

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

Form 10-Q

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

For the quarterly period ended March 31, 2026

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 001-42645

Arrive AI Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

**9100 Fall View Drive
Fishers, Indiana**
(Address of principal executive offices)

85-0935006
(I.R.S. Employer
Identification No.)

46037
(Zip code)

(463) 270-0092

(Registrant's telephone number, including area code)

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 the filing requirements for at least the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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, or 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.

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock par value \$0.0002 per share	ARAI	The Nasdaq Stock Market LLC

The number of shares of the registrant's common stock, par value \$0.0002 per share, outstanding as of May 15, 2026, was 51,859,347.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends impacting the financial condition of our business. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements.

Forward-looking statements include all statements that are not historical facts. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expect,” “intend,” “seek,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “potential,” “might,” “forecast,” “continue,” or the negative of those terms, and similar expressions and comparable terminology intended to reference future periods. Forward-looking statements include, but are not limited to, statements about:

- our ability to protect and enforce our intellectual property protection and the scope and duration of such protection;
- our reliance on third parties, including suppliers, delivery platforms, brand sponsors, software providers and service providers;
- our ability to commercialize our products at a large scale;
- the competitive industry in which we operate, which is subject to rapid technological change;
- our ability to access the full funds under the existing convertible note payable facility;
- our ability to raise additional capital to develop our technology and scale our operations;
- developments and projections relating to our competitors and our industry;
- our ability to adequately control the costs associated with our operations;
- the impact of current and future laws and regulations, especially those related to autonomous delivery;
- potential cybersecurity risks to our operational systems, infrastructure, and integrated software by us or third-party vendors; and
- other risks and uncertainties, including those listed in our Annual Report on Form 10-K for the year ended December 31, 2025, including the factors described in the section entitled “Item 1A – Risk Factors.”

Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned.

Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We cannot guarantee future results, levels of activity, performance or achievements. Accordingly, the forward-looking statements in this Quarterly Report on Form 10-Q should not be regarded as representations that the results or conditions described in such statements will occur or that our objectives and plans will be achieved, and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

ARRIVE AI INC.

CONDENSED BALANCE SHEETS

	<u>March 31, 2026</u> (Unaudited)	<u>December 31, 2025</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,667,553	\$ 2,104,004
Investments at fair value	2,802,060	-
Accounts receivable, net of allowance	-	4,975
Prepaid expenses	280,102	189,878
Other current assets	12,325	12,325
Total current assets	<u>8,762,040</u>	<u>2,311,182</u>
OTHER ASSETS		
Property and equipment, net	679,333	514,684
Right of use assets - operating leases	2,023,420	2,117,284
Patents, net of accumulated amortization of \$3,120 and \$2,603	271,580	272,097
Deferred offering costs	3,475,514	5,650,185
Other assets	279,187	65,633
Total other assets	<u>6,729,034</u>	<u>8,619,883</u>
TOTAL ASSETS	<u>\$ 15,491,074</u>	<u>\$ 10,931,065</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 227,909	\$ 183,993
Accrued expenses	1,490,720	538,234
Operating lease liability	408,345	392,950
Derivative liabilities	1,440,000	1,460,000
Convertible note payable, net of discount and debt issuance costs of \$4,507,852 and \$350,794, and \$3,379,447 and \$240,896, respectively	7,681,354	4,144,657
Note payable	8,336	9,140
Total current liabilities	<u>11,256,664</u>	<u>6,728,974</u>
LONG TERM LIABILITIES		
Operating lease liability	1,616,553	1,725,073
Note payables, net of current portion	-	1,418
Total long term liabilities	<u>1,616,553</u>	<u>1,726,491</u>
Total liabilities	<u>12,873,217</u>	<u>8,455,465</u>
Commitments and Contingencies (See Note 16)		
STOCKHOLDERS' EQUITY		
Common stock, \$0.0002 par value, 200,000,000 authorized, 37,731,391 and 34,213,387 issued and outstanding at March 31, 2026 and December 31, 2025	7,545	6,841
Additional paid-in capital	37,834,831	31,215,698
Deferred compensation	(107,334)	-
Accumulated deficit	(35,117,185)	(28,746,939)
Total stockholders' equity	<u>2,617,857</u>	<u>2,475,600</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 15,491,074</u>	<u>\$ 10,931,065</u>

See accompanying notes to these condensed financial statements.

ARRIVE AI INC.

CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Three Months Ended March 31, 2026</u>	<u>Three Months Ended March 31, 2025</u>
REVENUE	\$ 14,925	\$ -
OPERATING EXPENSES		
General and administrative	4,210,066	1,894,981
Research and development	357,073	91,263
Sales and marketing	111,350	7,661
Total operating expenses	<u>4,678,489</u>	<u>1,993,905</u>
OTHER INCOME (EXPENSES)		
Interest expense	(361,870)	(1,175)
Other income	177,789	16,915
Change in fair value of derivative liabilities	1,129,769	-
Accretion of debt discount	(250,969)	-
Loss on conversion of convertible notes payable	(2,345,613)	-
Realized gain on investments	446,324	-
Unrealized loss on investments	(502,112)	-
Total other income (expenses)	<u>(1,706,682)</u>	<u>15,740</u>
NET LOSS BEFORE TAXES	<u>(6,370,246)</u>	<u>(1,978,165)</u>
PROVISION (BENEFIT) FOR INCOME TAXES	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (6,370,246)</u>	<u>\$ (1,978,165)</u>
NET LOSS PER SHARE:		
Basic and diluted	<u>\$ (0.18)</u>	<u>\$ (0.07)</u>
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING:		
Basic and diluted	<u>36,167,200</u>	<u>29,721,248</u>

See accompanying notes to these condensed financial statements.

ARRIVE AI INC.

CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

For the Three Months Ended March 31, 2026 and 2025 (Unaudited)

	<u>Number of Common Shares</u>	<u>Common Stock (\$)</u>	<u>Additional Paid-In Capital (\$)</u>	<u>Subscription Receivable (\$)</u>	<u>Deferred Compensation (\$)</u>	<u>Accumulated Deficit (\$)</u>	<u>Total Stockholders' Equity (Deficit) (\$)</u>
BALANCE, JANUARY 1, 2025	26,620,905	\$ 5,822	\$ 14,984,561	\$ (53,003)	\$ -	\$ (15,920,555)	\$ (983,175)
Issuance of common stock and warrants for cash	96,346	19	677,390	40,219	-	-	717,628
Issuance of common stock for deferred offering costs	532,913	107	6,927,762	-	-	-	6,927,869
Stock-based compensation	84,874	17	1,348,228	-	-	-	1,348,245
Net loss	-	-	-	-	-	(1,978,165)	(1,978,165)
BALANCE, MARCH 31, 2025	<u>27,335,038</u>	<u>\$ 5,965</u>	<u>\$ 23,937,941</u>	<u>\$ (12,784)</u>	<u>\$ -</u>	<u>\$ (17,898,720)</u>	<u>\$ 6,032,402</u>
BALANCE, JANUARY 1, 2026	34,213,387	\$ 6,841	\$ 31,215,698	\$ -	\$ -	\$ (28,746,939)	\$ 2,475,600
Issuance of common stock for deferred compensation	118,343	24	160,976	-	(161,000)	-	-
Issuance of common stock under stock plans	102,492	20	(20)	-	-	-	-
Shares withheld for taxes upon vesting of restricted stock units	(32,308)	(6)	(25,743)	-	-	-	(25,749)
Issuance of common stock for the conversion of convertible notes payable	3,329,477	666	6,468,237	-	-	-	6,468,903
Reclassification of derivative liabilities upon conversion of convertible notes payable	-	-	1,200,231	-	-	-	1,200,231
Reclassification of deferred offering costs upon financing drawdown	-	-	(2,174,671)	-	-	-	(2,174,671)
Stock-based compensation	-	-	990,123	-	53,666	-	1,043,789
Net loss	-	-	-	-	-	(6,370,246)	(6,370,246)
BALANCE, MARCH 31, 2026	<u>37,731,391</u>	<u>7,545</u>	<u>37,834,831</u>	<u>-</u>	<u>(107,334)</u>	<u>(35,117,185)</u>	<u>2,617,857</u>

See accompanying notes to these condensed financial statements.

ARRIVE AI INC.

CONDENSED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2026 and 2025 (Unaudited)

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (6,370,246)	\$ (1,978,165)
Adjustments to reconcile net loss to net cash used in operating activities		
Stock-based compensation	1,043,789	1,348,245
Depreciation and amortization	56,214	7,391
Credit loss expense	300	-
Operating lease liability - non-cash adjustment	739	-
Change in fair value of derivative liability	(1,129,769)	-
Loss on conversion of convertible notes payable	2,345,613	-
Accretion of discount on convertible note payable	250,969	-
Accretion of issuance costs on convertible note payable	119,018	-
Realized gain on investments	(446,324)	-
Unrealized loss on investments	502,112	-
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	4,675	-
Prepaid expenses	(90,224)	7,081
Other current assets	-	1,412
Other assets	(213,554)	-
Increase (decrease) in		
Accounts payable	43,916	(66,262)
Accrued expenses	952,486	133,627
Net cash used in operating activities	<u>(2,930,286)</u>	<u>(546,671)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(220,346)	(2,832)
Proceeds from sales of investments	8,893,827	-
Purchase of investments	(11,751,675)	-
Net cash used in investing activities	<u>(3,078,194)</u>	<u>(2,832)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of common stock, net	-	420,753
Taxes paid for shares withheld upon vesting of restricted stock units	(25,749)	-
Proceeds from the exercise of warrants, net	-	296,875
Repayments of note payables	(2,222)	(2,075)
Proceeds from issuance of convertible notes payable	10,000,000	-
Debt issuance costs	(400,000)	-
Net cash provided by financing activities	<u>9,572,029</u>	<u>715,553</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,563,549	166,050
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,104,004</u>	<u>129,318</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 5,667,553</u>	<u>\$ 295,368</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for:		
Interest	\$ 1,064	\$ 321
Income taxes	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION		
Common stock issued as payment of offering costs	\$ -	\$ 6,927,869
Common stock issued for deferred compensation	\$ 161,000	\$ -
Common stock issued for conversion of convertible notes payable	\$ 6,468,903	\$ -
Derivative liabilities reclassified as additional paid-in capital upon conversion of convertible notes payable	\$ 1,200,231	\$ -
Deferred offering costs recognized as additional paid-in capital upon financing drawdown	\$ 2,174,671	\$ -

See accompanying notes to these condensed financial statements.

ARRIVE AI INC.

CONDENSED NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

Arrive AI Inc. (the Company) was incorporated on April 30, 2020, in the State of Delaware as Dronedek Corporation. On July 27, 2023, Dronedek Corporation changed its name to Arrive Technology Inc. On September 27, 2024, Arrive Technology Inc. changed its name to Arrive AI Inc. The Company is an early-stage technology company with a focus on designing and implementing a commercially-viable smart mailbox for drone, robotic and human package receiving and storage.

The Company is subject to a number of risks similar to those of other companies of similar size in its industry, including, but not limited to, the need for successful development of products, the need for additional capital (or financing) to fund operating losses, competition from substitute products and services from larger companies, protection of proprietary technology, patent litigation, dependence on key individuals, and risks associated with changes in information technology.

The Company is an emerging growth company as the term is used in The Jumpstart Our Business Startups Act (JOBS Act), enacted on April 5, 2012 and has elected to comply with certain reduced public company reporting requirements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). These statements include all adjustments which management believes are necessary for a fair presentation of the statements and have been prepared on a consistent basis using the accounting policies described in the Significant Accounting Policies included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025 as originally filed with the Securities and Exchange Commission on April 15, 2026 ("the 2025 Annual Report"). Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, although the Company firmly believes that the accompanying disclosures are adequate to make the information presented not misleading. The financial statements should be read in conjunction with the financial statements and notes thereto included in the 2025 Annual Report. The interim operating results for the three months ended March 31, 2026 may not be indicative of operating results expected for the full year.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents, including money market accounts held at financial institutions. The Company had cash equivalents of \$5,118,225 at March 31, 2026, and \$0 at December 31, 2025.

