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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **April 26, 2022**

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

Delaware	**001-40193**	**85-1286799**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

5400 Betsy Ross Drive Santa Clara, CA	**95054**
(Address of principal executive offices)	(Zip Code)

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, $0.0001 par value per share	SOUN	The Nasdaq Stock Market LLC
Warrants, each exercisable for one share of Class A Common Stock at an exercise price of $11.50 per share, subject to adjustment	SOUNW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

INTRODUCTORY NOTE

This Amendment No. 1 on Form 8-K/A ("Form 8-K/A") amends the Current Report on Form 8-K of SoundHound AI, Inc., a Delaware corporation (the "Company"), filed on May 2, 2022 (the "Original Report"), in which the Company reported, among other events, the completion of the Business Combination (as defined in the Original Report).

This Form 8-K/A is being filed in order to include (i) the unaudited condensed consolidated financial statements of SoundHound, Inc. ("Legacy SoundHound"), as of March 31, 2022 and for the three months ended March 31, 2022 and 2021, and (ii) the Management's Discussion and Analysis of Financial Condition and Results of Operations of Legacy SoundHound for the three months ended March 31, 2022 and 2021.

This Form 8-K/A does not amend any other item of the Original Report or purport to provide an update or a discussion of any developments at the Company or its subsidiaries, including Legacy SoundHound, subsequent to the filing date of the Original Report. The information previously reported in or filed with the Original Report is hereby incorporated by reference to this Form 8-K/A.

Capitalized terms used herein but not defined herein have the meanings given to such terms in the Original Report.

Item 2.02. Results of Operations and Financial Condition.

On May 16, 2022, the Company issued a press release announcing financial results for Legacy SoundHound for the first quarter ended March 31, 2022, achieved prior to the completion of the Business Combination. The Company also posted on its investor relations website (investors.soundhound.com) a shareholder letter providing information relating to the Company's business. Copies of the press release and the shareholder letter are furnished as Exhibit 99.3 and Exhibit 99.4, respectively, to this Current Report on Form 8-K/A and are incorporated by reference herein. Information on the Company's website is not, and will not be deemed, a part of this report or incorporated into this or any other filings that the Company makes with the Securities and Exchange Commission.

Item 7.01. Regulation FD Disclosure.

Reference is made to the disclosure in Item 2.02 of this Form 8-K/A, which disclosure is incorporated herein by reference.

The information in Item 2.02 and Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.3 and Exhibit 99.4 attached hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statement and Exhibits.

(a) Financial statements of businesses acquired.

The unaudited condensed consolidated financial statements of Legacy SoundHound as of March 31, 2022 and for the three months ended March 31, 2022 and 2021, and the related notes thereto are attached as Exhibit 99.1 and are incorporated herein by reference. Also included as Exhibit 99.2 and incorporated herein by reference is the Management’s Discussion and Analysis of Financial Condition and Results of Operations of Legacy SoundHound for the three months ended March 31, 2022 and 2021.

(d) Exhibits.

Exhibit Number	Description
99.1	Unaudited condensed consolidated financial statements of Legacy SoundHound as of March 31, 2022 and for the three months ended March 31, 2022 and 2021
99.2	Management’s Discussion and Analysis of Financial Condition and Results of Operations of Legacy SoundHound for the three months ended March 31, 2022 and 2021
99.3	Press Release dated May 16, 2022
99.4	Shareholder Letter dated May 16, 2022
104	Cover Page Interactive Data File (formatted as inline XBRL)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Current Report on Form 8-K/A to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 17, 2022	SoundHound AI, Inc.
	By: /s/ Keyvan Mohajer
	Name: Keyvan Mohajer
	Title: Chief Executive Officer

SOUNDHOUND, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and par value data)

	March 31, 2022 (Unaudited)	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,211	$ 21,626
Restricted cash equivalents	230	460
Accounts receivable, net of allowances of $109 as of March 31, 2022 and December 31, 2021, respectively	1,332	2,060
Prepaid expenses and other current assets	2,676	2,193
Debt issuance cost	566	1,132
Total current assets	13,015	27,471
Restricted cash equivalents, non-current	736	736
Right-of-use assets	10,225	10,291
Property and equipment, net	5,474	6,155
Deferred tax asset	2,169	2,169
Deferred offering costs	3,318	1,264
Other assets	1,005	1,117
Total assets	$ 35,942	$ 49,203
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 6,938	$ 3,760
Accrued liabilities	11,703	7,298
Operating lease liabilities, current portion	3,519	3,281
Financing lease liabilities, current portion	822	1,301
Income tax liability	2,730	2,737
Deferred revenue, current portion	6,006	6,042
Convertible notes, current portion	30,198	29,868
Derivative liability	4,080	3,488
Note payable, current portion	30,810	29,964
Total current liabilities	96,806	87,739
Operating lease liabilities, net of current portion	8,073	8,611
Financing lease liabilities, net of current portion	252	292
Deferred revenue, net of current portion	13,372	14,959
Other liabilities	1,338	1,336
Total liabilities	119,841	112,937
Commitments and contingencies (Note 6)		
Redeemable convertible preferred stock; $0.0001 par value; 26,316,129 shares authorized; 19,248,537 shares issued and outstanding, liquidation preference of $284,826 as of March 31, 2022 and December 31, 2021, respectively	279,503	279,503
Stockholders' deficit:		
Common stock, $0.0001 par value; 45,000,000 shares authorized; 12,718,968 and 12,280,051 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	1	1
Additional paid-in capital	48,429	43,491
Accumulated deficit	(411,832)	(386,729)
Total stockholders' deficit	(363,402)	(343,237)
Total liabilities, redeemable convertible preferred stock, and stockholders' deficit	$ 35,942	$ 49,203

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

SOUNDHOUND, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(In thousands, except for per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2022	**2021**
Revenues	$ 4,290	$ 3,739
Operating expenses:		
Cost of revenues	1,773	1,593
Sales and marketing	2,581	1,076
Research and development	16,650	14,443
General and administrative	4,003	3,246
Total operating expenses	25,007	20,358
Loss from operations	(20,717)	(16,619)
Other expense, net:		
Interest expense	(2,977)	(748)
Other expense, net	(1,057)	(1,726)
Total other expense, net	(4,034)	(2,474)
Loss before provision for income taxes	(24,751)	(19,093)
Provision for income taxes	352	167
Net loss	(25,103)	(19,260)
Other comprehensive gain:		
Unrealized holding gain on available-for-sale securities, net of tax	—	—
Comprehensive loss	$ (25,103)	$ (19,260)
Net loss per share:		
Basic and diluted	$ (2.00)	$ (1.62)
Weighted-average common shares outstanding:		
Basic and diluted	12,527,229	11,872,698

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

SOUNDHOUND, INC.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(In thousands, except share and par value data)
(Unaudited)

Three Months Ended March 31, 2022

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
Balance as of January 1, 2022	19,248,537	$ 279,503	12,280,051	$ 1	$ 43,491	$ —	$ (386,729)	$ (343,237)
Issuance of common stock upon exercise of stock options	—	—	438,917	—	2,474	—	—	2,474
Stock-based compensation	—	—	—	—	2,464	—	—	2,464
Net loss	—	—	—	—	—	—	(25,103)	(25,103)
Balance as of March 31, 2022	19,248,537	$ 279,503	12,718,968	$ 1	$ 48,429	$ —	$ (411,832)	$ (363,402)

Three Months Ended March 31, 2021

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
Balance as of January 1, 2021	19,132,387	$ 273,687	11,818,761	$ 1	$ 30,836	$ (1)	$ (307,189)	$ (276,353)
Issuance of common stock upon exercise of stock options	—	—	297,850	—	1,199	—	—	1,199
Stock-based compensation	—	—	—	—	1,388	—	—	1,388
Net loss	—	—	—	—	—	—	(19,260)	(19,260)
Balance as of March 31, 2021	19,132,387	$ 273,687	12,116,611	$ 1	$ 33,423	$ (1)	$ (326,449)	$ (293,026)

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

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash flows from operating activities:		
Net loss	$ (25,103)	$ (19,260)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,292	1,451
Stock-based compensation	2,464	1,388
Change in fair value of derivative and warrant liability	592	1,403
Amortization of debt issuance cost	1,742	301
Non-cash lease amortization	846	812
Changes in operating assets and liabilities:		
Accounts receivable	728	1,705
Prepaid expenses and other current assets	(483)	(52)
Operating lease liabilities	(1,080)	(1,154)
Deferred offering costs	(2,054)	—
Other assets	112	(16)
Accounts payable	3,178	(391)
Accrued liabilities	4,398	657
Deferred revenue	(1,623)	(1,378)
Other liabilities	2	(170)
Net cash (used in) operating activities	(14,989)	(14,704)
Cash flows from investing activities:		
Purchases of property and equipment	(611)	(63)
Net cash (used in) investing activities	(611)	(63)
Cash flows from financing activities:		
Proceeds from the exercise of common stock options	2,474	1,199
Payment of finance and capital lease obligations	(519)	(594)
Net cash provided by financing activities	1,955	605
Net (decrease) in cash, cash equivalents, and restricted cash equivalents	(13,645)	(14,162)
Cash, cash equivalents, and restricted cash equivalents, beginning of period	22,822	44,982
Cash, cash equivalents, and restricted cash equivalents, end of period	$ 9,177	$ 30,820
Reconciliation to amounts on the condensed consolidated balance sheets:		
Cash and cash equivalents	$ 8,211	$ 29,530
Current portion of restricted cash equivalents	230	230
Non-current portion of restricted cash equivalents	736	1,060
Total cash, cash equivalents, and restricted cash equivalents shown in the condensed consolidated statements of cash flows	$ 9,177	$ 30,820
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 1,013	$ 78
Income taxes	$ 32	$ —
Noncash investing and financing activities		
Operating lease liabilities and right-of-use assets through adoption of ASC 842	$ —	$ 11,428
Operating lease liabilities arising from obtaining right-of-use assets	$ 650	$ —
Property and equipment acquired under capital leases or debt	$ —	$ 265

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

1. ORGANIZATION

Nature of Operations

SoundHound, Inc. (“SoundHound” or the “Company”) was incorporated in Delaware on September 2, 2005 and is headquartered in Santa Clara, California.

SoundHound 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. The conversation voice AI platform is called “Houndify”, where product creators can develop their own voice interfaces with their customers. Hound is primarily used as a prototyping tool to demonstrate what Houndify can deliver. Products and services built on the Houndify platform are referred to as Houndified Products and Houndified Services. 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.

Going Concern

Since inception, the Company has generated recurring losses as well as negative operating cash flows, which has resulted in a net loss of $25,103 for the three-month period ended March 31, 2022. As of March 31, 2022, the Company has an accumulated deficit of $411,832. Management expects to continue to incur additional substantial losses in the foreseeable future as a result of research and development activities. The Company has funded its operations primarily through equity or debt financings.

The Company plans to continue funding its operations and capital funding needs through a combination of private equity offerings, debt financing, revenue and other sources. Total cash and cash equivalents on hand as of March 31, 2022 was $8,211. The Company’s condensed consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has reviewed the relevant conditions and events surrounding its ability to continue as a going concern including among others: historical losses, projected future results, including the effects of COVID-19, cash requirements for the upcoming year, funding capacity, net working capital, total stockholders’ deficit and future access to capital.

On April 26, 2022, the Company and Archimedes Tech SPAC Partners Co. (“ATSP”) completed a merger resulting in the reverse recapitalization of the Company (the “Business Combination”) and the Company received aggregate gross proceeds of $5,357 held in trust by ATSP (following satisfaction of redemptions by public stockholders), and $113,000 in aggregate gross proceeds from PIPE investors. The Company received $93,064 in net proceeds after the reduction of $25,293 in transaction related expenses. Management believes the Company’s sources of liquidity will be sufficient to fund the Company’s planned operations and existing obligations within one year after the date that the consolidated financial statements are issued.

Other Risk and Uncertainties

During the two-year period ended December 31, 2021, and through March 31, 2022, the Company continued to experience the results of the worldwide COVID-19 pandemic. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. In response, the U.S. Government enacted the CARES Act, which includes significant provisions to provide relief and assistance to affected organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around potential future closings, shelter in place orders, containment of the recent COVID-19 variants, and the ultimate impact of the CARES Act and other government initiatives.

