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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from ______ to ______

Commission file number 001-39907

SONDER HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware	85-2097088
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
447 Sutter St. Suite 405, #542 San Francisco, California	94108
(Address of principal executive offices)	(Zip Code)

(617) 300-0956
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	SOND	The Nasdaq Stock Market LLC
Warrants, each 20 whole warrants exercisable for one share of Common Stock at an exercise price of $230.00 per share	SONDW	The Nasdaq Stock Market LLC

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The registrant had 11,064,738 shares of common stock outstanding as of November 1, 2023.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally relate to future events or our expected future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations.

Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our focus on achieving positive Free Cash Flow without additional fundraising, as part of our Cash Flow Positive Plan announced on June 9, 2022;
- our financial, operating and growth forecasts and projections, including our focus on revenue growth rates and cost reductions, and our anticipated reductions in cash burn;
- expectations for our business, revenue, expenses, operating results, and financial condition;
- our lease renegotiation efforts and their potential effects on our portfolio, results of operations, and cash flow;
- our ability to achieve or maintain profitability in the future;
- trends in the travel and hospitality industries;
- our pricing and revenue management strategies, pricing and occupancy forecasts and anticipated trends, and expectations about demand elasticity;
- our expectations concerning future transaction structures and the anticipated rent, rent abatement, capital expenditure provisions, and other terms of our future leases;
- potential ancillary revenue opportunities and our ability to improve our revenue management capabilities;
- anticipated capital expenditure obligations, including expectations for real estate owners' funding of capital expenditures and other pre-opening costs at our leased properties;
- the expected adequacy of our capital resources, and the anticipated use of proceeds from any financings;
- anticipated occupancy rates and expectations about guests' average length of stay;
- expectations about our geographic market mix and product mix between hotels and apartments, and their impact on our financial results;
- expectations about employee relations and our ability to attract and retain qualified personnel;
- our plans to roll out additional features, amenities and technologies, and our beliefs about the positive impact of our technology investments on our brand and financial results;
- our future competitive advantages and anticipated differentiation in cost structure and guest experience compared to other accommodation providers;
- our ability to anticipate and satisfy guest demands, including through the introduction of new features, amenities or services;
- expectations for increased cost efficiencies and technological improvements;
- expectations and plans for expanding in existing and new markets and accommodation categories;
- the anticipated growth in our portfolio of units that are available for guests to book ("Live Units") and units for which we have signed real estate contracts but which are not yet available for guests to book ("Contracted Units"), including the anticipated scope and timing of any removals of units from our portfolio;
- expectations about our relationships with third-party distribution channels and indirect channels, and the percentage of future revenue attributable to bookings through indirect channels;
- anticipated seasonality and other variations in our results of operations from period-to-period, including statements about anticipated Revenue per Available Room ("RevPAR") in specified quarters;
- trends in corporate travel and the potential for additional group and corporate travel revenue;
- our assessments and beliefs regarding the timing and outcome of pending legal proceedings and any liability that we may incur as a result of those proceedings;
- the anticipated effects of public health crises;
- our assessments and estimates that determine our effective tax rate and regarding any tax-related audits or other tax proceedings; and
- other expectations, beliefs, plans, strategies, anticipated developments, and other matters that are not historical facts.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties, and other factors, many of which are beyond our control. Neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Moreover, the forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

For a discussion of our risk factors, see the sections entitled “Risk Factors” herein and in our most recent Annual Report on Form 10-K and subsequent SEC filings. Additional factors that could cause results or performance to materially differ from those expressed in our forward-looking statements are detailed in other filings we may make with the Securities and Exchange Commission (“SEC”), copies of which are available from us at no charge. Please consider our forward-looking statements in light of those risks as you read this report. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 166,045	$ 246,624
Restricted cash	41,188	42,562
Accounts receivable, net of allowance of $3,265 and $972 at September 30, 2023 and December 31, 2022, respectively	9,105	5,613
Prepaid expenses	6,388	8,066
Other current assets	10,532	10,065
Total current assets	233,258	312,930
Property and equipment, net	28,462	34,926
Operating lease right-of-use ("ROU") assets	1,439,572	1,209,486
Other non-current assets	15,045	16,270
Total assets	$ 1,716,337	$ 1,573,612
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 20,514	$ 16,082
Accrued liabilities	24,694	20,131
Taxes payable	15,894	14,418
Deferred revenue	67,819	41,664
Current portion of long-term debt	1,000	—
Current operating lease liabilities	199,345	158,346
Total current liabilities	329,266	250,641
Non-current operating lease liabilities	1,382,693	1,166,538
Long-term debt, net	196,398	172,950
Other non-current liabilities	668	3,430
Total liabilities	1,909,025	1,593,559
Commitments and contingencies (Note 10)		
Stockholders' deficit:		
Common stock[(1)]	1	1
Additional paid-in capital[(1)]	972,991	947,621
Cumulative translation adjustment	10,908	12,985
Accumulated deficit	(1,176,588)	(980,554)
Total stockholders' deficit	(192,688)	(19,947)
Total liabilities and stockholders' deficit	$ 1,716,337	$ 1,573,612

(1) Prior period balances have been adjusted to reflect the Reverse Stock Split (as defined in Note 1) at a ratio of 1-for-20 that became effective on September 20, 2023. See Note 1, Basis of Presentation, for details.

See accompanying notes to unaudited condensed consolidated financial statements.

SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except per share information)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue	$ 160,896	$ 124,526	$ 439,037	$ 326,314
Costs and operating expenses:				
Cost of revenue (excluding depreciation and amortization)	110,711	76,884	295,988	229,967
Operations and support	52,137	55,586	160,502	157,856
General and administrative	27,551	33,016	90,465	101,274
Research and development	5,344	6,936	17,487	22,649
Sales and marketing	20,996	13,372	55,063	35,247
Other operating expenses	1,087	—	1,087	—
Restructuring and other charges	—	—	2,130	4,033
Total costs and operating expenses	217,826	185,794	622,722	551,026
Loss from operations	(56,930)	(61,268)	(183,685)	(224,712)
Interest expense, net	6,423	4,112	18,285	16,696
Change in fair value of SPAC Warrants	(276)	495	(674)	(23,819)
Change in fair value of Earn Out Liability	(209)	2,223	(2,142)	(94,299)
Change in fair value of share-settled redemption feature and gain on conversion of convertible notes	—	—	—	(29,512)
Other expense (income), net	1,032	5,175	(3,759)	14,050
Total non-operating expense (income), net	6,970	12,005	11,710	(116,884)
Loss before income taxes	(63,900)	(73,273)	(195,395)	(107,828)
Provision for income taxes	376	416	639	564
Net loss	$ (64,276)	$ (73,689)	$ (196,034)	$ (108,392)
Basic and diluted net loss per common share[(1)]	$ (5.86)	$ (6.83)	$ (17.97)	$ (10.70)
Other comprehensive loss:				
Net loss	$ (64,276)	$ (73,689)	$ (196,034)	$ (108,392)
Change in foreign currency translation adjustment	3,256	4,833	(2,078)	11,916
Comprehensive loss	$ (61,020)	$ (68,856)	$ (198,112)	$ (96,476)

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See accompanying notes to unaudited condensed consolidated financial statements.

SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine months ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (196,034)	$ (108,392)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	18,908	17,801
Stock-based compensation	25,362	18,139
Amortization of operating lease ROU assets	130,192	105,569
Impairment of ROU assets	1,087	—
(Gain) loss on foreign exchange	(2,445)	13,092
Capitalization of paid-in-kind interest on long-term debt	20,418	12,544
Amortization of debt issuance costs	6	149
Amortization of debt discounts	1,274	3,374
Change in fair value of share-settled redemption feature and gain on conversion of convertible notes	—	(29,512)
Change in fair value of SPAC Warrants	(674)	(23,819)
Change in fair value of Earn Out Liability	(2,142)	(94,299)
Other operating activities	897	1,362
Changes in:		
Accounts receivable, net	(4,817)	(1,560)
Prepaid expenses	1,885	(2,543)
Other current and non-current assets	1,177	10,750
Accounts payable	4,433	(28,401)
Accrued liabilities	3,911	2,295
Taxes payable	1,706	6,181
Deferred revenue	25,651	30,204
Operating lease ROU assets and operating lease liabilities, net	(105,422)	(58,493)
Other current and non-current liabilities	589	1,467
Net cash used in operating activities	(74,038)	(124,092)

SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(continued)*
(In thousands)
(Unaudited)

	Nine months ended September 30,	
	2023	2022
Cash flows from investing activities:		
Purchase of property and equipment	(10,988)	(23,579)
Capitalization of internal-use software	(1,117)	(2,510)
Net cash used in investing activities	(12,105)	(26,089)
Cash flows from financing activities:		
Proceeds from Delayed Draw Notes	—	159,225
Repayment of debt and payment of early termination fees	(250)	(27,745)
Proceeds from issuance of debt	3,000	—
Proceeds from business combination and PIPE Investment	—	325,928
Common stock issuance costs	—	(58,555)
Proceeds from exercise of stock options	8	1,702
Net cash provided by financing activities	2,758	400,555
Effects of foreign exchange on cash	1,432	(1,860)
Net change in cash, cash equivalents, and restricted cash	(81,953)	248,514
Cash, cash equivalents, and restricted cash at beginning of period	289,186	69,941
Cash, cash equivalents, and restricted cash at end of period	$ 207,233	$ 318,455
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 746	$ 488
Cash paid for interest	$ 1,494	$ 2,306
Supplemental disclosure of non-cash investing and financing activities		
Accrued purchases of property and equipment	$ 359	$ 134
ROU assets acquired	$ 360,818	$ 199,875
Conversion of convertible notes	$ —	$ 159,172
Conversion of Legacy Sonder Warrants	$ —	$ 1,243
Reclassification of liability-classified Legacy Sonder Warrants to equity	$ —	$ 2,111
Recognition of Earn Out Liability	$ —	$ (98,117)
Recognition of SPAC Warrants	$ —	$ (25,985)
Issuance of Delayed Draw Warrants	$ —	$ 5,598
Conversion of Exchangeable Stock[(1)]	$ —	$ 49,734
Conversion of Redeemable Convertible Preferred Stock[(1)]	$ —	$ 518,760
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	$ 166,045	$ 317,324
Restricted cash	41,188	1,131
Cash, cash equivalents, and restricted cash at end of period	$ 207,233	$ 318,455

(1) Prior period balances have been adjusted to reflect the Reverse Stock Split (as defined in Note 1) at a ratio of 1-for-20 that became effective on September 20, 2023. See Note 1, Basis of Presentation, for details.

See accompanying notes to unaudited condensed consolidated financial statements.

SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
Three and nine months ended September 30, 2023
(In thousands, except share information)
(Unaudited)

	Common Stock		Post-Combination Exchangeable Common Stock		Additional Paid-in Capital[(1)]	Accumulated Translation Adjustment	Accumulated Deficit	Total Stockholders' Deficit
	Shares[(1)]	Amount[(1)]	Shares[(1)]	Amount				
Balance at December 31, 2022	9,919,716	$ 1	1,019,460	$ —	$ 947,621	$ 12,985	$ (980,554)	$ (19,947)
Exercise of common stock options	463	—	—	—	8	—	—	8
Vesting of restricted stock units	25,853	—	—	—	—	—	—	—
Conversion of exchangeable stock	46,525	—	(46,525)	—	—	—	—	—
Stock-based compensation	—	—	—	—	12,180	—	—	12,180
Components of comprehensive loss:								
Net loss	—	—	—	—	—	—	(86,431)	(86,431)
Change in cumulative translation adjustment	—	—	—	—	—	(2,637)	—	(2,637)
Balance at March 31, 2023	9,992,557	$ 1	972,935	$ —	$ 959,809	$ 10,348	$ (1,066,985)	$ (96,827)
Exercise of common stock options	6	—	—	—	—	—	—	—
Vesting of restricted stock units	48,562	—	—	—	—	—	—	—
Conversion of exchangeable stock	9,892	—	(9,892)	—	—	—	—	—
Stock-based compensation	—	—	—	—	8,258	—	—	8,258
Components of comprehensive loss:								
Net loss	—	—	—	—	—	—	(45,327)	(45,327)
Change in cumulative translation adjustment	—	—	—	—	—	(2,696)	—	(2,696)
Balance at June 30, 2023	10,051,017	$ 1	963,043	$ —	$ 968,067	$ 7,652	$ (1,112,312)	$ (136,592)
Exercise of common stock options	—	—	—	—	—	—	—	—
Vesting of restricted stock units	2,474	—	—	—	—	—	—	—
Conversion of exchangeable stock	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	4,924	—	—	4,924
Components of comprehensive loss:								
Net loss	—	—	—	—	—	—	(64,276)	(64,276)
Change in cumulative translation adjustment	—	—	—	—	—	3,256	—	3,256
Balance at September 30, 2023	10,053,491	$ 1	963,043	$ —	$ 972,991	$ 10,908	$ (1,176,588)	$ (192,688)

(1) Prior period balances have been adjusted to reflect the Reverse Stock Split (as defined in Note 1) at a ratio of 1-for-20 that became effective on September 20, 2023. See Note 1, Basis of Presentation, for details.

See accompanying notes to unaudited condensed consolidated financial statements.

SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT (*continued*)
Three and nine months ended September 30, 2022
(In thousands, except share information)
(Unaudited)

	Redeemable Convertible Preferred Stock		Exchangeable Preferred Stock		Common Stock		Exchangeable Series AA Stock		Post-Combination Exchangeable Common Stock		Additional Paid-in Capital[(1)]	Accumulated Translation Adjustment	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares[(1)]	Amount[(1)]	Shares	Amount	Shares[(1)]	Amount[(1)]	Shares	Amount	Shares[(1)]	Amount				
Balance at December 31, 2021	3,788,354	$ 518,760	12,570,228	$ 49,733	434,212	$ —	9,421,190	$ —	—	$ —	$ 43,107	$ 7,299	$ (814,812)	$ (764,406)
Retroactive adjustment to reflect the exchange ratio due to business combination	1,775,217	—	5,929,180	—	203,397	—	4,414,756	—	—	—	—	—	—	—
Balance at December 31, 2021, as adjusted	5,563,571	$ 518,760	18,499,408	$ 49,733	637,609	$ —	13,835,946	$ —	—	$ —	$ 43,107	$ 7,299	$ (814,812)	$ (764,406)
Exercise of common stock options	—	—	—	—	18,147	—	—	—	—	—	873	—	—	873
Conversion of Legacy Sonder Warrants from liabilities to equity	—	—	—	—	—	—	—	—	—	—	2,111	—	—	2,111
CEO promissory note settlement	—	—	—	—	(136,281)	—	—	—	—	—	—	—	—	—
Conversion of Legacy Sonder Warrants	—	—	—	—	7,761	—	—	—	—	—	1,243	—	—	1,243
Conversion of convertible note	—	—	—	—	950,855	—	—	—	—	—	159,173	—	—	159,173
Conversion of preferred stock	(5,563,571)	(518,760)	—	—	5,563,571	1	—	—	—	—	518,760	—	—	518,761
Conversion of exchangeable stock	—	—	(18,499,408)	(49,733)	—	—	(13,835,946)	—	1,616,767	—	49,733	—	—	49,733
Issuance of common stock in connection with business combination and PIPE offering	—	—	—	—	2,192,291	—	—	—	—	—	267,362	—	—	267,362
Assumption of SPAC Warrants upon consummation of business combination	—	—	—	—	—	—	—	—	—	—	(25,985)	—	—	(25,985)
Earn Out Liability recognized upon consummation of business combination	—	—	—	—	—	—	—	—	—	—	(98,117)	—	—	(98,117)
Issuance of Delayed Draw Warrants	—	—	—	—	—	—	—	—	—	—	5,598	—	—	5,598
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	6,680	—	—	6,680
Components of comprehensive loss:	—	—	—	—	—	—	—	—	—	—	—	—	—	
Net income	—	—	—	—	—	—	—	—	—	—	—	—	10,963	10,963
Change in cumulative translation adjustment	—	—	—	—	—	—	—	—	—	—	—	1,999	—	1,999
Balance at March 31, 2022	—	$ —	—	$ —	9,233,953	$ 1	—	$ —	1,616,767	$ —	$ 930,538	$ 9,298	$ (803,849)	$ 135,988

SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT (*continued*)
Three and nine months ended September 30, 2022 *(continued)*
(In thousands, except share information)
(Unaudited)

	Redeemable Convertible Preferred Stock		Exchangeable Preferred Stock		Common Stock		Exchangeable Series AA Stock		Post-Combination Exchangeable Common Stock		Additional Paid-in Capital[(1)]	Accumulated Translation Adjustment	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares[(1)]	Amount[(1)]	Shares	Amount	Shares[(1)]	Amount				
Balance at March 31, 2022	—	$ —	—	$ —	9,233,953	$ 1	—	$ —	1,616,767	$ —	$ 930,538	$ 9,298	$ (803,849)	$ 135,988
Exercise of common stock options	—	—	—	—	18,794	—	—	—	—	—	574	—	—	574
Vesting of restricted stock units	—	—	—	—	1,487	—	—	—	—	—	57	—	—	57
Conversion of exchangeable stock	—	—	—	—	212,967	—	—	—	(212,967)	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	5,054	—	—	5,054
Components of comprehensive loss:														
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(45,666)	(45,666)
Change in cumulative translation adjustment	—	—	—	—	—	—	—	—	—	—	—	5,085	—	5,085
Balance at June 30, 2022	—	$ —	—	$ —	9,467,201	$ 1	—	$ —	1,403,800	$ —	$ 936,223	$ 14,383	$ (849,515)	$ 101,092
Exercise of common stock options	—	—	—	—	7,966	—	—	—	—	—	129	—	—	129
Vesting of restricted stock units	—	—	—	—	25,187	—	—	—	—	—	—	—	—	—
Conversion of exchangeable stock	—	—	—	—	360,151	—	—	—	(360,151)	—	1	—	—	1
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	6,405	—	—	6,405
Components of comprehensive loss:	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(73,689)	(73,689)
Change in cumulative translation adjustment	—	—	—	—	—	—	—	—	—	—	—	4,833	—	4,833
Balance at September 30, 2022	—	$ —	—	$ —	9,860,505	$ 1	—	$ —	1,043,649	$ —	$ 942,758	$ 19,216	$ (923,204)	$ 38,771

(1) Prior period balances have been adjusted to reflect the Reverse Stock Split (as defined in Note 1) at a ratio of 1-for-20 that became effective on September 20, 2023. See Note 1, Basis of Presentation, for details.