Concentration of Credit Risk

The Company's policy is to maintain its cash balances in accounts insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the Securities Investor Protection Corporation (the "SIPC"). The Company may periodically have cash balances in financial institutions in excess of FDIC and SIPC insurance limits. At March 31, 2026, and December 31, 2025, the Company had approximately \$5,167,553 and \$1,604,004 of cash in excess of insured limits, respectively.

Management believes that the Company is not exposed to any significant risk concerning its cash balances. To date, the Company has not recognized any losses caused by uninsured balances.

Investments at Fair Value

During the three months ended March 31, 2026, the Company invested a portion of its excess cash in exchange-traded equity securities. The Company accounts for these investments in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) ASC 321, *Investments—Equity Securities*. Equity securities with readily determinable fair values are measured at fair value at each reporting date, with changes in fair value recognized in the statement of operations as unrealized gains or losses. Realized gains and losses on the sale or disposition of equity securities are also recognized in the statement of operations in the period of sale. The Company classifies the fair value of these securities within Level 1 of the fair value hierarchy established under ASC 820, *Fair Value Measurement*, as the securities are exchange-traded with quoted prices in active markets. As of March 31, 2026 the company had equity securities. At December 31, 2025, the Company held no equity securities.

During the three months ended March 31, 2026 and the year ended December 31, 2025, the Company wrote covered call options against its long equity security positions to generate income from option premiums. Written call options are recognized as liabilities at fair value in accordance with ASC 815, *Derivatives and Hedging*, and are remeasured at fair value at each reporting date. The Company does not designate these instruments as accounting hedges; accordingly, changes in fair value are recognized in the statement of operations within other income (expense). These instruments are classified within Level 1 of the fair value hierarchy, as they are exchange-traded and valued using quoted market prices in active markets. Premiums received are reflected in the initial fair value of the derivative liability and are subsequently recognized in earnings through changes in fair value over the life of the contract, as the options are traded on recognized national exchanges with quoted prices in active markets. Option premium income received at the time of writing is initially recorded as a liability representing the fair value of the written option and is recognized in earnings upon settlement or expiration of the contract.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are customer obligations due under normal trade terms, which are typically due upon receipt of the invoice. Credit is extended based on an evaluation of a customer’s financial condition and collateral is not required. Accounts receivable are stated as amounts due from customers net of an allowance for credit losses. The Company recognizes an allowance for expected credit losses at each balance sheet date. This estimate is derived from a review of the Company’s historical losses based on the aging of receivables. Receivables with similar risk characteristics are pooled for the estimation of expected credit losses. Management adjusts its historical estimate based on its assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. At each reporting date, the Company updates its estimate of expected credit losses to reflect any changes in credit risk since the receivable was initially recorded.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in earnings in the year of recovery, in accordance with the entity’s accounting policy. The Company recorded an allowance for credit losses at March 31, 2026 of \$300. At December 31, 2025, management determined that substantially all outstanding receivables were fully collectible. The Company did not incur material write-offs during the three months ended March 31, 2026 and year ended December 31, 2025.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the asset ranging from two to five years. The cost of leasehold improvements is amortized over the lesser of the length of the related leases or the estimated useful lives of the assets.

Maintenance and repairs of property are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Intangible Assets – Patents

The Company capitalizes external costs, such as filing fees, registration documentation, and attorney fees associated with the application and issuance of patents. Amortization commences when the patent is granted and placed in service and is calculated on a straight-line basis over the remaining legal life of the patent. Costs associated with pending applications are capitalized but not amortized until issuance. Maintenance patent fees are paid to a government patent authority to maintain a granted patent in force. Some countries require the payment of maintenance fees for pending patent applications; these are expensed as incurred. Maintenance fees paid after a patent is granted are expensed, as these are considered ongoing costs to “maintain a patent.” The Company expenses costs associated with maintaining and defending patents subsequent to issuance in the period incurred. The Company assesses the potential impairment of all capitalized patent costs when events or changes in circumstances indicate that the carrying amount of the Company’s patent portfolio may not be recoverable.

Impairment of Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets in accordance with ASC 360, *Property, Plant, and Equipment*. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets are measured by a comparison of the carrying amount of an asset to future cashflows expected to be generated by the asset, undiscounted and without interest or independent appraisals. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the assets.

The Company has three types of long-lived assets: property and equipment, including vehicles, equipment, and leasehold improvements; construction-in-progress (CIP), and intangible patent assets including those acquired by the acquisition of Airbox Technology in 2023. No impairments of long-lived assets were considered necessary as of March 31, 2026 and December 31, 2025.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. The Company generates revenue from consulting and implementation services and recurring subscription services for access to the Arrive Point network. The Company identifies performance obligations in its contracts with customers, which generally consist of consulting services, installation services, and subscription services. The transaction price is allocated to each distinct performance obligation based on relative standalone selling prices. Contracts are typically short-term in nature and generally do not include significant variable consideration or financing components.

Consulting and subscription services are recognized over time as the customer simultaneously receives and consumes the benefits of the services in accordance with ASC 606-10-25-27(a). Revenue is recognized using an appropriate measure of progress that reflects the transfer of control to the customer, generally based on time elapsed or services performed.

Installation services are generally recognized at a point in time when control of the service is transferred to the customer, which typically occurs upon completion of installation and customer acceptance, if applicable.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, and, when applicable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the balance sheet. The Company may request advances or deposits from customers before revenue is recognized, which results in contract liabilities. These contract liabilities are released as the performance obligations are satisfied. As disclosed in NOTE 3, the Company did not have any contract assets or contract liabilities recorded on the balance sheet as of March 31, 2026 and December 31, 2025.

Leases

The Company accounts for leases in accordance with ASC 842, *Leases*. The Company determines whether an arrangement is a lease at contract inception. The Company classifies leases as operating or finance leases at commencement; however, all of the Company's leases are currently classified as operating leases. Operating leases are included in "Right-of-use assets – operating leases" and "Operating lease liabilities" in the Company's balance sheets.

Right-of-use ("ROU") assets represent the Company's right to use the underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease payments included in the measurement of the lease liability consist of fixed payments and variable payments that depend on an index or rate, as applicable. Variable lease payments that do not depend on an index or rate are expensed as incurred.

The Company uses the rate implicit in the lease when that rate is readily determinable. If the implicit rate is not readily determinable, the Company uses its incremental borrowing rate at the commencement date, which reflects the rate of interest the Company would pay to borrow on a collateralized basis over a similar term in a similar economic environment. The lease term includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options. Lease and non-lease components are generally accounted for separately. The Company has elected the short-term lease exemption and does not recognize ROU assets or lease liabilities for leases with an initial term of 12 months or less. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

Equity Financing

The Company has entered into equity financing transactions to obtain the funds necessary to continue operations and develop a commercially viable smart mailbox system for drone, robotic and human package receiving and storage. These transactions have included the issuance of common stock and warrants to purchase common stock.

The Company evaluates warrants issued in connection with equity financing transactions under ASC 480, *Distinguishing Liabilities from Equity*, and, if the warrants are not required to be classified as liabilities under ASC 480, the Company then evaluates them under ASC 815-40, *Derivatives and Hedging*, to determine whether they are indexed to the Company's own stock and meet the criteria for equity classification. The Company concluded that the warrants meet the criteria for equity classification and are accounted for as equity instruments.

Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at an agreed-upon price, as defined in the Stock and Warrant Purchase Agreement ("the agreement") prior to the expiration of the warrants as stipulated by the terms of the transaction in the agreement.

The shares eligible for issuance under the outstanding warrants were registered under the Securities Act of 1933 on July 28, 2025.

Loss per share

The Company follows ASC 260, *Earnings per Share*, resulting in the presentation of basic and diluted earnings per share. Basic loss per share is computed by dividing net loss by weighted average number of shares of common stock outstanding during each period. Diluted loss per share is computed by dividing net loss by the weighted average number of shares of common stock, common stock equivalents, and potentially dilutive securities outstanding during the period. Because the Company reported a net loss for the three months ended March 31, 2026 and 2025, common stock equivalents, including stock options and warrants, were anti-dilutive; therefore, the amounts reported for basic and diluted loss per share were the same.

The following securities were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive:

	March 31, 2026	March 31, 2025
Convertible notes payable ⁽¹⁾	19,055,032	-
Warrants ⁽²⁾	-	172,739
Stock options	607,493	613,201
Restricted stock units	4,024,760	-
Total excluded shares	<u>23,687,285</u>	<u>785,940</u>

(1) Amount assumes conversion of convertibles notes payable outstanding principal and interest as of March 31, 2026, using the conversion price calculated from the minimum 10-day volume weighted average price at March 31, 2026.

(2) Warrants outstanding as of March 31, 2026 were out of the money and therefore excluded.

Comprehensive Loss

The Company follows ASC 220-10, “*Reporting Comprehensive Income (Loss)*.” Comprehensive loss is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net loss. The Company had no items of other comprehensive income (loss) for three months ended March 31, 2026 and 2025. Accordingly, comprehensive loss equals net loss for those periods.

Offering Costs

The Company accounts for offering costs in accordance with ASC 340-10-S99-1, *Other Assets and Deferred Costs* and SAB Topic 5A, *Expenses of Offering*. Costs that are directly attributable to proposed or actual equity offerings are capitalized as deferred offering costs until the offering is completed. Deferred offering costs consist of underwriting, legal, accounting, and other expenses. Upon completion of an equity offering, such costs are recorded as a reduction of the related proceeds and reflected as a reduction of additional paid-in capital. If an offering is abandoned, the related deferred offering costs are expensed.

Research and Development

Research and Development (“R&D”) costs are expensed as incurred in accordance with ASC 730, *Research and Development*. R&D expenses primarily consist of fees paid to third-party consultants and other costs incurred in the development of the Company’s proprietary technology.

For the three months ended March 31, 2026 and 2025, the Company recognized R&D expense of \$357,073 and \$91,263, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were \$28,028 and \$1,256 for the three months ended March 31, 2026 and 2025. These costs when incurred are included in sales and marketing expenses.

Stock-Based Compensation

The Company accounts for stock-based compensation under the provisions of ASC 718, *Compensation—Stock Compensation*, which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors based on estimated fair values on the grant date. The Company estimates the fair value of stock option awards on the date of grant using the Black-Scholes model. The fair value of restricted stock units is measured at the market price of the Company's stock on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods using the straight-line method.

In accordance with Accounting Standards Update ("ASU") No. 2018-07, *Compensation—Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*, the Company accounts for share-based payment transactions for acquiring goods and services from nonemployees in a manner consistent with employee awards. Such awards are measured at the grant-date fair value of the equity instruments issued and recognized as expense when the goods are delivered or services are rendered, unless the awards are subject to vesting conditions, in which case expense is recognized over the requisite service period.

The Company has elected to account for forfeiture of stock-based awards as they occur.

The average fair value of one (1) share of the Company's common stock was determined to be \$13.00 for the period of January 1, 2025 to May 15, 2025. On May 15, 2025, the Company completed its direct listing, and its common stock began trading on the Nasdaq Stock Exchange. Subsequent to May 15, 2025, the price of the Company's common stock was determined by the Nasdaq daily closing stock price.

Prior to May 15, 2025, the fair value of common stock was determined using the prior transaction method, which considers actual transactions in the Company's non-controlling, non-marketable private company equity interests. This method reflects the value of a non-controlling, non-marketable interest; however, management concluded that no additional discount for lack of control or marketability was necessary based on the specific facts and circumstances. As part of this methodology, there are a number of limiting assumptions, however, management believes it appropriately represents the fair market value indication for one (1) share of the Company's common stock. Prior to May 15, 2025, because the Company's stock was not publicly traded, expected volatility was estimated based on the historical and implied volatility of comparable publicly traded companies, considering factors such as industry, stage of the life cycle, size, market capitalization, and financial leverage.

