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AI Audio Co. Brass Accused Of Acquisition Accounting Errors

By **Sydney Price**

Law360 (April 9, 2025, 9:23 PM EDT) -- Executives and directors of California-based voice recognition technology company SoundHound Inc. were hit with a shareholder derivative suit alleging they failed to disclose material weaknesses related to accounting for two acquisitions completed last year.

Shareholder Edward Troy Bishop **said in the complaint** filed Tuesday that SoundHound announced last month it would be unable to file its 2024 annual report on time due to the "complexity" of accounting for acquisitions, causing shares to decline nearly 6%.

The suit says SoundHound revealed in March that its weak internal controls caused it to make errors in determining the preliminary purchase price allocation that existed at the time it acquired Synq3, a company providing voice ordering systems in the food and beverage industry, in January 2024; and Amelia Holdings Inc., a conversational AI platform, in August 2024.

In addition to nominal defendant SoundHound, the suit's individual defendants include CEO Keyvan Mohajer, Chief Financial Officer Nitesh Sharan and some of its directors.

Before the March disclosures, SoundHound told investors the two acquisitions it completed in 2024 contributed to its "breakthrough year" and expanded its leadership position in the industry. According to the complaint, SoundHound partners with manufacturers, retailers and telecommunications companies to incorporate voice recognition technology into their products and services.

But when investors learned certain items related to the acquisitions were not properly recorded and that SoundHound would file amended financial statements within two weeks, the company's shares fell by 40 cents each, or about 6%, to close at \$9.72 on March 4, according to the complaint.

The next week, SoundHound declared in a filing with the U.S. Securities and Exchange Commission that it made adjustments to, among other things, decrease accounts payable by \$3.7 million and decrease goodwill recognition by \$9.3 million in 2024.

The individual defendants are accused of breaches of fiduciary duty, unjust enrichment and wasting corporate assets. The suit also notes the defendants are facing a securities class action over related alleged misconduct in the Northern District of California.

Counsel for Bishop and a representative of SoundHound did not immediately respond to requests for comment on Wednesday.

Bishop is represented by Jon A. Tostrud of Tostrud Law Group PC, Timothy J. MacFall and Samir Aougab of Rigrodsky Law PA, and Joshua H. Grabar of Grabar Law Offices.

Counsel information for SoundHound and the individual defendants was not immediately available on Wednesday.

The case is Bishop v. SoundHound AI Inc. et al., case number 3:25-cv-03172, in the U.S. District Court for the Northern District of California.

--Editing by Lakshna Mehta.

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