See accompanying notes to unaudited condensed consolidated financial statements.

SONDER HOLDINGS INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Basis of Presentation

Nature of Operations

Sonder Holdings Inc., together with its wholly owned subsidiaries (collectively, the “Company”), provides short and long-term accommodations to travelers in various cities across North America, Europe, and the Middle East. The units in each apartment-style building and each hotel property are selected, designed, and managed directly by the Company. The Company also provides accommodations to travelers through boutique hotels that are designated as Powered by Sonder properties, each with its own unique design elements and features.

On January 18, 2022, the Company consummated the previously announced business combination by and among Gores Metropoulos II, Inc. (“GMII”), two subsidiaries of GMII, and Sonder Operating Inc., a Delaware corporation formerly known as Sonder Holdings Inc. (“Legacy Sonder”) (the “Business Combination”). Refer to Note 13, Business Combination, for details of the transaction.

Basis of Financial Statement Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”, “U.S. GAAP”, or “generally accepted accounting principles”). The condensed consolidated financial statements present the results of operations, financial position, and cash flows of Sonder Holdings Inc., its wholly owned subsidiaries, and one variable interest entity (“VIE”) for which it is the primary beneficiary in accordance with consolidation accounting guidance. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, including normal recurring adjustments, necessary to present fairly the Company’s financial position at September 30, 2023 and December 31, 2022, its results of operations and comprehensive loss and stockholders’ deficit for the three and nine months ended September 30, 2023 and 2022, and cash flows for the nine months ended September 30, 2023 and 2022. The Company’s condensed consolidated results of operations and comprehensive loss and stockholders’ deficit for the three and nine months ended September 30, 2023 and cash flows for the nine months ended September 30, 2023 are not necessarily indicative of the results to be expected for the full year.

The Company qualifies as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, and as a "smaller reporting company" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, and, as such, may take advantage of specified reduced reporting requirements and deferred accounting standards adoption dates, and is relieved of other significant requirements that are otherwise generally applicable to other public companies.

Reverse Stock Split

On September 19, 2023, the Company filed a certificate of amendment to the Company’s Amended and Restated Certificate of Incorporation to effect a 1-for-20 reverse stock split (the “Reverse Stock Split”) of the outstanding shares of the Company’s common stock (including special voting common stock), par value $0.0001 per share, effective as of 4:01 p.m., Eastern Time, on September 20, 2023 (the “Effective Time”). As of the Effective Time, every 20 shares of the Company’s issued and outstanding common stock and every 20 shares of its issued and outstanding special voting common stock were combined into one issued and outstanding share of common stock or one issued and outstanding share of special voting common stock, respectively. The total number of authorized shares of common stock was reduced from 400,000,000 to 20,000,000, and the total number of authorized shares of special voting common stock was reduced from 40,000,000 to 2,000,000. The number of authorized shares of preferred stock remained unchanged at 250,000,000 shares, and the par value of the Company’s common stock (including special voting common stock) remained unchanged at $0.0001 per share.

As of the Effective Time, proportional adjustments to reflect the Reverse Stock Split were also made to the number of shares of common stock issuable upon the exercise of the Company's outstanding warrants and stock options, the number of shares issuable pursuant to outstanding restricted stock units, and the number of shares authorized and reserved for issuance pursuant to the Company's equity incentive and employee stock purchase plans. The exercise prices and stock price targets of outstanding stock options, warrants, and equity awards were also proportionately adjusted, as applicable. Accordingly, with respect to the Company's publicly traded warrants trading under the symbol "SONDW," every 20 warrants outstanding immediately prior to the Reverse Stock Split became exercisable for one share of common stock at an exercise price of $230.00 per share. Proportional adjustments were also made to the number of shares issuable pursuant to the Earn Out provided for in the Company's Agreement and Plan of Merger dated April 29, 2021, as amended, and its triggering event share prices. The outstanding Post-Combination Exchangeable Common Stock of the Company's subsidiary, Sonder Canada Inc., were also consolidated on a 1-for-20 basis to reflect the Reverse Stock Split. Any fractional interests in the Post-Combination Exchangeable Common Stock were paid out in cash, applying the same per-share price applicable to the Company's common stock, and fractional interests in the related shares of special voting common stock were paid out in cash with reference to their automatic redemption price as stated in the Company's certificate of incorporation.

The effects of the Reverse Stock Split have been reflected in these condensed consolidated financial statements and the accompanying footnotes for all periods presented, which includes adjusting the description of any activity that may have been transacted on a pre-Reverse Stock Split basis.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company manages the credit risk associated with cash and cash equivalents by investing in lower risk money market funds and by maintaining operating accounts that are diversified among various institutions with good credit quality. The Company maintains cash accounts that, at times, exceed federally insured limits. The Company has not experienced any losses from maintaining cash accounts in excess of such limits. Management believes that it is not exposed to any significant risks on its cash and cash equivalent accounts.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expense during the reporting periods. Examples of where management makes estimates and assumptions included, but are not limited to, the fair value of share-based awards, estimated useful life of long-lived assets, bad-debt allowances, valuation of intellectual property and intangible assets, contingent liabilities, valuation allowance for deferred tax assets, and valuation of non-routine complex transactions, such as recognition of the Earn Out Liability and SPAC Warrants (both as defined below), among others. These estimates are based on information available as of the date of the condensed consolidated financial statements; therefore, actual results could differ from those estimates.

Reclassification

Certain amounts reported in previous condensed consolidated financial statements have been reclassified to conform to current period presentation. These reclassifications did not affect previously reported amounts of net loss, total assets, total stockholders' deficit, net cash used in operating activities, net cash used in investing activities, or net cash provided by financing activities.

Restatement of Previously Reported Financial Statements

Subsequent to the issuance of the Company's unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2022, the Company identified and corrected the following:

The Company recorded $12.2 million as an adjustment to correct the initial recorded fair value of $23.7 million for the Public Warrants (as defined below) upon consummation of the Business Combination. This correction was made as a $12.2 million increase to the originally recorded additional paid-in capital and a corresponding reduction to other income in the September 30, 2022 condensed consolidated statements of operations and comprehensive loss. This adjustment, in addition to the adjustments in fair value from the date of the Business Combination to the end of the three and nine months ended September 30, 2022, resulted in net changes in fair value of $0.8 million and $12.5 million for the three and nine months ended September 30, 2022, respectively. Further, this adjustment resulted in a change in basic and diluted net loss per share from $7.00 per share as previously reported to $6.83 per share as corrected for the three months ended September 30, 2022 and from $9.00 per share as previously reported to $10.70 per share as corrected for the nine months ended September 30, 2022.

Management considers such correction to be immaterial to the previously issued condensed consolidated financial statements.

The following table presents only those line items affected by the correction as discussed above (in thousands):

	As Previously Reported	Adjustments	As Corrected
Statement of Operations and Comprehensive Loss			
Three months ended September 30, 2022:			
Change in fair value of SPAC Warrants	$ 1,305	$ (810)	$ 495
Total non-operating expense (income), net	12,815	(810)	12,005
Loss before income taxes	(74,083)	810	(73,273)
Net loss	(74,499)	810	(73,689)
Comprehensive loss	(69,666)	810	(68,856)
Basic and diluted net loss per common share(1)	$ (7.00)	$ 0.17	$ (6.83)
Nine months ended September 30, 2022:			
Change in fair value of SPAC Warrants	$ (36,329)	$ 12,510	$ (23,819)
Total non-operating expense (income), net	(129,394)	12,510	(116,884)
Loss before income taxes	(95,318)	(12,510)	(107,828)
Net loss	(95,882)	(12,510)	(108,392)
Less: Net loss attributable to convertible and exchangeable preferred stockholders	3,886	(3,886)	—
Net loss attributable to common stockholders	(91,996)	(16,396)	(108,392)
Comprehensive loss	(83,966)	(12,510)	(96,476)
Basic and diluted net loss per common share(1)	$ (9.00)	$ (1.70)	$ (10.70)
Statement of Stockholders' Equity			
Three months ended September 30, 2022:			
Net loss	$ (74,499)	$ 810	$ (73,689)
Accumulated Deficit	(910,694)	(12,510)	(923,204)
Total stockholders' equity at September 30, 2022	$ 39,131	$ (360)	$ 38,771
Nine months ended September 30, 2022:			
Assumption of SPAC Warrants upon consummation of business combination	$ (38,135)	$ 12,150	$ (25,985)
Net loss	(95,882)	(12,510)	(108,392)
Additional Paid-in Capital	930,608	12,150	942,758
Accumulated Deficit	(910,694)	(12,510)	(923,204)
Total stockholders' equity at September 30, 2022	$ 39,131	$ (360)	$ 38,771
Statement of Cash Flows			
Cash flows from operating activities			
Net loss	$ (95,882)	$ (12,510)	$ (108,392)
Change in fair value of SPAC Warrants	(36,329)	12,510	(23,819)

(1) Prior period balances have been adjusted to reflect the Reverse Stock Split (as defined in Note 1) at a ratio of 1-for-20 that became effective on September 20, 2023. See discussion above for details.

Note 2. Recently Issued Accounting Standards

The following reflect recent accounting standards that have been adopted or are pending adoption by the Company. As discussed in Note 1, Basis of Presentation, the Company qualifies as an emerging growth company, and as such, has elected to use the extended transition period for complying with new or revised accounting standards and is not subject to the new or revised accounting standards applicable to public companies during the extended transition period. The accounting standards discussed below indicate effective dates for the Company as an emerging growth company with the extended transition period.

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which has subsequently been amended by ASUs 2018-19, 2019-04, 2019-05, 2019-10, and 2019-11. The guidance changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance replaces the current 'incurred loss' model with an 'expected loss' approach. This generally will result in the earlier recognition of allowances for losses and requires increased disclosures. ASU 2016-13 was effective for public business entities for fiscal years beginning after December 15, 2019. In November 2019, the FASB issued amended guidance which defers the effective date for emerging growth companies for fiscal years beginning after December 15, 2022, and interim periods therein. The Company adopted this guidance on January 1, 2023 using the modified retrospective basis. The adoption did not have a material impact on the Company's condensed consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

The Company has not identified any recent accounting pronouncements not yet adopted that are expected to have a material impact on the Company's financial position, results of operations, or cash flows.

Note 3. Revenue

The Company generates revenues primarily by providing accommodations to its guests. Direct revenue is generated from stays booked through Sonder.com, the Sonder app, or directly through the Company's sales personnel. Indirect revenue is generated from stays booked through third party online travel agencies ("OTAs").

The following table sets forth the Company's total revenues for the periods indicated, disaggregated between direct and indirect (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Direct revenue	$ 73,569	$ 60,775	$ 210,444	$ 149,010
Indirect revenue	87,327	63,751	228,593	177,304
Total revenue	$ 160,896	$ 124,526	$ 439,037	$ 326,314

Three OTAs represented 24.0%, 14.3%, and 12.2%, respectively, of revenues for the three months ended September 30, 2023, while three OTAs represented 22.3%, 14.2%, and 11.9%, respectively, of revenues for the nine months ended September 30, 2023. Two OTAs represented 20.1% and 19.7%, respectively, of revenues for the three months ended September 30, 2022, while three OTAs represented 22.6%, 19.2%, and 10.1%, respectively, of revenues for the nine months ended September 30, 2022.

Two third-party corporate customers represented 18.4% and 12.7% of the gross accounts receivable balance at September 30, 2023, and four third-party corporate customers and OTAs represented 23.8%, 18.3%, 17.0%, and 11.8%, respectively, of the gross accounts receivable balance as of December 31, 2022.

Note 4. Fair Value Measurement and Financial Instruments

Fair Value Hierarchy

Accounting standards require the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Company has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A financial instrument's classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

SPAC Warrants

As part of the GMII initial public offering ("GMII IPO"), GMII issued 9,000,000 public warrants (the "Public Warrants") and 5,500,000 private placement warrants (the "Private Placement Warrants"), of which, every 20 warrants are exercisable for one share of common stock at a price of $230.00 per common share (collectively, the "SPAC Warrants").

Management has determined that the SPAC Warrants issued in the GMII IPO, which remained outstanding at consummation of the Business Combination and became exercisable for shares of the Company's common stock, are subject to accounting treatment as a liability. At the consummation of the Business Combination and at September 30, 2023, the Company used the Public Warrants stock price to value the Public Warrants.

At consummation of the Business Combination, the Company used a Monte Carlo simulation methodology to value the Private Placement Warrants using Level 3 inputs, as the Company did not have observable inputs for the valuation. At December 31, 2022, the Company used the Black-Scholes option-pricing model to estimate the fair value of the Private Placement Warrants using Level 3 inputs. During the three months ended March 31, 2022, the Private Placement Warrants were transferred by the original holders and, in accordance with the contractual terms of the Private Placement Warrants, became Public Warrants upon transfer. As such, at September 30, 2023, the Company used the Public Warrants stock price to value all SPAC Warrants.

At September 30, 2023, the SPAC Warrants were valued at $0.02 per warrant.

Refer to Note 7, Warrants and Stockholders' Deficit, for additional information about the SPAC Warrants.

Earn Out Liability

In addition to the consideration paid at consummation of the Business Combination, certain investors may receive their pro rata share of up to an aggregate of 725,000 additional shares of the Company's common stock as consideration upon the common stock achieving certain benchmark share prices, as set forth in the merger agreement (the "Earn Out"). Management has determined that the Earn Out is subject to treatment as a liability (the "Earn Out Liability").

At September 30, 2023, the Company used a Monte Carlo simulation methodology to value the Earn Out using Level 3 inputs. The key assumptions used in the Monte Carlo simulation are related to expected share-price volatility of 72.5%, expected term of 3.79 years, risk-free interest rate of 4.7%, and dividend yield of 0%. The expected volatility at September 30, 2023 was derived from the volatility of comparable public companies.

Delayed Draw Warrants

The fair value of the Delayed Draw Warrants (as defined in Note 5, Debt) was estimated by separating the Delayed Draw Notes into the debt and warrants components and assigning a fair value to each component. The value assigned to the debt component was the estimated fair value as of the issuance date of similar debt without the warrants. The value assigned to the Delayed Draw Warrants component was estimated using the Black-Scholes option-pricing model using Level 3 inputs and was considered to be non-recurring in nature, in accordance with ASC 820, *Fair Value Measurement*. The warrants component was recorded as a debt discount, which is amortized using the effective interest method over the period from the date of issuance through the maturity date. Upon consummation of the Business Combination, the fair value of the Delayed Draw Warrants was $5.6 million and was included in additional paid in capital in the condensed consolidated balance sheet.