Convertible Notes Payable and Derivative Liabilities

The Company accounts for convertible notes in accordance with ASC 470, *Debt*, and ASC 815, *Derivatives and Hedging*. At issuance, the Company evaluates each convertible note to determine whether any embedded features must be bifurcated and accounted for separately as a derivative liability.

If an embedded conversion feature fails the indexed-to-own-stock test under ASC 815-40-15, because the conversion price is determined by a path-dependent formula rather than a fixed price or a current observable price, the conversion feature is bifurcated from the host debt instrument and recognized as a derivative liability at fair value on the issuance date. The host debt instrument is then recorded at an initial carrying value equal to the cash proceeds received, reduced by (i) the original issue discount ("OID"), (ii) the fair value of the bifurcated derivative liability at issuance, and (iii) debt issuance costs allocable to the host instrument.

When an embedded derivative is bifurcated from a convertible note at issuance, the Company initially records the derivative liability at fair value, with the residual proceeds allocated to the host debt instrument, consistent with ASC 835-30 and ASC 815. Debt issuance costs are allocated consistently with this initial measurement approach. The portion of issuance costs allocated to the derivative liability is expensed immediately in the period of issuance. The portion of issuance costs allocated to the host debt instrument is recorded as a contra-debt balance (debt issuance costs) and amortized to interest expense over the expected term of the note using the effective interest method ("EIM").

The combined discount on each host debt instrument consisting of OID, the fair value of the bifurcated derivative at issuance, and allocated debt issuance costs is accreted to the face amount of the note using the EIM over the expected term of each note in accordance with ASC 835-30.

Where a convertible note has no stated maturity date, the Company estimates the expected term based on management's best estimate of the period over which the debt is expected to remain outstanding, considering the economic substance of the instrument, the contractual terms, the expected timing and pattern of conversion or settlement, and other relevant facts and circumstances. The expected term used for accretion of the host debt instrument is applied consistently with the expected term used in valuing any bifurcated embedded derivative. This estimate is reassessed when facts and circumstances indicate a change may be warranted.

Bifurcated derivative liabilities are recognized at fair value on the issuance date of the applicable convertible note and are subsequently remeasured at fair value at each reporting date and at each conversion date, in accordance with ASC 815. Changes in fair value are recognized in earnings as a gain or loss on change in fair value of derivative liabilities and are presented as a separate line item within other income (expense) in the statement of operations.

When the conversion feature's fair value cannot be estimated using a closed-form solution because the conversion price is based on a formula that incorporates path-dependent inputs, the Company estimates fair value using a Monte Carlo simulation model. The model simulates a large number of potential stock price paths and computes the expected present value of the conversion payoff under each path. The significant unobservable inputs used in the Monte Carlo simulation include the expected equity volatility, expected instrument term, risk-free rate, and debt discount rate. These instruments are classified within Level 3 of the fair value hierarchy established under ASC 820, *Fair Value Measurement*, because their valuation relies on significant unobservable inputs. See NOTE 5 for a description of the valuation methodology and significant assumptions.

When a noteholder elects to convert a portion or all of a convertible note into shares of common stock, the Company accounts for the conversion as follows:

The pro-rata portion of the carrying value of the host debt instrument, including the related pro-rata unamortized OID and pro-rata unamortized debt issuance costs, is derecognized upon conversion. If the carrying amount of the net host instrument differs from the consideration transferred, the difference is recognized as a gain or loss on conversion of debt in accordance with ASC 470-50.

The pro-rata portion of the bifurcated derivative liability attributable to the converted principal is remeasured to fair value as of the conversion date. The change in fair value from the most recent prior remeasurement date to the conversion date is recognized in earnings as a gain or loss on change in fair value of derivative liability. Upon conversion of the convertible notes payable, the pro-rata portion of the remeasured fair value of the derivative liability is then derecognized from the balance sheet with a credit to additional paid-in capital.

Income Taxes

The Company recognizes current and deferred tax assets and liabilities for temporary differences between the financial reporting and tax bases of assets and liabilities and for operating loss carryforwards in accordance with ASC 740, *Income Taxes*. A valuation allowance is established when, based on the weight of available evidence, it is more-likely-than-not that some or all of the deferred tax assets will not be realized. The Company has recorded no current or deferred income tax benefit primarily due to losses and a full valuation allowance on deferred tax assets.

Recently Adopted Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures* (“ASU 2023-09”), which requires the disclosure of a tabular reconciliation for state and local income tax, tax credits, and changes in valuation allowance. The requirements are effective for annual reporting periods beginning after December 15, 2024, and may be applied prospectively or retrospectively. The Company has adopted the additional disclosure requirements under ASU 2023-09. The additional requirements did not have a material impact on the financial statements.

In July 2025, the FASB issued ASU 2025-05, *Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The amendments provide a practical expedient allowing entities to assume that conditions existing at the balance sheet date are expected to remain unchanged over the life of current accounts receivable when estimating expected credit losses. The amendments are effective for annual reporting periods beginning after December 15, 2025, including interim periods within those fiscal years. The impact of adopting this standard was immaterial to the Company.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, ASC Subtopic *Disaggregation of Income Statement Expenses (ASC 220-40): Income Statement-Reporting Comprehensive Income—Expense Disaggregation Disclosures*. The amendments require additional disclosure of the nature of expenses included in the income statement. The amendments in this update are effective for public business entities for fiscal years, beginning after December 15, 2026. Early adoption is permitted. The Company is currently assessing the impact of the adoption of this standard on its financial statements.

NOTE 3 – REVENUE

During the three months ended March 31, 2026, subscription fees of \$14,925 were recognized as services were transferred over time.

NOTE 4 - LIQUIDITY AND GOING CONCERN

Liquidity

As of March 31, 2026, the Company had cash and cash equivalents of approximately \$5,667,553 and short-term investments of \$2,802,060.

As disclosed in NOTE 10, the Company is party to a convertible note payable financing arrangement with Streeterville (the “Streeterville Facility”), which initially provided a maximum facility of up to \$40,000,000 in gross borrowings, subject to the terms and conditions of the agreement. The convertible note payable includes limitations that may restrict additional borrowings, including (i) a limitation on total outstanding indebtedness, (ii) a minimum market capitalization requirement of \$100 million, and (iii) a minimum book value of \$4 million at the time of a draw. Availability under this facility is subject to the Company’s ability to satisfy these conditions, or the investor’s continued practice of extending funds, despite certain conditions not being met.

Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

In accordance with ASC 205-40, *Presentation of Financial Statements — Going Concern*, management evaluated whether conditions or events, considered in the aggregate, raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

The Company has incurred recurring operating losses and negative cash flows from operations since inception and expects to continue to do so as it invests in product development, commercialization, and infrastructure. These conditions, considered in the aggregate, raise substantial doubt about the Company’s ability to continue as a going concern.

Management has developed plans to address these conditions, which include the following:

- Utilizing existing cash and cash equivalents of approximately \$5,667,553 as of March 31, 2026;
- Liquidate approximately \$2,802,060 of existing short-term investments;
- Potentially drawing additional amounts under the Securities Purchase Agreement with Streeterville, which provides up to an additional \$19.0 million in gross borrowings, subject to certain conditions including a limitation on total outstanding indebtedness, a minimum market capitalization of \$100 million and a minimum book value of \$4 million at the time of each draw. The Company’s ability to access these funds is dependent on satisfying these conditions and on Streeterville’s willingness to continue funding draws.

The Company's continued existence is dependent on its ability to continue its operating plan and to access remaining funds under the Securities Purchase Agreement ("SPA") or obtain additional debt or equity financing. There can be no assurance that the Company will be able to access funds under the SPA or obtain additional debt or equity financing. Accordingly, substantial doubt about the Company's ability to continue as a going concern is not alleviated by management's plans. These financial statements do not include any adjustment that might result from the Company's inability to continue as a going concern.

As of May 12, 2026, the Company's cash, cash equivalents, and short-term investments were approximately \$7.1 million.

NOTE 5 - FAIR VALUE MEASUREMENTS

The Company accounts for fair value measurements in accordance with ASC 820, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level hierarchy for inputs used in measuring fair value:

- **Level 1** — Quoted prices in active markets for identical assets or liabilities
- **Level 2** — Observable inputs other than quoted prices included in Level 1
- **Level 3** — Unobservable inputs supported by little or no market activity

The Company measures its bifurcated derivative liabilities associated with its convertible notes at fair value on a recurring basis, see NOTE 10. These instruments are classified within Level 3 of the fair value hierarchy because their valuation relies on significant unobservable inputs, including expected equity volatility, expected term, and debt discount rates.

The following table presents the Company's financial liabilities measured at fair value on a recurring basis:

Description	Level	March 31, 2026	December 31, 2025
Investments at fair value	1	\$ 2,802,060	\$ -
Derivative liabilities	3	\$ 1,440,000	\$ 1,460,000

The carrying amounts of cash, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short-term nature.

The vehicle note payable is carried at amortized cost. The estimated fair value of this instrument approximates its carrying value due to the interest rate approximating current market rates for similar collateralized borrowings.

Derivative Liabilities

In connection with the convertible notes issued under the Securities Purchase Agreement with Streeterville Capital, LLC, as described in NOTE 10, the Company bifurcated the embedded conversion feature from each note and recognized it as a derivative liability under ASC 815. Each derivative liability is initially recognized at fair value on the issuance date of the respective convertible note and is subsequently remeasured at fair value at each reporting date and each conversion date. Changes in fair value are recognized in the statement of operations.

The Company estimates the fair value of each derivative liability using a Monte Carlo simulation model, which simulates a large number of potential stock price paths and computes the expected present value of the conversion payoff under each path.

Valuation Inputs and Basis of Significant Assumptions

The following inputs were used in the Monte Carlo simulation at each instrument inception measurement date:

Input	Derivative 1 (Convertible Note 1)	Derivative 2 (Convertible Note 2)	Derivative 3 (Convertible Note 3)	Derivative 4 (Convertible Note 4)
Assumed instrument term	3.0 years	3.0 years	3.0 years	2.93 years
Stock price	\$ 13.25	\$ 6.78	\$ 3.90	\$ 2.40
Selected equity volatility	135%	130%	150%	140%
Risk-free rate (continuous compounded)	3.91%	3.68%	3.47%	3.62%
Debt discount rate	25.72%	28.69%	27.06%	27.94%

The following inputs were used in the Monte Carlo simulation to remeasure the derivative liabilities at each reporting date:

Input	12/31/2025	3/31/2026
Assumed instrument term	3.0 years	2.75 years
Stock price	\$ 2.63	\$ 0.80
Selected equity volatility	150%	135.0%
Risk-free rate (continuous compounded)	3.52%	3.77%
Debt discount rate	27.10%	28.70%

The following range of inputs were used in the Monte Carlo simulation to remeasure the derivative liabilities at conversion dates (derivatives with multiple conversions are presented with the range of inputs):

Input	Derivative 4 (Convertible Note 4)
Assumed instrument term	2.79 - 2.93
Stock price	\$ 0.94 - 2.40
Selected equity volatility	130 - 145%
Risk-free rate (continuous compounded)	3.47 - 3.73%
Debt discount rate	27.94 - 28.97%

As described in NOTE 10, the convertible notes have no stated maturity. The Company estimated an expected term based on the timing of expected draws from the SPA, the economic structure of the SPA, the conversion mechanics, and its assessment of expected noteholder conversion behavior. This estimate is reassessed at each remeasurement date.

In the above table, the Company disclosed a range of closing day stock prices, historical volatilities, risk-free rates, and debt discount rates used as model inputs for conversion calculations, if the note had multiple conversions during the period. Convertible Note 4 had multiple conversions which fell on the following dates: January 26, 2026, February 18, 2026, March 3, 2026, and March 18, 2026.

