

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

FORM 8-K

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 14, 2023**

SOUNDHOUND AI, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

001-40193

(Commission File Number)

85-1286799

(I.R.S. Employer
Identification No.)

**5400 Betsy Ross Drive
Santa Clara, CA**

(Address of principal executive offices)

95054

(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.

Item 1.01 Entry into a Material Definitive Agreement.

On April 14, 2023 (the “Closing Date”), SoundHound AI, Inc., a Delaware corporation (the “Company”), entered into a Senior Secured Term Loan Credit Agreement (the “Credit Agreement”) with ACP Post Oak Credit II LLC, as Administrative Agent and Collateral Agent for the Lenders (the “Agent”), and the lenders from time to time party thereto (the “Lenders”). The Credit Agreement provides for a term loan facility in an aggregate principal amount of up to \$100 million (the “Term Loan”), the entirety of which was funded on the Closing Date. The Credit Agreement also permits the Company to request additional commitments of up to \$25 million in the aggregate, with funding of such commitments in the sole discretion of the Lenders, under certain circumstances and under the same terms as the Term Loan. On the Closing Date, the Company also entered into that certain Guarantee and Collateral Agreement, dated as of April 14, 2023, by and among the Company, the other grantors named therein and the Agent (the “Guarantee and Collateral Agreement”). In addition, on the Closing Date, a collateral protection insurance policy was issued to the Lenders and a cash premium was paid on the Closing Date to the insurance provider thereunder (the “Cash Premium”). Pursuant to the Credit Agreement, the Company is required to make certain additional specified cash premium payments, based on single-digit percentages of the loans then outstanding, over a period of three years from the Closing Date.

The Company will use the proceeds from the Term Loan to (i) repay outstanding amounts equal to approximately \$30 million under the Company’s existing loan facilities, (ii) fund an escrow account on the Closing Date in the name of the Agent for an amount equal to the first four interest payments, (iii) pay certain fees and expenses incurred in connection with entering into the Credit Agreement, and (iv) fund the Cash Premium, together with related taxes, with the remaining proceeds to be used to fund growth investments and for general corporate purposes as permitted under the Credit Agreement.

The outstanding principal balance of the Term Loan bears interest at the applicable margin plus, at the Company’s election, either (i) the secured overnight financing rate (“SOFR”) plus 0.15% or (ii) the alternate base rate (“ABR”), which is a per annum rate equal to the greatest of (a) the Prime Rate (as defined in the Credit Agreement), (b) the NYFRB Rate (as defined in the Credit Agreement) plus 0.50% and (c) the Adjustable Rate (as defined in the Credit Agreement) plus 1.00%. The applicable margin under the Credit Agreement is 8.50% per annum with respect to SOFR loans, and 7.50% per annum with respect to ABR loans.

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

The Term Loan is secured by substantially all of the assets of the Company and its subsidiaries other than the assets of Excluded Subsidiaries (as defined in the Credit Agreement) and is guaranteed by the Company’s subsidiaries other than Excluded Subsidiaries. As set forth in more detail in the Credit Agreement, the Company is required to make mandatory prepayments on the Term Loan in the event of certain specified events, including in the event of certain capital raises by the Company and its subsidiaries. The Company may also prepay amounts under the Term Loan, subject to certain costs and conditions specified in the Credit Agreement.

The Credit Agreement also contains customary representations and warranties for a facility of this nature and affirmative and negative covenants. In particular, the Credit Agreement requires the Company to have liquidity at least equal to the Interest Escrow Required Amount (as defined in the Credit Agreement) as of the last day of each fiscal quarter. In addition, the Credit Agreement limits the Company's and its subsidiaries' ability to incur indebtedness, make restricted payments, including cash dividends on its common stock, make certain investments, loans and advances, enter into mergers and acquisitions, sell, assign transfer or otherwise dispose of its assets, enter into transactions with its affiliates and engage in sale and leaseback transactions, among other restrictions.

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

In connection with the Credit Agreement, on the Closing Date the Company also issued a warrant to purchase up to 3,301,536 shares of the Company's Class A common stock to the Agent (the "Warrant"). The Warrant has a per share exercise price of \$2.59 and may be exercised, including on a cashless basis, by the holder at any time prior to the 10-year anniversary of the issue date. The Warrant will be automatically cashless exercised immediately prior to a change in control of the Company.

The foregoing summary of the material terms of the Credit Agreement, the Guarantee and Collateral Agreement and the Warrant does not purport to be complete and is qualified in their entirety by reference to the full text of the Credit Agreement, the Guarantee and Collateral Agreement and the Warrant, copies of which will be filed as exhibits to the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2023.