Disclosures about Fair Value of Financial Instruments

At September 30, 2023, the Earn Out Liability and SPAC Warrants liability were included in other non-current liabilities in the condensed consolidated balance sheets. The following table summarizes the Company's Level 1, Level 2, and Level 3 financial liabilities measured at fair value on a recurring basis as of September 30, 2023 (in thousands):

	Level 1	Level 3	Total
Earn Out Liability	$ —	$ 275	$ 275
SPAC Warrants	231	—	231
Total financial liabilities measured and recorded at fair value	$ 231	$ 275	$ 506

At December 31, 2022, the Earn Out Liability and SPAC Warrants liability were included in other non-current liabilities in the condensed consolidated balance sheets. The following table summarizes the Company's Level 1, Level 2, and Level 3 financial liabilities measured at fair value on a recurring basis as of December 31, 2022 (in thousands):

	Level 1	Level 3	Total
Earn Out Liability	$ —	$ 2,417	$ 2,417
Public Warrants	630	—	630
Private Placement Warrants	—	275	275
Total financial liabilities measured and recorded at fair value	$ 630	$ 2,692	$ 3,322

The following table represents changes in the Company's Level 3 liabilities measured at fair value for the nine months ended September 30, 2023 (in thousands):

	Level 3
Beginning balance at January 1, 2023	$ 2,692
Transfers out of Level 3	(275)
Change in fair value of Earn Out Liability	(2,142)
Total financial liabilities measured and recorded at fair value	$ 275

The following table presents changes in the Company's Level 3 liabilities measured at fair value for the year ended December 31, 2022 (in thousands):

	Level 3
Beginning balance at January 1, 2022	$ 33,610
Recognition of Earn Out Liability	98,117
Private Placement Warrants liability recognized upon consummation of Business Combination	14,465
Change in fair value of share-settled redemption feature upon conversion of convertible notes	(30,322)
Change in fair value of Earn Out Liability	(95,700)
Change in fair value of Private Placement Warrants liability	(14,190)
Conversion of preferred stock warrant liabilities to equity	(3,288)
Total financial liabilities measured and recorded at fair value	$ 2,692

There were no transfers of financial instruments between valuation levels during the nine months ended September 30, 2023 and the year ended December 31, 2022, other than the transfer of the Private Placement Warrants when they became Public Warrants, as discussed above.

Management estimates that the fair values of its cash equivalents, restricted cash, accounts receivable, prepaid expenses, other current assets, accounts payable, accrued liabilities, sales tax payable, deferred revenue, and other current liabilities approximates their carrying values due to the relatively short maturity of the instruments. The carrying value of the Company's long-term debt approximates its fair value because it bears interest at a market rate and all other terms are also reflective of current market terms.

These assumptions are inherently subjective and involve significant management judgment. Any change in fair value is recognized as a component of other expense (income), net, on the condensed consolidated statements of operations and comprehensive loss.

Note 5. Debt

Delayed Draw Note Purchase Agreement

On December 10, 2021, the Company entered into a note and warrant purchase agreement (the "Delayed Draw Note Purchase Agreement") with certain private placement investors ("Purchasers") for the sale of delayed draw notes in aggregate of $165.0 million to be available to the Company following the consummation of the Business Combination (the "Delayed Draw Notes"). The Delayed Draw Note Purchase Agreement also provided for the issuance of warrants to purchase an aggregate of 123,750 shares of the Company's common stock with an exercise price of $250.00 per share (the "Delayed Draw Warrants").

In January 2022, upon consummation of the Business Combination, the Company drew $165.0 million in Delayed Draw Notes and issued Delayed Draw Warrants to purchase 123,750 shares of common stock to the Purchasers. The Delayed Draw Notes have a maturity of five years from the date of issuance and are subject to interest on the unpaid principal amount at a rate per annum equal to the three-month secured overnight financing rate ("SOFR") plus 9.00%. For the first two years, the Company elected payment-in-kind interest, quarterly in arrears. The Delayed Draw Notes are secured by substantially all of the assets of the Company. The Delayed Draw Warrants expire five years after issuance.

In November 2023, the Delayed Draw Note Purchase Agreement was amended to (i) extend the ability to pay interest in kind on the Delayed Draw Notes through July 19, 2024, (ii) provide for the repayment by the Company of $30.0 million of the outstanding principal amount of the Delayed Draw Notes, plus a prepayment premium of approximately $4.3 million, and (iii) add a minimum liquidity covenant and a minimum free cash flow covenant, each as more fully detailed in the amendment.

Equipment Financing Agreement

On July 25, 2023, the Company entered into a master equipment financing agreement (the “EFA”), which is accounted for as debt. In accordance with the agreement, the Company received approximately $3.0 million in exchange for conveying an interest in certain furniture, fixtures, and equipment (“FF&E”). The EFA contains customary terms and events of default and provides for 12 quarterly payments with an interest rate of approximately 22.2%, which includes a balloon payment at the end of the term. The agreement matures in July 2026. Upon maturity, all interest in the subject FF&E will revert back to the Company.

Long term debt, net consisted of the following at the dates indicated (in thousands):

	September 30, 2023	December 31, 2022
Principal balance, including capitalized paid-in-kind interest	$ 205,435	$ 183,245
Less: debt discount related to Delayed Draw Warrants, net of amortization	(4,333)	(4,945)
Less: unamortized debt discount and deferred issuance costs	(4,704)	(5,350)
Long-term debt, net	$ 196,398	$ 172,950

At September 30, 2023, the current portion of long term debt consisted of $1.0 million in principal on the EFA. The Company did not have any portion of long term debt that was current at December 31, 2022.

Convertible Notes

In January 2022, upon consummation of the Business Combination, the outstanding principal and accrued and unpaid interest of the Company’s convertible notes were automatically converted into 950,855 shares of common stock for a value of $159.2 million. As a result, the Company recognized a gain on conversion of $29.5 million as a result of a change in the fair value of the share-settled redemption feature and $159.2 million additional-paid-in-capital. The Company also recognized the change in fair value of the share-settled redemption feature, prior to conversion, of $30.3 million, expense related to the debt discount of $10.0 million and interest expense of $1.4 million.

2018 Loan and Security Agreement

In December 2018, Legacy Sonder entered into a loan and security agreement (the “2018 Loan and Security Agreement”) with certain venture lenders that provided aggregate borrowing capacity of $50.0 million. In January 2022, upon consummation of the Business Combination, the Company paid $24.7 million of the outstanding principal of the 2018 Loan and Security Agreement and $3.1 million in early termination fees. Additionally, in connection with the repayment of the 2018 Loan and Security Agreement, the Company wrote off $0.4 million of deferred issuance costs and recognized $0.2 million of interest expense.

2022 Loan and Security Agreement

In December 2022, the Company entered into a loan and security agreement with Silicon Valley Bank (“SVB”) (now, a division of First Citizens Bank & Trust Company) (the “2022 Loan and Security Agreement”) for a revolving line of credit in an aggregate principal balance of $60.0 million with a maturity date of December 21, 2025. The facility may be utilized for revolving loans or letter of credit issuances subject to terms of the agreement. As of September 30, 2023, all letters of credit under this facility are fully cash collateralized, and as a result, the Company may not draw against the facility pursuant to the terms of the agreement. The 2022 Loan and Security Agreement includes: (i)(x) a letter of credit fee for each letter of credit equal to 1.5% per annum of the dollar equivalent of the face amount of each letter of credit issued and (y) a letter of credit fronting fee equal to 0.25% per annum of the dollar equivalent of the face amount of each letter of credit issued, and (ii) an unused revolving line fee equal to 0.25% per annum of the average unused portion of the revolving line of credit.

In April 2023, the Company amended the 2022 Loan and Security Agreement. Among other things, the amendment (i) reduced the required cash holdings account balances in the Company’s operating accounts, securities accounts, and depository accounts at or through SVB or its affiliates, (ii) amends the minimum consolidated adjusted EBITDA financial covenant, and (iii) provided additional flexibility to the Company under certain of the negative covenants in the agreement.

In November 2023, the Company amended the 2022 Loan and Security Agreement again. The amendment (i) removed the adjusted quick ratio financial covenant to which the Company was previously subject, (ii) updated certain financial reporting requirements, (iii) reduced the letter of credit sublimit from $60.0 million to $45.0 million, and (iv) permitted a prepayment of the Company's existing subordinated secured notes.

The Company is in compliance with all financial covenants related to the 2022 Loan and Security Agreement, as amended, as of the date the condensed consolidated financial statements were issued. Additionally, as of the same date, there were no revolving borrowings outstanding under the 2022 Loan and Security Agreement. Outstanding letters of credit as of September 30, 2023 and December 31, 2022 under the 2022 Loan and Security Agreement totaled $29.0 million and $10.1 million, respectively.

Credit Facilities

2020 Credit Facility: In February 2020, Legacy Sonder entered into a revolving credit agreement (the "2020 Credit Facility") for an aggregate principal balance of $50.0 million with a maturity date of February 21, 2023. In December 2022, the 2020 Credit Facility was terminated in conjunction with the Company obtaining the 2022 Loan and Security Agreement.

2020 Québec Credit Facility: In December 2020, a Canadian subsidiary of the Company entered into an agreement with Investissement Québec, a Quebecois public investment entity, that provides a loan facility of CAD $25.0 million and an additional loan, referred to as a conditional-refund financial contribution ("CRFC"), of CAD $5.0 million (the "2020 Québec Credit Facility"). The loan and the CRFC bear interest at a fixed rate of 6.0% per annum for a period of 10 years starting from the first date of the loan disbursement. At September 30, 2023 and December 31, 2022, the Company was in compliance with all financial covenants related to the 2020 Québec Credit Facility, but had not yet met the drawdown requirements, and as such, there have been no borrowings against the 2020 Québec Credit Facility.

Restricted Cash

Throughout 2023 and 2022, the Company entered into multiple cash collateral agreements in connection with the issuance of letters of credit and corporate credit card programs. At September 30, 2023 and December 31, 2022, the Company had $41.2 million and $42.6 million, respectively, of cash collateral which is reported as restricted cash on the condensed consolidated balance sheets.

Note 6. Leases

The Company leases buildings or portions of buildings for guest usage, warehouses to store furniture, and corporate offices under noncancellable operating lease agreements, which expire through 2044. The Company is required to pay property taxes, insurance, and maintenance costs for certain of these facilities.

The Company has lease agreements with lease and non-lease components and has elected to utilize the practical expedient to account for lease and non-lease components together in the condensed consolidated statements of operations.

Operating lease ROU assets are included within operating lease right-of-use assets in the condensed consolidated balance sheets. The corresponding operating lease liabilities are included within current operating lease liabilities and non-current operating lease liabilities in the condensed consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease.

Lease expense for fixed operating lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option.

Components of lease expense were as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Operating lease cost	$ 85,025	$ 61,498	$ 234,801	$ 191,908
Short-term lease cost	343	1,951	780	2,430
Variable lease cost	6,356	—	9,425	—
Total operating lease cost	$ 91,724	$ 63,449	$ 245,006	$ 194,338

Supplemental information related to operating leases was as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash payments for operating leases	$ 73,777	$ 64,690	$ 216,950	$ 171,292
New operating lease ROU assets obtained in exchange for operating lease liabilities	$ 173,781	$ 73,007	$ 360,818	$ 199,875

Total operating lease cost for the three months ended September 30, 2023 and 2022 was $91.7 million and $63.4 million, respectively, of which $91.2 million and $62.0 million, respectively, is recognized in cost of revenues, $0.2 million and $0.5 million, respectively, in operations and support, and $0.3 million and $0.9 million, respectively, in general and administrative in the condensed consolidated statements of operations and comprehensive loss.

Total operating lease cost for the nine months ended September 30, 2023 and 2022 was $245.0 million and $194.3 million, respectively, of which $243.0 million and $190.1 million, respectively, is recognized in cost of revenues, $0.6 million and $1.4 million respectively, in operations and support, and $1.4 million and $2.8 million, respectively, in general and administrative in the condensed consolidated statements of operations and comprehensive loss.

As of September 30, 2023, the Company identified an impairment of its operating lease right of use (ROU) asset and recorded a related impairment charge in the amount of $1.1 million. The impairment charge is included within other operating expenses for the three and nine months ended September 30, 2023 as reported in the condensed consolidated statements of operations.

Note 7. Warrants and Stockholders' Deficit

The condensed consolidated statements of stockholders' deficit reflect the consummation of the Business Combination on January 18, 2022. As Legacy Sonder was deemed the accounting acquirer in the Business Combination with GMII, all periods prior to the closing date reflect the balances and activity of Legacy Sonder. The balances at June 30, 2022 from the consolidated financial statements of Legacy Sonder as of that date, share activity (redeemable convertible preferred stock, exchangeable shares, and common stock), and per share amounts were retroactively adjusted, where applicable, using the recapitalization exchange ratio of 1.4686. All redeemable convertible preferred stock classified as mezzanine equity was converted into common stock, and reclassified into permanent equity as a result of the Business Combination.

Reverse Stock Split

On September 20, 2023, the Company effected the 1-for-20 Reverse Stock Split of the outstanding shares of the Company's common stock (including special voting common stock). The par value of one share of common stock and one share of special voting stock remained unchanged as a result of the Reverse Stock Split. Refer to Note 1 for additional details regarding the Reverse Stock Split. All share and per share information within the condensed consolidated financial statements have been retroactively restated to reflect the Reverse Stock Split.

Preferred Stock Warrants

Upon consummation of the Business Combination, (i) the Company's Series A and Series B preferred stock warrants were converted into 7,504 post-combination shares of the Company's common stock for a value of $1.2 million, and (ii) the Company's Series C and Series D preferred stock warrants automatically converted into warrants to purchase shares of the Company's common stock.

The Series C and Series D preferred stock warrants are accounted for as equity in accordance with ASC 815-40, *Derivatives and Hedging – Contracts on an Entity's Own Equity* ("ASC 815-40"). Upon consummation of the Business Combination, the Company reclassified $2.1 million related to such warrants from other non-current liabilities to equity in the condensed consolidated balance sheet.

Common Stock Warrants

Delayed Draw Warrants: The Delayed Draw Warrants are accounted for as equity-classified warrants in accordance with ASC 815-40. Upon consummation of the Business Combination, the value of the Delayed Draw Warrants was $5.6 million and was recorded within additional paid-in capital in the condensed consolidated balance sheets. The purchasers of the Delayed Draw Notes were also provided with customary registration rights for the shares issuable upon exercise of the Delayed Draw Warrants.

SPAC Warrants: The Public Warrants remained outstanding upon consummation of the Business Combination and became exercisable for whole shares of common stock. The Public Warrants will expire on January 18, 2027, or earlier upon redemption or liquidation. The Private Placement Warrants had terms and provisions that were identical to those of the Public Warrants, except that the Private Placement Warrants could be physical (cash) or net share (cashless) settled and were not redeemable, so long as they were held by Gores Metropoulos Sponsor II, LLC (the "Sponsor") or its permitted transferees, and are entitled to certain registration rights. As discussed in Note 4, Fair Value Measurement and Financial Instruments, during the three months ended March 31, 2022, the Private Placement Warrants were transferred by the warrant holders in accordance with the terms of the Private Placement Warrant agreement and became Public Warrants.

The SPAC Warrants are accounted for as liabilities, as there are certain terms and features of the warrants that do not qualify for equity classification in accordance with ASC 815-40. The fair value of the Public Warrants and the Private Placement Warrants at December 31, 2022 was a liability of $0.3 million and $0.6 million, respectively, and was recorded in other non-current liabilities in the condensed consolidated balance sheets. At September 30, 2023, the fair value of the SPAC Warrants was $0.2 million and was recorded in other non-current liabilities in the condensed consolidated balance sheets. The change in fair value of $0.7 million for the nine months ended September 30, 2023 is reflected as non-operating income in the condensed consolidated statements of operations and comprehensive loss.

Exchangeable Stock

Upon consummation of the Business Combination on January 18, 2022, each share of Sonder Canada Inc. ("Legacy Sonder Canada") exchangeable common stock ("Legacy Sonder Canada Exchangeable Stock" and collectively, "Legacy Sonder Canada Exchangeable Shares") was exchanged into a new series of the same class of virtually identical Legacy Sonder Canada Exchangeable Common Stock ("Post-Combination Exchangeable Common Stock" and collectively, "Post-Combination Exchangeable Shares") exchangeable for the Company's common stock. On that date, all the Legacy Sonder Canada Exchangeable Shares were automatically converted into 1,614,826 Post-Combination Exchangeable Shares for a value of $49.7 million.

The Company had the following authorized and outstanding Post-Combination Exchangeable Common Stock at each of the dates indicated (in thousands except per share amounts):

	September 30, 2023	December 31, 2022
Shares Authorized	2,000,000	2,000,000
Shares Issued and Outstanding	963,043	1,019,460
Issuance Price Per Share	$ 30.80	$ 30.80
Net Carrying Value	$ 29,662	$ 31,399
Aggregate Liquidation Preference	$ 29,662	$ 31,399

The net carrying value of the Post-Combination Exchangeable Shares is included in additional paid-in capital in the condensed consolidated balance sheets.

Redeemable Convertible Preferred Stock

Upon consummation of the Business Combination, all the Company's shares of redeemable convertible preferred stock were automatically converted into shares of post-combination common stock for a value of $518.8 million.

Common and Preferred Stock

The Company's amended and restated certificate of incorporation following the Business Combination and the Reverse Stock Split authorizes the issuance of 272,000,000 shares, consisting of: (a) 22,000,000 shares of general common stock ("General Common Stock"), including: (i) 20,000,000 shares of common stock, and (ii) 2,000,000 shares of Special Voting Common Stock ("Special Voting Common Stock"), and (b) 250,000,000 shares of preferred stock, par value $0.0001 per share ("Preferred Stock").