The Company estimated expected equity volatility using the historical volatility of a peer group of comparable-stage companies operating in the autonomous vehicle, robotics, and AI/logistics technology industries, supplemented by the Company's own limited trading history.

The risk-free rate was derived from the continuously compounded yield on U.S. Treasury securities with a remaining term approximately equal to the assumed instrument term, observed as of each measurement date.

The debt discount rate represents the Company's estimated cost of non-convertible debt with terms comparable to the convertible notes. This rate was calibrated using observable market data for similarly situated issuers in the Company's industry and credit profile, adjusted for the specific terms of the SPA.

Sensitivity of Level 3 Fair Value Measurements

Because the derivative liabilities are valued using significant unobservable inputs, their fair value measurements are classified within Level 3. Changes in those inputs can have a material effect on the reported fair value. The table below describes the directional sensitivity of the derivative liability fair value to changes in the most significant unobservable inputs, holding all other inputs constant:

Input	Direction of Change	Effect on Fair Value
Equity volatility	Increase (decrease)	Increase (decrease)
Expected term	Increase (decrease)	Increase (decrease)
Debt discount rate	Increase (decrease)	Decrease (increase)
Stock price	Increase (decrease)	Increase (decrease)

Equity volatility is the most significant unobservable input. The conversion feature has an asymmetric payoff structure (the noteholder benefits from lower stock prices that produce a lower conversion price under the Lookback Formula, subject to the \$0.25 floor), and higher volatility generally increases the expected value of that optionality. A hypothetical 10 percentage point increase or decrease in assumed volatility, holding other inputs constant, would result in a directionally significant change in the fair value of the derivative liabilities; however, the magnitude of such change depends on the then-current stock price relative to the conversion price range and cannot be quantified without reference to the applicable simulation outputs. Management considers the volatility assumption to be the key source of estimation uncertainty in the Level 3 measurement.

Expected term affects the number of simulated conversion opportunities and the present value weighting of simulated payoffs; a longer term increases the value of the conversion optionality. Debt discount rate affects the discount applied to the simulated payoffs; a higher rate reduces present value.

The interrelationship between equity volatility and stock price should also be noted: at lower stock prices, the conversion discount embedded in the Lookback Formula produces larger absolute payoffs per share for the noteholder, and higher volatility amplifies this effect. The \$0.25 floor price limits downside exposure in scenarios where the stock price falls significantly.

Derivative Liabilities Roll-Forward

The following table provides a reconciliation of the derivative liabilities measured at fair value using Level 3 inputs for the three months ended March 31, 2026:

	Convertible Note 1	Convertible Note 2	Convertible Note 3	Convertible Note 4	Total
Balance on December 31, 2025	\$ 280,000	\$ 580,000	\$ 600,000	\$ —	\$ 1,460,000
Derivative liability recognized upon issuance of convertible note payable at fair value	-	-	-	2,310,000	2,310,000
Reclassification of derivative liabilities upon conversion of convertible notes payable	-	-	-	(1,200,231)	(1,200,231)
Change in fair value of derivative liabilities – conversion remeasurement	-	-	-	(460,917)	(460,917)
Change in fair value — period-end remeasurement (March 31, 2026)	(110,000)	(210,000)	(210,000)	(138,852)	(668,852)
BALANCE AT MARCH 31, 2026	\$ 170,000	\$ 370,000	\$ 390,000	\$ 510,000	\$ 1,440,000

The total net change in fair value of derivative liabilities recognized in the statement of operations for the three months ended March 31, 2026 was a gain of \$1,129,769, presented within “Change in fair value of derivative liabilities” in the accompanying statement of operations. There was no comparable activity during the three months ended March 31, 2025.

Amounts reclassified upon conversion represent the fair value of the pro-rata portion of each derivative liability, remeasured as of the applicable conversion date and derecognized in connection with the settlement of the related converted principal. The change in fair value through the conversion date is included in “Change in fair value of derivative liabilities - conversion remeasurement” in the table above. For a description of the full conversion accounting policy, including the treatment of the host debt component upon conversion, see NOTE 10.

Investments

During the three months ended March 31, 2026, the Company held exchange-traded equity securities and written call options that were measured at fair value on a recurring basis and classified within Level 1 of the fair value hierarchy.

During the three months ended March 31, 2026, the Company recognized a realized gain of \$446,324 and an unrealized loss of \$502,112 related to equity securities and written call option activity, which is included in other income (expense) in the statement of operations.

As of March 31, 2026, the Company held exchange-traded equity securities and no written call options. At December 31, 2025, the Company held no equity securities or written call option positions.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	March 31, 2026	December 31, 2025
Vehicles	\$ 94,751	\$ 94,751
Equipment	496,756	308,330
Leasehold improvements	186,294	154,375
Construction in progress	73,787	73,787
Total property and equipment	851,588	631,243
Less: accumulated depreciation	(172,255)	(116,559)
TOTAL PROPERTY AND EQUIPMENT, NET	\$ 679,333	\$ 514,684

For the three months ended March 31, 2026 and 2025, total depreciation expense was \$55,697 and \$7,089, respectively.

NOTE 7 – LEASES

The Company leases office space and ground robots under noncancelable operating lease agreements.

Office Space – Related Party Lease

The office space is leased from an entity owned by the Company's Chief Executive Officer and principal shareholder and is therefore considered a related-party lease. The lease is an operating lease with an initial term of five years commencing on October 1, 2025. The lease includes an option to renew upon expiration of the initial term; however, renewal periods were not included in the measurement of the right-of-use asset or lease liability because the Company has determined that exercise of the renewal option is not reasonably certain at this time.

Under this lease, the base rent is \$44,481 per month for the first twelve months, increasing 3% for each twelve-month period thereafter. The lease is structured as a triple-net arrangement under which the Company also pays taxes, insurance, and common area maintenance charges directly. These triple-net lease ("NNN") costs are variable in nature and are not included in the measurement of the right-of-use asset or lease liability; they are expensed as incurred. Based on current estimates, NNN costs are approximately \$9,885 per month. Total variable lease costs recognized under this arrangement during the 3 months ended March 31, 2026 were approximately \$29,655. The estimated all-in monthly occupancy cost is approximately \$54,366. This lease arrangement is also disclosed in NOTE 12.

Ground Robot Leases

The Company also leases ground robots used in delivery operations to transport goods between Arrive Point units. These leases have initial terms of two years commencing on July 31, 2025. Lease payments are approximately \$4,200 per month. Total lease costs recognized under this arrangement during the 3 months ended March 31, 2026 were approximately \$12,600. The lease includes renewal options; however, renewal periods were not included in the measurement of the right-of-use assets or lease liabilities because the Company has determined that exercise of the renewal options is not reasonably certain at this time.

The ground robot leases and the office space lease have been aggregated in the disclosures below as they share similar remaining terms, discount rates, and lease structures. Management has evaluated the leases and concluded that separate presentation is not necessary to provide a meaningful understanding of the Company's lease obligations.

Right-of-Use Assets and Lease Liabilities

The following summarizes the right-of-use assets and lease liabilities recorded on the Company's balance sheet as of March 31, 2026:

	March 31, 2026	December 31, 2025
Right-of-use assets, net	\$ 2,023,420	\$ 2,117,284
Operating lease liabilities – current portion	408,345	392,950
Operating lease liabilities – long-term portion	1,616,553	1,725,073

Lease Cost

The following is a summary of the lease cost of operating leases recognized in the Company's statement of operations:

	Three Months Ended March 31,	
	2026	2025
Operating lease cost included in general and administrative expense	\$ 176,437	\$ -

Supplemental Cash Flow Information

The following is a summary of the supplemental information related to the Company's operating leases included in the statements of cash flows:

	Three Months Ended March 31,	
	2026	2025
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 175,698	\$ -
Right-of-use assets obtained in exchange for lease obligations	-	-

Discount Rate and Lease Term

As the rate implicit in the Company's office lease was not readily determinable, the Company used its incremental borrowing rate to discount future lease payments. The Company's incremental borrowing rate represents the rate of interest that it would have to pay to borrow, on a collateralized basis and over a similar term, an amount equal to the lease payments in a similar economic environment.

The weighted-average remaining lease term and weighted-average discount rate for operating leases at March 31, 2026 were 4.41 years and 10.37%, respectively.

Future Lease Payments

The future lease payments required under the Company's leases as of March 31, 2026 for the years ending December 31 are as follows:

Future minimum lease payments	
Remainder of 2026	\$ 442,131
2027	579,102
2028	570,516
2029	587,634
2030	300,378
Total future lease payments	2,479,761
Less: Amount representing interest	(454,863)
Present value of lease liabilities	2,024,898
Less: current portion	(408,345)
Long-term portion	\$ 1,616,553

Scheduled amounts represent contractual base rent only and exclude variable NNN costs. Variable lease costs associated with the ground robot leases, if any, were not material for the three months ended March 31, 2026. Based on current estimates, NNN costs are approximately \$9,885 per month and are expensed as incurred.

NOTE 8 - PATENTS, NET

Patents consist of the following:

	March 31, 2026	December 31, 2025
Patents	\$ 274,700	\$ 274,700
Less: accumulated amortization	(3,120)	(2,603)
TOTAL PATENTS	\$ 271,580	\$ 272,097

As of March 31, 2026, eight of the Company's international patent applications were issued and began being amortized over the remaining legal life up to 16 years. The Company did not file for any patents during the three months ended March 31, 2026. Amortization expense was \$517 and \$302 for the three months ended March 31, 2026 and 2025, respectively. Estimated amortization expense on the existing intangible patent assets for the next five years is \$2,066 per year.

NOTE 9 - DEFERRED OFFERING COSTS

Upon completion of an equity offering, including all pre-paid advances under the Securities Purchase Agreement discussed in NOTE 10, such costs are recorded as a reduction of the related proceeds and reflected as a reduction of additional paid-in capital. The deferred offering costs related to the SPA are recorded pro rata based on the pre-paid advance compared to the maximum facility.

During the three months ended March 31, 2026, the Company raised gross proceeds of \$10,000,000, consisting of \$10,000,000 under pre-paid purchase agreements pursuant to the public offering.

The following summarizes the deferred offering balances as of and for the three months ended March 31, 2026:

	March 31, 2026
Beginning balance	\$ 5,650,185
Costs related to public offering	-
Costs related to crowdfunding	-
Reclassification to additional paid-in capital	(2,174,671)
OUTSTANDING BALANCE	\$ 3,475,514

During the three months ended March 31, 2026, the Company recorded \$2,174,671 of deferred offering costs as a reduction of additional paid-in capital in connection with the convertible note financing transaction discussed in Note 4. As of March 31, 2026, the Company had remaining deferred offering costs of \$3,475,514 related to equity financing transactions under the Securities Purchase Agreement discussed in NOTE 10, which are expected to be recorded as a reduction of additional paid-in capital upon completion of the related transactions.

NOTE 10 - CONVERTIBLE NOTES PAYABLE

Overview of the Purchase Agreement

On March 21, 2025, the Company entered into a Securities Purchase Agreement with Streeterville Capital, LLC (“Streeterville”). The SPA closed on May 15, 2025, upon satisfaction of all conditions precedent. The SPA provides for a maximum facility of \$40,000,000, under which three draws were completed during 2025, resulting in aggregate cash proceeds of \$11,000,000 and the issuance of convertible notes with an aggregate face amount of \$11,890,000. One draw was completed in the first quarter of 2026 resulting in cash proceeds of \$10,000,000. As of March 31, 2026, the remaining undrawn capacity under the facility is \$19,000,000; however, any future draws remain subject to the satisfaction of conditions precedent set forth in the SPA, and no assurance can be given that additional draws will be made.

The convertible notes issued under the SPA bear interest at a rate of 8% per annum and have no stated maturity date. In the event of a default under the SPA, the Company will be required to make monthly cash payments until the default is cured or the notes are repaid in full.