Item 1.02 Termination of a Material Definitive Agreement.

Concurrently with the Company's entry into the Credit Agreement, the Company used a portion of the proceeds to prepay in full all outstanding obligations under, and terminated, the (i) Loan and Security Agreement, dated as of June 14, 2021, by and among Ocean II PLO LLC, Structural Capital Investments III, LP, and SoundHound, Inc., a subsidiary of the Company (the "Structural Facility"), and (ii) Loan and Security Agreement, dated as of March 31, 2021, by and among SoundHound, Inc., Silicon Valley Bank, and SVB Innovation Credit Fund VIII, L.P., (the "SVB Facility", together with the Structural Facility, the "Existing Facilities"). For a description of the Existing Facilities, refer to Note 9 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2022. In connection with the Structural Facility prepayment, the Company paid a total of approximately \$11.7 million, which consisted of (i) the remaining principal amount outstanding of approximately \$11.0 million, (ii) a prepayment premium of approximately \$0.2 million, (iii) a final payment fee of approximately \$0.5 million, and (iv) the remainder for transaction expenses. In connection with the SVB Facility prepayment, the Company paid a total of approximately \$18.5 million, which consisted of (i) the remaining principal amount outstanding of \$17.0 million, (ii) a prepayment premium of \$0.3 million, (iii) a final payment fee of approximately \$1.1 million, (iv) approximately \$0.1 million of accrued and unpaid interest, and (v) the remainder for transaction expenses. There were no material relationships between the Company or its affiliates and the other parties to the Existing Facilities other than in respect of such agreement.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information related to the Senior Secured Term Loan Credit Agreement described under Item 1.01 above is hereby incorporated by reference under this Item 2.03.

Item 3.02 Unregistered Sales of Equity Securities.

The information set forth in Item 1.01 of this Current Report on Form 8-K relating to the Warrant is incorporated by reference in this Item 3.02.

The Company issued and sold the Warrant in reliance on the exemption from the registration requirements of the Securities Act by virtue of Section 4(a)(2) thereof. In connection with its execution of the Warrant, the Agent represented to the Company that it is an “accredited investor” as defined in Regulation D under the Securities Act and that the Warrant, and the shares of the Company’s Class A common stock underlying the Warrant, will be acquired solely for its own account and for investment purposes and not with a view to future sale or distribution. The issuance and sale of the Warrant, and the shares of the Company’s Class A common stock underlying the Warrant, have not been registered under the Securities Act or the securities laws of any other jurisdiction, and such securities may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. This Current Report on Form 8-K does not constitute an offer to sell, or a solicitation of an offer to buy, any security and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offering would be unlawful.

Item 3.03 Material Modification to the Rights of Security Holders.

The Credit Agreement imposes restrictions on the Company’s ability to declare and pay dividends or make other distributions to holders of the Company’s capital stock.

Item 7.01 Regulation FD Disclosure.

On April 17, 2023, the Company issued a press release announcing, among other things, entry into the Credit Agreement. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information furnished under this Item 7.01 and in the accompanying Exhibit 99.1 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing.

Item 9.01 Financial Statement and Exhibits.

Exhibit Number	Description
99.1	Press Release, dated April 17, 2023
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 to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: April 17, 2023

SoundHound AI, Inc.

By: /s/ Keyvan Mohajer

Name: Keyvan Mohajer

Title: Chief Executive Officer

SoundHound AI Secures \$100 Million in Strategic Financing From Atlas Credit Partners*Agreement Fuels Company's Plans for Sustained Rapid Growth and Innovation and Includes Ability to Upsize to \$125 Million*

SANTA CLARA, Calif.–April 17, 2023–SoundHound AI, Inc. (Nasdaq: SOUN) (“SoundHound AI”), a global leader in voice artificial intelligence, today announced that it closed a new \$125 million loan facility, with \$100 million fully-funded at closing, from Atlas Credit Partners.

This strategic transaction completes the Company’s plans announced at the beginning of this year to refinance its current debt and further solidify its balance sheet. This new facility will enable SoundHound AI to replace its existing \$30 million debt with a more favorable structure that reduces the company’s cash outflows and extends the maturity date to 2027. Additionally, the funds provide substantial incremental capital to drive further innovation and support the Company’s growth plans.