The Company had reserved the following shares of common stock for future issuance as of the dates indicated:

	September 30, 2023	December 31, 2022
Post-Combination Exchangeable Common Shares	963,043	1,019,460
Outstanding stock options	2,611,093	1,833,950
Outstanding restricted stock units ("RSUs")	377,825	584,590
Outstanding market stock units ("MSUs")	580,999	602,998
Outstanding warrants liability	724,997	724,997
Shares issuable pursuant to Earn Out Liability	725,000	725,000
Outstanding Delayed Draw Note warrants liability	123,750	123,750
Shares available for grant under the Employee Stock Purchase Plan	353,024	243,646
Shares available for grant under the 2021 Equity Incentive Plan	587,499	444,388
Shares available for grant under the 2023 Inducement Equity Incentive Plan	208,440	—
Total common stock reserved for future issuance	7,255,670	6,302,779

Note 8. Equity Incentive Plans and Stock-Based Compensation

Stock Option Repricing

On December 1, 2022 (the "Repricing Date"), the Company closed an offer to reprice certain eligible stock options, whether vested or unvested, with modified vesting terms such that all previously vested options became unvested on the Repricing Date. As a result of the repricing, the exercise price for a total of 1,014,631 options was reduced to $34.80 per share, or the closing price of the Company's common stock on the Repricing Date. As a result of the repricing, total incremental expense to be recognized over the remaining requisite service period of the repriced options, beginning at the Repricing Date, was determined to be $8.4 million.

Stock-based Compensation Expense

Total stock-based compensation expense is as follows for the periods indicated (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Operations and support	$ 1,307	$ 1,333	$ 6,588	$ 3,305
General and administrative	3,289	4,110	15,422	12,130
Research and development	475	855	3,022	2,441
Sales and marketing	(147)	107	330	263
Total stock-based compensation expense	$ 4,924	$ 6,405	$ 25,362	$ 18,139

Stock Options: The Company measures stock-based compensation expense for stock options at the grant date fair value of the award and recognizes the expense on a straight-line basis over the requisite service period, which is generally the vesting period. The fair value of stock options is estimated using the Black-Scholes option-pricing model. During the three and nine months ended September 30, 2023, the Company recorded stock-based compensation expense from stock options of approximately $2.8 million and $18.6 million, respectively. During the three and nine months ended September 30, 2022 the Company recorded stock-based compensation expense from stock options of approximately $4.0 million and $12.1 million, respectively.

The Company recognizes only the portion of the option award granted that is ultimately expected to vest as compensation expense and elects to recognize gross share-based compensation expense with actual forfeitures as they occur.

Fair Value of Stock Options: The fair value of each stock option award is estimated using the Black-Scholes option-pricing model, which uses the fair value of the Company's common stock and requires the input of the following subjective assumptions:

Expected term. The expected term for options granted to employees, officers, and directors is based on the historical pattern of option exercise behavior and the period of time they are expected to be outstanding.

Expected volatility. The expected volatility is based on the average volatility of similar public entities within the Company's peer group as the Company's stock has not been publicly trading for a long enough period to rely on its own expected volatility.

Expected Dividends. The dividend assumption is based on the Company's historical experience. To date, Company has not paid any dividends on its common stock.

Risk-Free Interest Rate. The risk-free interest rate used in the valuation is the implied yield currently available on the United States Treasury zero-coupon issues, with a remaining term equal to the expected life term of the Company's options.

The following table summarizes the key assumptions used to determine the fair value of the Company's stock options granted to employees, non-employees, officers, and directors:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Expected term (in years)	6.15 - 6.16	6.07	6.15 - 6.22	4.09 - 6.07
Expected volatility	51.2%	50.0 %	50.4% - 51.2%	50.0% - 55.4%
Dividend yield	— %	— %	— %	— %
Risk-free interest rate	4.39% - 4.40%	2.89 %	3.50% - 4.40%	1.79% - 2.93%
Weighted-average grant-date fair value per share	$4.00 - $5.41	$17.47 - $25.98	$4.00 - $13.89	$17.47 - $42.60

Performance and Market-Based Equity Awards:

The 2019 CEO Option Award. On November 15, 2019, the Legacy Sonder Board of Directors (the "Legacy Sonder Board") granted an award to Francis Davidson, the Company's Chief Executive Officer ("CEO"), for a total of 280,664 options (the "2019 CEO Option Award"), which Mr. Davidson exercised in full in December 2021, with a promissory note payable to the Company in the amount of $24.6 million. 102,059 of these options vest in 72 equal monthly installments starting on October 1, 2017 (the "Service-Based Options"), subject to Mr. Davidson's continuous employment with the Company, and 178,604 options are performance-based and vest upon completion of certain performance milestones, subject to Mr. Davidson's continuous employment with the Company. 127,573 of the performance-based options were modified during the year ended December 31, 2021 and, as a result, vested in full, while the remaining 51,029 performance-based awards vest upon the Company achieving a certain market capitalization milestone (the "Market Capitalization Condition").

The 2021 CEO Option Award. On February 18, 2021, the Legacy Sonder Board granted a total of 153,089 options to Mr. Davidson (the "2021 CEO Option Award"). The options vest upon the successful consummation of the Business Combination and upon certain share price milestones, subject to Mr. Davidson's continuous employment at the Company during each such event. The grant-date fair value of the 2021 CEO Option Award was estimated using the Monte Carlo simulation and was $3.0 million.

Modification of the 2019 CEO Option Award and the 2021 CEO Option Award. In December 2022, both the 2019 CEO Option Award and the 2021 CEO Option Award were amended to modify the vesting terms of the awards. The amendments represented modifications of the awards. The impact of the modification was immaterial to the consolidated financial statements for the year ended December 31, 2022 and resulted in approximately $1.5 million of incremental expense to be recognized in future years, over the remaining life of the awards.

Stock Compensation related to the 2019 and 2021 CEO Option Awards. The fair value of the Service-Based Options was estimated using the Black-Scholes option pricing model. The grant date fair value of these awards was $3.2 million and is being recognized on a straight-line basis over the term of the award.

The Company recognized $0.5 million and $1.5 million in stock-based compensation expense related to the Market Capitalization Condition of the 2019 CEO Option Award and the 2021 CEO Option Award during the three and nine months ended September 30, 2023, respectively, and $0.5 million and $3.2 million during the three and nine months ended September 30, 2022, respectively.

RSUs

The fair value of the Company's RSUs is expensed ratably over the vesting period. The Company's RSUs generally vest over four years, with a cliff equal to one-fourth of the award after the first year, and then quarterly thereafter over the remaining service period. For the three and nine months ended September 30, 2023, the Company recorded stock-based compensation expense from RSUs of approximately $1.4 million and $4.7 million, respectively. For the three and nine months ended September 30, 2022, the Company recorded stock-based compensation expense from RSUs of approximately $1.6 million and $2.5 million, respectively.

MSUs

In May 2022, the Company issued MSUs to certain key executives in accordance with the Company's 2021 Management Equity Incentive Plan. One-sixth of the MSUs vest upon (including prior to but contingent on) the occurrence of each of six distinct triggering events, including if certain share price targets are met, within the five-year period ending July 17, 2027.

The Company determined the grant-date fair value of the MSUs using a Monte Carlo simulation. The Company recognizes stock-based compensation for the MSUs over the requisite service period, which is approximately four years, using the accelerated attribution method. During the three and nine months ended September 30, 2023, the Company did not grant any MSUs. During the three and nine months ended September 30, 2023, the Company recognized approximately $0.2 million and $0.6 million, respectively, in stock-based compensation expense from MSUs. For the three and nine months ended September 30, 2022, the Company recognized approximately $0.3 million and $0.4 million, respectively, in stock-based compensation expense from MSUs.

Note 9. Net Loss per Common Share

The Company applies the two-class method when computing net loss per share attributable to common stockholders when shares are issued that meet the definition of a participating security. The two-class method determines net loss per share for each class of common stock and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires earnings available to common stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all earnings for the period had been distributed.

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period, less weighted-average shares subject to repurchase. The diluted net loss per share is computed by giving effect to all potentially dilutive securities outstanding for the period. For periods in which the Company reports net losses, diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders, because potentially dilutive common shares are anti-dilutive.

The following tables set forth the computation of basic and diluted net loss per share for the periods indicated (in thousands, except number of shares and per share information):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net loss	$ (64,276)	$ (73,689)	$ (196,034)	$ (108,392)
Denominator:				
Weighted average basic and diluted common shares outstanding	10,960,030	10,784,117	10,908,011	10,125,694
Net loss per common share:				
Basic and diluted	$ (5.86)	$ (6.83)	$ (17.97)	$ (10.70)

The following potential common shares outstanding were excluded from the computation of diluted net loss per share because including them would have been anti-dilutive:

	September 30,	
	2023	2022
Options to purchase common stock	2,611,093	1,632,759
Common stock subject to repurchase or forfeiture	76,157	102,163
Outstanding RSUs	580,999	—
Outstanding MSUs	377,825	724,998
Exchangeable shares	963,043	1,043,649
Total common stock equivalents	4,609,117	3,503,569

Note 10. Commitments and Contingencies

Surety Bonds

A portion of the Company's leases are supported by surety bonds provided by affiliates of certain insurance companies. At September 30, 2023, the Company had commitments from six surety providers in the amount of $54.6 million, of which $46.1 million was outstanding. The availability, terms and conditions, and pricing of bonding capacity are dependent on, among other things, continued financial strength and stability of the insurance company affiliates providing the bonding capacity, general availability of such capacity, and the Company's corporate credit rating.

Legal and Regulatory Matters

The Company has been and expects to continue to become involved in litigation or other legal proceedings from time to time, including the matters described below. Except as described below, the Company is not currently a party to any litigation or legal proceedings that, in the opinion of management, is likely to have a material adverse effect on the Company's business. Regardless of outcome, litigation and other legal proceedings can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources, possible restrictions on the business as a result of settlement or adverse outcomes, and other factors.

In February 2020, the Company was informed about an investigation underway by the New York City Department of Health and Mental Hygiene relating to possible Legionella bacteria contamination in the water supply at 20 Broad Street, New York, NY (the "Broad Street Property"). Due to the failure of the owner of the Broad Street Property (the "Broad Street Landlord") to address the Legionella bacteria contamination and the associated health risks posed to Sonder's guests, the Company withheld payment of rent to the Broad Street Landlord on grounds of, among other reasons, constructive eviction. On July 30, 2020, the Broad Street Landlord sued Sonder USA Inc., Sonder Canada Inc., and Sonder Holdings Inc. for breach of the lease, seeking no less than $3.9 million in damages. The Company filed counterclaims against the Broad Street Landlord and the property management company for breach of contract, seeking significant damages. The Broad Street Landlord filed a motion for summary judgment. The hearing and oral argument for the summary judgment motion occurred on December 21, 2021. On October 13, 2023, the court issued an order granting the summary judgment motion with respect to liability for the claim for breach of guaranty against Sonder Canada Inc., the claim for breach of contract against Sonder USA Inc., and reasonable attorney's fees; dismissing Sonder's counterclaims; and ordering a trial for the amount of damages. No trial date has been set. On November 13, 2023, Sonder filed a notice of appeal of the October 13, 2023 court order on liability.

On August 8, 2023, a purported class action lawsuit was filed against the Company in the U.S. District Court for the District of Colorado captioned Wang v. Sonder Holdings Inc. The complaint asserted claims based on the Company's alleged failure to secure and safeguard the personally identifiable information of the putative class in connection with the Company's previously disclosed November 2022 information technology security incident. The complaint sought unspecified damages, injunctive relief, attorneys' fees, and other costs. The Company agreed to waive service on August 14, 2023. On October 27, 2023, the plaintiff voluntarily dismissed the lawsuit with prejudice.

The Company establishes an accrued liability for loss contingencies related to legal matters when a loss is both probable and reasonably estimable. These accruals represent management's best estimate of probable losses. The Company recorded an estimated accrual of $3.6 million and $5.8 million in the condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022, respectively. Management's views and estimates related to these matters may change in the future, as new events and circumstances arise and the matters continue to develop. Until the final resolution of legal matters, there may be an exposure to losses in excess of the amounts accrued. With respect to outstanding legal matters, based on management's current knowledge, the amount or range of reasonably possible loss will not, either individually or in the aggregate, have a material adverse effect on the Company's business, results of operations, financial condition, or cash flows.

Tax Contingencies

The Company is subject to audit or examination by various domestic and foreign tax authorities with regards to tax matters. Income tax examinations may lead to ordinary course adjustments or proposed adjustments to the Company's taxes or net operating losses with respect to years under examination as well as subsequent periods. Indirect tax examinations may lead to ordinary course adjustments or proposed adjustments to transaction taxes which may increase operating expenses. The Company establishes an accrued liability for loss contingencies related to tax matters when a loss is both probable and reasonably estimable. These accruals represent management's best estimate of probable losses. The Company recorded estimated accruals of $6.9 million and $7.9 million, respectively in the taxes payable line item of the condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022, respectively, for such matters.

Changes in tax laws, regulations, administrative practices, principles, and interpretations may impact the Company's tax contingencies. Due to various factors, including the inherent complexities and uncertainties of the judicial, administrative, and regulatory processes in certain jurisdictions, the timing of the resolution of income tax controversies is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ from the amounts accrued. It is reasonably possible that within the next twelve months the Company will receive additional assessments by various tax authorities or possibly reach resolution of tax controversies in one or more jurisdictions. These assessments or settlements could result in changes to the Company's contingencies related to positions on prior years' tax filings. The actual amount of any change could vary significantly depending on the ultimate timing and nature of any settlements, and the range of possible outcomes is not currently estimable.

Portfolio Optimization Program

The Company is undertaking a portfolio optimization program, which involves discussions with landlords about renegotiating the terms of leases at certain underperforming properties. This process may result in contract modifications resulting in changes to rent amounts, lease durations, or other provisions of our lease agreements and may result in the termination of certain leases leading to the transition of certain properties over time and the incurrence of certain expenses, including but not limited to impairment charges, which could be material. However, as of the filing of this Quarterly Report on Form 10-Q, the timing and amount of any such items cannot be reasonably estimated, and the outcome of the foregoing activities is inherently uncertain.

Indemnifications

The Company has entered into indemnification agreements with all of its directors. The indemnification agreements and its Amended and Restated Bylaws (the "Bylaws") require the Company to indemnify these individuals to the fullest extent not prohibited by Delaware law. Subject to certain limitations, the indemnification agreements and Bylaws also require the Company to advance expenses incurred by its directors. No demands have been made for the Company to provide indemnification under the indemnification agreements or the Bylaws, and thus, there are no claims that management is aware of that could have a material adverse effect on the Company's business, results of operations, financial condition, or cash flows.

In the ordinary course of business, the Company has included limited indemnification provisions under certain agreements with parties with whom it has commercial relations of varying scope and terms with respect to certain matters, including losses arising out of its breach of such agreements or out of intellectual property infringement claims made by third parties. It is not possible to determine the maximum potential loss under these indemnification provisions due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. To date, no material costs have been incurred, either individually or collectively, in connection with the Company's indemnification provisions.

Note 11. Income Taxes

Provision for income taxes for the three and nine months ended September 30, 2023 was $0.4 million and $0.6 million, respectively, and the effective tax rates were 0.59% and 0.33%, respectively. Provision for income taxes for the three and nine months ended September 30, 2022 was $0.4 million and $0.6 million, respectively, and the effective tax rates were 0.57% and 0.52%, respectively. The difference between the Company's effective tax rate and the U.S. statutory rate of 21.0% was primarily due to a full valuation allowance related to the Company's net deferred tax assets.

Note 12. Related Party Transactions

The Company did not have any material related party transactions in the nine months ended September 30, 2023. For a discussion of related party transactions that occurred in the year ended December 31, 2022, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Note 13. Business Combination

On January 18, 2022, the Company closed the previously announced Business Combination pursuant to the Agreement and Plan of Merger, dated April 29, 2021 (as amended by the Amendment No. 1 to the Agreement and Plan of Merger, dated as of October 27, 2021 ("Amendment No. 1")) (collectively, the "Merger Agreement"), by and among GMII, Sunshine Merger Sub I, Inc., a Delaware corporation and a direct, wholly-owned subsidiary of Second Merger Sub, Sunshine Merger Sub II, LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of GMII, and Legacy Sonder.

Pursuant to the Merger Agreement:

- holders of existing shares of Common Stock of Legacy Sonder, par value $0.000001 per share (the "Legacy Sonder Common Stock") received approximately 7,027,202 shares of the Company's Common Stock, pursuant to the recapitalization exchange ratio of 1.4686 shares for each share of Legacy Sonder Common Stock held;
- holders of existing shares of Special Voting Series AA Common Stock, par value $0.000001 per share ("Legacy Sonder Special Voting Common Stock"), received approximately 1,614,826 shares of the newly created Post-Combination Special Voting Common Stock, par value $0.0001 per share ("Post-Combination Special Voting Common Stock"), pursuant to the recapitalization exchange ratio of 1.4686 shares for each share of Legacy Sonder Special Voting Common Stock held;
- holders of Series AA Common Exchangeable Preferred Shares ("Legacy Sonder Canada Exchangeable Common Shares") of Sonder Canada Inc. received Post-Combination Exchangeable Common Stock whose terms provided: (i) for a deferral of any mandatory exchange caused by the Business Combination for a period of at least 12 months from the closing date of the Business Combination, which period was subsequently extended for an additional five years to January 18, 2028; and (ii) that such Post-Combination Exchangeable Common Stock shall be exchangeable for Common Stock upon the completion of the Business Combination; and
- holders of options to purchase Legacy Sonder Common Stock ("Legacy Sonder Stock Options") received options to acquire approximately 1,526,777 shares of Company's Common Stock ("Rollover Options"), pursuant to the option exchange ratio of 1.5444 shares for each share of Legacy Sonder Stock Options held.