Pre-Delivery Shares

Pursuant to the SPA, Streeterville purchased 2,937,500 shares of common stock (the “Pre-Delivery Shares”) at par value (\$0.0002 per share) in exchange for aggregate consideration of \$588. The Pre-Delivery Shares were issued as a condition of and concurrent with the closing of the SPA on May 15, 2025, and are contractually linked to the financing arrangement.

The Company has evaluated the Pre-Delivery Shares under ASC 480-10-25 and ASC 505-10-45 and concluded that equity classification is appropriate on the following basis: (i) the shares represent issued and legally outstanding common stock with full voting rights; (ii) the Company holds a right, but not an obligation, to repurchase the Pre-Delivery Shares at par value, which is a unilateral call option and does not, by itself, require liability classification; and (iii) the shares are not mandatorily redeemable and do not embody an unconditional obligation requiring the Company to transfer assets. Accordingly, the Pre-Delivery Shares are presented within stockholders’ equity and are included as issued and outstanding shares as of December 31, 2025.

The Pre-Delivery Shares are included in the weighted-average shares outstanding used in the computation of basic and diluted loss per share beginning on May 15, 2025, the date the SPA closed and the shares were issued, consistent with ASC 260-10-45. The Company considered whether the nominal issuance price and the Company’s repurchase right created any basis to exclude these shares from EPS and concluded that, because the shares are legally issued and outstanding with no outstanding contingency that would require their return, the Company’s inclusion is appropriate.

Conversion Feature and Bifurcation

Pursuant to ASC 815-40-15 and ASC 815-15-25, a conversion feature that fails the indexed-to-own-stock test must be bifurcated from the host instrument and accounted for separately as a derivative liability, measured at fair value at each reporting date, with changes in fair value recognized in earnings. Accordingly, the Company has bifurcated the conversion feature as a derivative liability at the inception of each note.

Note Issuance Summary

The convertible notes issued were bifurcated as follows. The initial host carrying value for each note represents the cash proceeds received, reduced by (i) the original issue discount (“OID”) of approximately 8% of the principal proceeds, (ii) the fair value of the bifurcated derivative liabilities at issuance, (iii) the portion of debt issuance costs of 4% in 2026 that are allocated to the host debt instrument, as described below.

In connection with the issuance of the convertible note 4 during the three months ended March 31, 2026, the Company incurred debt issuance costs equal to 4% of cash proceeds in 2026 which was \$400,000 for Convertible Note 4. In accordance with ASC 835.30 and ASC 815, the Company allocates debt issuance costs between the host debt instrument and the bifurcated derivative liability based on their relative fair values at the date of issuance. Specifically, the fair value of the bifurcated derivative liability as a percentage of total proceeds was used to determine the portion of issuance costs attributable to the derivative component. Accordingly, \$92,400 of the total \$400,000 in issuance costs was allocated to the derivative components and expensed immediately within the statement of operations for the three months ended March 31, 2026, as such costs cannot be deferred against a liability measured at fair value through earnings under ASC 815-15. The remaining \$307,600 was recorded as a contra-liability (direct reduction of the carrying value of the host debt instrument) and is being amortized to interest expense using the effective interest method over the estimated expected term, consistent with the accretion of the OID and derivative discounts described below. The resulting discount is accreted to par using the effective interest method over the estimated term of each note.

Although the notes have no stated maturity date, the Company estimated an expected term of three years for purposes of both the EIM accretion schedule and the Monte Carlo valuation of the bifurcated derivative. This expected term was determined based on (i) the Company's expected timing of draws under the SPA (ii) the economic terms and structure of the SPA, including the conversion mechanics and the absence of a mandatory redemption date, (iii) the Company's assessment of the expected conversion behavior of the noteholder based on the Lookback Formula, and (iv) the provisions of the SPA governing the noteholder's conversion rights. The use of an expected term rather than a contractual maturity is consistent with ASC 820-10-35-24C, which requires that fair value reflect market participant assumptions. Management applied the same expected term in both the EIM accretion model and the Monte Carlo valuation model based on its estimate of the period over which the notes are expected to remain outstanding. The expected term assumption will be reassessed each reporting period in connection with the fair value remeasurement of the derivative liability. The following table shows the initial host carrying value of convertible note 4 at inception:

	Convertible Note 4
Issuance date	Jan 26, 2026
Face amount	\$ 10,800,000
Original issue discount	(800,000)
Cash proceeds	10,000,000
Debt issuance costs (contra-liability)	(307,600)
Derivative discount (initial fair value of bifurcated derivatives)	(2,310,000)
Commitment shares (discount)	-
INITIAL HOST CARRYING VALUE	\$ 7,382,400

Host Convertible Notes Roll-Forward

The following table sets forth the activity in the carrying value of the host portion of the convertible notes for the three months ended March 31, 2026. Discount accretion is computed using the EIM applied to the initial carrying value of each note over its estimated three-year expected term. Upon conversion, the face amount converted and the pro-rata unamortized discount and issuance costs attributable to the converted portion are removed from the carrying value.

	Convertible Note 1	Convertible Note 2	Convertible Note 3	Convertible Note 4	Total
Balance at January 1, 2026	\$ 367,275	\$ 1,639,474	\$ 2,137,908	\$ —	\$ 4,144,657
Note issuance — initial host carrying value	—	—	—	7,382,400	7,382,400
EIM accretion of debt discount and issuance costs	47,077	89,915	71,070	69,525	277,587
Conversions — face amount	—	—	—	(6,025,000)	(6,025,000)
Conversions — issuance costs	—	—	—	1,730,626	1,730,626
Conversions — unamortized discount	—	—	—	171,084	171,084
HOST CARRYING VALUE AT MARCH 31, 2026	<u>\$ 414,352</u>	<u>\$ 1,729,389</u>	<u>\$ 2,208,978</u>	<u>\$ 3,328,635</u>	<u>\$ 7,681,354</u>

Conversion Accounting

See NOTE 2, Convertible Notes Payable and Derivative Liabilities for details on accounting for the conversion of convertible notes payable.

For a summary of derivative liability activity during 2026, including amounts derecognized upon conversion, refer to NOTE 5.

Other income and expenses related to convertible notes

Other income and expenses related to the convertible notes recognized during the three months ended March 31, 2026 consisted of the following, presented in the income statement line items indicated:

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Stated interest at 8% per annum	\$ 239,866	\$ —
Accretion of debt discount	250,969	—
Accretion of debt issuance costs	26,618	—
Loss on conversion of convertible notes payable	2,345,613	—

NOTE 11 - NOTE PAYABLE

Note payable consists of the following:

	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>
Vehicle note payable for \$40,248 with monthly installment payments of \$799, including interest at 6.99% per annum. The loan is collateralized by the respective vehicle and is due in February 2027.	\$ 8,336	\$ 10,558
Less current portion	(8,336)	(9,140)
LONG-TERM PORTION	<u>\$ —</u>	<u>\$ 1,418</u>

At March 31, 2026 aggregate future principal payments on the note payable are as follows:

2026	\$ 6,918
2027	1,418
TOTAL	<u>\$ 8,336</u>

Interest expense related to this note payable for the three months ended March 31, 2026 and 2025, was \$172 and \$321, respectively.

NOTE 12 - RELATED-PARTY TRANSACTIONS

On May 26, 2020, the Company entered into an initial three-year agreement with the Company's Chief Executive Officer, Daniel O'Toole, for the use of a patent. Beginning June 1, 2020, the Company began paying Mr. O'Toole a monthly license fee of \$10,000. Once revenue from sales, rentals, and leases begins, the Company is required to pay \$25.00 per unit sold. If the Company does not sell 400 units per month (or \$10,000), the original fixed \$10,000 is paid.

On March 10, 2025, the Company entered into the second amendment to the Exclusive Patent License Agreement of May 26, 2020. The Second Amendment extends the license to perpetuity, covering the full term and life of the patents, and provides for cure provisions in the event of default. The Second Amendment also removes prior restrictions on the Company's use, sale, or commercialization of the technology after termination, permitting the sale of remaining inventory for up to 90 days post-termination, provided all required reports and payments are made under the Agreement.

For the three months ended March 31, 2026 and 2025, the Company recorded licensing fee costs in the amount of \$30,000 each period, respectively.

Effective October 1, 2025, the Company entered into a noncancelable lease for an office space with an entity owned by the Company's Chief Executive Officer and principal shareholder. The lease terms are described in NOTE 7 and were evaluated for reasonableness using prevailing market rates for similar properties.

NOTE 13 - STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock

During the three months ended March 31, 2026, the Company issued in the aggregate 3,518,004 shares of common stock as follows:

- 118,343 restricted shares issued to a vendor in exchange for marketing services under an agreement which includes a buyback provision, with a fair value of \$161,000 recorded to deferred compensation. The related expense is recorded on a straight-line basis over the term of the agreement. During the first three months ended March 31, 2026, compensation expense of \$53,666 was recorded.
- 102,492 shares of restricted stock units vested under the 2023 Equity Incentive Plan. Of these shares, 32,308 were withheld for payroll taxes of \$25,749.
- 3,329,477 shares issued, with a fair value of \$6,468,903, as a conversion of convertible notes payable, as described in NOTE 10.

During the three months ended March 31, 2025, the Company issued in the aggregate 714,133 shares of common stock as follows:

- 11,692 shares to accredited investors in exchange for aggregate cash proceeds of \$152,000 at an average share price of \$13.00 per share. Of these shares, 7,692 were issued with warrants and classified as equity
- 62,500 shares upon the exercise of warrants for aggregate cash proceeds of \$296,875.
- 22,154 shares issued through a crowdfunding campaign with other investors in exchange for net cash of \$268,753, at an average of \$12.13 per share after platform fees.
- 84,874 shares issued with employees or consultants via stock awards, recognized as compensation expense, fair valued at \$13.00 per share, for a total of \$1,103,362, based on the price per stock issued to investors for cash during the three months ended March 31, 2025.
- 532,913 shares issued to a consultant via stock awards, recognized as deferred offering costs, fair valued at \$13.00 per share, for a total of \$6,927,869, based on the price per stock issued to investors for cash during the three months ended March 31, 2025.

Share Repurchase Program

On September 8, 2025, the Company announced a new share repurchase program (the "Repurchase Program"), pursuant to which the Company may purchase up to \$10 million of its common stock through March 31, 2026.

Share repurchases under the Repurchase Program may be made from time to time through various means, including open market purchases, privately negotiated transactions, and/or pursuant to Rule 10b5-1 trading plans, in each case in accordance with Rule 10b-18 under the Securities Exchange Act of 1934. The timing, volume, and nature of share repurchases pursuant to the Repurchase Program are at the discretion of management and may be suspended or discontinued at any time.

There were no shares repurchased during the three months ended March 31, 2026. As of March 31, 2026, the end date of the repurchase program, 19,700 shares were repurchased in 2025 totaling \$74,743. The 19,700 shares were fully retired as of December 31, 2025, which reduced the number of issued shares of common stock.

NOTE 14 - WARRANTS

The following table summarizes the warrants outstanding as of March 31, 2026 and changes during the three months ended March 31, 2026:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
OUTSTANDING, DECEMBER 31, 2025	107,741	\$ 10.80	\$ 6.09	1.02	\$ —
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Cancelled/Expired	—	—	—	—	—
OUTSTANDING MARCH 31, 2026	107,741	10.80	6.09	0.77	—
EXERCISABLE, MARCH 31, 2026	<u>107,741</u>	<u>\$ 10.80</u>	<u>\$ 6.09</u>	<u>0.77</u>	<u>\$ —</u>

The aggregate intrinsic value represents the excess, if any, of the Company's common stock price over the exercise price of in-the-money warrants as of the applicable reporting date. The stock prices used were \$2.63 and \$0.797 as of December 31, 2025 and March 31, 2026, respectively.