1. ORGANIZATION (cont.)

The COVID-19 pandemic and its resulting economic and other effects could result in significant adverse effects on our customers' cash flow and their ability to manufacture, distribute, and sell products incorporating our voice-enabling technologies. This in turn may cause customers to be less able to pay invoices for royalties, licensing fees and usage fees, or may result in a reduction in the royalties, licensing fees and usage fees that the Company earns which are often based on the number of units sold or distributed by customers. This reduction could cause adverse effects on the business, results of operations, financial condition, cash flows and ability to raise operating capital. In addition, any depression or recession resulting from the COVID-19 pandemic may adversely change consumer behavior and demand, including products sold by customers, which may result in a significant reduction in our revenue, results of operations and financial condition. To date, this matter has not negatively impacted the Company. However, the financial impact and duration cannot be reasonably estimated at this time.

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. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions. We are continuing to monitor the situation in Ukraine and globally and assessing its potential impact on our business. The recent military conflict in Ukraine has led to sanctions and other penalties being levied by the United States, European Union and other countries against Russia. Additional potential sanctions and penalties have also been proposed and/or threatened. Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets, potentially making it more difficult for us to obtain additional funds. Although our business has not been materially impacted by the ongoing military conflict between Russian and Ukraine to date, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Significant Accounting Policies

The following (a) condensed consolidated balance sheet as of December 31, 2021, which has been derived from audited financial statements, and (b) the unaudited interim condensed 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"). The condensed consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements and in the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the financial statements have been included. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results for the fiscal year ending December 31, 2022 or any future interim period.

The accompanying unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the company believes that the disclosures made are adequate to make the information not misleading.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Principles of Consolidation

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

Foreign Currency

The functional currency of SoundHound, Inc. 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 three-month period ended March 31, 2022 and 2021, the Company recognized net losses/(gains) related to foreign currency transactions and remeasurements of $464 and $367, respectively, in the condensed consolidated statements of operations and comprehensive loss as other expense, net.

Use of Estimates

The preparation of condensed 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 condensed 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.

Segment Information

The Company has determined that the Chief Executive Officer is its chief operating decision maker. The Company's Chief Executive Officer reviews 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.

Emerging Growth Company Status

The Company is an emerging growth company ("EGC") as defined in the Jumpstart Our Business Startups Act of 2012 ("JOBS Act") and may take advantage of reduced reporting requirements that are otherwise applicable to public companies. Section 107 of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with those standards. This means that when a standard is issued or revised and it has different application dates for public and nonpublic companies, the Company has the option to adopt the new or revised standard at the time nonpublic companies adopt the new or revised standard and can do so until such time that the Company either (i) irrevocably elects to "opt out" of such extended transition period or (ii) no longer qualifies as an emerging growth company. The Company has elected to use the extended transition period for complying with new or revised accounting standards unless the Company otherwise early adopts select standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Concentrations of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to potential significant concentrations of credit risk consist principally of cash and cash equivalents. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

As of March 31, 2022, accounts receivable balances due from three customers collectively totaled 72% of the Company's condensed consolidated accounts receivable balance. As of December 31, 2021, accounts receivable balances due from five customers collectively totaled 86% of the Company's condensed consolidated accounts receivable balance.

For the three months ended March 31, 2022, the Company had four customers that accounted for 59% of revenue and three customers that accounted for 60% of revenue for the three months ended March 31, 2021.

Equity Issuance Costs

The Company capitalizes certain legal, professional, accounting and other third-party fees that are directly associated with in-process equity financings, including the Business Combination, 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 condensed consolidated statements of operations and comprehensive loss.

Additionally, certain transaction costs incurred in connection with the pending merger agreement, which are direct and incremental to the proposed merger, will be deferred and recorded as a component of other non-current assets within the condensed consolidated balance sheets and will offset cash proceeds from the Business Combination if successful. The Company had $3,318 and $1,264 of deferred offering costs recorded as of March 31, 2022 and December 31, 2021.

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;

(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. Any payments received from customers that do not meet criteria for having a contract are recorded as deposit liabilities on the condensed consolidated balance sheet.

Under ASC 606, assuming all other revenue recognition criteria have been met, the Company will recognize 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 currently generates its revenues through the following performance obligations: (1) hosted services, (2) professional services, (3) monetization and (4) licensing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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.

The warrants are considered freestanding instruments that qualify as liabilities under ASC Topic 480, *Distinguishing Liabilities from Equity*, as the Company is committed to issuing an instrument that ultimately may require a transfer of assets. The warrant liability is accounted for at fair value and remeasured at each reporting date. Accordingly, the Company classifies the warrants as a liability at their fair value and adjusts the instruments to fair value at each balance sheet date until the warrants are exercised or expired. Any change in the fair value of the warrants is recognized as other expense, net in the condensed consolidated statements of operations and comprehensive loss.

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 were no interest expenses or penalties related to unrecognized tax benefits recorded through March 31, 2022.

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. The Company uses the Black-Scholes-Merton ("Black-Scholes") option-pricing model to determine the fair value of stock options. The Black-Scholes option-pricing model requires the use of highly subjective and complex assumptions to determine the fair value of stock options, including the option's expected term and the price volatility of the underlying stock. The Company calculates the fair value of options granted by using the Black-Scholes option-pricing model with the following assumptions:

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

Expected Term — The expected term of the Company's options 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.

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 options' expected term at the grant date.

Dividend Yield — The Company has not declared or paid dividends to date and does not anticipate declaring dividends. As such, the dividend yield has been estimated to be zero.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Restricted Stock Units

The Company issues restricted stock unit awards ("RSUs") to grantees as compensation for services. The Company's RSUs are classified as equity awards because the RSUs will be settled in the Company's common stock upon vesting. The fair value of the RSUs is determined at the grant date based on the fair value of the Company's common stock on the date of grant and is recognized straight-line over the 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.

The Company's derivative liabilities and warrants are measured at fair value on a recurring basis and are classified as Level 3 liabilities. The Company records subsequent adjustments to reflect the increase or decrease in estimated fair value at each reporting date on the condensed consolidated statements of operations and comprehensive loss.

Redeemable Convertible Preferred Stock

The Company's shares of redeemable convertible preferred stock ("Preferred Stock") do not have a mandatory redemption date and are assessed at issuance for classification and redemption 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. The Company's Preferred Stock is redeemable upon a deemed liquidation event which the Company determined is not solely within its control and thus has classified shares of Preferred Stock as temporary equity until such time as the conditions are removed or lapse. Because the occurrence of a deemed liquidation event is not currently probable, the carrying values of the shares of Preferred Stock are not being accreted to their redemption values. Subsequent adjustments to the carrying values of the shares of Preferred Stock would be made only when a deemed liquidation event becomes probable.

Convertible Notes and Derivative Liabilities

The Company evaluates its convertible notes, and other contracts, if any, to determine if those contracts or embedded components of those contracts qualify as derivatives requiring bifurcation. The Company accounts for conversion features that meet the criteria for bifurcation as liabilities at fair value and adjusts the derivative instruments to fair value at each reporting period. The conversion features qualify as derivatives, as they continuously reset as the underlying stock price increases or decreases to provide a fixed value of equity to the holders at any conversion date. The conversion features are subject to remeasurement at each balance sheet date until exercised, and any change in fair value is recognized as a component of other expense, net in the condensed consolidated statements of operations and comprehensive loss. The fair value of the conversion features has been estimated using a probability-weighted discount model with and without the conversion feature (see Note 9 for additional information).

The Company holds its convertible notes at amortized cost and amortizes the associated debt discount created from bifurcated derivatives and issuance costs under the effective interest or straight-line method until maturity or early conversion pursuant to the contractual terms of the arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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, Preferred Stock, stock options, warrants and convertible notes are considered to be potentially dilutive securities. See Note 15 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.

Recent Accounting Pronouncement — Adopted

From time to time, new accounting pronouncements, or Accounting Standards Updates, are issued by the FASB or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the impact of recently issued standards that are not yet effective will not have a material impact on the Company's financial position or results of operations upon adoption. During the three-month period ended March 31, 2022, no additional accounting pronouncements were adopted. Refer to Note 2 of our audited consolidated financial statements for the fiscal year ended December 31, 2021 contained within the proxy statement/prospectus/consent solicitation for adopted accounting pronouncements.

Recent Accounting Pronouncement — Not Yet Adopted

In October 2021, the FASB issued ASU 2021-08 Business Combinations ("ASC 805") Accounting for Contract Assets and Contract Liabilities from Contracts with Customers guidance requiring entities to apply ASC 606 to recognize and measure contract assets and contract liabilities in a business combination. Under current U.S. GAAP, an acquirer generally recognizes assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers and other similar contracts that are accounted for in accordance with ASC 606, at fair value on the acquisition date. Under the new guidance the acquirer will recognize contract assets and contract liabilities at the same amounts recorded by the acquiree. The modifications improve comparability for both the recognition and measurement of acquired revenue contracts with customers at the date of, and after a business combination. The amendment is effective for the Company in fiscal years beginning after December 15, 2023. Early adoption of the amendment is permitted. The Company anticipates that it will not have a material impact on its condensed consolidated financial statements and related disclosures.

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 is currently evaluating the impact the standard will have on the Company's condensed consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes (“Topic 740”) (“ASU 2019-12”). ASU 2019-12 eliminates the need for an organization to analyze whether the following apply in a given period (1) exception to the incremental approach for intra-period tax allocation (2) exceptions to accounting for basis differences when there are ownership changes in foreign investments and (3) exceptions in interim period income tax accounting for year-to-date losses that exceed anticipated losses. ASU 2019-12 also is designed to improve financial statement preparers’ application of income tax-related guidance and simplify U.S. GAAP for (1) franchise taxes that are partially based on income, (2) transactions with a government that result in a step-up in the tax basis of goodwill, (3) separate financial statements of legal entities that are not subject to tax, and (4) enacted changes in tax laws in interim periods. The amendments in ASU 2019-12 are effective for the Company in fiscal years beginning after December 15, 2021. Early adoption of the amendments is permitted. An entity that elects early adoption must adopt all the amendments in the same period. Adoption of ASU 2019-12 is not expected to result in any material changes to the way the tax provision is prepared and is not expected to have a material impact on the Company’s condensed consolidated financial statements.

3. 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 enters into contracts that can include various products or services, which are generally capable of being distinct and accounted for as separate performance obligations.

The Company derives its revenue primarily from the following performance obligations: (1) hosted services, (2) professional services, (3) monetization, and (4) licensing. Revenue is reported net of applicable sales and use taxes that are passed through to customers.

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 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 (i.e., recognized as incurred).

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.

3. REVENUE RECOGNITION (cont.)

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. 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, revenue is 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, including actual efforts spent in relation to estimated total costs and percentage of completion based on input and output measures. During the three months ended March 31, 2022, $567 of professional service revenue was recognized over time, with the remaining $0 recognized at a point in time when the performance obligation was completed and control of the service was transferred to the customer. During the three months ended March 31, 2021, no professional service revenue was recognized over time.

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 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

($ in thousands, except share and per share data)

3. REVENUE RECOGNITION (cont.)

- Major product groupings
- 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.

For the three months ended March 31, 2022 and 2021, revenues under each performance obligation were:

	March 31,	
	2022	**2021**
Hosted services	$ 3,344	$ 3,387
Professional services	567	—
Monetization	208	352
Licensing	171	—
Total	$ 4,290	$ 3,739

For the three months ended March 31, 2022 and 2021, the disaggregated revenue by geographic location is as follows:

	March 31,	
	2022	**2021**
United States	1,389	1,068
Japan	927	1,033
Germany	683	1,019
France	459	—
Korea	412	478
Other	420	141
Total	$ 4,290	$ 3,739

For the three months ended March 31, 2022 and 2021, the disaggregated revenue by recognition pattern is as follows:

	March 31,	
	2022	**2021**
Over time revenue	$ 3,911	$ 3,387
Point-in-time	379	352
Total	$ 4,290	$ 3,739

($ in thousands, except share and per share data)

3. REVENUE RECOGNITION (cont.)

The Company also disaggregates revenue by service type. This disaggregation consists of Product Royalties, Service Subscriptions and Monetization. Product Royalties revenue is derived from Houndified Products, which are voice-enabled tangible products across the automotive and consumer electronics industries. Revenue from Product Royalties is based on volume, usage, or life of the products, which are driven by number of devices, users, or unit of time. Service Subscription revenue is generated through Houndified Services, which include customer services, food ordering, content, appointments, and voice commerce. Subscription revenue is 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. Revenue from Monetization is generated from the SoundHound music identification app and is primarily attributable to user ad impression revenue. For the three months ended March 31, 2022 and 2021, the disaggregated revenue by service type is as follows:

	March 31,	
	2022	**2021**
Product Royalties	$ 3,709	$ 2,984
Service Subscriptions	373	403
Monetization	208	352
Total	$ 4,290	$ 3,739

Contract Balances

The Company performs its obligations under a contract with a customer by licensing access to 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 a contract liability.