As a result of the above, the share figures in the condensed consolidated statement of stockholders' deficit for the nine months ended September 30, 2022 have been adjusted for the application of the recapitalization exchange ratio of 1.4686 per share. In addition, all options were adjusted for the option exchange ratio of 1.5444 shares for each share of Legacy Sonder Stock Options held.

The Business Combination was accounted for as a reverse recapitalization. Under this method of accounting, GMII was treated as the acquired company for financial statement reporting purposes. The most significant change in the Company's reported financial position and results was an increase in cash, as noted in the table below.

Closing of Private Investment in Public Equity ("PIPE") Investments

Pursuant to subscription agreements entered into in connection with the Merger Agreement and in connection with Amendment No. 1, certain investors agreed to subscribe for an aggregate of 1,560,839 shares of Class A Common Stock for an aggregate purchase price of $309.4 million (the "PIPE Investment"). Upon consummation of the Business Combination, the Company consummated the PIPE Investment.

The following table reconciles the elements of the Business Combination to the condensed consolidated statement of cash flows and the consolidated statement of stockholders' deficit for the nine months ended September 30, 2022 (in thousands):

Cash - PIPE Investment	$	309,398
Cash - GMII trust and cash, net of redemptions		16,530
Less: transaction costs and advisory fees		(58,555)
Net proceeds from Business Combination and PIPE	$	267,373
Proceeds from Delayed Draw Notes, net of issuance costs		159,225
Repayment of debt, not including payment of early termination fees		(24,680)
Net proceeds from Business Combination, PIPE, and Delayed Draw Notes	$	401,918

Note 14. Restructuring Activities

On June 9, 2022, the Company announced its Cash Flow Positive Plan, including a restructuring of its operations which resulted in an approximate 21.0% reduction of existing corporate roles and 7.0% reduction of existing frontline roles. As part of this restructuring, the Company incurred $4.0 million in one-time restructuring costs, all of which had been paid out as of September 30, 2023.

On March 1, 2023, the Company announced a restructuring affecting approximately 14.0% of the corporate workforce. The restructuring was substantially complete by the end of the first quarter of 2023. As part of this restructuring, the Company incurred $2.1 million in one-time restructuring costs in the nine months ended September 30, 2023, all of which was paid out as of September 30, 2023. Restructuring costs are included in restructuring and other charges in the condensed consolidated statement of operations and comprehensive loss.

Note 15. Subsequent Events

In November 2023, the Delayed Draw Note Purchase Agreement was amended to (i) extend the ability to pay interest in kind on the notes issued under the Delayed Draw Note Purchase Agreement through July 19, 2024, (ii) provide for the repayment by the Company of $30.0 million of the outstanding principal amount of the notes issued under the Delayed Draw Note Purchase Agreement, plus a prepayment premium of approximately $4.3 million, and (iii) add a minimum liquidity covenant and a minimum free cash flow covenant.

In November 2023, the Company amended the 2022 Loan and Security Agreement again. The amendment (i) removed the adjusted quick ratio financial covenant to which the Company was previously subject, (ii) updated certain financial reporting requirements, (iii) reduced the letter of credit sublimit from $60.0 million to $45.0 million, and (iv) permitted a prepayment of the Company's existing subordinated secured notes.

For additional information on the Company's financing arrangements, refer to Note 5, Debt.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of Sonder Holdings Inc. ("Sonder," "we," "us" or "our") should be read together with Sonder's condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Sonder's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section entitled "Risk Factors" herein or in our Annual Report on Form 10-K for the year ended December 31, 2022 or in other parts of this Quarterly Report on Form 10-Q. Sonder's historical results are not necessarily indicative of the results that may be expected for any period in the future. Except as otherwise noted, all references to 2022 refer to the year ended December 31, 2022.

On January 18, 2022, Sonder consummated the business combination by and among Gores Metropoulos II, Inc. ("GMII"), two subsidiaries of GMII, and Sonder Operating Inc., a Delaware corporation formerly known as Sonder Holdings Inc. ("Legacy Sonder") (the "Business Combination").

Overview

We are on a mission to revolutionize hospitality through innovative, tech-enabled service, and inspiring, thoughtfully designed accommodations combined into one seamless experience. Sonder was born from a desire to offer the modern traveler better accommodation choices than unremarkable "big box" hotels, often unreliable home-shares, and overly expensive boutique hotels. We lease and operate a variety of accommodation options — from fully-equipped serviced apartments to spacious hotel rooms — in 44 cities in 10 countries. As of September 30, 2023, we had approximately 11,800 units available for guests to book at over 250 properties.

Sonder's Business Model

We lease properties that meet our standards, furnish and decorate them to provide a design-led, technology-enabled experience, and then make them available for guests to book directly (through the Sonder app, our website, or our sales personnel) or through indirect channels (such as Airbnb, Expedia, and Booking.com). Additionally, we operate boutique hotels designated as Powered by Sonder properties, each with its own unique design elements and features, and which are available for guests to book in the same manner as our other properties. We manage our properties using proprietary and third-party technologies and deliver services to guests via the Sonder app and 24/7 on-the-ground support. Incorporating technology into all aspects of the business, we offer consistent quality at a compelling value to our guests.

Our accommodations come in a variety of shapes and sizes to suit guests' needs – from a multiple-bedroom apartment with fully-equipped kitchen and private laundry facilities, to a hotel room or suite. Our guests include leisure travelers, families, digital nomads, and business travelers.

We currently lease all of our properties. In many of our leases, we have negotiated an upfront allowance paid by the real estate owner to help offset the capital invested to prepare and furnish a building and the individual units.

Management Discussion Regarding Opportunities, Challenges and Risks

Cash Flow Positive Plan

Our primary focus is to put the business on a solid path to achieving sustainable positive free cash flow ("FCF") as soon as possible, while preserving the business' attractive top-live growth rates, without having to raise additional capital. We have continued to make progress toward this goal each quarter this year as our FCF of $(84.0) million for the nine months ended September 30, 2023 was a $62.7 million improvement compared to the nine months ended September 30, 2022.

As part of our efforts to reach positive FCF, we are undertaking a portfolio optimization program, which involves discussions with landlords about renegotiating the terms of our leases at certain underperforming properties. This process may result in contract modifications resulting in changes to rent amounts, lease durations, or other provisions of our lease agreements and may result in the termination of certain leases leading to the transition of certain properties over time and the incurrence of certain expenses including but not limited to impairment charges, which could be material. The goal of this initiative is to reduce those properties' impact on our profitability and cash flow through mutually agreeable solutions. The scope of the initiative can be expected to change over time, and we cannot predict the number or product mix of the units that may be ultimately affected. Although we are optimistic about reaching mutually beneficial outcomes in many of these discussions, the terms, scope, and timing of any changes to our lease obligations, as well as any other effects on our landlord relationships or reputation with future real estate owners, are uncertain.

Our ability to reach our FCF goal is subject to certain risks, including potential changes in travel demand due to macroeconomic factors or other developments affecting travel; inflation; uncertainties associated with the timing and scope of new property openings; uncertainties associated with the lease renegotiation efforts described above, and our ability to achieve our other intended cost reductions and efficiencies.

Supply Growth

A key driver of our revenue growth is our ability to convert units for which we have signed real estate contracts but are not yet available for guests to book ("Contracted Units") into units available for guest booking ("Live Units") and, to a lesser extent, to continue signing properties with favorable terms. Certain signed leases have contingencies or conditions that must be satisfied before we take over the units, and from time to time, we exclude some of these leases from our Contracted Units total based on our judgment about the likelihood that the contingencies or conditions will be satisfied.

As part of our Cash Flow Positive Plan, we slowed our planned pace of new unit signings to focus on growth primarily through the conversion of our Contracted Units into Live Units. Our Live Units grew by 31.1% from September 30, 2022 to September 30, 2023 to approximately 11,800 units, driven by strong conversion of our Contracted Units to Live Units. We are also focused on targeting high quality, 100% capital light deals (as defined in the section entitled "Non-GAAP Financial Measures" below) for incremental unit signings. While we continue to sign high quality, capital light units, development cost uncertainty and augmented risk around financing and landlord sentiment surrounding our stock price performance began to slow the pace of signings starting in the second half of 2022. These challenges were more acute in the second quarter and third quarter of 2023, resulting in fewer units signed in these periods than in prior quarters. Despite these challenges, we continue to meaningfully scale the business, primarily by continuing to convert our robust portfolio of Contracted Units into Live Units.

Ability to Attract and Retain Guests

Another key driver of our revenue growth is our ability to bring back repeat guests and to attract new guests through various channels. We source demand from a variety of channels, including directly, through Sonder.com, the Sonder app, or our sales personnel, and indirectly, through online travel agencies (“OTAs”) such as Airbnb, Booking.com, and Expedia. While bookings made through OTAs incur channel transaction fees, they allow us to attract new guests who may not be familiar with the Sonder brand. In general, direct bookings are more advantageous to us as they do not incur channel transaction fees and also allow us to have a more direct relationship with our guests. Direct revenue as a percentage of total revenue has fluctuated in recent years due to the COVID-19 pandemic but has stabilized above 40% (45.7% for the three months ended September 30, 2023). Additionally, we continue to focus on expanding our corporate sales business.

Technology

We have invested, and will continue to invest, resources in our technology architecture and infrastructure. These improvements have allowed us to deploy the latest tools and technologies. Technology is essential to our user experience, as it leads guests through their entire Sonder stay, from booking through check-out. Technology also underpins our hospitality operations, from underwriting and supply growth, to building openings, pricing and revenue management, demand generation, interior design, and day-to-day operations. By leveraging technology, our goal is to reduce operating costs and provide a better guest experience at a compelling value.

Restructuring

In conjunction with the Cash Flow Positive Plan, in June 2022, we completed a restructuring of our operations resulting in an approximate 21.0% reduction of corporate roles and a 7.0% reduction of frontline roles. As part of this restructuring, we incurred $4.0 million in one-time restructuring costs in the year ended December 31, 2022, of which approximately $3.7 million was paid out in 2022, and the remainder was paid out by early 2023.

On March 1, 2023, we announced an additional restructuring affecting approximately 14.0% of the corporate workforce. As part of this restructuring, we incurred $2.1 million in one-time restructuring costs in the nine months ended September 30, 2023, all of which had been paid out as of September 30, 2023.

The Business Combination

On January 18, 2022, we consummated the Business Combination, pursuant to which Legacy Sonder merged into one of our subsidiaries and we changed our corporate name to Sonder Holdings Inc. Legacy Sonder has been deemed the accounting predecessor and as such, Legacy Sonder’s financial statements for previous periods are disclosed in Sonder’s periodic reports filed with the SEC subsequent to January 18, 2022. The Business Combination was accounted for as a reverse recapitalization. Under this method of accounting, GMII was treated as the acquired company for financial statement reporting purposes.

Key Business Metrics

We track the following key business metrics to evaluate our performance, identify trends, formulate financial projections, and make strategic decisions. Accordingly, we believe these key business metrics provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management team. These key business metrics may be different from similarly titled metrics presented by other companies.

The following table provides the key metrics for the periods indicated (rounded):

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2023	2022	No.	%	2023	2022	No.	%
Live Units (End of Period)	11,800	9,000	2,800	31.1 %	11,800	9,000	2,800	31.1 %
Bookable Nights	1,048,000	786,000	262,000	33.3 %	2,904,000	2,200,000	704,000	32.0 %
Occupied Nights	868,000	661,000	207,000	31.3 %	2,378,000	1,762,000	616,000	35.0 %
Total Portfolio[(1)]	17,100	18,900	(1,800)	(9.5)%	17,100	18,900	(1,800)	(9.5)%
RevPAR	$ 153	$ 158	$ (5)	(3.2)%	$ 151	$ 148	$ 3	2.0 %
ADR	$ 185	$ 189	$ (4)	(2.1)%	$ 185	$ 185	$ —	— %
Occupancy Rate	82.8 %	84.0 %	(1.2)%	(1.4)%	81.9 %	80.0 %	1.9 %	2.4 %

(1) Total Portfolio consists of Live Units and Contracted Units at the end of the period noted.

Live Units

Live Units generate Bookable Nights (as defined below) which generate revenue. Live Units are a key driver of revenue, and a key measure of the scale of our business, which in turn drives our financial performance.

Growth in Live Units is driven by the number of units contracted in prior periods, and the lead time and opening period associated with making those units available to guests. The time from contract signing to building opening varies widely, ranging from relatively short periods for hotels that already meet our brand standards and/or that are already live hotels operating under another brand, to many months or even years for projects under renovation or construction. The number of Live Units at the end of a period is also affected by the number of units that were removed from our portfolio during that same period, which we refer to as dropped units. Typically, we do not drop many Live Units, other than certain units at the end of their contracts, during atypical times such as during the COVID-19 pandemic, with consistent financial underperformance, or due to unforeseen regulatory changes within an existing market.

The increase in Live Units from September 30, 2022 to September 30, 2023 was driven by our continued focus on converting Contracted Units into Live Units. As of September 30, 2023, our five largest cities (New York City, Dubai, Mexico City, Philadelphia, and Los Angeles) accounted for approximately 34.8% of our Live Units, and our 10 largest cities accounted for approximately 55.7% of our Live Units.

Bookable Nights / Occupied Nights

Bookable Nights represent the total number of nights available for stays across all Live Units. Occupied Nights represent the total number of nights occupied across all Live Units. Occupancy Rate (“OR”) is calculated as Occupied Nights divided by Bookable Nights. Bookable Nights, Occupied Nights, and OR are key drivers of revenue, which in turn drives financial performance.

The increase in Bookable Nights and Occupied Nights from the three months ended September 30, 2022 to the three months ended September 30, 2023 and from the nine months ended September 30, 2022 to the nine months ended September 30, 2023 was largely driven by the increase in Live Units.

RevPAR and Average Daily Rate

RevPAR represents the average revenue earned per available night and can be calculated either by dividing revenue by Bookable Nights, or by multiplying ADR by OR. ADR represents the average revenue earned per night occupied and is calculated as Revenue divided by Occupied Nights. RevPAR and ADR are key drivers of revenue, and key measures of our ability to attract and retain guests, which in turn drives financial performance.

Several factors may explain period-to-period RevPAR variances, including:

- Live Units that became live in recent months and have not yet reached mature economics. Typically, new Live Units take several months to achieve mature ADR and OR as buildings stabilize and drive organic bookings. If a period has a significant increase in Live Units, this may reduce the portfolio's RevPAR.
- Market mix represents the composition of our portfolio based on geographic presence. Certain markets such as New York or London typically earn higher RevPARs, while certain other markets such as Houston or Phoenix typically earn lower RevPARs. Therefore, if the market mix shifts toward lower RevPAR markets, it may adversely impact the portfolio's RevPAR.
- Product mix represents the composition of our portfolio between apartment and hotel style units. In general, apartments are higher RevPAR bookings because they typically offer more amenities (e.g., kitchen, in-unit washer/dryer) and have higher square footage compared to hotel units. Therefore, if the product mix shifts towards hotel units, it may reduce the average portfolio-wide RevPAR.
- Seasonality drives typical period-to-period variances in a particular property's RevPAR depending upon seasonal factors (e.g., weather patterns, local attractions and events, holidays) as well as property location and type. Based on results prior to the COVID-19 pandemic, RevPAR tends to be lower across our portfolio in the first quarter and fourth quarters of each year due to seasonal factors such as weather and holidays and the market mix and product mix of our portfolio at the time. However, the effect of seasonality will vary as our market mix and product mix continues to evolve.

The decrease in RevPAR from the three months ended September 30, 2022 to the three months ended September 30, 2023 was driven by a 2.1% decrease in ADR due to moderate pressure on pricing for our apartment product during the quarter, partially offset by relative strength in pricing for our hotel units. The increase in RevPAR from the nine months ended September 30, 2022 to the nine months ended September 30, 2023 was driven by a 2.4% increase in Occupancy Rate.

Impact of COVID-19 and Macroeconomic Factors on the Business

Our financial results for the first half of 2022 were materially adversely affected by the COVID-19 pandemic, which could adversely impact business operations, results of operations, and liquidity if additional serious variants or resurgences of the virus occur. Additionally, the uncertainty surrounding macroeconomic factors in the U.S. and globally, characterized by inflationary pressures, rising interest rates, significant volatility of global markets and geopolitical conflicts, could have a material adverse effect on our business and could lead to further economic disruption and expose us to greater risk of a potential deceleration or reversal of the current travel market recovery trends.