With the significantly strengthened balance sheet, and SoundHound AI’s track record of groundbreaking innovation, the Company believes it will be able to accelerate its pace of innovation and market expansion. Recent advances in artificial intelligence, including Generative AI and Large Language Models, have catalyzed a wave of breakthroughs that are transforming how humans can converse more naturally and seamlessly with technology. SoundHound’s recent groundbreaking launches of Dynamic Interaction and SoundHound Chat AI showcase the latest chapters in its long track record of technological leadership. The Company has strengthened its unique position through its ability to efficiently combine market advances with its best-in-class voice AI capabilities.

SoundHound AI is poised to significantly grow its subscription business with its innovative customer service offering, which includes its suite of AI-based customer service products supporting call answering and food ordering for restaurants ranging from SMBs to large enterprises, and to drive continued growth in its licensing business, which includes smart devices, TV, and automotive verticals, while delivering against its \$332 million bookings backlog as of December 31, 2022.

“The clear intersection between demand for sophisticated Conversational AI and adoption of SoundHound’s category-leading technology stack with 17+ years of maturity has created a unique opportunity,” said Keyvan Mohajer, CEO and Co-Founder of SoundHound. “Today, this potential has been acknowledged and underscored with a significant financial commitment from Atlas Credit Partners. Having this additional capital available will play a key role in setting SoundHound up for continued, long term success.”

This new minimally-dilutive financing gives SoundHound AI the flexibility to deliver on its short-term objectives and long-term vision through this four-year loan. By adding significant capital to an already robust balance sheet, the Company is positioned with ample liquidity to effectively navigate potential market uncertainties while fueling growth.

After closing costs, other expenses and repayment of existing debt, the Company is expected to have a cash balance of over \$100 million. The Credit Agreement also allows SoundHound AI to potentially tap into additional capital of up to \$25 million.

“Today’s announcement with SoundHound AI demonstrates our commitment to empowering technology leaders in their respective categories. After meeting Keyvan and the SoundHound team, the sophistication of their voice AI, robust data, and technology stack made our decision to partner natural,” said Drew Mallozzi, Chief Investment Officer and Managing Partner at Atlas Credit Partners. “We believe our investment will help SoundHound AI to accelerate the pace at which they are redefining voice AI and enable them to further extend their global lead.”

Union Square Advisors LLC and Cantor Fitzgerald & Co acted as financial advisors to SoundHound AI in connection with this credit facility.

To learn more, visit <https://www.atlascreditpartners.com> or <https://www.soundhound.com/>

About SoundHound AI

SoundHound AI (Nasdaq: SOUN), 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, Qualcomm, Snap, Square, Toast, LG, VIZIO, KIA, and Stellantis. www.soundhound.com

About Atlas Credit Partners

Atlas Credit Partners is a Houston, Texas based asset management firm specializing in credit investing and partnering directly with middle market growth companies; providing minimally-dilutive capital solutions to management teams to facilitate transition, accelerate growth and create long-term value for all stakeholders. Atlas committed over \$750 million in 2022 to businesses in transition and leverages more than 70 years of combined business experience at top-tier institutions to help its portfolio companies grow through introductions, enabling management teams to connect with other partners within Atlas' proprietary network while offering a multi-cycle runway for companies to enact their business plans. To learn more, visit <https://www.atlascreditpartners.com>, or follow the company on LinkedIn.

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, including, but not limited to, statements regarding our expectations regarding our growth, cost efficiency, profitability, and cash flow, our expected revenue growth rate, benefits of our new loan facility with Atlas Credit Partners, our expectations regarding market demand and technology advancements in our markets, including conversational AI, our category leadership, market acceptance of our products, our unique competitive position, our ability to deliver on our short-term objectives and long-term vision, our ability to effectively navigate any potential market uncertainties while fueling growth, the pace of our innovation and market expansion, our bookings backlog and ability to convert into revenue, and our ability to achieve growth and performance objectives, 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, but not limited to, adequacy of our capital resources for our expected financial goals; continued adoption of our current and future products, our ability to shift emphasis from our current licensing business and increase our focus on SoundHound for Restaurants; our inability to predict or measure supply chain disruptions at our customers resulting from the COVID-19 pandemic and other causes; the effects of inflationary conditions, economic uncertainty, recessionary risks and exchange rate fluctuations, the potential future revenue associated with our AI platform products and services; our rate of growth; our ability to reduce costs and improve our operating efficiency while maintaining revenue 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; developments in the economy and financial markets and those other factors described in our risk factors set forth in our filings with the Securities and Exchange Commission from time to time, including our Annual Report on Form 10-K for the year ended December 31, 2022, as updated by our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We do not intend to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

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