As of March 31, 2022 and December 31, 2021, the Company had contract assets included in prepaid expenses and other current assets of $141 and $54, respectively, in the condensed consolidated balance sheets. The Company did not record any asset impairment charges related to contract assets during the three-month period ended March 31, 2022.

Revenue recognized for the three-month period ended March 31, 2022 and year ended December 31, 2021 that was included in the deferred revenues balances at the beginning of the reporting period was $2,162 and $14,945, respectively.

As of March 31, 2022, the aggregate amount of the transaction price allocated to the remaining performance obligations related to customer contracts that were unsatisfied or partially unsatisfied was $27,253. Given the applicable contract terms, $10,811 is expected to be recognized as revenue within one year and $12,144 is expected to be recognized between two to five years, with the remainder of $4,298 recognized after five 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.

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. 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 and, thus, the Company does not adjust the transaction price for financing components.

The Company 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.

($ in thousands, except share and per share data)

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	March 31, 2022	December 31, 2021
Computer equipment	$ 20,686	$ 20,571
Software and voice recordings	8,912	8,687
Leasehold improvements	3,826	3,567
Furniture and fixtures	741	729
Total, at cost	34,165	33,554
Less: accumulated depreciation and amortization	(28,691)	(27,399)
Total property and equipment, net	$ 5,474	$ 6,155

The property and equipment account includes assets under finance lease obligations (see Note 13 for additional information) with an aggregate cost of approximately $6,731 and $6,975 as of March 31, 2022 and December 31, 2021 and accumulated depreciation of approximately $4,470 and $4,293 as of March 31, 2022 and December 31, 2021, respectively. Depreciation and amortization expense totaled approximately $1,292 and $1,451 for the three months ended March 31, 2022 and 2021, respectively.

5. ACCRUED LIABILITIES

Accrued liabilities on the consolidated balance sheets are comprised of the following as of March 31, 2022 and December 31, 2021, respectively:

	March 31, 2022	December 31, 2021
Accrued compensation expenses	$ 7,548	$ 3,802
Accrued interest	1,554	1,369
Accrued vendor payables	1,511	1,109
Accrued professional services	925	934
Other accrued liabilities	165	84
	$ 11,703	$ 7,298

6. COMMITMENTS AND CONTINGENCIES

Contingent Bonuses

During the three months ended March 31, 2022, the Company declared discretionary bonuses of $670, with payment contingent upon the closing of the Business Combination.

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 $99,000 in cloud costs over a seven-year period subject to variable increases based on usage.

Aggregate noncancelable future minimum payments are as follows:

Remainder of 2022 as of March 31, 2022	$ 3,000
2023	7,000
2024	11,000
2025	14,000
2026	16,000
Thereafter	48,000
Total	$ 99,000

6. COMMITMENTS AND CONTINGENCIES (cont.)

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, and estimated and recorded a liability, in accordance with ASC 450, Contingencies, of $1,105 as of December 31, 2021 and March 31, 2022.

7. WARRANTS

In connection with the issuance of the April 2013 Note and November 2013 Note, the Company issued detachable warrants to purchase 44,708 and 89,418 shares of Series C Preferred Stock ("Series C Warrants"), respectively, at $6.71 per share to the lenders, which were immediately exercisable. In December 2021, all outstanding 134,126 shares of warrants related to April 2013 Note and November 2013 were net exercised, leading to a net issuance of 116,150 shares of Series C Preferred Stock. As of March 31, 2022 and December 31, 2021, the fair value of the warrant liability was $0.

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 127,570 and 63,785 shares of common stock, respectively, with an exercise price of $20.37 per share to the lenders, which were immediately exercisable. The Company recorded the warrants initially at fair value (see Note 9 for additional information) as paid-in-capital on the condensed consolidated balance sheets based on the allocation of its relative fair value of the debt proceeds. See Note 9 for additional information on the fair value calculation. The fair value in relation to the SVB March 2021 Note was allocated to the notes as a discount. The fair value in relation to the SCI June 2021 Note was capitalized as an asset, as the underlying debt bears similarity to a revolving commitment. As the warrants were classified as equity, they are not subject to remeasurement at the end of each reporting period. The initial allocated fair value of the warrants as of March 31, 2021 and June 14, 2021 was $2,316 and $1,526, respectively. The warrants have a ten-year expiration date from the applicable closing date of March 2031 and June 2031, respectively.

During the three months ended March 31, 2022, no warrants were exercised.

8. CONVERTIBLE NOTES AND 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 $15,000 in cash proceeds. This note has 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 as described below. All unpaid interest and principal are due and payable upon request of the Lender on or after the SNAP June 2020 Note's maturity date.

The outstanding principal balance and unpaid accrued interest of the SNAP June 2020 Note are convertible pursuant to the following terms ("SNAP June 2020 Note Conversion Feature" or "Conversion Feature"): automatic conversion into equity shares in the next equity financing round ("SNAP June 2020 Note Qualified Financing," or "Qualified Financing") at a conversion price equal to either (a) the lowest cash price per share paid by investors in such qualified financing (which will reflect at least a 20% discount to the price per share paid by other investors purchasing securities in additional closings), or (b) if there are no additional closings, 0.80 times the price per share paid by investors purchasing equity securities in the Qualified Financing. The SNAP June 2020 Note Qualified Financing shall be at least $30,000, which excludes the conversion of the SNAP June 2020 Note and any other indebtedness.

($ in thousands, except share and per share data)

8. CONVERTIBLE NOTES AND NOTE PAYABLE (cont.)

Furthermore, upon a change of control event, the Company shall settle the SNAP June 2020 Note in cash, pursuant to the following terms ("Redemption Features"):

— 200% of the then outstanding principal amount of the respective note plus any unpaid accrued interest on the original principal of such note; and

— 100% of the then outstanding principal amount of the respective note plus any unpaid accrued interest on the original principal of such note, provided that if the change of control transaction closes between the Company and the Lender or an affiliate of the Lender.

The Company evaluated whether the SNAP June 2020 Note contains embedded features that meet the definition of derivatives under ASC 815, Derivatives and Hedging. The Conversion Feature qualifies as a derivative as it continuously resets as the underlying stock price increases or decreases so as to provide a variable number of shares for a fixed value of equity to the holders at any conversion date. As such, the Conversion Feature is bifurcated and

accounted for as a derivative liability to be remeasured at the end of each reporting period. The Company recorded the bifurcated Conversion Feature initially at fair value with the residual value being allocated to the SNAP June 2020 Note as a debt discount. The fair value of the Conversion Feature upon issuance in June 2020 was $2,460, which was recorded as a derivative liability on the Company's condensed consolidated balance sheet. The Redemption Feature of the SNAP June 2020 Note does not meet the definition of a derivative. Therefore, the Redemption Feature is not bifurcated.

The total amount of debt discount at issuance for the SNAP June 2020 Note was $2,529. The Company amortized the aggregate debt discount using the effective interest method. The Company recognized total interest expense of $515 associated with the SNAP June 2020 Note for the three months ended March 31, 2022, out of which $330 relates to the 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 June 26, 2022, the date of maturity.

The SNAP June 2020 Note contains a conversion feature in which outstanding principal and any unpaid accrued interest automatically converts into equity securities. This conversion occurs when the Company issues and sells equity securities in a bona fide equity financing with total proceeds to the Company totaling more than $30,000, excluding the face value of the SNAP June 2020 Note ("SNAP June 2020 Note Qualified Financing").

The following table summarizes the unamortized debt discount, fair value of conversion feature, and accrued interest as of March 31, 2022 and December 31, 2021, and fair value remeasurement for the three months ended March 31, 2022 and March 31, 2021:

	March 31, 2022	December 31, 2021
Unamortized debt discount	$ 327	$ 657
Fair value of conversion feature	$ 4,080	$ 3,488
Accrued interest	$ 1,321	$ 1,136

($ in thousands, except share and per share data)

8. CONVERTIBLE NOTES AND NOTE PAYABLE (cont.)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Remeasurement of conversion feature – gain/(loss)	$ (592)	$ (1,150)

Accrued interest is included in accrued liabilities on the condensed consolidated balance sheets to reflect the classification of the SNAP June 2020 Note as short-term in nature on March 31, 2022 and December 31, 2021. The Company recorded the remeasurement of derivative liabilities in other expense, net on the condensed consolidated statements of operations and comprehensive loss.

SVB March 2021 Note

In March 2021, the Company entered into a loan and security agreement with a commercial bank to borrow $30,000 along with the issuance of warrants to purchase 127,570 shares of the Company's common stock. The warrant's allocated fair value was $2,316 at issuance. The SVB March 2021 Note also contains a final payment provision of $1,050. The warrants were recognized as a debt discount at issuance and recorded as a reduction of the debt balance under a relative fair value approach. The Company recorded the final payment as an increase to the principal balance and debt discount for the entire payment amount. The Company is amortizing the discounts on an effective interest basis over the period from issuance through the Early Maturity Date (as defined below).

The loan bears interest at an annual rate equal to the greater of 9% or 5.75% above the Prime Rate. As of March 31, 2022, the interest rate was 9.25%. Payments are interest-only for the first twelve months and are fully amortizable thereafter. The Company recorded interest expense in the condensed consolidated statements of operations and comprehensive loss for the three-month period ended March 31, 2022 of $675, of which $233 remained unpaid as accrued interest.

The term loan amortization date is April 1, 2022, with an opportunity for a six-month extension if certain performance milestones are met. The total amount of debt discount at issuance was $3,532. As of March 31, 2022 and December 31, 2021, the unamortized debt discount totaled $240 and $1,086, respectively. The maturity date of the loan is April 26, 2022 ("Early Maturity Date"), with an opportunity for extension to September 2024 or March 2025 if certain performance milestones are met, including the conversion of the SNAP June 2020 Note. Accordingly, the Company has classified the entire note payable balance as short-term as of March 31, 2022.

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 may be requested in $5,000 increments up to a total commitment amount of $15,000. The Company drew an initial $5,000 on June 14, 2021 and the remaining $10,000 on December 1, 2021. The SCI June 2021 Note also contains a final payment provision of 3.5% on each draw or $525 in total. Additionally, warrants were issued alongside the convertible note to purchase 63,785 shares of SoundHound's common stock. The warrant's allocated fair value was $1,526 at issuance. The Company recorded the final payment as an increase to the principal balance and debt discount for the entire payment amount upon each draw.

As the warrants and discounts of $2,150 are directly attributable to the total commitment of $15,000, the Company has presented its unamortized debt issuance cost associated with this convertible note as a current asset, recorded as debt issuance cost on the condensed consolidated balance sheets. The Company is amortizing the cost on a straight-line basis from the issuance date through the early maturity date of June 26, 2022. The Company recorded $566 in interest expense related to the debt discounts during the three-month period ended March 31, 2022. As of March 31, 2022, the unamortized debt discount totaled $566.

The loan bears interest at an annual rate equal to the greater of 9% or 5.75% above the Prime Rate. As of March 31, 2022, the interest rate is 9.25%. Payments are interest-only for the first twelve months and are fully amortizing thereafter. The Company incurred and paid $338 in stated interest in the condensed consolidated statements of operations and comprehensive loss for the three-month period ended March 31, 2022.

($ in thousands, except share and per share data)

8. CONVERTIBLE NOTES AND NOTE PAYABLE (cont.)

The loan amortization date is June 1, 2022, with an opportunity for a six-month extension if certain performance milestones are met. The maturity date of the loan is the earlier of May 2025 or when the SNAP June 2020 Note is either paid in full or matures on June 26, 2022. Upon mutual consent of the Company and its Agent, the outstanding principal amount of term loan advances may be converted into equity securities that are issued by SoundHound in an Initial Public Offering ("IPO") or by a Special Purpose Acquisition Company ("SPAC") during a private placement sale of SoundHound's equity securities that closes substantially concurrently with the closing of a SPAC acquisition. If conversion occurs in connection with an IPO, the conversion of the principal amount shall be into the same class and series of equity securities for the initial price per security to the public sold in the IPO. If conversion occurs in connection with a SPAC, the conversion of principal amount shall be into the equity securities purchased by other investors in the SPAC at the same share price and upon the same terms. As of March 31, 2022, the Company has classified the SCI June 2021 Note as a current liability on its condensed consolidated balance sheet.