Reverse Stock Split

On September 20, 2023, the Company effected the 1-for-20 Reverse Stock Split of the outstanding shares of the Company's common stock (including special voting common stock). The par value of one share of common stock and one share of special voting stock remained unchanged as a result of the Reverse Stock Split. Refer to Note 1, Basis of Presentation, in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional details regarding the Reverse Stock Split. All share and per share information within the condensed consolidated financial statements have been retroactively restated to reflect the Reverse Stock Split.

Results of Operations

Three months ended September 30, 2023 compared to three months ended September 30, 2022

The following table sets forth our results of operations for the periods indicated and as a percentage of revenue (in thousands, except percentages):

	Three months ended September 30,			
	2023		2022	
Revenue	$ 160,896	100.0 %	$ 124,526	100.0 %
Cost of revenue (excluding depreciation and amortization)	110,711	68.8 %	76,884	61.7 %
Operations and support	52,137	32.4 %	55,586	44.6 %
General and administrative	27,551	17.1 %	33,016	26.5 %
Research and development	5,344	3.3 %	6,936	5.6 %
Sales and marketing	20,996	13.0 %	13,372	10.7 %
Other operating expenses	1,087	0.7 %	—	— %
Total costs and operating expenses	$ 217,826	135.4 %	$ 185,794	149.2 %
Loss from operations	$ (56,930)	(35.4)%	$ (61,268)	(49.2)%
Total non-operating expense, net	6,970	4.3 %	12,005	9.6 %
Loss before income taxes	(63,900)	(39.7)%	(73,273)	(58.8)%
Provision for income taxes	376	0.2 %	416	0.3 %
Net loss	$ (64,276)	(39.9)%	$ (73,689)	(59.2)%
Other comprehensive loss:				
Change in foreign currency translation adjustment	$ 3,256	2.0 %	$ 4,833	3.9 %
Comprehensive loss	$ (61,020)	(37.9)%	$ (68,856)	(55.3)%

Revenue

Sonder generates revenues by providing accommodations to our guests. Direct revenue is generated from stays booked through Sonder.com, the Sonder app, or directly with our sales personnel, while indirect revenue is generated from stays booked through third-party corporate and online travel agencies.

The following table sets forth our revenue for the periods indicated (in thousands, except percentages):

	Three months ended September 30,		Change	
	2023	2022	$	%
Revenue	$ 160,896	$ 124,526	$ 36,370	29.2 %

Revenue increased, primarily due to a 31.1% increase in Live Units contributing to a 31.3% increase in Occupied Nights, on a slight decline in ADR as a result of broader travel industry trends, product mix between hotels and apartments, geographic mix, cohort mix and the impact of corporate sales and pricing strategies.

Costs and Operating Expenses

The following table sets forth our total costs and operating expenses for the periods indicated (in thousands, except percentages):

	Three months ended September 30,		Change	
	2023	2022	$	%
Cost of revenue (excluding depreciation and amortization)	$ 110,711	$ 76,884	$ 33,827	44.0 %
Operations and support	52,137	55,586	(3,449)	(6.2)%
General and administrative	27,551	33,016	(5,465)	(16.6)%
Research and development	5,344	6,936	(1,592)	(23.0)%
Sales and marketing	20,996	13,372	7,624	57.0 %
Other operating expenses	1,087	—	1,087	100.0 %
Total costs and operating expenses	$ 217,826	$ 185,794	$ 32,032	17.2 %

Cost of Revenue (excluding depreciation and amortization): Cost of revenue primarily consists of lease costs to real estate owners for our Live Units, cleaning costs, and payment processing charges. We expect our cost of revenue will continue to increase on an absolute dollar basis for the foreseeable future as we experience growth in bookings and expand our portfolio of properties. Cost of revenue may vary as a percentage of revenue from period-to-period based on the timing and seasonality of bookings. Additionally, our cost of revenue does not necessarily increase at a rate commensurate with the increase in revenue, given that drivers of increases in revenue, such as increases in ADR, do not necessarily require additional costs.

Cost of revenue increased, primarily due to: (i) a $29.2 million increase in rent expense due to an increase in Live Units; (ii) a $1.7 million increase in cleaning expenses as a result of an increase in the number of checkouts; and (iii) a $2.2 million increase in credit card fees due to an increase in bookings.

Operations and support: Operations and support costs are related to guest-facing functions and variable expenses associated with property-level operations, such as customer service and hospitality, depreciation of property and equipment, utilities, costs to open new properties, and the cost of guest-room consumable items and low-cost furnishings. We expect operations and support costs to increase on an absolute dollar basis for the foreseeable future to the extent that we continue to grow our Live Units.

The decrease in operations and support was primarily due to: (i) a $3.8 million decrease in pre-opening costs due primarily to the timing of costs related to onboarding new units in Q3 2023 compared to Q3 2022; (ii) a $2.4 million decrease in facilities costs, primarily due to decreases in warehouse and other facility rent; (iii) a $1.0 million decrease in non-recurring legal and professional fees due to consulting and other professional fees incurred as a result of the Company focusing on maintaining only those services with a clear and beneficial business need or identifying more cost-efficient alternatives; partially offset by (iv) a $4.1 million increase in unit-related expenses such as utilities, property insurance, and property security services as a result of an increase in Live Units.

General and administrative: General and administrative costs primarily consist of personnel-related expenses for administrative functions, such as legal, finance and accounting, public policy, and human resources. It also includes certain professional services fees, the cost of corporate offices, technology expenses, bad debt expense, general corporate and director and officer insurance, and other corporate-level expenses we incur to manage and support our operations. We expect to continue to incur certain general and administrative costs as a result of operating as a public company, including expenses to comply with the rules and regulations of the SEC and Nasdaq, as well as expenses for corporate insurance, director and officer insurance, investor relations, and professional services. Overall, we expect our general and administrative costs will decrease as a percentage of revenue in 2023 as compared to 2022 as we grow and scale the business.

General and administrative decreased, primarily due to: (i) a $4.1 million decrease in non-recurring legal and professional fees due to audit, consulting, and other professional fees incurred as a result of the Company focusing on maintaining only those services with a clear and beneficial business need or identifying more cost-efficient alternatives; (ii) a $2.0 million decrease in taxes due to a decrease in sales tax as a result of reduced tax leakage; (iii) a $0.9 million decrease in employee compensation cost, due to a decrease in average headcount.

Research and development: Research and development expenses primarily consist of personnel-related expenses and an allocation of our facility expenses incurred in connection with the development of our existing and new services. Our research and development efforts in the short- to mid-term are focused primarily on increasing the functionality and enhancing the ease of use of existing services, and to a lesser extent, adding new features and services. We capitalize the portion of our software development costs that meets the criteria for capitalization. We expect that our research and development expenses will decrease as a percentage of revenue in 2023 as compared to 2022.

Research and development decreased, primarily due to: (i) a $1.5 million decrease in employee compensation expense, driven by a decrease in average headcount; (ii) a $0.3 million decrease in depreciation, primarily due to a decrease in capitalized software costs; and (iii) a $0.2 million decrease in computer software expense.

Sales and marketing: Sales and marketing expenses primarily consist of service charges for bookings made through OTAs, personnel-related expenses for sales, marketing, advertising costs, and branding. We expect our sales and marketing expense as a percentage of revenue in 2023 to be generally consistent with that of 2022.

The increase in sales and marketing was primarily due to: (i) a $4.0 million increase in channel transaction fees resulting from an increase in revenue booked through third-party OTAs, consistent with total revenue growth; and (ii) a $3.4 million increase in performance marketing expense.

Other operating expenses: Other operating expenses includes expenses related to the Company's operations not reported elsewhere.

Other operating expenses increased due to an impairment charge the Company identified as of September 30, 2023 related to our operating lease right-of-use (“ROU”) assets in the amount of $1.1 million.

Total Non-operating Expense (Income), Net

Total non-operating expense (income), net consists primarily of the change in fair value of the Earn Out Liability, SPAC Warrants, and other instruments carried at fair value, realized and unrealized gains and losses on foreign currency transactions and balances, and interest expense related to the term loans.

The following table sets forth our total non-operating expense (income), net for the periods indicated (in thousands, except percentages):

	Three months ended September 30,		Change	
	2023	2022	$	%
Interest expense, net	$ 6,423	$ 4,112	$ 2,311	56.2 %
Change in fair value of SPAC Warrants	(276)	495	(771)	(155.8)%
Change in fair value of Earn Out Liability	(209)	2,223	(2,432)	(109.4)%
Other expense (income), net	1,032	5,175	(4,143)	(80.1)%
Total non-operating expense (income), net	$ 6,970	$ 12,005	$ (5,035)	(41.9)%

Interest expense, net. Interest expense, net increased, primarily due to interest expense recognized on the Company’s Delayed Draw Term Loan.

Change in fair value of SPAC Warrants. The change in the fair value of the SPAC Warrants is impacted by the initial recognition of, and subsequent fair value adjustments to, the SPAC Warrants. The change in the fair value of this line item resulted primarily from a decrease in our stock price period-over-period.

Change in fair value of Earn Out Liability. The change in the fair value of the Earn Out Liability is impacted by the initial recognition of, and subsequent fair value adjustments to, the Earn Out Liability. The change in the fair value of this line item resulted from a decrease in our stock price period-over-period.

Other (income) expense, net. The change in other (income) expense, net is primarily due to fluctuations in foreign currency rates which impacted the remeasurement of foreign balances to reporting currency.

Provision for income taxes

As of September 30, 2023 and 2022, we have recorded a full valuation allowance against our deferred tax assets due to our history of losses.

We are subject to income taxes in the United States and foreign jurisdictions in which we do business. Foreign jurisdictions have different statutory tax rates than those in the United States. Additionally, certain of our foreign earnings may also be taxable in the United States. Accordingly, our effective tax rate is subject to significant variation due to several factors, including variability in our pre-tax and taxable income and loss and the mix of jurisdictions to which they relate, intercompany transactions, changes in how we do business, changes in our deferred tax assets and liabilities and their valuation, foreign currency gains and losses, changes in statutes, regulations, case law, and other laws and accounting rules in various jurisdictions, and relative changes of expenses or losses for which tax benefits are not recognized.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured as the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We recognize interest and penalties, if any, related to income tax matters as a component of income tax expense.

The following table sets forth the provision for income taxes for the periods indicated (in thousands, except percentages):

	Three months ended September 30,		Change	
	2023	2022	$	%
Provision for income taxes	$ 376	$ 416	$ (40)	(9.6)%

The provision for income taxes decreased, primarily as a result of higher deductions for operations in foreign jurisdictions.

Nine months ended September 30, 2023 compared to nine months ended September 30, 2022

The following table sets forth our results of operations for the periods indicated and as a percentage of revenue (in thousands, except percentages):

	Nine months ended September 30,			
	2023		2022	
Revenue	$ 439,037	100.0 %	$ 326,314	100.0 %
Cost of revenue (excluding depreciation and amortization)	295,988	67.4 %	229,967	70.5 %
Operations and support	160,502	36.6 %	157,856	48.4 %
General and administrative	90,465	20.6 %	101,274	31.0 %
Research and development	17,487	4.0 %	22,649	6.9 %
Sales and marketing	55,063	12.5 %	35,247	10.8 %
Other operating expenses	1,087	0.2 %	—	— %
Restructuring and other charges	2,130	0.5 %	4,033	1.2 %
Total costs and operating expenses	$ 622,722	141.8 %	$ 551,026	168.9 %
Loss from operations	$ (183,685)	(41.8)%	$ (224,712)	(68.9)%
Total non-operating expense (income), net	11,710	2.7 %	(116,884)	(35.8)%
Loss before income taxes	(195,395)	(44.5)%	(107,828)	(33.0)%
Provision for income taxes	639	0.1 %	564	0.2 %
Net loss	$ (196,034)	(44.7)%	$ (108,392)	(33.2)%
Other comprehensive loss:				
Change in foreign currency translation adjustment	$ (2,078)	(0.5)%	$ 11,916	3.7 %
Comprehensive loss	$ (198,112)	(45.1)%	$ (96,476)	(29.6)%

Revenue

The following table sets forth our revenue for the periods indicated (in thousands, except percentages):

	Nine months ended September 30,		Change	
	2023	2022	$	%
Revenue	$ 439,037	$ 326,314	$ 112,723	34.5 %

Revenue increased primarily due to 31.1% increase in Live Units contributing to a 35.0% increase in Occupied Nights.

Costs and Operating Expenses

The following table sets forth our total costs and operating expenses for the periods indicated (in thousands, except percentages):

	Nine months ended September 30,		Change	
	2023	2022	$	%
Cost of revenue (excluding depreciation and amortization)	$ 295,988	$ 229,967	$ 66,021	28.7 %
Operations and support	160,502	157,856	2,646	1.7 %
General and administrative	90,465	101,274	(10,809)	(10.7)%
Research and development	17,487	22,649	(5,162)	(22.8)%
Sales and marketing	55,063	35,247	19,816	56.2 %
Other operating expenses	1,087	—	1,087	100.0 %
Restructuring and other charges	2,130	4,033	(1,903)	(47.2)%
Total costs and operating expenses	$ 622,722	$ 551,026	$ 71,696	13.0 %

Cost of Revenue (excluding depreciation and amortization): Cost of revenue increased primarily due to: (i) a $52.9 million increase in rent expense due to an increase in Live Units; (ii) a $6.7 million increase in cleaning expenses as a result of an increase in the number of checkouts; and (iii) a $4.3 million increase in credit card fees due to an increase in bookings.

Operations and support: The increase in operations and support was primarily due to: (i) an $16.1 million increase in unit-related expenses such as utilities, property insurance, and property security services as a result of an increase in Live Units; partially offset by (ii) a $9.8 million decrease in certain pre-opening costs due primarily to the timing of costs related to onboarding new units in Q3 2023 compared to Q3 2022.

General and administrative: General and administrative expenses decreased, primarily due to: (i) a $9.1 million decrease in non-recurring legal and professional fees due to audit, consulting, and other professional fees as a result of the Company focusing on maintaining only those services with a clear and beneficial business need or identifying more cost-efficient alternatives; and (ii) a $3.3 million decrease in sales taxes as a result of reduced tax leakage.

Research and development: Research and development decreased, primarily due to a net $3.5 million decrease in employee compensation expense, driven by a decrease in average headcount and a $0.7 million decrease in consultant spend.

Sales and marketing: The increase in sales and marketing was primarily due to: (i) an $12.8 million increase in channel transaction fees resulting from an increase in revenue booked through third-party OTAs, consistent with total revenue growth; and (ii) a $6.6 million increase in performance marketing expense.

Other operating expenses: Other operating expenses increased due to an impairment charge the Company identified as of September 30, 2023 related to our operating lease ROU assets in the amount of $1.1 million.

Restructuring and other charges: Restructuring and other charges consists primarily of employee termination benefits of approximately $2.1 million for the nine months ended September 30, 2023 as a result of the restructuring announced in March 2023, and approximately $4.0 million for the nine months ended September 30, 2022 from the restructuring completed in conjunction with the Cash Flow Positive Plan. The entirety of the decrease in restructuring and other charges is due to the difference in amounts recognized for each of the restructurings discussed above.

Total Non-operating Expense (Income), Net

The following table sets forth our total non-operating expense (income), net for the periods indicated (in thousands, except percentages):

	Nine months ended September 30,		Change	
	2023	2022	$	%
Interest expense, net	$ 18,285	$ 16,696	$ 1,589	9.5 %
Change in fair value of SPAC Warrants	(674)	(23,819)	23,145	(97.2)%
Change in fair value of Earn Out Liability	(2,142)	(94,299)	92,157	(97.7)%
Change in fair value of share-settled redemption feature and gain on conversion of convertible notes	—	(29,512)	29,512	(100.0)%
Other expense (income), net	(3,759)	14,050	(17,809)	(126.8)%
Total non-operating expense (income), net	$ 11,710	$ (116,884)	$ 128,594	(110.0)%

Interest expense, net. Interest expense, net increased primarily due to interest expense recognized on the Company's Delayed Draw Term Loan.

Change in fair value of SPAC Warrants. The change in the fair value of this line item resulted primarily from a decrease in our stock price period-over-period.

Change in fair value of Earn Out Liability. The change in the fair value of this line item resulted from a decrease in our stock price period-over-period.

Change in fair value of share-settled redemption feature and gain on conversion of convertible notes. This change is a result of fair value adjustments due to the decrease in our stock price period-over-period and as a result of the conversion of the Company's convertible notes.

Other expense (income), net. The change in other (income) expense, net is primarily due to fluctuations in foreign currency rates which impacted the remeasurement of foreign balances to reporting currency.

Provision for income taxes

The following table sets forth the provision for income taxes for the periods indicated (in thousands, except percentages):

	Nine months ended September 30,		Change	
	2023	2022	$	%
Provision for income taxes	$ 639	$ 564	$ 75	13.3 %

The provision for income taxes increased, primarily as a result of growth of our operations and taxable income in foreign jurisdictions.