NOTE 15 - STOCK-BASED COMPENSATION

The Company created the 2023 Equity Incentive Plan (the "Plan") on April 27, 2023, under which stock options, restricted stock awards ("RSAs"), restricted stock units ("RSUs"), and other stock-based awards became available for issuance not to exceed 1,500,000. On November 6, 2025, the Board of Directors resolved to increase the share pool under the Plan to 7,000,000 shares. The Plan is designed to attract, retain, and motivate key employees. Currently, the fair value is recognized as an expense over the vesting period of the award. Options are generally granted with an exercise price equal to the fair market value of the Company's stock at the date of grant, vest over a four-year period, and expire after five or ten years. There are certain situations that may accelerate the vesting or termination of all outstanding options, such as a change in control. Vesting of RSUs awarded to employees may be time- or performance-based. As of March 31, 2026, 2,228,615 shares were available for grant under the Plan. The compensation expense related to stock-based awards is included in general and administrative expenses with a corresponding increase to additional paid-in capital.

The following table summarizes the share options outstanding as of March 31, 2026 and changes during the three months ended March 31, 2026:

	Number of Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
OUTSTANDING, DECEMBER 31, 2025	609,318	\$ 0.80	\$ 10.87	4.90	\$ 1,116,368
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
Cancelled/Expired	(1,825)	0.76	11.56	-	-
OUTSTANDING, MARCH 31, 2026	607,493	\$ 0.80	\$ 10.87	4.64	\$ 8,259
VESTED AND EXPECTED TO VEST, MARCH 31, 2026	607,493	0.80	10.87	4.64	8,259
EXERCISABLE, MARCH 31, 2026	<u>269,317</u>	<u>\$ 0.80</u>	<u>\$ 10.87</u>	<u>6.69</u>	<u>\$ 3,300</u>

The following table summarizes the nonvested share options for the three months ended March 31, 2026 and activity during the three months ending March 31, 2026:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
OUTSTANDING, DECEMBER 31, 2025	361,327	\$ 0.80	\$ 10.99	3.54	\$ 662,712
Granted	-	-	-	-	-
Vested	(22,129)	0.79	10.92	6.89	374
Canceled/Expired	(1,022)	0.76	11.68	-	-
OUTSTANDING MARCH 31, 2026	338,176	\$ 0.80	\$ 10.87	3.01	\$ 4,959

The aggregate intrinsic value represents the excess, if any, of the Company's common stock price over the exercise price of in-the-money options as of the applicable reporting date. The stock prices used were \$2.63 and \$0.797 as of December 31, 2025 and March 31, 2026, respectively

As of March 31, 2026, there was \$3,637,317 unrecognized compensation expense related to nonvested stock options to be recognized through June 30, 2028. Total compensation expense related to stock options during the three months ended March 31, 2026 and 2025 was \$241,210 and \$244,883, respectively.

The following table summarizes the restricted stock units ("RSUs") outstanding as of March 31, 2026 and activity during the three months ended March 31, 2026:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
OUTSTANDING, DECEMBER 31, 2025	1,693,202	\$ 3.07
Granted	2,542,982	0.81
Vested	(102,492)	2.63
Canceled/Expired	(108,932)	3.16
OUTSTANDING, MARCH 31, 2026	4,024,760	\$ 1.65

During the three months ended March 31, 2026, RSUs of 2,542,982 shares were issued under the plan to employees with a total fair value of \$2,055,383, based on grant date fair value. Of those shares, 1,398,643 vest and are expensed on a straight line basis over a period of three months to four years. There were 102,492 shares vested and 72,253 canceled during the three months ended March 31, 2026. Total compensation expense related to time-based RSUs during the three months ended March 31, 2026 and 2025 was \$513,182 and \$0, respectively.

During the three months ended March 31, 2026, the remaining 1,144,339 shares vest over terms up to 3 years upon the satisfaction of certain operational goals specified in the underlying agreements. Compensation expense for these performance-based restricted stock units is recognized in accordance with ASC 718 over the requisite service period, when achievement of the performance condition is considered probable. The Company reassesses the probability of achieving such performance conditions at each reporting period and adjusts compensation expense accordingly. To the extent applicable, compensation cost is recognized using an accelerated attribution method for awards with graded vesting features. There were 36,679 performance-based restricted stock units canceled during the three months ended March 31, 2026. Total compensation expense related to performance-based RSUs during the three months ended March 31, 2026 and 2025 was \$235,731 and \$0, respectively.

As of March 31, 2026, there was \$6,070,525 unrecognized compensation expense related to nonvested RSUs to be recognized through January 31, 2030.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Litigation

The Company accounts for loss contingencies in accordance with ASC 450-20, *Contingencies — Loss Contingencies*. A liability is accrued when a loss is probable and the amount can be reasonably estimated. When a loss is reasonably possible but not probable, or when a probable loss cannot be reasonably estimated, the Company discloses the nature of the contingency and, where determinable, an estimate of the possible loss or range of loss.

From time to time, the Company may become involved in various legal proceedings in the ordinary course of its business and may be subject to third-party infringement claims. In the normal course of business, the Company may agree to indemnify third parties with whom it enters into contractual relationships, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. Legal fees are expensed as incurred.

The Company has agreed, under certain conditions, to hold these third parties harmless against specified losses, such as those arising from a breach of representations or covenants, other third-party claims that the Company's products, when used for their intended purposes, infringe the intellectual property rights of such other third parties, or other claims made against certain parties. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the Company's limited history of prior indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim.

On March 15, 2023, the Company was named as a defendant in CAUSE NO. 29 D05-2303-PL-002478, originally filed in Hamilton County, Indiana and subsequently moved to Marion County as CAUSE NO. 49 D02-2305-PL-020604. This is an employment action alleging breach of employment agreement; breach of stock purchase agreement; breach of fiduciary duties and non-payment of salary, bonuses, and benefits. Although the settlement demand includes unpaid salary and stock awards of approximately \$29 million, the Company does not believe a loss is probable, and the Company is unable to estimate a reasonably possible loss, or range of loss, at this time. No motions are pending, and depositions are underway. No accrual has been recorded as of March 31, 2026.

On September 9, 2025, John Doan and Jami Town named the Company as a defendant in Case No. 3:2025cv00721, pending in U.S. District Court for the Eastern District of Virginia. Doan and Town claim the Company is in breach of contract for loans made to AirBox. The loans were extended to AirBox before the Company purchased its assets in 2023. The Company explicitly acquired only the assets of AirBox and therefore does not believe it is liable for any of its previous liabilities. The Plaintiff's alleged damages and fees total \$45,082. The Company has filed for removal from the claim. The plaintiffs have filed to have the case remanded to Virginia state court, where it was originally filed on August 13, 2025. Since this matter is still in its initial stages, the Company is unable to predict the outcome at this time. No accrual has been recorded as of March 31, 2026.

On October 2, 2025, the Company was the plaintiff in a lawsuit Case No. 1:2025cv02026 filed in federal court in the Southern District of Indiana for misappropriation of US federal and Indiana trade secrets. The defendants are former consultants, Myron Wright, an individual, and Wright Flyer Consulting Group Inc., a Kentucky corporation. The Company is seeking compensatory and punitive damages, attorney fees and costs as well as permanent injunctive relief against the defendants requiring the immediate cessation of all transactions utilizing the Company's Trade Secrets and return of materials constituting the Trade Secrets. Taft, Stettinius & Hollister, LLP is representing the Company in the matter. Settlement negotiations are scheduled, and because the Company is the plaintiff in this matter, no loss contingency has been recorded.

NOTE 17 - SEGMENT REPORTING

The Company determines its operating segments in accordance with ASC 280, *Segment Reporting*, based on the information reviewed by the Chief Operating Decision Maker ("CODM") for purposes of allocating resources and assessing performance. The Company operates as a single reportable segment, as the CODM, the Chief Executive Officer ("CEO"), evaluates the business as a whole and does not receive discrete financial information for multiple business units. The CODM assesses the Company's financial performance based on net loss, as presented in the statements of operations, and uses net loss to evaluate operating results and make resource allocation decisions.

The Company has determined that there are no significant segment expense categories or other segment items that are regularly provided to the CODM and included in the measure of segment profit or loss.

Entity-Wide Disclosures

- Geographic Revenue Information: For the three months ended March 31, 2026, 100% of the Company's revenue was generated in the United States. The Company did not generate revenue during the three months ended March 31, 2025.
- Major Customers: The Company has one customer that accounted for more than 90% of total revenue.
- Geographic Asset Information: Substantially all of the Company's assets are located in the United States.

NOTE 18 - SUBSEQUENT EVENTS

On April 9, 2026, Streeterville converted \$5,319,001 of principal under note 3 and 4 into 10,000,000 shares of common stock. On April 16, 2026, Streeterville converted \$1,350,000 of principal under note 1 into 2,538,071 shares of common stock. On April 21, 2026, Streeterville converted \$845,661 of principal under note 1 and 2 into 1,589,885 shares of common stock. In aggregate, \$7,514,662 of principal has been converted into 14,127,956 shares of common stock subsequent to March 31, 2026.

Each conversion requires remeasurement of the pro-rata portion of the bifurcated derivative liability to fair value as of the applicable conversion date, with the resulting change in fair value recognized in earnings, and derecognition of both the host carrying value and derivative fair value attributable to the converted principal. The fair value of the bifurcated derivative at each post-balance sheet conversion date has not been determined as of the date these financial statements were issued.

On April 16, 2026 and April 21, 2026, conversions related to convertible notes 1 and 2 exceeded shares registered under our current S-1 registration statements. As a result, we issued Streeterville approximately 4,127,956 of unregistered shares eligible to be resold under the Rule 144 Safe Harbor Provision.

Item 2. Management’s Discussion and Analysis of Financial Conditions and Results of Operations

The following discussion and analysis is intended as a review of significant factors affecting our financial condition and results of operations for the periods indicated. The discussion should be read in conjunction with our unaudited financial statements and the notes presented herein included in this Form 10-Q and the audited financial statements and the other information set forth in our Annual Report on Form 10-K for the year ended December 31, 2025. Please also see the note entitled “Cautionary Note Regarding Forward-Looking Statements” elsewhere in this Quarterly Report on Form 10-Q.

Company Overview

Arrive AI pioneered the smart mailbox for drone deliveries, evolving into a leader in the Autonomous Last Mile (“ALM”). Today, we are transforming last-mile logistics by enabling secure, seamless exchanges between drones, robots, and people. Our mission is to connect these systems through a universal ALM network of Arrive Points™—smart lockers and mini-cross-docks—powered by an AI-driven ALM platform. This network unlocks exceptional efficiency, accelerating adoption in medical, retail, e-commerce, and beyond, making Arrive AI the intelligent choice for the final inch of automated delivery.

Our patented Arrive Points™ deliver a smart, secure, and seamless solution for automated last-mile delivery. These innovative docks streamline exchanges by eliminating manual intervention and technical barriers, ensuring efficient data validation and synchronization. With robust security, precise tracking, and support for diverse goods—including temperature-controlled options for food and medicine—Arrive Points enhance chain of custody and product integrity. By bridging physical and digital interfaces, they are paving the way for scalable, fully autonomous delivery networks.

We expect to have three primary revenue streams:

1. The Company is currently generating revenue through subscription services for Arrive Points, along with installation, support, and infrastructure agreements with customers. We intend to provide our ALM access points to both businesses and consumers through monthly and annual subscription fees. This turnkey service includes hardware, software, support, maintenance, installation/uninstallation, and financing for long-term deployed assets. Our third-generation Arrive Points (“AP3” units), began revenue operation in 2025

2. Data monetization via models and insights generated by machine learning and artificial intelligence (“ML” and “AI”). Machine learning facilitates our systems’ ability to learn and improve from experience using data patterns, while artificial intelligence encompasses broader capabilities and models to simulate human intelligence and decision-making. We plan to use both technologies distinctly:

a. Machine learning: Primarily expected to be deployed in our fourth and fifth-generation Arrive Points (“AP4” and “AP5” units) for local IoT (Internet of Things) data processing, edge computing (inferencing) for environment and transactional models, and interactions models for drones and robots.

b. Artificial intelligence: Used more broadly to analyze and derive insights from our network’s transactional and environmental data through complex AI models, but we will also leverage foundational AI models like ChatGPT or LLaMa for device-based human interactions.