The below table summarizes the Company's debt balances as of March 31, 2022 and December 31, 2021:

	March 31, 2022
	SVB March 2021 Note
Note payable, current portion	$ 31,050
Unamortized loan discount	(240)
Carrying value	$ 30,810

	March 31, 2022		
	SNAP June 2020 Note	SCI June 2021 Note	Total
Convertible notes, current portion	$ 15,000	$ 15,525	$ 30,525
Unamortized loan discount	(327)	—	(327)
Total	$ 14,673	$ 15,525	$ 30,198
Unamortized debt issuance cost recorded as an asset	$ —	$ 566	$ 566

	December 31, 2021
	SVB March 2021 Note
Note payable, current portion	$ 31,050
Unamortized loan discount	(1,086)
Carrying value	$ 29,964

	December 31, 2021		
	SNAP June 2020 Note	SCI June 2021 Note	Total
Convertible notes, current portion	$ 15,000	$ 15,525	$ 30,525
Unamortized loan discount	(657)	—	(657)
Total	$ 14,343	$ 15,525	$ 29,868
Unamortized debt issuance cost recorded as an asset	$ —	$ 1,132	$ 1,132

Additionally, interest expense on the condensed consolidated statements of operations and comprehensive loss is inclusive of stated interest incurred on the Company's debt instruments during the relevant periods, as well as the amortization of debt discounts and issuance costs. The life of each instrument may be shortened if a lender demands payment if certain events occur that are outside the control of the Company.

($ in thousands, except share and per share data)

9. FAIR VALUE MEASUREMENTS

The following tables present the fair value of the Company's financial instruments that are measured or disclosed at fair value on a recurring basis:

	Fair Value Measurements as of March 31, 2022		
	Level 1	**Level 2**	**Level 3**
Assets:			
Cash equivalents	$ 165	$ —	$ —
Liabilities:			
Derivative liability	—	—	(4,080)
Warrant liability	—	—	—
Total	$ 165	$ —	$ (4,080)

	Fair Value Measurements as of December 31, 2021		
	Level 1	**Level 2**	**Level 3**
Assets:			
Cash equivalents	$ 4,863	$ —	$ —
Liabilities:			
Derivative liability	—	—	(3,488)
Warrant liability	—	—	—
Total	$ 4,863	$ —	$ (3,488)

The fair values of the warrants were determined based on significant inputs not observable in the market, which represent Level 3 measurements within the fair value hierarchy.

In order to determine the fair value of the warrants, the Company utilized a Black-Scholes option-pricing model. Estimates and assumptions impacting the fair value measurement include the fair value of the underlying shares, the remaining contractual or expected term of the warrants, risk-free interest rate, expected dividend yield and expected volatility of the price of the underlying stock on an as-converted basis.

The Company considered the probability of a deemed liquidation event in determining the remaining expected term of the warrants, which was used as an input to the model. The Company lacks Company-specific historical and implied volatility information of its stock since there is currently no market. Therefore, it estimated its expected stock volatility based on the historical volatility of publicly traded guideline companies for a term equal to the remaining contractual or expected term of the warrants. The risk-free interest rate was determined by reference to the U.S. Treasury yield curve for time periods approximately equal to the remaining contractual or expected term of the warrants. The Company estimated no expected dividend yield based on the fact that the Company has never paid or declared dividends and does not intend to do so in the foreseeable future.

Series C Warrants (April 2013 and November 2013)

The Company revalued the warrants as of March 31, 2021 resulting in a change in fair value of $253. This change in fair value was recorded as a component of other expense, net, in the accompanying condensed consolidated statements of operations and comprehensive loss.

($ in thousands, except share and per share data)

9. FAIR VALUE MEASUREMENTS (cont.)

The Company determined the fair value of the April 2013 Series C redeemable convertible preferred stock warrants using the Black-Scholes-Merton option-pricing model using the following assumptions:

	March 31, 2021
Expected dividend rate	0%
Risk-free interest rate	0.24%
Expected volatility	46%
Expected term (in years)	2.39

Upon exercise in December 2021, the warrants were recorded as Series C Preferred Stock at their fair value of $5,816 upon net share settlement

Common Stock Warrants (SVB March 2021 Note)

The Company issued common stock warrants in connection with the SVB March 2021 Note (See Note 8 for additional information). The SVB March 2021 Note warrants were recorded based on the allocation of its relative fair of the debt proceeds of $2,316. The warrants were classified as equity instruments at inception with a corresponding discount recorded at issuance

against the outstanding notes in connection with the SVB March 2021 Note. The common stock warrants are not subject to remeasurement at each subsequent balance sheet date due to their classification as equity instruments as they are considered indexed to the Company's stock. As of March 31, 2022, none of these warrants have been exercised. The SVB March 2021 Note warrants expire in March 2031.

The Company determined the fair value of the SVB March 2021 Note common stock warrants at issuance using the Black-Scholes option-pricing model using the following assumptions:

SVB March 2021 Note Common Stock Warrants	
Expected dividend rate	0%
Risk-free interest rate	1.74%
Expected volatility	47%
Expected term (in years)	10.00

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 Derivatives 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	25.00%

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.

($ in thousands, except share and per share data)

9. FAIR VALUE MEASUREMENTS (cont.)

As of March 31, 2022, the embedded derivative was valued at its intrinsic value due to the proximity of the valuation date to the closing of the Business Combination. This valuation method was materially consistent when compared to a fair value model adjusted for timing of the valuation to the transaction and using an increased probability of SPAC occurrence of 100%.

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 January 1, 2021	$ 2,380	$ 2,004
Change in fair value	1,150	253
Balance as of March 31, 2021	$ 3,530	$ 2,257

	Derivative Liability	Warrant Liability
Balance as of January 1, 2022	$ 3,488	$ —
Change in fair value	592	—
Balance as of March 31, 2022	$ 4,080	$ —

There were no transfers of financial instruments between the three levels of the fair value hierarchy for the three-month period ended March 31, 2022. The Company had no other financial assets or liabilities that were required to be measured at fair value on a recurring basis.

10. PREFERRED STOCK

A summary of the Preferred Stock authorized, issued and outstanding as of March 31, 2022 is as follows:

	Shares Authorized	Shares Issued	Liquidation Preference	Carrying Value
Series A	3,438,670	3,438,670	$ 5,082	$ 4,967
Series B	6,065,646	6,065,646	11,943	11,038
Series C	1,041,607	1,023,631	6,869	11,837
Series C-1	798,399	798,399	16,072	16,061
Series D	3,646,050	3,646,050	95,027	85,648
Series D-1	1,515,152	1,515,152	50,000	49,957
Series D-2	1,515,151	1,515,151	50,000	49,949
Series D-3	3,750,000	1,245,838	49,834	50,046
Series D-3A	4,545,454	—	—	—
	26,316,129	19,248,537	$ 284,826	$ 279,503

The holders of the Company's Series A, Series B, Series C, Series C-1, Series D, Series D-1, Series D-2, Series D-3 and Series D-3A Preferred Stock (collectively, "Preferred Stock") have the following rights, preferences and privileges:

<u>Dividends</u>

No dividends have been declared during the three-month period ended March 31, 2022.

<u>Conversion</u>

No conversion events have occurred during the three-month period ended March 31, 2022.

($ in thousands, except share and per share data)

10. PREFERRED STOCK (cont.)

Liquidation Preference

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Preferred Stock are entitled to receive distributions of any assets of the Company in order of their preferences.

The Company has not experienced any voluntary or involuntary liquidation, dissolution or winding up during the three months ended March 31, 2022.

Redemption

The Preferred Stock is not mandatorily redeemable. The Company has not experienced any redemptions during the three months ended March 31, 2022.

Voting Rights

Voting rights have not changed during the three months ended March 31, 2022.

11. COMMON STOCK

As of March 31, 2022, the Company has authorized the issuance of 45,000,000 shares of common stock.

The Company has reserved shares of common stock for future issuance on an as-if converted basis related to the following outstanding Preferred Stock, warrants, stock options and future grants as of March 31, 2022:

Series A Preferred Stock	3,438,670
Series B Preferred Stock	6,065,646
Series C Preferred Stock	1,023,631
Series C-1 Preferred Stock	798,399
Series D Preferred Stock	3,646,050
Series D-1 Preferred Stock	1,515,152
Series D-2 Preferred Stock	1,515,151
Series D-3 Preferred Stock	1,245,838
Common stock warrants	191,355
Stock options outstanding	5,039,511
Restricted stock units outstanding	362,652
Stock incentive plan shares reserved for future issuance	133,441
	24,975,496

12. STOCK INCENTIVE PLAN

The Board of Directors has authorized and in April 2016 adopted the 2016 Equity Incentive Plan (the “2016 Plan”) as a successor and continuation of the 2006 Plan (collectively, the “Plans”). Under the Plans, the Board of Directors may grant awards of options and restricted stock, 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 under the Plans by 1,200,000 to an aggregate of 8,701,460. During the three months ended March 31, 2022, no further amendments to the Plans were made.

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.

($ in thousands, except share and per share data)

12. STOCK INCENTIVE PLAN (cont.)

Option Activity

Shares available for grant under the Plans is as follows for the three-month period ended March 31, 2022 and the year ended December 31, 2021:

Outstanding, January 1, 2021	57,535
Authorized	1,200,000
Options granted	(1,134,542)
Awards forfeited or cancelled	376,245
Outstanding, December 31, 2021	499,238
Authorized	—
Options granted	(32,000)
RSUs granted	(362,652)
Awards forfeited or cancelled	28,855
Outstanding, March 31, 2022	133,441

Stock option activity under the Plans is as follows for the three-month period ended March 31, 2022 and 2021:

	Outstanding Stock Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Average Intrinsic Value
Outstanding, January 1, 2021	5,178,276	$ 13.23	6.75	$ 36,987
Authorized	—	—	—	—
Options granted	140,000	20.37	—	—
Options exercised	(297,850)	4.02	—	7,133
Awards forfeited or cancelled	(94,272)	17.38	—	—
Outstanding, March 31, 2021	4,926,154	$ 13.91	6.85	$ 69,274
Outstanding, December 31, 2021	5,475,283	19.19	6.78	168,923
Authorized	—	—	—	—
Options granted	32,000	50.07	—	—
Options exercised	(438,917)	5.66	—	19,420
Awards forfeited or cancelled	(28,855)	26.71	—	—
Outstanding, March 31, 2022	5,039,511	$ 20.52	7.03	$ 169,930
Options exercisable as of March 31, 2022	3,050,249	$ 13.52	5.90	$ 124,137

Restricted stock activity under the Plans are as follows for the three months ended March 31, 2022:

	Outstanding RSUs	Weighted Average Grant Date Value Per Share
Outstanding, January 1, 2022	—	$ —
Granted	362,652	54.26
Released	—	—
Forfeited	—	—
Outstanding, March 31, 2022	362,652	$ 54.26

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 three-month period ended March 31, 2022 or year ended December 31, 2021 that were subject to repurchase.

The total fair value of options vested was approximately $1,578 and $1,036, during the three-month period ended March 31, 2022 and 2021, respectively.

($ in thousands, except share and per share data)

12. STOCK INCENTIVE PLAN (cont.)

The following table summarizes information with respect to stock options outstanding and exercisable as of March 31, 2022:

	Options Outstanding		Options Exercisable	
Range of Exercise Prices Per Share	**Shares Outstanding**	**Weighted Average Remaining Contractual Life (Years)**	**Shares Outstanding**	**Weighted Average Remaining Contractual Life (Years)**
$0.00 - $12.06	869,350	3.11	869,350	3.11
$12.07 - $15.34	1,176,127	5.66	1,136,881	5.64
$15.35 - $19.31	845,592	7.43	558,563	7.41
$19.32 - $24.17	1,131,944	8.66	476,053	8.71
$24.18 - $50.07	1,016,498	9.53	9,402	9.49
	5,039,511	7.03	3,050,249	5.90

During the three-month period ended March 31, 2022 and 2021, the Company's stock compensation expense was $2,464 and $1,388, respectively. As of March 31, 2022, the unamortized expense related to outstanding awards was $43,336. The weighted average remaining amortization period over which the balance as of March 31, 2022 is to be amortized is 2.93 years. No income tax benefit was recognized for this compensation expense in the condensed consolidated statements of operations and comprehensive loss, as the Company does not anticipate realizing any such benefit in the future.