Non-GAAP Financial Measures

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP" or "U.S. GAAP"). However, some of the financial measures discussed herein are non-GAAP financial measures. In accordance with SEC rules, we classify a financial measure as being a non-GAAP financial measure if that financial measure excludes or includes amounts, or is subject to adjustments that have the effect of excluding or including amounts, that are included or excluded, as the case may be, in the most directly comparable measure calculated and presented in accordance with GAAP in our condensed consolidated statements of operations and comprehensive loss, balance sheets, or statements of cash flows.

To supplement the condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: Free Cash Flow ("FCF"), Cash Contribution, and Cash Contribution Margin ("CCM") (collectively, the "non-GAAP financial measures").

FCF

The following table presents the calculation of FCF for the periods indicated (in thousands):

	Nine months ended September 30,	
	2023	2022
Cash used in operating activities	$ (74,038)	$ (124,092)
Cash used in investing activities	(12,105)	(26,089)
FCF, including restructuring costs	(86,143)	(150,181)
Cash paid for restructuring costs	2,150	3,477
FCF, excluding restructuring costs	$ (83,993)	$ (146,704)

Free Cash Flow, excluding restructuring costs, represents cash used in operating activities plus cash used in investing activities, excluding the impact of restructuring charges. The most directly comparable GAAP financial measure is cash used in operating activities. Our near-term focus is to reach sustainable positive FCF, as detailed in our Cash Flow Positive Plan.

We believe FCF, excluding restructuring costs, is meaningful to investors as it is the primary liquidity measure that we focus on internally to evaluate our progress towards the objectives outlined in our Cash Flow Positive Plan. We believe that achieving our goals around this measure will put us on a path to financial sustainability and will help fund our future growth.

Our FCF may differ from similarly titled measures used by other companies due to different methods of calculation. Presentation of these measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. In addition, this measure may not provide a complete understanding of our cash flow as a whole. As such, these measures should be reviewed in conjunction with our GAAP cash flow.

The change in FCF period-over-period represented a 42.7% improvement, primarily driven by a decrease in cash used in operating activities of $50.1 million and a decrease in cash used in investing activities of $14.0 million. Refer to the section entitled "Liquidity and Capital Resources – Cash Flow Information" below for further discussion surrounding the changes in our cash flow figures period-over-period.

Cash Contribution and CCM

The following table presents the calculation of Cash Contribution and CCM for the periods indicated (in thousands):

	Nine months ended September 30,	
	2023	2022
Non-property level sales and marketing:		
Sales and marketing	$ 55,063	$ 35,247
Less: property level sales and marketing	39,570	26,915
Non-property level sales and marketing	$ 15,493	$ 8,332
Non-property level operations and support:		
Operations and support	$ 160,502	$ 157,856
Less: property level operations and support	91,087	73,885
Non-property level operations and support	$ 69,415	$ 83,971
Non-property level operating expenses:		
General and administrative	$ 90,465	$ 101,274
Add: research and development	17,487	22,649
Add: non-property level sales and marketing	15,493	8,332
Add: non-property level operations and support	69,415	83,971
Less: stock-based compensation	25,362	18,139
Less: depreciation and amortization	18,908	17,801
Non-property level operating expenses	$ 148,590	$ 180,286
Cash Contribution:		
Cash used in operating activities	$ (74,038)	$ (124,092)
Add: cash paid for restructuring costs	2,150	3,477
Add: non-property level operating expenses	148,590	180,286
Cash contribution (numerator)	$ 76,702	$ 59,671
Revenue (denominator)	$ 439,037	$ 326,314
CCM[(1)]	*17.5 %*	*18.3 %*

(1) Cash used in operating activities includes the benefit of furniture, fixtures, and equipment (“FF&E”) allowance realized, and therefore, Cash Contribution and CCM include the benefit of FF&E allowance realized. FF&E allowance realized represents payments received from the real estate owner to help offset the capital invested to prepare and furnish a building and the individual units during the period.

Cash contribution is defined as operating cash flow before non-property level costs and the impact of restructuring charges, if any. CCM is defined as cash contribution as a percentage of revenue. The most directly comparable GAAP financial measure is cash used in operating activities. CCM is a unit economics measure for our property-level cash performance. We use CCM to assess the cash performance of our Live Units portfolio, taking into account the benefit of upfront rent abatement, which is typical in the deals we sign. We believe CCM is meaningful to investors as it functions as a useful measure of property-level unit cash economics.

Our CCM may differ from similarly titled measures used by other companies due to different methods of calculation. Presentation of this measure is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. In addition, this measure may not provide a complete understanding of our operating cash flow as a whole. As such, this measure should be reviewed in conjunction with our GAAP cash flow.

CCM declined from the nine months ended September 30, 2022 to the nine months ended September 30, 2023, largely due to a higher rate of growth in our revenue balance period-over-period as compared to the rate of growth for property level and non-property level costs period-over-period.

Liquidity and Capital Resources

Sources and Uses of Liquidity

At September 30, 2023, we had a cash balance, excluding restricted cash, of $166.0 million, which was held for working capital purposes. Cash consists of checking and interest-bearing accounts. Reaching sustainable positive Free Cash Flow is our primary focus in the near-term, as detailed in our Cash Flow Positive Plan. Once we reach sustainable positive Free Cash Flow, we expect cash from operations will provide our principal source of liquidity. We generate cash from transactions through Sonder.com or the Sonder app which are settled through a payment processor, from transactions with third party corporate customers which are settled based on contractual terms, and indirectly through OTAs, which are also settled based on contractual terms. The most significant source of liquidity in 2022 was the consummation of the Business Combination. This resulted in an increase in cash of approximately $401.9 million, net of the pay down of $24.7 million of debt, and non-recurring transaction costs of approximately $58.6 million. The most significant source of cash for the three and nine months ended September 30, 2023 was cash inflows from both current period and future guest bookings.

We have incurred losses since inception, and we expect to continue to incur additional losses in the near future. At September 30, 2023, our accumulated deficit was $1.2 billion. Our operations to date have been financed primarily by private equity investments in our common and redeemable convertible preferred stock, convertible notes, and other note and warrant purchase agreements, as described in Note 5, Debt, in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

We believe that our existing cash on hand is sufficient to fund our operations and debt obligations for at least the next 12 months given our significant reduction in cash burn over the last several quarters and our expectations for continued reduced burn. Our future capital requirements will depend on many factors, including our rate of RevPAR growth, our ability to achieve cost efficiencies, our ability to provide security instruments such as letters of credit in lieu of cash deposits pursuant to leases, and the extent of real estate owners' funding of capital expenditures and other pre-opening costs at our leased properties. To the extent that our existing cash balance and ongoing cash from operations are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing, including convertible debt, short-term bridge financing, or otherwise, but such funds may not be available on acceptable terms. If sufficient cash from operations or external funding is not available, we may be unable to adequately fund our business plans and it could have a negative effect on our business, operating cash flows, and financial condition.

Most of our cash is held in the United States. At September 30, 2023, our foreign subsidiaries held $24.1 million of cash in foreign jurisdictions. We currently do not intend or foresee a need to repatriate these foreign funds. As a result of the Tax Cuts and Jobs Act of 2017, however, we anticipate the U.S. federal tax impact to be minimal if these foreign funds are repatriated and would not repatriate funds where there was a material tax cost. In addition, based on our current and future needs, we believe our current funding and capital resources for our international operations are adequate.

Debt Arrangements

Debt arrangements, such as our credit facilities and Delayed Draw Notes, have been a source of cash for our day-to-day operations. Refer to Note 5, Debt, in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for discussion of our debt arrangements, including the timing of expected maturity of such arrangements. These arrangements include our $60.0 million loan and security agreement with Silicon Valley Bank ("SVB"), now a division of First Citizens Bank & Trust Company. As of September 30, 2023, for so long as we are unable to satisfy a minimum consolidated adjusted EBITDA covenant, we are required to cash collateralize our obligations under the SVB loan agreement.

Future Contractual Obligations

Our estimated future obligations as of September 30, 2023 include both current and long-term obligations. Our debt obligations, including both capitalized to-date and expected future paid-in-kind interest through the election date of January 2024, total $214.1 million, of which, $1.0 million is short-term, and the remainder is long-term. Additionally, we had $38.5 million of irrevocable standby letters of credit outstanding which were fully collateralized by our restricted cash, all of which represents a long-term cash obligation. Under our operating leases, we had a current obligation of $199.3 million and a long-term obligation of $1.4 billion.

Operating lease obligations primarily represent the initial contracted term for leases that have commenced as of September 30, 2023, not including any future optional renewal periods.

Cash Flow Information

The following table sets forth our cash flows for the periods indicated (in thousands):

	Nine months ended September 30,		
	2023	2022	$ Change
Net cash used in operating activities	$ (74,038)	$ (124,092)	$ 50,054
Net cash used in investing activities	(12,105)	(26,089)	13,984
Net cash provided by financing activities	2,758	400,555	(397,797)
Effects of foreign exchange on cash	1,432	(1,860)	3,292
Net change in cash, cash equivalents, and restricted cash	$ (81,953)	$ 248,514	$ (330,467)

Operating Activities

Net cash used in operating activities decreased by $50.1 million for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, primarily due to an improvement in our operating loss performance on the 34.5% increase in revenue. Cash used in operating activities is subject to variability period-over-period as a result of timing differences, including with respect to the collection of receivables and payments of interest expense, accounts payable, and other items, as well as variability in our stock price as it relates to fair value of the SPAC Warrants and Earn Out Liability.

Investing Activities

Net cash used in investing activities decreased by $14.0 million for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, primarily as a result of a decrease in purchases of property and equipment of $12.6 million due to the timing of onboarding new Live Units.

Financing Activities

Net cash provided by financing activities decreased by $397.8 million for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, primarily related to net cash inflows resulting from the consummation of the Business Combination in 2022, including proceeds of $159.2 million from the Delayed Draw Notes, net of issuance costs and proceeds of $325.9 million from the Business Combination and PIPE offering, partially offset by an increase in cash outflows of $58.6 million for common stock issuance costs. These cash flow activities did not recur during the nine months ended September 30, 2023.

Off-Balance Sheet Arrangements

As of September 30, 2023, we had the following off-balance sheet arrangements:

Letters of Credit

We had $38.5 million of irrevocable standby letters of credit outstanding, of which $36.8 million were under our revolving credit facilities or our loan and security agreement. Letters of credit are primarily used as a form of security deposits for the buildings and partial buildings we lease.

Surety Bonds

A portion of our leases is supported by surety bonds provided by affiliates of certain insurance companies. As of September 30, 2023, we had assembled commitments from six surety providers in the amount of $54.6 million, of which $46.1 million was outstanding and was an off-balance sheet arrangement. The availability, terms and conditions, and pricing of bonding capacity are dependent on, among other things, continued financial strength and stability of the insurance company affiliates providing the bonding capacity, general availability of such capacity, our corporate credit rating, and the general perception of our financial performance.

Indemnification Agreements

See Note 10, Commitments and Contingencies, in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of our indemnification agreements.

Effect of Exchange Rates

Our changes in cash can be impacted by the effect of fluctuating exchange rates. Foreign exchange had a negative effect on cash in the nine months ended September 30, 2022, decreasing our total cash balance by $1.9 million at September 30, 2022, and a positive effect on cash in nine months ended September 30, 2023, increasing our total cash balance by $1.4 million at September 30, 2023.

Critical Accounting Estimates

For a description of our critical accounting estimates, refer to Part II, Item 7, Critical Accounting Estimates in our Annual Report on Form 10-K for the year ended December 31, 2022. There have been no material changes to our critical accounting policies and estimates since our Annual Report on Form 10-K for the year ended December 31, 2022.

Recent Accounting Standards

See Note 2, Recently Issued Accounting Standards, in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of recently adopted accounting standards and recently issued accounting standards not yet adopted.

Emerging Growth Company Status

Section 102(b)(1) 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 the new or revised financial accounting standards. The JOBS Act provides that a company can choose not to take advantage of the extended transition period and comply with the requirements that apply to non-emerging growth companies, and any such election to not take advantage of the extended transition period is irrevocable.

We are an emerging growth company as defined in Section 2(a) of the Securities Act and have elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards. We will remain an emerging growth company until the earliest of: (i) the last day of the fiscal year in which the market value of Common Stock that is held by non-affiliates exceeds $700 million as of the end of that year's second fiscal quarter; (ii) the last day of the fiscal year in which we have total annual gross revenue of $1.235 billion or more during such fiscal year (as indexed for inflation); (iii) the date on which we have issued more than $1 billion in non-convertible debt in the prior three-year period; or (iv) December 31, 2026, and we expect to continue to take advantage of the benefits of the extended transition period, although we may decide to early adopt such new or revised accounting standards to the extent permitted by such standards. This may make it difficult or impossible to compare our financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions because of the potential differences in accounting standards used.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our market risk from the information provided in Part II, Item 7, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. In designing and evaluating our internal control over financial reporting, management recognizes that internal control over financial reporting, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of internal control over financial reporting must reflect the fact that there are resource constraints, and that management is required to apply its judgment in evaluating the benefits of possible internal control over financial reporting relative to their costs. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were not effective due to the existence of the material weaknesses described below to provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms and that such information is accumulated to allow timely decisions regarding required disclosures.

Material Weaknesses in Internal Control Over Financial Reporting

As disclosed in Part II, Item 9A of our Annual Report on Form 10-K, as of December 31, 2022, management concluded that the following material weaknesses in internal control existed for the Company. Management concluded that these material weaknesses still exist as of September 30, 2023.

Leases

We previously identified a material weakness in our internal control over financial reporting related to the process to capture and record lease agreements timely and accurately. Management has concluded that this material weakness in internal control over financial reporting is due to the fact that the Company did not have the adequate resources with the appropriate level of experience and technical expertise to oversee the Company's leasing business processes and related internal controls.

Control Activities and Control Environment

Given the aggregation of the lease material weakness noted above and other control deficiencies, we have identified related material weaknesses based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), including: (i) deficiencies in the principles associated with the control activities component of the COSO framework relating to establishment of formal policies and procedures and consistent application thereof, and (ii) deficiencies in the principles associated with the control environment component of the COSO framework relating to hiring and training sufficient personnel to timely support the Company's internal control objectives to ascertain whether the components of internal control are present and functioning.

Remediation Plan

To remediate these material weaknesses, we have identified improvements related to our lease process to capture and record lease agreements timely and accurately that we began to implement in 2023 and will provide additional training to personnel responsible for the relevant controls. We are in the process of designing and implementing internal controls to address the material weaknesses related to the control activities and control environment. A material weakness cannot be considered remediated until applicable controls have been designed, implemented, and operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Accordingly, we will continue to monitor and evaluate the effectiveness of our internal control over financial reporting.

While we have invested in additional resources with the requisite skills and improved our processes and controls over financial reporting, these improvements have not operated for a sufficient period of time. We remain committed to taking actions to remediate the material weaknesses in our internal control over financial reporting as we work to further enhance our control environment.

Changes in Internal Control over Financial Reporting

Other than the remediation efforts in progress, during the period covered by this report, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Sonder has been and expects to continue to become involved in litigation or other legal proceedings from time to time, including the matter described below. Except as described below, Sonder is not currently a party to any litigation or legal proceedings that, in the opinion of Sonder's management, are likely to have a material adverse effect on Sonder's business. Regardless of outcome, litigation and other legal proceedings can have an adverse impact on Sonder because of defense and settlement costs, diversion of management resources, possible restrictions on its business as a result of settlement or adverse outcomes, and other factors.

In February 2020, Sonder was informed about an investigation underway by the New York City Department of Health and Mental Hygiene relating to possible Legionella bacteria contamination in the water supply at 20 Broad Street, New York, NY (the "Broad Street Property"). Due to the failure of the owner of the Broad Street Property (the "Broad Street Landlord") to address the Legionella bacteria contamination and the associated health risks posed to Sonder's guests, Sonder withheld payment of rent to the Broad Street Landlord on grounds of, among other reasons, constructive eviction. On July 30, 2020, the Broad Street Landlord sued Sonder USA Inc., Sonder Canada Inc., and Sonder Holdings Inc. for breach of lease and breach of guaranty, seeking no less than $3.9 million in damages. Sonder filed counterclaims against the Broad Street Landlord and the property management company for breach of contract, seeking significant damages. The Broad Street Landlord filed a motion for summary judgment. The hearing and oral argument for the summary judgment motion occurred on December 21, 2021. On October 13, 2023, the court issued an order granting the summary judgment motion with respect to liability for the claim for breach of guaranty against Sonder Canada Inc., the claim for breach of contract against Sonder USA Inc., and reasonable attorney's fees; dismissing Sonder's counterclaims; and ordering a trial for the amount of damages. No trial date has been set. On November 13, 2023, Sonder filed a notice of appeal of the October 13, 2023 court order on liability.

On August 8, 2023, a purported class action lawsuit was filed against Sonder in the U.S. District Court for the District of Colorado captioned Wang v. Sonder Holdings Inc. The complaint asserted claims based on Sonder's alleged failure to secure and safeguard the personally identifiable information of the putative class in connection with Sonder's previously disclosed November 2022 information technology security incident. The complaint sought unspecified damages, injunctive relief, attorneys' fees, and other costs. Sonder agreed to waive service on August 14, 2023. On October 30, 2023, the plaintiff voluntarily dismissed the lawsuit with prejudice.