3. ALM Marketplace. Our network of Arrive Points, the supporting software and AI plus ML, collectively create a platform that is intended to provide valuable services and insights to all stakeholders in the ALM ecosystem. For example, our automated delivery marketplace (“ADM”) will use a Google-AdSense-like market to help prioritize and optimize high-demand access schedules and space availability for our access point network. This platform will provide a broad array of critical functions for the ALM ecosystem including arrival/departure scheduling, space optimization, smart delivery notifications, micro weather conditions, local restrictions, transactional status updates, and automation issues/obstacles. These advanced capabilities will be introduced in our AP5 development and pilot program currently in development.

We differentiate ourselves through a comprehensive, integrated solution:

- **Universal Compatibility:** Our multi-generational Arrive Points (AP3, AP4, AP5) are being developed for universal support of all drone and robotic delivery systems, overcoming a major hurdle for widespread ALM adoption.

- **End-to-End Solution:** We will combine advanced hardware with a powerful software platform and AI/ML capabilities, offering a complete ecosystem for automated exchange.

- **Early Market Penetration:** We have already secured pilot programs with significant customers, including a regional hospital and a specialty pharmaceutical delivery company, demonstrating early validation and learning opportunities for sustainable economics.

Capitalization and Dilution

As of March 31, 2026, we had 37,731,391 shares outstanding. On a fully diluted basis, including outstanding warrants (exercisable for 107,741 shares), options (exercisable for 607,493 shares), and restricted stock units (4,024,760 shares) our total share count is 42,471,385. Additionally, under the Streeterville Purchase Agreement (the "Purchase Agreement"), approximately 19,055,032 shares may be issuable at a discount to the market price upon conversion of the outstanding principal and interest as of March 31, 2026. The Purchase Agreement also specifies the re-purchase of 2,937,500 outstanding pre-delivery shares at par value upon expiration or termination of the agreement.

The table below illustrates potential dilution under different conversion scenarios (unaudited):

Scenario

	<u>Shares Outstanding</u>	<u>% Increase</u>
Current Outstanding (3/31/2026)	37,731,391	-
With all options, warrants, and RSUs exercised	42,471,385	13%
With conversion of Streeterville balance at March 31	61,526,417(1)	63%
With re-purchase of pre-delivery shares	58,588,917	55%

(1) Amount assumes conversion of outstanding principal and interest as of March 31, 2026, using the conversion price calculated from the minimum ten-day volume-weighted average price on March 31, 2026.

The share amounts shown above represent the period-end shares on a fully diluted basis. These potential issuances could materially dilute existing stockholders, particularly if conversion occurs at depressed share prices.

Recent Developments

Shares Issued Under Purchase Agreement and Other Shares Issued

Streeterville elected additional conversions as follows:

- On April 9, 2026, \$5,319,001 of principal was converted into 10,000,000 shares of common stock.
- On April 16, 2026, \$1,350,000 of principal was converted into 2,538,071 shares of common stock.
- On April 21, 2026, \$845,661 of principal was converted into 1,589,885 shares of common stock.

In aggregate, \$7,514,662 of principal was converted into 14,127,956 shares of common stock since March 31, 2026.

Share Repurchase Program

On September 8, 2025, we announced a share repurchase program of up to \$10 million of the Company's common stock, par value \$0.0002 per share, which expired March 31, 2026.

Outlook And Challenges Facing Our Business

Dependence on Streeterville Financing

Our recent financings with Streeterville Capital involve pre-paid purchase agreements that permit the investor to acquire our common shares at a discount to market price. These arrangements may cause significant shareholder dilution and could exert downward pressure on our stock price. Certain triggers, including sustained declines in our share price, could accelerate cash repayment obligations, which we may not be able to meet.

Nasdaq Listing Compliance

On March 31, 2026, we received two separate notification letters from The Nasdaq Stock Market LLC (“Nasdaq”) indicating that we were not in compliance with certain continued listing requirements of The Nasdaq Global Market.

The first notification letter advised that we were not in compliance with Nasdaq Listing Rule 5450(b)(2)(C), which requires a minimum Market Value of Publicly Held Shares (“MVPHS Requirement”) of \$15,000,000 for continued listing on The Nasdaq Global Market, as we failed to meet the MVPHS requirement for a period of 30 consecutive business days from February 11, 2026 to March 31, 2026. The second notification letter advised that we were not in compliance with Nasdaq Listing Rule 5450(b)(2)(A), which requires a minimum Market Value of Listed Securities (“MVLS Requirement”) of \$50,000,000 for continued listing on The Nasdaq Global Market, as we failed to meet the MVLS requirement for a period of 30 consecutive business days from February 10, 2026 to March 30, 2026.

Both notification letters afforded us 180 calendar days, or until September 28, 2026, to regain compliance. The notification letters were previously described in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2025, filed with the SEC on April 15, 2026.

Both deficiencies were outstanding as of March 31, 2026. Subsequent to March 31, 2026, we regained compliance with the MVPHS Requirement. On April 24, 2026, Nasdaq notified us that we had regained compliance with Nasdaq Listing Rule 5450(b)(2)(C), and that this matter is now closed. We disclosed this development in a Current Report on Form 8-K filed with the SEC on April 28, 2026.

The MVLS deficiency remains outstanding as of the date of this filing. We continue to monitor our MVLS and intend to regain compliance prior to the September 28, 2026 deadline, though there can be no assurance that we will be able to do so. If we do not regain compliance by September 28, 2026, Nasdaq may initiate delisting proceedings, and our common stock could be subject to suspension and delisting from The Nasdaq Global Market. Our common stock continues to trade on Nasdaq under the symbol “ARAI,” and the outstanding MVLS deficiency notice has no immediate effect on the listing or trading of our common stock.

Customer Concentration

Our revenues to date have been derived from a limited number of customers. In the three months ended March 31, 2026, more than 90% of our total revenue came from a single customer. If we are unable to expand our customer base and generate recurring subscription revenue, our results of operations will remain highly volatile.

Intellectual Property

We rely on patented and non-patented proprietary information relating to product development, manufacturing capabilities, and other core competencies of our business. Protection of intellectual property is critical. Therefore, steps such as additional patent applications, confidentiality, and non-disclosure agreements, as well as other security measures are important. While we believe we have a strong patent portfolio and there is no actual or, to our knowledge, threatened litigation against us for patent-related matters, litigation or threatened litigation is a common method to effectively enforce or protect intellectual property rights. Such action may be initiated by or against us and would require significant management time and expenses.

Supply Chain Constraints

We cannot be sure whether global supply chain shortages will impact our future plans. In order to mitigate supply chain risks, we may need to incur higher costs to secure available inventory and place non-cancelable purchase commitments with our suppliers, which could introduce inventory risk if our forecasts and assumptions prove inaccurate. Higher costs of components would impact our cash runway and delays in the manufacturing of our Arrive Points would push out our revenue forecasts.

Governmental and Regulatory Conditions

Our potential for growth depends on continued permission and acceptance by local governments and municipalities of autonomous robot and drone deliveries. Changes in regulations such as restrictions on autonomous vehicle operation or technical requirements such as size and weight restrictions or limitations on autonomy within a certain geographic area could reduce or limit our ability to generate revenues and/or impact our unit economics in those markets.

Components of Results of Operations

Revenue. Revenue currently consists of consulting services, installation services and subscription fees. Consulting services, and installation fees are typically project-based and non-recurring in nature. Subscription services are recurring and paid either up-front or monthly for an annual term. We anticipate these revenue streams to continue in future quarters while we develop new revenue models for the autonomous delivery marketplace and AI data insight monetization.

General and Administrative Expenses. General and administrative expenses primarily consist of personnel-related costs, legal and professional services, rent, information technology expenses, insurance, general corporate expenses as well as depreciation on property and equipment as well as amortization of right of use assets.

Research and Development Expenses. Costs incurred in the research and development of the Company's products are expensed as incurred. Research and development costs include product design, hardware and software costs.

Sales and Marketing Expenses. Sales and marketing expenses include advertising, marketing, trade shows and travel.

Interest Expense. Interest expense consists of interest on notes payable, finance and leasing instruments, and amortization of debt issuance costs.

Other Income, Net. Other income includes payroll tax refunds earned under the federal research and development ("R&D") tax credit program, state tax refunds from Indiana EDGE tax credits, funds from grants, and dividend and interest income.

Change in Fair Value of Derivative Liabilities. Change in fair value of derivative liabilities consists of non-cash gains and losses arising from the remeasurement of bifurcated derivative liabilities associated with the Company's convertible notes at each reporting date and conversion date using a Monte Carlo simulation model.

Accretion of Debt Discount. Accretion of debt discount consists of the non-cash accretion of the combined discount on the host convertible note instruments, comprising original issue discount, the fair value of each bifurcated derivative at issuance, and allocable debt issuance costs, recognized using the effective interest method over the estimated term of the notes.

Loss on Conversion of Convertible Notes Payable. Loss on conversion of convertible notes payable consists of losses recognized upon the conversion of convertible notes principal into common stock, representing the difference between the net carrying value of the debt retired less consideration transferred.

Realized Gain (Loss) on Investments. Realized gain (loss) on investments consists of net gains and losses recognized upon the sale or settlement of exchange-traded equity securities and options held as part of the Company's strategy to generate short-term returns on excess cash.

Unrealized Gain (Loss) on Investment. Unrealized gain (loss) on investments consists of net gains and losses on exchange-traded equity securities and options that have not yet been sold or settled as of period end. These are held as part of the Company's strategy to generate short-term returns on excess cash.

Results of Operations

Comparison of the Three Months Ended March 31, 2026, and March 31, 2025

	2026	2025	Change
REVENUE	\$ 14,925	\$ -	\$ 14,925
OPERATING EXPENSES			
General and administrative	4,210,066	1,894,981	2,315,085
Research and development	357,073	91,263	265,810
Sales and marketing	111,350	7,661	103,689
Total operating expenses	4,678,489	1,993,905	2,684,584
OTHER INCOME (EXPENSES)			
Interest Expense	(361,870)	(1,175)	(360,695)
Other income	177,789	16,915	160,874
Change in fair value of derivative liabilities	1,129,769	-	1,129,769
Accretion of debt discount	(250,969)	-	(250,969)
Loss on conversion of convertible notes payable	(2,345,613)	-	(2,345,613)
Realized gain on investments	446,324	-	446,324
Unrealized loss on investments	(502,112)	-	(502,112)
Total other income (expenses)	(1,706,682)	15,740	(1,722,422)
NET LOSS BEFORE TAXES	(6,370,246)	(1,978,165)	(4,392,081)
PROVISION FOR INCOME TAXES	-	-	-
NET LOSS	<u>\$ (6,370,246)</u>	<u>\$ (1,978,165)</u>	<u>\$ (4,392,081)</u>

Financial Overview

For the three months ended March 31, 2026 and 2025, we generated revenues of \$14,925 and \$0, respectively, and reported net loss of \$6,370,246 and \$1,978,165, respectively. During the three months ended March 31, 2026, operating expenses reflect growing investment in the size of our team for product development, engineering and marketing activities. During the three months ended March 31, 2026, other expenses reflect the activities associated with our convertible notes payable facility.

Revenues

During the three months ended March 31, 2026, we recognized total revenues of \$14,925 for monthly subscriptions to the Arrive Point network.

As an early stage company, during the three months ended March 31, 2025, we had no revenues.