Employee Stock-Based Compensation

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 as permitted under the provisions for share-based payment awards.

The assumptions under the Black-Scholes option-pricing model and the weighted average calculated fair value of the options granted to employees as of March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022	December 31, 2021
Fair value of common stock	$ 54.26	$ 40.83
Dividend yield	0%	0%
Expected volatility	40%	42%
Expected term (years)	5.98	6.01
Risk free interest rate	2.40%	1.14%

Stock-based compensation is classified in the following operating expense accounts on the condensed consolidated statements of operations and comprehensive loss for the three-month period ended March 31, 2022 and 2021:

	March 31, 2022	March 31, 2021
Research and development	$ 1,603	$ 1,039
Sales and marketing	258	99
General and administrative	603	250
Total	$ 2,464	$ 1,388

($ in thousands, except share and per share data)

12. STOCK INCENTIVE PLAN (cont.)

Executive Options

The Company historically issued option awards to key personnel with contractual expirations of 5 to 10 years. Certain individuals had not exercised their options prior to expiration. As a result of the expiration of unexercised but fully vested options awards, the Company issued new options for the same quantity previously granted, but with an exercise price set to the then fair value of common stock determined in accordance with a board approved 409A.

Furthermore, in an effort to make the holders whole, the Company entered into a change in control bonus Letter Agreement with each individual. Pursuant to the agreement, each individual is entitled to an additional lump sum payment capped at the difference between the original aggregate exercise price and the new aggregate exercise price upon a change in control transaction as defined in the Company's 2016 Equity Incentive Plan, provided that such a transaction also constitutes a "Liquidation Transaction" as defined in the Company's Certificate of Incorporation.

The maximum change in control bonus for executive award holders is $5,837 and remains unamortized as of March 31, 2022.

13. LEASES

The Company leases certain facilities under non-cancelable operating leases that expire at various dates through 2025. 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 noncancelable future minimum lease payments under operating and finance leases as of March 31, 2022 are as follows:

	Operating Lease	Financing Lease
Year Ending December 31:		
Remainder of 2022	$ 2,901	$ 828
2023	3,830	189
2024	3,258	122
2025	931	12
2026	474	—
Thereafter	1,739	—
Total	13,133	1,151
Less: imputed interest	(1,541)	(77)
Present value of lease liabilities	11,592	1,074
Less: current portion	(3,519)	(822)
Lease liabilities, net of current portion	$ 8,073	$ 252

Additional information related to the Company's lease balances during the period ended March 31, 2022 and 2021 and as of March 31, 2022 and December 31, 2021 includes:

	March 31, 2022	March 31, 2021
Operating lease cost	$ 865	$ 823
Short-term lease cost	57	213
Financing lease cost:		
Amortization of finance leased assets	411	654
Interest of lease liabilities	36	240

($ in thousands, except share and per share data)

13. LEASES (cont.)

	Operating Lease	Financing Lease
Weighted average remaining lease term (years)	4.12	1.23
Weighted average discount rate	5.92%	10.24%

The Company's rent expense totaled approximately $922 and $1,036 during the period ended March 31, 2022 and 2021, respectively.

14. OTHER EXPENSE, NET

Other expense, net on the condensed consolidated statements of operations and comprehensive loss is comprised of the following for the three months ended March 31, 2022 and 2021, respectively:

	March 31, 2022	March 31, 2021
Other expense, net:		
Interest income	$ 2	$ 5
Change in fair value of derivative and warrant liability	(592)	(1,403)
Other expense, net	(467)	(328)
Total other expense, net	$ (1,057)	$ (1,726)

15. NET LOSS PER SHARE

The following table presents the calculation of basic and diluted net loss per share attributable to common stockholders for the three-month period ended March 31, 2022 and 2021, respectively:

	March 31, 2022	March 31, 2021
Numerator:		
Net loss	$ (25,103)	(19,260)
Denominator:		
Weighted average shares outstanding – basic and dilutive	$ 12,527,229	$ 11,872,698
Basic and diluted net loss per share	$ (2.00)	$ (1.62)

For the three-month period ended March 31, 2022 and 2021, the diluted earnings 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 three-month period ended March 31, 2022 and 2021:

	March 31, 2022	March 31, 2021
Stock options	5,039,511	4,926,154
Series C warrants	362,652	—
Common stock warrants	191,355	261,696
Preferred stock	19,248,537	19,132,387
Total	24,842,055	24,320,237

16. INCOME TAXES

The tax expense and the effective tax rate resulting from operations were as follows:

(In thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Income (loss) before income taxes	$ (24,751)	$ (19,093)
Income tax expense	$ 352	$ 167
Effective tax rate	(1.42)%	(0.87)%

The increase in the effective tax rate for the three months ended March 31, 2022, compared to the three months ended March 31, 2021, is primarily due to the amount and mix of income (loss) from multiple tax jurisdictions and withholding taxes in excluded loss jurisdictions.

The Company's recorded effective tax rate differs from the U.S. statutory rate primarily due to an increase in the domestic valuation allowance caused by tax losses, foreign withholding taxes, and foreign tax rate differentials from the U.S. domestic statutory tax rate.

The Company currently has valuation allowances recorded against its deductible temporary differences and net operating loss carryforwards in certain jurisdictions where the realizability of such deferred tax assets is substantially in doubt. Each quarter, the Company assesses the likelihood that it will be able to recover its deferred tax assets. The Company considers available evidence, including significant events and transactions, both positive and negative, including reversing taxable temporary differences and forecasted earnings in assessing its need for a valuation allowance in each jurisdiction. As a result of the Company's analysis, it concluded that it is more likely than not that a portion of its deferred tax assets will not be realized. Therefore, the Company continues to provide a valuation allowance against its deferred tax assets in certain jurisdictions. The Company continues to monitor available evidence and may reverse some or all its remaining valuation allowance in future periods, if appropriate. The Company has a recorded valuation allowance against its deferred tax assets of $86,694 thousand as of March 31, 2022, and $50,821 thousand as of March 31, 2021.

17. RELATED PARTY TRANSACTIONS

The Company entered into revenue contracts to perform professional services for certain companies who are also investors in the Company. These companies are holders of either the Company's common stock or Preferred Stock. The following is financial information on related party transactions as of and for the three-month period ended March 31, 2022 and for the year ended December 31, 2021:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Revenue	$ 2,171	$ 1,807

	As of March 31, 2022	As of December 31, 2021
Accounts receivable	$ 300	$ 583
Deferred revenue	$ 13,862	$ 15,238

18. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 16, 2022, the date the condensed consolidated financial statements were issued.

In April 2022, the Company received additional PIPE funding in connection with the Business Combination, resulting in an increase of $2,000 to the gross proceeds to be received from the transaction.

In April 2022, the Company entered into a loan modification agreement with Silicon Valley Bank, which modified the original maturity date term of the SVB March 2021 Note. The agreement extended the note's Early Maturity Date from April 26, 2022 to May 26, 2022. Refer to Note 8 for the SVB March 2021 Note's original maturity date terms.

On April 26, 2022, the Company and Archimedes Tech SPAC Partners Co. ("ATSP") completed a merger resulting in the reverse recapitalization of the Company (the "Business Combination") and the issuance of common stock in 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 $5,357 held in trust by ATSP (following satisfaction of redemptions by public stockholders), and $113,000 in aggregate gross proceeds from PIPE investors in exchange for 11,300,000 shares of SoundHound AI Class A common stock that closed substantially contemporaneously with the Closing of the Business Combination. The combined company incurred $25,293 of expenses related to the transaction. After giving effect to these transactions, SoundHound received $93,064 in net proceeds, which are 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SOUNDHOUND, INC.

The following discussion and analysis of the financial condition and results of operations of SoundHound should be read together with our unaudited interim condensed consolidated financial statements as of March 31, 2022 and for the three-month periods ended March 31, 2022 and 2021, together with related notes thereto, and our pro forma financial information as of and for year ended December 31, 2021 included elsewhere in this amendment to our current report on Form 8-K, which was originally filed with the SEC on May 2, 2022 and amended by Amendment No. 1 to Current Report on Form 8-K of which this Management's Discussion and Analysis of Financial Condition and Results of Operations is included as Exhibit 99.2 (as originally filed, the "Form 8-K" and, as amended hereby, the "Form 8-K/A"). The discussion and analysis should also be read together with our audited consolidated financial statements as of December 31, 2021 and 2020 and for the years ended December 31, 2021, and 2020 and 2019 and the sections entitled "Business of SoundHound and ATSP" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of SoundHound" included in the Proxy Statement (as such term is defined in the Form 8-K) and incorporated by reference into the Form 8-K/A herein. Some of the information contained in this discussion and analysis or set forth elsewhere in this the Form 8-K/A, 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 the Form 8-K/A, 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, Inc.

Company Overview

We are a leading innovator of conversational intelligence, offering an independent Voice AI platform that enables businesses across industries to deliver high-quality conversational experiences to their customers. Built on proprietary Speech-to-Meaning, Deep Meaning Understanding and Collective AI breakthrough technologies developed over the past 16 years, our advanced Voice AI platform provides exceptional speed and accuracy and enables humans to interact with products and services like they interact with each other — by speaking naturally.

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. Houndify's Collective AI is an architecture for connecting domain knowledge that encourages collaboration and contribution among developers, is always learning, and is greater than the sum of its parts — ensuring the platform continues to become smarter at a faster rate.

SoundHound's technology is live in production and at scale with companies around the globe, including Hyundai, Mercedes-Benz, Pandora, Deutsche Telekom, Snap, VIZIO, KIA and Stellantis. Houndify traffic has experienced 10x growth in the past 2 years, with 2x growth in approximately 6 months through the first half of 2021. As a result, we have surpassed 1 billion annual queries in 2021.

Our current partners span multiple industries and geographies, and together have a combined reach of over 2 billion end users. By growing these strategic relationships, our year-over-year revenues have grown by more than 50% over the past three years. We project to exceed $1.0 billion in annual gross revenues within 5 years, and as a testament to the strength of our current revenue-generating strategic partnerships, a sizeable portion of this future revenue is expected to come from existing customers.

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 227 patents granted or 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 $160.0 billion 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 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, benefitting 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's 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 condensed 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 from leads and transactions on voice-enabled products from voice-enabled services.

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. All three pillars contribute to our revenues today in 2022. While the majority of the contribution is currently from our first pillar of royalties, over time, the subscription and monetization portions are expected to grow and make a bigger contribution to our overall revenue.

Recent Developments

ATSP Merger

On November 15, 2021, ATSP, SoundHound and Merger Sub, entered into a merger agreement ("Merger Agreement"), resulting in the reverse recapitalization of SoundHound (the "Business Combination") and the issuance of Archimedes Tech SPAC Partners Co. ("ATSP") common stock in the PIPE investment. The Business Combination was completed on April 26, 2022 (the "Closing"). 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), and $113.0 million in aggregate gross proceeds from PIPE investors in exchange for 11,3000,000 shares of SoundHound AI Class A common stock that closed substantially contemporaneously with the Closing of the Business Combination. The combined company incurred $25.3 million of expenses related to the transaction. After giving effect to these transactions, SoundHound received $93.0 million in net proceeds, which are 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. SoundHound has not entered into any agreements to acquire companies in the Voice AI industry, nor does it require consummation of mergers or acquisitions of other businesses to achieve its stated goals. That said, if there are candidates that makes strategic, operational and financial sense, the combined company may consider such opportunities from time to time as they become available.

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 SoundHound in many respects.

Under this method of accounting, Archimedes 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.

