Officer, no Executive Officer shall be indemnified by the Company against the loss arising from the recovery of any Erroneously Awarded Compensation.

8. **Agreement to Policy by Executive Officers**. The Company shall take reasonable steps to inform Executive Officers of this Policy and obtain their express agreement to this Policy, which steps may constitute the inclusion of this Policy as an attachment to any award that is accepted by an Executive Officer. This Policy shall be deemed to apply to each employment or grant agreement between the Company or any of its subsidiaries and any Executive Officer subject to this Policy.

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