Item 1A. Risk Factors

You should carefully review and consider the following risk factor summary and the other information contained in this report, including the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our condensed consolidated financial statements and related notes thereto included elsewhere in this report, as well as the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Form 10-K") and subsequent SEC filings, in making an investment decision. Our business, operating results, financial condition or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, operating results, financial condition and prospects could be adversely affected. In that event, the market price of our common stock or other publicly traded securities could decline, and you could lose part or all of your investment. The occurrence of one or more of the events or circumstances described in these risk factors, alone or in combination with other events or circumstances, may have a material adverse effect on our business, cash flows, financial condition and results of operations. The risks set forth in the 2022 Form 10-K and subsequent SEC filings may not prove to be exhaustive, and are based on certain assumptions made by us that later may prove to be incorrect or incomplete. We may face additional risks and uncertainties that are not presently known to us, or that are currently deemed immaterial, which may also impair our business or financial condition.

Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. There have been no material changes to the description of the risk factors affecting our business previously disclosed in "Part I, Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as updated in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2023, which are hereby incorporated by reference.

Risk Factor Summary

Below is a summary of the principal factors that could materially harm our business, operating results and/or financial condition, impair our future prospects, or cause the price of our publicly traded securities to decline. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found under the heading “Risk Factors” in our 2022 Form 10-K and subsequent SEC filings, and should be carefully considered, together with other information in this Quarterly Report on Form 10-Q and our other filings with the SEC before making an investment decision regarding our securities.

- We may be unsuccessful in achieving positive, sustainable Free Cash Flow without additional fundraising, and restructuring initiatives may not provide the expected benefits and could adversely affect us.
- Our actual results may differ materially from our forecasts and projections.
- Our results could be negatively affected by inflation and other macroeconomic factors and by changes in travel, hospitality, and real estate markets.
- We may be unable to negotiate satisfactory leases or other arrangements to operate new properties or satisfactory amendments to those arrangements, onboard new properties in a timely manner, or renew or replace existing properties on satisfactory terms or at all.
- Delays in real estate development and construction projects could adversely affect our ability to generate revenue from the related leased properties.
- Our common stock may fail to maintain compliance with Nasdaq’s minimum bid price rule and other listing standards.
- Our limited operating history and evolving business make it difficult to evaluate our future prospects and challenges.
- Newly leased properties may generate revenue later than we estimated and may be more difficult or expensive to integrate into our operations than expected.
- We have a history of net losses, and we may not be able to achieve or maintain profitability in the future.
- We depend on landlords to deliver properties in a suitable condition and to manage and maintain them.
- Claims, lawsuits, and other proceedings relating to our leases could adversely affect our business and financial condition.
- Our long-term and fixed-cost leases limit our operating flexibility.
- Our leases may be subject to termination prior to the scheduled expiration of the term, which can be disruptive and costly.
- Our long-term success depends, in part, on our ability to expand internationally, and our business is susceptible to risks associated with international operations.
- We may be unable to effectively manage our growth.
- We may be unable to attract new guests or generate repeat bookings from previous guests.
- Our success depends on acceptance by guests and property owners of our distinctive type of hospitality services.
- We operate in the highly competitive hospitality market.
- Third-party distribution channels have historically accounted for a substantial percentage of our bookings, and business generated through such channels could adversely affect guest loyalty and poses other risks to us.
- Our results of operations vary from period-to-period, and historical performance may not be indicative of future performance.
- Certain measures we use to evaluate our operating performance may be subject to future adjustments.
- Our business depends on our reputation and the strength of our brand, and any deterioration could adversely impact our market share, revenues, business, financial condition, or results of operations.
- We are involved in and may in the future become involved in claims, lawsuits, and other proceedings incidental to the ordinary course of our business that could adversely affect our business, financial condition, and results of operations.
- We may be subject to liability or reputational damage for guests’ activities or other incidents and potential health and safety issues at our properties.
- We are subject to the risk of financial and reputational damage due to fraud.
- We face challenges in attracting and retaining key personnel and sufficient, highly skilled personnel, and are subject to risks, including unionized labor, associated with employment of hospitality personnel.
- We have identified and may in the future identify material weaknesses in our internal control over financial reporting or we may otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements.
- Our business could be harmed if we are unable to adapt to changes in technology.

- We rely on third parties for certain services and technologies, including payment processing, and their availability and performance are uncertain.
- Our processing, storage, use and disclosure of personal data expose us to risks of internal or external security breaches and has given rise and could give rise to claims, governmental investigations and penalties, other liabilities, increased costs including higher insurance premiums, damage to reputation, and/or reduced revenue.
- Limitations in our technologies, systems, and network infrastructure, or disruptions in Internet access or guests' usage of mobile devices, could adversely affect us.
- Supply chain interruptions may increase our costs or reduce our revenues.
- Public health concerns, including but not limited to the COVID-19 pandemic and any future public health crises, may have a negative impact on us.
- We face risks related to our intellectual property.
- Costs relating to the opening, operation and maintenance of our leased properties could be higher than expected.
- Our properties are concentrated in a limited number of cities, which increases our exposure to local factors affecting demand or hospitality operations.
- We may be unable to introduce upgraded amenities, services or features for our guests in a timely and cost-efficient manner.
- Failure to comply with governmental regulations, such as securities regulations, anti-bribery laws, import/export controls (including sanctions), privacy, data protection, consumer protection, marketing, and advertising laws could adversely affect us.
- Our business is highly regulated across multiple jurisdictions, including evolving and sometimes uncertain short-term rental regulations and tax laws, which may limit our growth, cause us to incur compliance costs, or otherwise negatively affect us.
- We may require additional capital, which might not be available in a timely manner or on favorable terms.
- Our indebtedness and credit facilities contain financial covenants and other restrictions that may limit our operational and financial flexibility or otherwise adversely affect us.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the quarter ended September 30, 2023, none of the Company's directors or Section 16 officers adopted or terminated any "Rule 10b5-1 trading arrangement" or any "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

The following exhibits are filed as part of this report or hereby incorporated by references to filings previously made with the SEC.

		Incorporated by Reference				
Exhibit No.	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed or Furnished Herewith
3.1	Amended and Restated Certificate of Incorporation of Sonder Holdings Inc.	8-K	001-39907	3.1	January 24, 2022	
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Sonder Holdings Inc.	8-K	001-39907	3.1	September 19, 2023	
10.1	Amendment No. 1 to Sonder Holdings Inc. 2023 Inducement Equity Incentive Plan	8-K	001-39907	10.1	August 24, 2023	
10.2	Sonder Holdings Inc. 2023 Key Executive Change in Control and Severance Plan	8-K	001-39907	10.1	September 12, 2023	
10.3	Sonder Holdings Inc. Amended and Restated Outside Director Compensation Policy					X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	Inline XBRL Instance Document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					X

# Indicates management contract or compensatory plan or arrangement.
* This certification is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Sonder Holdings Inc. (registrant)
November 14, 2023	/s/ Dominique Bourgault
Date	Dominique Bourgault Chief Financial Officer (Principal Financial Officer)
November 14, 2023	/s/ Adam K. Bowen
Date	Adam K. Bowen Chief Accounting Officer (Principal Accounting Officer)

Sonder Holdings Inc.

Amended and Restated Outside Director Compensation Policy

This Amended and Restated Outside Director Compensation Policy (the "Policy"), as amended and restated on September 28, 2023 (the "Amendment Effective Date"), describes the cash compensation, grants of equity awards and other compensation or reimbursements (collectively, "Director Compensation") to be provided to nonemployee members of the Board of Directors of Sonder Holdings Inc. ("Sonder" or the "Company"). Nonemployee members of Sonder's Board of Directors (the "Board," and members of the Board, the "Directors") are referred to "Outside Directors" in the Policy.

1. **CASH COMPENSATION**

a. Annual Cash Retainer. Each Outside Director will be paid a cash retainer of $35,000 per year.

b. Additional Annual Cash Retainers for Service as Non-Executive Chair, Committee Chair and Committee Member. Each Outside Director who serves as in the following roles will be paid the annual fees shown:

Independent Lead Director:	$15,000
Audit Committee Chair:	$20,000
Member of Audit Committee:	$10,000
Compensation Committee Chair:	$12,000
Member of Compensation Committee:	$6,000
Nominating and Governance Committee Chair:	$8,000
Member of Nominating and Governance Committee:	$4,000

An Outside Director who serves as the chair of a Board committee will receive only the additional annual fee for serving as the chair of the committee. Such committee chair will not receive the annual fee otherwise payable for serving as a (non-chair) member of such committee. An Outside Director who serves as the Independent Lead Director will receive the annual fee as an Outside Director and the additional annual fee as the Lead Independent Director, if any.

c. No Meeting Fees. No per meeting attendance fees will be paid for attending Board or Board committee meetings.

d. Payments. Each annual cash retainer under this Policy will be paid quarterly in arrears on a prorated basis to each Outside Director who has served in the relevant capacity for any portion of Sonder's immediately preceding fiscal quarter ("Fiscal Quarter"), and such payment will be made no later than 30 days following the end of that Fiscal Quarter.

An individual who has served as an Outside Director for only a portion of the relevant Fiscal Quarter will receive a prorated payment based on the number of days the individual served as an Outside Director during such Fiscal Quarter. Payment will be made only for periods after the

Effective Date. Proration will apply for Fiscal Quarter that includes the Effective Date, with proration based on the number of days from the Effective Date to the end of the Fiscal Quarter that includes the Effective Date.

2. Equity Compensation

Outside Directors will automatically be granted Awards under the Company's 2021 Equity Incentive Plan, as amended (the "Plan") in accordance with the following rules:

a. No Discretion. No person will have any discretion to select which Outside Directors will be granted any Awards under this Policy or to determine the number of Shares to be covered by such Awards, except as otherwise provided in this Policy.

b. Initial Awards.

Each individual who first becomes an Outside Director following the Amendment Effective Date will be granted an award of Restricted Stock Units (an "Initial Award") covering a number of Shares having a Value (as defined below) of $160,000, with any resulting fraction rounded down to the nearest whole Share. The Initial Award will be granted automatically on the first Trading Day that coincides with or follows the date on which the individual becomes an Outside Director (the "Initial Start Date"). However, an Outside Director will not be entitled to an Initial Award if the individual was or is an employee member of the Board who becomes an Outside Director due to termination of employment.

Each Initial Award will be scheduled to vest in equal installments annually over three years following the Vesting Commencement Date on the same day as the Vesting Commencement Date, in each case subject to the Outside Director continuing to be an Outside Director through the applicable vesting date.

For the avoidance of doubt, Initial Awards prior to the Amendment Effective Date had a Value of $320,000.

c. Annual Award. On the first Trading Day immediately following each Annual Meeting of the Company's stockholders (an "Annual Meeting") that occurs after the Effective Date, each Outside Director automatically will be granted an award of Restricted Stock Units (an "Annual Award") covering a number of Shares having a Value of $160,000, subject to the following. The first Annual Award granted to an individual who first becomes an Outside Director following the Effective Date will have a Value equal to the product of (A) $160,000 multiplied by (B) a fraction, (i) the numerator of which is the number of calendar months (not to exceed 12) during the period commencing with (and including) the calendar month in which the applicable Initial Start Date occurs and ending with (and including) the calendar month in which occurs the first Annual Meeting after the applicable initial Start Date, and (ii) the denominator of which is 12. Any fraction resulting from the Value calculation for any Annual Award will be rounded down to the nearest whole Share. Each Annual Award will be scheduled to vest in full on the earlier of (i) the one-year anniversary of the grant date or (ii) the date of the next Annual Meeting following the grant date, in each case subject to the Outside Director continuing to be an Outside Director through the applicable vesting date.

d. Additional Terms of Initial Awards and Annual Awards. The terms and conditions of each Initial Award and Annual Award will be as follows:

i. Each Initial Award and Annual Award will be granted under and subject to the terms and conditions of the Plan and the applicable form of Award Agreement approved by the Board or its Compensation Committee.

ii. For purposes of this Policy, the "Value" of an Award means the grant date fair value as determined in accordance with U.S. generally accepted accounting principles, or such other methodology that the Board or any committee of the Board designated by the Board with appropriate authority (the "Designated Committee"), as applicable, may determine prior to the grant of the applicable Award becoming effective. "Value" for purposes of any cash payment shall equal the amount of the payment.

iii. Changes to the Policy and Discretionary Awards. The Board or the Designated Committee, as applicable and in its discretion, may, on a prospective basis, change the terms of Initial Awards and Annual Awards to be granted in the future under this Policy, including, without limitation, the number of Shares subject thereto and type of Award. Outside Directors will be eligible to be selected to receive each type of Award (other than Incentive Stock Options) available under the Plan. In addition to the Awards to Outside Directors granted automatically under the Policy, Outside Directors also will be eligible to be selected to receive discretionary Awards (other than Incentive Stock Options) as provided in the Plan.

3. Other Compensation and Benefits

Outside Directors shall be eligible to receive other compensation and benefits, as may be determined by the Board or its Designated Committee, as applicable, from time to time. Such compensation or benefits may, in the discretion of the Board or its Designated Committee, may be in lieu of, or in addition to, the compensation and benefits provided by the Policy.

4. Change in Control

In the event of a Change in Control, each Outside Director who is serving as such immediately prior to the Change in Control automatically will fully vest in his or her then-outstanding but unvested Awards.

5. Annual Compensation Limit

The total compensation provided to an Outside Director during any Fiscal Year may not exceed $750,000 (determined based on the total Value of Awards, cash retainers and fees provided for such Fiscal Year (excluding reimbursements)). In the Fiscal Year containing an Outside Director's Initial Start Date, such limit will be increased to $1,000,000. Any Awards or other compensation provided to an individual (a) for services as an Employee, or for services as a Consultant other than as an Outside Director, or (b) prior to the Effective Date, will be excluded for purposes of applying the above limit.

6. Travel Expenses

Sonder will reimburse each Outside Director's reasonable, customary, and properly documented, out-of-pocket travel expenses to attend meetings of the Board and any of its committees, as applicable. Reimbursements also will be subject to Sonder's additional travel policies as they may exist from time to time.

7. Code Section 409A

In no event will cash compensation or expense reimbursement payments under this Policy be paid after the later of (a) the fifteenth (15th) day of the third (3rd) month following the end of the Company's taxable year in which the compensation is earned or expenses are incurred, as applicable, or (b) the fifteenth (15th) day of the third (3rd) month following the end of the calendar year in which the compensation is earned or expenses are incurred, as applicable, in compliance with the "short-term deferral" exception under Code Section 409A. It is the intent of this Policy that this Policy and all payments hereunder be exempt or excepted from or otherwise comply with the requirements of Code Section 409A so that none of the compensation to be provided hereunder will be subject to the additional tax imposed under Code Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be so exempt or comply. In no event will the Company Group have any responsibility, liability or obligation to reimburse, indemnify, or hold harmless an Outside Director or any other person for any taxes imposed, or other costs incurred, as a result of Code Section 409A.

8. Stockholder Approval

The Policy (as in effect prior to the Amendment Effective Date) was approved by the Company's stockholders prior to the Effective Date. Unless otherwise required by applicable law, no further stockholder approval of the Policy has been or will be required (including, but not limited to, any amendment or termination of the Policy).

9. Defined Terms

Unless otherwise defined herein, capitalized terms used in this Policy will have the meaning given such term in the Plan.

10. Taxes

Each Outside Director will be solely responsible for any tax obligations incurred by such Outside Director as a result of Director Compensation received by such individual.

11. Outside Directors Only

Any Director who also is an employee of the Company will not be eligible to receive compensation under this Policy. Any such employee-Director will not receive additional compensation (apart from normal employee compensation) for service on the Board.

12. <u>EFFECTIVE DATE</u>

This Policy was originally effective on January 18, 2022, the date of the consummation of the merger by and among Sonder Operating Inc. (f/k/a Sonder Holdings Inc.), the Company (f//k/a Gores Metropoulos II, Inc.), and certain other parties, pursuant to that certain Agreement and Plan of Merger dated April 29, 2021, as amended (such date, the "<u>Effective Date</u>").

* * *

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Francis Davidson, certify that:

1. I have reviewed this Quarterly Report for the quarter ended September 30, 2023 on Form 10-Q of Sonder Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

/s/ Francis Davidson
Francis Davidson
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dominique Bourgault, certify that:

1. I have reviewed this Quarterly Report for the quarter ended September 30, 2023 on Form 10-Q of Sonder Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023	/s/ Dominique Bourgault
	Dominique Bourgault Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Sonder Holdings Inc. (the "Registrant") for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Francis Davidson, Chief Executive Officer of the Registrant, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 14, 2023

/s/ Francis Davidson
Francis Davidson
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Sonder Holdings Inc. (the “Registrant”) for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dominique Bourgault, Chief Financial Officer of the Registrant, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that::

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 14, 2023	/s/ Dominique Bourgault
	Dominique Bourgault
	Chief Financial Officer
	(Principal Financial Officer)