Impact of COVID-19

As the full impact of the COVID-19 pandemic on our business continues to develop, we are closely monitoring the global situation. As a supplier to multiple industries, including the automotive industry, we are adversely impacted by the decline in the production of certain of our customers' products in connection with the COVID-19 pandemic, including reductions in automotive production, chip shortages in the semiconductor industry and broader supply chain challenges across the globe. We are unable at this time to predict the full impact of COVID-19 on our operations, liquidity and financial results, and, depending on the magnitude and duration of the COVID-19 pandemic, such impact may be material. During the three months ended March 31, 2022 and three months ended March 31, 2021, the COVID-19 pandemic had an impact on our billings and revenue recognized from per unit royalties for Houndify Solutions which may also continue beyond fiscal year 2022. The extent of this impact is not currently determinable. However, we expect billings to increase as car manufacturers recover from delayed production due to the pandemic. Accordingly, it may not be indicative of future results and trends for reasons other than COVID-19 discussed herein may not be indicative of future operating results and trends. While we are unable to accurately predict the full impact that COVID-19 will have on our results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, these measures have impacted, and may continue to impact, our business, as well as our customers and consumers.

SoundHound continues to monitor its operations and government recommendations and has modified its operations because of the COVID-19 pandemic, including making remote work more accessible to its employees. SoundHound does not yet know the full extent of potential impacts on our business and operations. Given the extant uncertainty, SoundHound cannot reasonably estimate the impact on our future results of operations, cash flows or financial condition.

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 significantly in our Houndify platform 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 ASR and NLU models, 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. Our revenue consists of subscription revenue, royalties, and monetization revenues, which we consider recurring if our customer contract does not terminate the relationship and we continue to provide the customer with same or other services in the subsequent year. For example, if we perform a one-time non-recurring engineering project for a customer and that same customer engages with us afterwards for a Product Royalty contract, the revenue in both years, regardless of the specific service, would contribute towards our overall customer retention rate. By contrast, if SoundHound provides an annual subscription contract to a customer and that customer does not execute an agreement for services for the subsequent annual period, SoundHound would not consider that customer as retained. As determined on the foregoing basis, based on the number of customers to whom we provide services during one year compared to the prior year period, our customer retention rate as of March 31, 2022 is at least 90%.

- ***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. 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. We have globalized our solution from 1 to 22 languages, with a roadmap of 38 languages and 114 acoustic variations. 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 COVID-19 pandemic has adversely affected our business and results of operations as of March 31, 2022 and 2021. The duration and extent to which the COVID-19 pandemic will continue to adversely impact our business and results of operations remains uncertain and could be material. Additionally, the military conflict between Russia and Ukraine, which began on February 24, 2022, has had an adverse impact on the global economy and financial markets. Although our business has not been materially impacted by this ongoing military conflict, 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.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with U.S. GAAP for the three-month period ended March 31, 2022 ("Q1 2022") and March 31, 2021 ("Q1 2021").

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 time, (2) "Service Subscriptions," meaning subscription revenues, derived from monthly fees based on usage-based revenue, revenue per query or revenue per user, (3) "Monetization," meaning revenues generated from focused ad targeting to users of products and services that employ our technologies, and (4) "Licensing," meaning licensed voice solutions that are embedded in customer products. Currently, our monetization revenue is derived exclusively 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 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.

Operating Expenses

We classify our operating expenses into the following four categories, which are cost of revenues, sales and marketing, research and development, and general and administrative. Excluding cost of revenues, each expense category includes overhead, including rent and related occupancy costs, which is allocated based on headcount.

Cost of Revenues

SoundHound's cost of revenues are comprised of direct costs associated directly with SoundHound's three 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 expenses 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 in the periods in which they are incurred. We expect that our research and development expenses will continue to increase as we continue to invest in development activities related to our current and future applications.

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.

We expect that our general and administrative expenses will increase due to our operations as a public company, including expenses related to compliance with the rules and regulations applicable to companies listed on a national securities exchange and related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, as well as increased expenses for insurance (including director and officer insurance), investor relations activities and other administrative and professional services such as accounting, legal, regulatory and tax. We also expect our administrative expenses, including personnel related expenses, to increase as we increase our headcount and expand our facilities and information technology to support our operations as a public company. Our general and administrative expenses may fluctuate from period-to-period due to seasonality.

Interest Expense

Interest expense consists of stated interest incurred on our outstanding convertible notes and 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 and the bifurcation of embedded derivatives and warrant instruments has resulted in debt discounts. Direct transaction costs consist of various transaction fees, 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 Expense, Net

Change in Fair Value of Derivative and Warrant Liability

We account for certain warrants and conversion features as liabilities at fair value and adjust the instruments to fair value at each reporting period. We determined that the conversion feature associated with one of our debt instruments is a freestanding derivative instrument. The derivative and warrant liabilities' changes in fair value that result from remeasurement at each balance sheet date is recognized in the Company's Condensed Consolidated Statement of Operations and Comprehensive Loss as other expense, net.

Other Expense, Net

Other expense, net consists of realized and unrealized gains and losses related to foreign currency revaluation. As the functional currency of the Company and its subsidiaries is the U.S. dollar, transactions denominated in foreign currency 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.

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, 2021, the Company had net operating loss carry forwards of approximately $301.5 million and $102.9 million available to reduce future taxable income, if any, for both federal and state income tax purposes, respectively. Additionally, as of December 31, 2021 the Company had net operating loss carryforwards of $3.4 million relating to net operating losses in Germany ("Germany Net Operating Losses"). The federal and state net operating loss carry forwards will start to expire in 2025 and 2028, respectively, with the exception of $212.9 million in federal net operating loss carryforwards, which can be carried forward indefinitely. The Germany Net Operating Losses can be carried forward indefinitely. The Company also had federal and state research and development credit carry forwards of approximately $8.9 million and $8.0 million, respectively, at December 31, 2021. The federal credits will expire starting in 2029 if not utilized. State research and development tax credits will carry forward indefinitely.

In addition, we may in the future experience ownership changes as a result of changes in our stock ownership (some of which are not in our control). For these reasons, or other factors outside of our control, such as future regulatory or other changes, our ability to utilize our NOL carryforwards and other tax attributes to reduce future tax liabilities may be limited.

Results of Operations

The following table sets forth the significant components of our results of operations for Q1 2022 and Q1 2021 (in thousands):

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change $	Change %
Revenues	$ 4,290	$ 3,739	$ 551	15%
Operating expenses:				
Cost of revenues	1,773	1,593	180	11%
Sales and marketing	2,581	1,076	1,505	140%
Research and development	16,650	14,443	2,207	15%
General and administrative	4,003	3,246	757	23%
Total operating expenses	25,007	20,358	4,649	23%
Loss from operations	(20,717)	(16,619)	(4,098)	25%
Other expense, net				
Interest expense	(2,977)	(748)	(2,229)	298%
Other expense, net	(1,057)	(1,726)	669	(39)%
Total other expense, net	(4,034)	(2,474)	(1,560)	63%
Loss before provision for income taxes	(24,751)	(19,093)	(5,658)	30%
Provision for income taxes	352	167	185	111%
Net loss	$ (25,103)	$ (19,260)	$ (5,843)	30%

Revenues

The following tables summarizes our revenues by type and geographic regions for Q1 2022 and Q1 2021 (in thousands):

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change $	Change %
Product Royalties	$ 3,709	$ 2,984	$ 725	24%
Service Subscriptions	373	403	(30)	(7)%
Monetization	208	352	(144)	(41)%
	$ 4,290	$ 3,739	$ 551	15%

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change $	Change %
United States	$ 1,389	$ 1,068	$ 321	30%
Japan	927	1,033	(106)	(10)%
Germany	683	1,019	(336)	(33)%
France	459	—	459	100%
Korea	412	478	(66)	(14)%
Other	420	141	279	198%
	$ 4,290	$ 3,739	$ 551	15%

Total revenues increased by $0.6 million, or 15%, in Q1 2022 compared to Q1 2021. Product Royalties revenue increased by $0.7 million during Q1 2022 compared to Q1 2021. $0.2 million of the increase is attributable to the Company's first sales of licensing revenue from its embedded solution during Q1 2022. Additionally, we earned $0.5 million of professional services revenue in Q1 2022, which is comprised primarily of contracts for customized and proof-of-concept projects with multiple customers. The Company had no professional services revenue during Q1 2021. Royalties based on usage and hosting remained relatively consistent period over period.

Monetization revenue decreased by $0.1 million during Q1 2022 the decrease is due to one customer whose contract terminated during the year ended December 31, 2021, and therefore, did not generate any revenue for Q1 2022. Additionally, the decrease was due to a decrease in advertising revenue through decreased user impressions on the SoundHound music application.

We benefited from growth across the United States, France and other smaller foreign regions from scaling our Houndify Products with large automotive and device makers. We have experienced additional growth of revenue of Houndified Products in geographic regions of France and the United Kingdom of $0.5 million and $0.3 million, respectively, during Q1 2022 compared to Q1 2021. In France, our revenue increased due to distinct customization services sold to an existing large automotive company which also commenced production of our Houndified Product in their vehicles. Additionally, we further experienced a $0.3 million decrease in revenue from Germany in Q1 2022 compared to Q1 2021. This was due to a one-time contract modification to end a distinct professional service contract prior to completion with a customer during the year ended December 31, 2021. This customer was retained through ongoing hosting services. Revenue in both periods came principally from customers across the automotive and IoT sectors, with less significant amounts derived from other industry verticals.

Cost of Revenues

Cost of revenues increased by $0.2 million, or 11%, in Q1 2022, compared to Q1 2021. This increase is primarily related to incurring additional data center and hosting costs in order to support our revenue growth.

Research and Development

Research and development expenses increased by $2.2 million, or 15%, in Q1 2022, compared to Q1 2021. This increase in research and development expenses was primarily related to increasing our full-time engineer headcount partially offset by a reduction in third-party contractors.

Sales and Marketing

Sales and marketing expenses increased by $1.5 million, or 140%, in Q1 2022, compared to Q1 2021. This increase is due to a greater investment to support go-to market strategies, as we continue to customer engagement and overall revenue growth.

General and Administrative

General and administrative costs increased by $0.8 million, or 23%, in Q1 2022 compared to Q1 2021. This increase represents investments in our human resources, finance and legal functions, including increased personnel-related expenses as we prepare to function as a public entity. Our expansion efforts, focused both on geographical reach and service compatibility, led to an increase of operational costs and resources incurred. Expenses related to the proposed Business Combination also contributed to an increase in costs related to third-party specialists.

Interest Expense

Interest expense increased by $2.2 million, or 298%, during Q1 2022, compared to Q1 2021. This increase was attributable to the issuance of SoundHound's 2021 note payable ("SVB March 2021 Note") and 2021 convertible note ("SCI June 2021 Note"), resulting in $30.0 million and $15.0 million draws, respectively. These debt instruments were accompanied by the issuances of related common stock warrants, resulting in debt discounts to be amortized over the life of the instrument. As our debt balance significantly increased, our interest expense, which is incurred monthly, and our amortized debt issuance costs have proportionally increased as well.

Other Expense, Net

The following table summarizes our other expenses by type that comprise the other expense, net account for Q1 2022 and Q1 2021 (in thousands):

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change $	Change %
Interest income	$ 2	$ 5	$ (3)	(60)%
Change in fair value of derivative and warrant liability	(592)	(1,403)	811	(58)%
Other expense, net	(467)	(328)	(139)	42%
Total other expense, net	$ (1,057)	$ (1,726)	$ 669	(39)%

Change in Fair Value of Derivative and Warrant Liability

The change in fair value of derivative and warrant liability decreased by $0.8 million, or 58%, in Q1 2022 compared to Q1 2021. The decrease was attributed to the change in fair value of the warrant liability in Q1 2021 of $0.2 million, as compared to no change in the fair value of the warrant liability during Q1 2022 due to the exercise of Series C Warrants in December 2021, which extinguished the Company's corresponding warrant liability. The Company no longer recognizes quarterly revaluation gains and losses associated with the warrant liability, therefore leading to an overall decrease.

The balance as of the end of March 31, 2022 solely reflects the changes in fair value of the embedded derivative from its promissory note issued in June 2020 ("SNAP June 2020 Note"). The fair value of the derivative liability increased by $0.6 million during Q1 2022 in comparison to an increase of $1.2 million during Q1 2021, representing a corresponding $0.6 million loss on the Condensed Consolidated Statement of Operations and Comprehensive Loss due to increases in probability assumptions of a change in control or SPAC transaction.

Other Expense, Net

Other expense, net increased by $0.1 million, or 42%, in Q1 2022 compared to Q1 2021. This was primarily due to unfavorable foreign currency exchange rates during Q1 2022, resulting in greater losses from currency revaluation on transactions denominated in a foreign currency compared to those conducted in Q1 2021.

Liquidity and Capital Resources

Sources and Uses of Liquidity

We had $8.2 million in cash and cash equivalents as of March 31, 2022. On a pro forma basis, assuming the Business Combination occurred as of March 31, 2022, our cash and cash equivalents would have amounted to $101.3 million as of March 31, 2022. We believe our operating cash flows, together with our cash on hand and the cash obtained as a result of the Business Combination is sufficient to meet our current working capital and capital expenditure requirements for a period of at least twelve months from the date of the Form 8-K/A.

Contractual and Other Obligations

Because we expect to continue significantly increasing our investments in software application and development, we enter into various contracts and agreements to increase our funding resources. 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 6 and Note 13 to our audited consolidated financial statements included within our proxy statement/prospectus/consent solicitation for more information.

Debt Financing

Below are our material debt agreements as of March 31, 2022:

- *SNAP June 2020 Note* — In June 2020, we issued the SNAP June 2020 Note to a lender in exchange for $15.0 million in cash proceeds. The outstanding principal balance and unpaid accrued interest are otherwise automatically convertible into equity shares in the next equity financing round if the financing round is at least $30.0 million, excluding the conversion of the SNAP June 2020 Note and any other indebtedness. Upon closing of the Business Combination, conversion conditions were satisfied, and the SNAP June 2020 Note converted into 2,046,827 shares of SoundHound Class A common stock at a price of $8.00 per share.

- *SVB March 2021 Note and SCI June 2021 Note* — In March 2021, we entered into a loan and security agreement with a commercial bank to borrow $30.0 million and, concurrent therewith, issued such commercial bank warrant to 127,570 shares of SoundHound's common stock during a ten-year exercise period at an exercise price of $20.37 per share. The maturity date of the loan is either September 1, 2024 or March 1, 2025 if a performance milestone is met by March 31, 2022, and could be earlier if, prior to April 26, 2022, the SNAP June 2020 Note is not converted into our equity securities. In April 2022, the Company entered into a loan modification agreement, which extended the SVB March 2021 Note's early maturity date from April 26, 2022 to May 26, 2022. As the SNAP June 2020 Note converted on April 26, 2022 and the performance milestone was not met as of March 31, 2022, the SVB March 2021 Note's maturity date is September 1, 2024.

In June 2021, we issued the SCI June 2021 Note pursuant to a loan and security agreement with a lender to borrow up to a commitment amount of $15.0 million in $5.0 million increments along with warrants issued to purchase 63,785 shares of SoundHound's common stock during a ten-year exercise period at an exercise price of $20.37 per share. Through December 31, 2021, we have borrowed $15.0 million. The maturity date of the loan is the earlier of May 31, 2025 or the SNAP June 2020 Note maturity date if it has not converted into our equity securities prior to such date. However, as the SNAP June 2020 Note converted into equity securities prior to June 26, 2022, the maturity date is May 31, 2025.

Cash Flows

The following table summarizes our cash flows for Q1 2022 and Q1 2021 (in thousands):

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Net cash (used in) operating activities	$ (14,989)	$ (14,704)
Net cash (used in) investing activities	(611)	(63)
Net cash provided by financing activities	1,955	605
Net changes in cash and cash equivalents	$ (13,645)	$ (14,162)

Cash Flows Used in Operating Activities

Net cash used in operating activities during Q1 2022 was $15.0 million, consisting primarily of our net loss of $25.1 million adjusted for non-cash charges of $6.9 million and changes in our net operating assets of $3.2 million. The non-cash charges were primarily driven by $2.5 million in stock-based compensation expense, $1.7 million in amortization of debt issuance cost, $1.3 million in depreciation and amortization expense, $0.8 million in non-cash lease amortization, and $0.6 million in remeasurement of derivative and warrant liability fair value. Net cash provided by changes in our operating assets and liabilities of $3.2 million resulted largely from an increase of $4.4 million in accrued liabilities, an increase of $3.2 million in accounts payable, and a decrease in accounts receivable of $0.7 million due to customer collections, which were offset by a decrease of $2.1 million from deferred offering costs related to the Business Combination.

Net cash used in operating activities during Q1 2021 was $14.7 million, consisting primarily of our net loss of $19.3 million, partially offset by non-cash charges of $5.4 million and cash used by changes in our operating assets and liabilities of $0.8 million. The non-cash charges were primarily driven by depreciation and amortization expense of $1.5 million, stock-based compensation expense of $1.4 million, change in fair value of derivative and warrant liability of $1.4 million, non-cash lease amortization of $0.8 million and amortization of debt issuance costs of $0.3 million. Net cash used by changes in our operating assets and liabilities of $0.8 million was driven by a $1.4 million decrease in deferred revenue and a $1.2 million decrease in operating lease liabilities. This was offset by a decrease of $1.7 million in accounts receivable due to increased customer collections and an increase of $0.7 million in accrued liabilities. The decrease in deferred revenue is primarily attributed to upfront billings in 2020 for three projects that began in 2021.

Cash Flows Used in Investing Activities

Net cash used in investing activities during Q1 2022 was $0.6 million. The decrease in cash was due to $0.6 million used for purchases of property and equipment.

Net cash used in investing activities during Q1 2021 was $0.1 million. The decrease in cash was due to $0.1 million used for purchases of property and equipment.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities during Q1 2022 was $2.0 million, consisting primarily of $2.5 million from proceeds from common stock options exercised. This was offset by $0.5 million in repayments of finance lease obligations.

Net cash provided by financing activities during Q1 2021 was $0.6 million, consisting primarily of $1.2 million in proceeds from common stock options exercised. This was offset by $0.6 million in repayments of capital lease obligations.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Commitments and Contingencies

We have no material changes to our commitments and contingencies as of March 31, 2022 as disclosed in the contractual obligations and commitment section in our audited consolidated financial statements as of December 31, 2021 included within our proxy statement/prospectus/consent solicitation.

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 Significant Management Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our unaudited condensed consolidated financial statements included elsewhere in the Form 8-K/A, that have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported income (loss) generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material.

For a discussion of our critical accounting estimates, see "Management's discussion and analysis of financial condition and results of operations of SoundHound", our audited consolidated financial statements for the year ended December 31, 2021, and the notes to those audited financial statements, which are included in the Proxy Statement, for more information. Additionally, refer to the notes to the unaudited condensed consolidated financial statements appearing elsewhere in the Form 8-K/A. There have been no material changes to these critical accounting policies and estimates through March 31, 2022 from those discussed in our proxy statement/prospectus/consent solicitation.

Exhibit 99.3

SoundHound AI, Inc. Reports First Quarter 2022 Financial Results

SANTA CLARA, Calif. – May 16, 2022 – SoundHound AI, Inc. (Nasdaq: SOUN) (“SoundHound,” “we,” or “our”), a global leader in voice artificial intelligence (“voice AI”), today reported the financial results of SoundHound, Inc. (“Legacy SoundHound”), at and for the three months ended March 31, 2022. The financial statements reflect the operations of Legacy SoundHound prior to it becoming a wholly-owned subsidiary of SoundHound, as a result of the business combination with Archimedes, which closed on April 26, 2022. In connection with the business combination, the Company changed its name to SoundHound AI, Inc. The Company also published a Letter to Shareholders today which details SoundHound’s technology moat, revenue models, commercial alliances, opportunities and near-term goals which can be accessed on its investor website at investors.soundhound.com.

“SoundHound’s momentum in 2021 continued in the first quarter of 2022, with key business wins and tremendous growth in user engagement,” stated Keyvan Mohajer, CEO and Co-Founder of SoundHound. “Our deep history of technological breakthroughs and competitive differentiators are rapidly enabling our mission to voice-enable the world, and our $230 million of cumulative bookings backlog highlight the confidence and commitment our customers have working with us to build the future together.”

First Quarter Business Highlights

- Reported revenues were $4.3 million, up 15% compared to prior year
- Cumulative bookings were $230 million, up 134% over prior year
- User queries in first quarter grew +90% versus prior year
- Announced several new and expanded customer partnerships, including with Hyundai, Netflix, Qualcomm, Snap, and VIZIO
- Chief Revenue Officer, Zubin Irani, joined the team and began accelerating growth through investments in sales and marketing

“Our first quarter results demonstrate the momentum we are experiencing with our customers and the continued voice AI market expansion and acceptance,” said Nitesh Sharan, Chief Financial Officer, SoundHound. “We are accelerating growth through sales and marketing investments to expand into new verticals while deepening partnerships with existing customers.”

First Quarter 2022 Summary Financial Results

	Three Months Ended March 31,		Change	
	2022	2021	$	%
Revenues	**$ 4,290**	**$ 3,739**	**$ 551**	**15%**
Operating expenses:				
Cost of revenues	$ 1,773	$ 1,593	$ 180	11%
Sales and marketing	2,581	1,076	1,505	140%
Research and development	16,650	14,443	2,207	15%
General and administrative	4,003	3,246	757	23%
Total operating expenses	**$ 25,007**	**$ 20,358**	**$ 4,649**	**23%**
Loss from operations	**$ (20,717)**	**$ (16,619)**	**$ (4,098)**	**25%**

SoundHound expects to file its Form 10-Q for the quarterly period ended March 31, 2022 on May 16, 2022. In addition, on May 16, 2022, SoundHound expects to file an amendment to its Form 8-K, originally filed on May 2, 2022, to reflect Legacy SoundHound's financial statements for the three months ended March 31, 2022 and Management's Discussion and Analysis of Financial Condition and Results of Operations relating to those financial statements.

Closing of Business Combination

On April 26, SoundHound Inc. successfully completed its previously announced business combination with Archimedes. The resulting company, SoundHound AI, Inc., began trading on Nasdaq under the ticker symbol "SOUN" on April 28. SoundHound received gross cash proceeds of $118 million from transactions related to the business combination, which will enable the Company to continue its forward momentum in the rapidly growing voice AI market, where voice assistants are forecast to exceed the number of humans on earth, at 8.4 billion, by 2024.

On a pro forma basis, assuming the Business Combination occurred as of March 31, 2022, the Company's cash and cash equivalents would have amounted to $101.3 million at quarter-end. Primary use of proceeds from the transaction is expected to be in sales and marketing to fuel growth, in continued advancements in innovation and technology, and in global operating functions to support business expansion.

First Quarter 2022 Summary Cash Flows

	Three Months Ended March 31,	
	2022	2021
Cash flows:		
Net cash (used in) operating activities	$ (14,989)	$ (14,704)
Net cash (used in) investing activities	(611)	(63)
Net cash provided by financing activities	1,955	605
Net changes in cash and cash equivalents	**$ (13,645)**	**$ (14,162)**

Business Outlook

- SoundHound expects to generate full year 2022 revenue of between $27 million to $33 million, with revenue momentum accelerating in the second half of the year principally due to seasonality and the expected benefits from sales and marketing investments.

Conference Call and Webcast

As a result of the timing related to the closing of the business combination, SoundHound will begin hosting regularly scheduled quarterly earnings conference calls beginning in the second quarter of 2022.

For more information please see SoundHound's Shareholder Letter and other SEC filings which can be obtained on our website at investors.soundhound.com or sec.gov.

About SoundHound

SoundHound, a leading innovator of conversational intelligence, offers an independent voice AI platform that enables businesses across industries to deliver best-in-class conversational experiences to their customers. Built on proprietary Speech-to-Meaning® and Deep Meaning Understanding® technologies, SoundHound's advanced voice AI platform provides exceptional speed and accuracy and enables humans to interact with products and services like they interact with each other—by speaking naturally. SoundHound is trusted by companies around the globe, including Hyundai, Mercedes-Benz, Pandora, Deutsche Telekom, Snap, VIZIO, KIA, and Stellantis. www.soundhound.com

Forward Looking Statements

This press release contains forward-looking statements, which are not historical facts, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Our actual results, performance or achievements may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," "continue," "likely," "will," "would" and variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by us and our management, are inherently uncertain. As a result, readers are cautioned not to place undue reliance on these forward-looking statements. Actual results may differ materially from those indicated by these forward-looking statements as a result of risks and uncertainties impacting SoundHound's business including, current uncertainties associated with the COVID-19 pandemic, our inability to predict or measure supply chain disruptions resulting from the COVID-19 pandemic and other causes, the potential future revenue associated with our AI platform products and services; our rate of growth; our ability to predict direct and indirect customer demand for our existing and future products and to secure adequate manufacturing capacity; our ability to hire, retain and motivate employees; the effects of competition, including price competition within our industry segment; technological, regulatory and legal developments that uniquely or disproportionately impact our industry segment; developments in the economy and financial markets and other risks detailed from time to time in SoundHound's filings with the Securities and Exchange Commission.

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SOUNDHOUND, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(In thousands, except for per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2022	**2021**
Revenues	$ 4,290	$ 3,739
Operating expenses:		
Cost of revenues	1,773	1,593
Sales and marketing	2,581	1,076
Research and development	16,650	14,443
General and administrative	4,003	3,246
Total operating expenses	25,007	20,358
Loss from operations	(20,717)	(16,619)
Other expense, net:		
Interest expense	(2,977)	(748)
Other expense, net	(1,057)	(1,726)
Total other expense, net	(4,034)	(2,474)
Loss before provision for income taxes	(24,751)	(19,093)
Provision for income taxes	352	167
Net loss	(25,103)	(19,260)
Other comprehensive gain:		
Unrealized holding gain on available-for-sale securities, net of tax	—	—
Comprehensive loss	$ (25,103)	$ (19,260)
Net loss per share:		
Basic and diluted	$ (2.00)	$ (1.62)
Weighted-average common shares outstanding:		
Basic and diluted	12,527,229	11,872,698

SOUNDHOUND, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and par value data)

	March 31, 2022 (Unaudited)	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,211	$ 21,626
Restricted cash equivalents	230	460
Accounts receivable, net of allowances of $109 as of March 31, 2022 and December 31, 2021, respectively	1,332	2,060
Prepaid expenses and other current assets	2,676	2,193
Debt issuance cost	566	1,132
Total current assets	13,015	27,471
Restricted cash equivalents, non-current	736	736
Right-of-use assets	10,225	10,291
Property and equipment, net	5,474	6,155
Deferred tax asset	2,169	2,169
Deferred offering costs	3,318	1,264
Other assets	1,005	1,117
Total assets	$ 35,942	$ 49,203
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 6,938	$ 3,760
Accrued liabilities	11,703	7,298
Operating lease liabilities, current portion	3,519	3,281
Financing lease liabilities, current portion	822	1,301
Income tax liability	2,730	2,737
Deferred revenue, current portion	6,006	6,042
Convertible notes, current portion	30,198	29,868
Derivative liability	4,080	3,488
Note payable, current portion	30,810	29,964
Total current liabilities	96,806	87,739
Operating lease liabilities, net of current portion	8,073	8,611
Financing lease liabilities, net of current portion	252	292
Deferred revenue, net of current portion	13,372	14,959
Other liabilities	1,338	1,336
Total liabilities	119,841	112,937
Commitments and contingencies (Note 6)		
Redeemable convertible preferred stock; $0.0001 par value; 26,316,129 shares authorized; 19,248,537 shares issued and outstanding, liquidation preference of $284,826 as of March 31, 2022 and December 31, 2021, respectively	279,503	279,503
Stockholders' deficit:		
Common stock, $0.0001 par value; 45,000,000 shares authorized; 12,718,968 and 12,280,051 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	1	1
Additional paid-in capital	48,429	43,491
Accumulated deficit	(411,832)	(386,729)
Total stockholders' deficit	(363,402)	(343,237)
Total liabilities, redeemable convertible preferred stock, and stockholders' deficit	$ 35,942	$ 49,203

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash flows from operating activities:		
Net loss	$ (25,103)	$ (19,260)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,292	1,451
Stock-based compensation	2,464	1,388
Change in fair value of derivative and warrant liability	592	1,403
Amortization of debt issuance cost	1,742	301
Non-cash lease amortization	846	812
Changes in operating assets and liabilities:		
Accounts receivable	728	1,705
Prepaid expenses and other current assets	(483)	(52)
Operating lease liabilities	(1,080)	(1,154)
Deferred offering costs	(2,054)	—
Other assets	112	(16)
Accounts payable	3,178	(391)
Accrued liabilities	4,398	657
Deferred revenue	(1,623)	(1,378)
Other liabilities	2	(170)
Net cash (used in) operating activities	(14,989)	(14,704)
Cash flows from investing activities:		
Purchases of property and equipment	(611)	(63)
Net cash (used in) investing activities	(611)	(63)
Cash flows from financing activities:		
Proceeds from the exercise of common stock options	2,474	1,199
Payment of finance and capital lease obligations	(519)	(594)
Net cash provided by financing activities	1,955	605
Net (decrease) in cash, cash equivalents, and restricted cash equivalents	(13,645)	(14,162)
Cash, cash equivalents, and restricted cash equivalents, beginning of period	22,822	44,982
Cash, cash equivalents, and restricted cash equivalents, end of period	$ 9,177	$ 30,820
Reconciliation to amounts on the condensed consolidated balance sheets:		
Cash and cash equivalents	$ 8,211	$ 29,530
Current portion of restricted cash equivalents	230	230
Non-current portion of restricted cash equivalents	736	1,060
Total cash, cash equivalents, and restricted cash equivalents shown in the condensed consolidated statements of cash flows	$ 9,177	$ 30,820
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 1,013	$ 78
Income taxes	$ 32	$ —
Noncash investing and financing activities		
Operating lease liabilities and right-of-use assets through adoption of ASC 842	$ —	$ 11,428
Operating lease liabilities arising from obtaining right-of-use assets	$ 650	$ —
Property and equipment acquired under capital leases or debt	$ —	$ 265

Exhibit 99.4

SoundHound

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May 16, 2022

Dear Shareholders –

[Keyvan Mohajer, Chief Executive Officer]

It is with pleasure that we write to you from the newly public SoundHound AI. We closed our merger with Archimedes on April 26th and celebrated our listing on the Nasdaq under the ticker SOUN on the 28th. We are happy to share this letter to highlight key messages and look forward to engaging with you directly on earnings calls beginning with our June quarter-end.

The company began in a small dorm room at Stanford when my co-founders and I decided that within our lifetime, we should be able to talk to our computers, and we embarked on this journey to make that happen.

We worked tirelessly for over a decade to create what we believe is the best voice AI technology and platform. Our vision is to make computers better than humans in language understanding, while being more human in the way they respond. We aim to power billions of devices and services, and help product creators innovate and monetize while delighting their users.

Our timing is fortuitous because the world is in the process of being voice enabled, and we believe conversational AI presents the next major disruption in computing. Today, we are proud to power cars, TVs, mobile apps, and IoT devices, and services like voice enabled food ordering. Last year we doubled our traffic to over 100 million queries per month in 6 months, and this is just the beginning.

Natural language understanding is an especially challenging form of artificial intelligence. It is complex, takes a long time to perfect, and requires a full technology stack to deliver value. This creates very high barriers to entry, which is why there are not many companies delivering voice AI. In fact, we believe we are the only global, independent cross-industry voice AI platform. With our Speech-to-Meaning® and Deep Meaning Understanding® breakthroughs, along with our industry-leading cloud and edge (embedded) integrations, we have best-in-class technology and are strategically positioned between two major industry gaps: legacy, inflexible, expensive competitors whose technology is outdated, and big tech players whose voice assistants override other brands' connections with consumers along with hidden agendas and conflicts of interest. This competitive and technological differentiation is why we win.

We launched our initial voice AI platform in 2016, have radically evolved it, and now have scaled into major enterprises across several industries. Large customers such as Mercedes-Benz, Hyundai, Kia, Stellantis, Deutsche Telekom, Mastercard, VIZIO, Snap, and Pandora have helped build our foundation. We further extended this momentum with major announcements over the past several months, such as with Qualcomm and Netflix. One of our key measures of customer adoption is queries into our voice AI platform. After exceeding 1 billion queries last year, in Q1 we continued to accelerate with query growth of +90% year-over-year.

We also demonstrate our momentum through the committed long-term contracts our large enterprise partners sign with us to unlock the power of voice AI. Through Q1, we now have a cumulative bookings backlog of $230 million. This consists of agreements ranging from 1-year to more than 7-years, with a roughly 4-year weighted-average contract length, highlighting the confidence and commitment our customers have working with us in partnership to build the future together.

Despite 2022 starting off with macroeconomic dislocation and geopolitical volatility, we are pleased that SoundHound is performing right on plan and delivering against expectations for this year, and we reiterate our 2022 guidance. The potential opportunity in front of us is only expanding and now with the additional resources we acquired through the merger, we are aggressively moving forward.

[Nitesh Sharan, Chief Financial Officer]

We are excited to be a public company and are committed to having direct and ongoing dialogue with our shareholders. As an overview of our business, there are three pillars to our revenue generating business model. First, we get royalty revenue when we voice-enable products like cars, TVs and the other billions of IoT devices around the world. Second, we generate recurring subscription revenue when we voice-enable services like food ordering, appointments, voice commerce and customer service. And, third, we create monetization revenue when we connect those voice-enabled products with the voice-enabled services, such as if you were to order a coffee from a voice-enabled coffee shop by speaking to your voice-enabled car on your commute to work. That natural, seamless interaction unlocks value to all parties involved as the coffee sale generates revenue for the coffee shop, and we share revenue that we receive from the transaction with the product creator, or car manufacturer, in this example. Most importantly, you get your morning coffee when and how you want it.

These three revenue pillars create a network platform effect that compounds, expanding our addressable market and increasing customer adoption. The monetization pillar, in particular, extends voice AI from a valuable cost component to a new, incremental revenue-generating pathway for customers, meaning the unit economics become increasingly more attractive as the ecosystem scales and expands.

In Q1, we continued to build out this ecosystem. After delivering full year 2021 revenue of $21.2 million, ahead of plan, we generated $4.3 million in Q1 2022, marking 15% year-over-year growth. First quarter revenue was predominantly from the product royalty pillar, although our expectation going forward is that subscriptions and monetization will be increasingly important and growing pieces of our revenue mix. More specifically, for full year 2022, we expect to deliver revenue in the range of $27 million to $33 million, with the midpoint consistent with our expectations prior to our merger close. That revenue is expected to be back-half weighted given seasonality and the growth derived from our sales and marketing investments.

As a newly public company, in a rapidly evolving industry with such significant growth potential, we are committed to being transparent about how we see our business evolving while ensuring we stay focused on creating long-term shareholder value. Accordingly, we think at this stage providing annual revenue guidance is most appropriate, and you can expect that cadence to continue for the foreseeable future.

Our expenses in Q1 were also largely in line with plan. As a software business, we are capital light. Our Costs of Goods Sold are primarily related to data center hosting costs (mostly via cloud service providers), production-related labor costs and knowledge content payments we make to partners who provide some of the intelligence engines behind our voice AI systems. Our operating expenses have historically been heavily weighted towards R&D as we have built up our voice AI platform and deep patent portfolio. Our first and primary use of proceeds from the recently completed transaction is to invest in Sales & Marketing to accelerate our growth, and we are extremely excited to have recently added Chief Revenue Officer, Zubin Irani, to our leadership team. A former CEO himself, we believe Zubin brings the right experience and record of success to help us achieve our growth ambitions. And while growth is paramount, we know that over the long-term creating value through innovation and breakthrough technology is what will fuel the topline.

We are still in investment mode as a company, and the $118 million of gross proceeds we received from the merger will help us move closer towards break-even, which we expect in 2024. Given our stage, progress will not always be linear but our current momentum is unquestionable. We are excited to be at this juncture and look forward to many years of constructive engagement ahead with all of you.

Please feel free to reach out to ir@soundhound.com if you have any questions or would like to follow up. Thank you.

Forward Looking Statements

This letter may contain forward-looking statements, which are not historical facts, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Our actual results, performance or achievements may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue,” “likely,” “will,” “would” and variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by us and our management, are inherently uncertain. As a result, readers are cautioned not to place undue reliance on these forward-looking statements. Actual results may differ materially from those indicated by these forward-looking statements as a result of risks and uncertainties impacting our business including, current uncertainties associated with the COVID-19 pandemic, our inability to predict or measure supply chain disruptions resulting from the COVID-19 pandemic and other causes, the potential future revenue associated with our AI platform products and services; our rate of growth; our ability to predict direct and indirect customer demand for our existing and future products and to secure adequate manufacturing capacity; our ability to hire, retain and motivate employees; the effects of competition, including price competition within our industry segment; technological, regulatory and legal developments that uniquely or disproportionately impact our industry segment; developments in the economy and financial markets and other risks detailed from time to time in our filings with the Securities and Exchange Commission.