Operating Expenses

General and administrative expenses were \$4,210,066 for the three months ended March 31, 2026, an increase of \$2,315,085, as compared to the three months ended March 31, 2025. Primary components of general and administrative expenses were:

- Salaries and benefits in total increased by \$1,429,519 from the prior year. Base salaries for the three months ended March 31, 2026 were \$1,545,967, an increase of \$1,313,908 from the same period in the prior year due to new hiring in product development, engineering and sales and marketing. As of March 31, 2026, the Company had 43 full-time salaried employees, compared to six as of March 31, 2025. Bonus expense increased by \$241,400 from the same period in the prior year due to a bonus program being implemented for officers. Benefits and payroll taxes increased \$178,667 due to the increase in employees. Stock-based compensation for the three months ended March 31, 2026 was \$1,043,789 an decrease of \$304,456 from the same period in the prior year due to option and stock award plans granted to employees, directors, and consultants.

- Legal and professional service fees were \$689,248 for the three months ended March 31, 2026, an increase of \$489,047 from the same period in the prior year due to higher legal fees related to being a public company of \$72,218, general corporate legal fees of \$147,504, offset by a decrease in legal expenses related to patents of \$9,160. Audit, accounting, and related fees increased by \$248,287, and other professional fees increased \$30,198.
- Insurance expense was \$57,106, an increase of \$36,970 from the same period in the prior year, due to higher directors and officers insurance premiums.
- Rent increased \$160,387 from the same period in the prior year, as a result of entering into a new office building that will accommodate the increase in employees and growth and the leasing of delivery robots.
- Information technology and subscriptions expense was \$ 99,951, an increase of \$78,717 from the same period in the prior year, due to onboarding a new service provider as well as the increase in employees.
- Depreciation expense increased by \$48,607 from the same period in the prior year due to a higher capital expenditures in the last twelve months.
- Remaining increase of \$76,321 from the same period in the prior year is made up of immaterial individual increases.

Research and Development expenses were \$357,073 for the three months ended March 31, 2026, an increase of \$265,810 as compared to the same period in the prior year. This is primarily due to the increase of engineering projects resulting in a increase in expense of \$196,204, along with higher independent contractor spend of \$69,607.

Sales and marketing expenses were \$111,350 for the three months ended March 31, 2026, an increase of \$103,689 from the same period in the prior year. The increase is due to increased advertising expenses of \$26,772, travel and meals and entertainment expense increase of \$61,540, and trade show expense increase of \$15,378.

Other Income/Expenses

Interest expense of \$361,870 for the three months ended March 31, 2026 was comprised primarily of the immediate expensing of the debt issuance costs associated with the bifurcated derivative of \$92,400, stated interest on the convertible note of \$239,866, and amortization of debt issuance costs of the convertible notes payable of \$26,618. Other miscellaneous interest expense and bank fees were \$2,986 during the three months ended March 31, 2026. Interest expense and bank fees for the three months ended March 31, 2025 was \$1,175.

Other Income of \$177,789 for the three months ended March 31, 2026 was recognized from disgorged short-swing profits from two executive officers of \$129,701 and dividend and interest income of \$48,088. Other income of \$16,915 for the three months ended March 31, 2025 was recognized from the Indiana EDGE tax credits.

Change in fair value of derivative liabilities resulted in a non-cash gain of \$1,129,769 in 2026, with no comparable amount in 2025. The embedded conversion feature of each convertible note was bifurcated as a derivative liability at issuance under ASC 815 due to the path-dependent lookback formula used to determine the conversion price. Each derivative is remeasured at fair value using a Monte Carlo simulation model at each reporting and conversion date, with changes recognized in earnings. The gain reflects the decline in the Company's stock price from each issuance date to March 31, 2026, which reduced the expected value of the noteholder's conversion optionality.

Accretion of debt discount resulted in a non-cash charge of \$250,969 in 2026, with no comparable amount in 2025, representing EIM accretion of the combined discount on the host convertible note instruments, consisting of original issue discount, the fair value of each bifurcated derivative at issuance, and allocable debt issuance costs, over the estimated three-year expected term of the notes.

Loss on conversion of convertible notes payable of \$2,345,613 in 2026 resulted from the issuance of common stock for the conversion of convertible notes payable with no comparable amount in 2025. Under ASC 470-50, each conversion was treated as a debt conversion, and the loss represents the difference between the net carrying value converted and the fair value of common stock issued.

Realized gains on investments were \$446,324, and unrealized losses were \$502,112 for the quarter ended March 31, 2026. During the quarter, the Company engaged in short-term investment activities, primarily options, resulting in a net realized gain of \$576,970. The Company's short-term investments, primarily in marketable securities, contributed a realized net loss of \$130,646 and an unrealized net loss of \$502,112 for the quarter. These activities are part of the Company's strategy to generate short-term returns on excess cash.

Liquidity and Capital Resources

Liquidity

As of March 31, 2026, the Company had cash and cash equivalents of approximately \$5.7 million and short-term investments of approximately \$2.8 million. As disclosed in Note 10 "Convertible Notes Payable" of the financial statements, on January 26, 2026, the Company received \$9.6 million in net proceeds from a convertible note payable financing transaction with Streeterville Capital, LLC ("Streeterville"), representing \$10.0 million in gross proceeds less approximately \$0.4 million in banking fees.

As disclosed in Note 10 of the financial statements, the Company is party to a convertible note payable financing arrangement with Streeterville (the "Streeterville Facility"), which initially provided a maximum facility of up to \$40,000,000 in gross borrowings, subject to the terms and conditions of the agreement. The convertible note payable includes limitations that may restrict additional borrowings, including (i) a limitation on total outstanding indebtedness and (ii) a minimum market capitalization requirement of \$100 million and (iii) a minimum book value of \$4 million at the time of a draw. Availability under this facility is subject to the Company's ability to satisfy these conditions, or the investor's continued practice of extending funds, despite certain conditions not being met.

Going Concern

The accompanying Financial Statements in Appendix A have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. In accordance with ASC 205-40, *Presentation of Financial Statements - Going Concern*, management evaluated whether conditions or events, considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern within one year after the date these financial statements are issued.

The Company has incurred recurring operating losses and has experienced negative cash flows from operations since inception and expects to continue to do so as it invests in product development, commercialization, and infrastructure. These conditions, considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern.

Management's plans to address its liquidity needs include: (i) utilizing existing cash and cash equivalents of \$5.7 million as of March 31, 2026, (ii) Liquidating approximately \$2.8 million of existing short-term investments, and (iii) potentially drawing additional amounts under the Securities Purchase Agreement with Streeterville, which provides up to an additional \$19.0 million in gross borrowings, subject to certain conditions including a limitation on total outstanding indebtedness, a minimum market capitalization of \$100 million and a minimum book value of \$4 million at the time of each draw. The Company's ability to access these funds is dependent on satisfying these conditions and on Streeterville's willingness to continue funding draws.

The Company's continued existence is dependent on its ability to continue its operating plan and to access remaining funds under the Securities Purchase Agreement ("SPA") or obtain additional debt or equity financing. Accordingly, substantial doubt about the Company's ability to continue as a going concern is not alleviated by management's plans. The accompanying Financial Statements do not include any adjustment that might result from the Company's inability to continue as a going concern.

As of May 12, 2026, the Company's cash, cash equivalents, and short-term investments are approximately \$7.1 million.

Cash Flow and Liquidity

	Three Months Ended March 31,		\$
	2026	2025	Change
Net cash provided by (used in):			
Operating activities	\$ (2,930,286)	\$ (546,671)	\$ (2,383,615)
Investing activities	(3,078,194)	(2,832)	(3,075,362)
Financing activities	9,572,029	715,553	8,856,476
Net increase (decrease) in cash and cash equivalents	<u>\$ 3,563,549</u>	<u>\$ 166,050</u>	<u>\$ 3,397,499</u>

Operating Activities

Net cash used in operating activities was \$2,930,286 for the three months ended March 31, 2026, compared to \$546,671 for the same period in 2025. The increase in cash outflows of \$2,383,615 was primarily due to our increased net loss.

For the three months ended March 31, 2026, our net loss of \$6,370,246 was offset by non-cash items of stock-based compensation expense of \$1,043,789, depreciation and amortization expense of \$56,214, loss on conversion of convertible notes payable of \$2,345,613 the accretion of a discount on the convertible notes payable of \$250,969, the accretion of issuance costs on convertible notes payable of \$119,018, and unrealized loss on investments of \$502,112. These are offset by the change of derivative liability of \$1,129,769 and the realized gain on investments of \$446,324.

Other working capital movements in the period resulted in a positive net cash adjustment of \$697,299, primarily due to an increase in accrued expenses of \$952,486, an increase in accounts payable of \$43,916, and a decrease in accounts receivable of \$4,675. This positive adjustment was offset by an increase in other assets of \$213,554 and an increase in prepaid expenses of \$90,224.

For the three months ended March 31, 2025, operating cash flow used of \$546,671 was composed of our net loss of \$1,978,165, offset by non-cash items of stock-based compensation expense of \$1,348,245 and depreciation and amortization of \$7,391. Working capital movements in the prior-year period resulted in a positive net cash adjustment of \$75,858 due to an increase in accrued liabilities of \$133,627, prepaid expenses of \$7,081, other current assets of \$1,412, offset by decrease in accounts payable of \$66,262.

Investing Activities

Net cash used for investing activities was \$3,078,194 for the three months ended March 31, 2026. This was due to capital expenditures of \$220,346. We also incurred a net cash outflow from sales and purchases of short-term investments of \$2,857,848.

Net cash used for investing activities was \$2,832 for the three months ended March 31, 2025. This was due to an increase in construction in progress.

Financing Activities

Net cash provided by financing activities was \$9,572,029 for the three months ended March 31, 2026. We received \$10,000,000 in proceeds from issuance of convertible notes payable under the Purchase Agreement. These cash inflows were offset by payments made on an outstanding note payable of \$2,222, payments for tax withholding for vested restricted stock units of \$25,749, and payments of debt issuance costs of \$400,000.

For the three months ended March 31, 2025, net cash provided by financing activities was \$715,553, which included \$717,628 from sales of common stock, offset by payments made on the note payable of \$2,075.

Capital Expenditures

Capital expenditures for the three months ended March 31, 2026 and 2025 were \$220,346 and \$2,832, respectively. Our future capital expenditures will depend on many factors, including, but not limited to our growth, our ability to attract and retain customers, market acceptance of our offerings, the time and extent of spending to support our efforts to develop our platform, the expansion of sales and marketing activities, and the timing and extent of spending for initiatives. Further, we may in the future enter into arrangements to acquire or invest in businesses, products, services, and technologies. We may be required to seek additional equity or debt financing. If additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition, and results of operations could be adversely affected.

Contractual Obligations/Indebtedness

To provide a clear picture of matters potentially impacting our liquidity position, the table below sets forth a summary of our contractual obligations as of March 31, 2026. Some of the figures included in this table are based on management's estimates and assumptions about these obligations, including their duration, the possibility of renewal and other factors. Because these estimates and assumptions are necessarily subjective, the obligations we may actually pay in future periods could vary from those reflected in the table.

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 Years
Convertible notes payable principal ⁽¹⁾	\$ 12,540,000	\$ 12,540,000	\$ -	\$ -	\$ -
Vehicle note payable ⁽²⁾	8,336	8,336	-	-	-
Operating leases ⁽³⁾	2,479,761	592,176	1,145,388	742,197	-
Interest related to notes payable ⁽⁴⁾	522,796	522,796	-	-	-
Patent License Agreement ⁽⁵⁾	1,690,000	120,000	240,000	240,000	1,090,000
	<u>\$ 17,240,893</u>	<u>\$ 13,783,308</u>	<u>\$ 1,385,388</u>	<u>\$ 982,197</u>	<u>\$ 1,090,000</u>

(1) Convertible notes payable principal represents borrowings under the Company's security purchase agreement with Streeterville Capital. The note bears interest at 8% per annum with no set maturity date. The amounts presented represent outstanding principal as of March 31, 2026. The note is convertible into shares of common stock at a price determined pursuant to the agreement. Upon conversion, the obligation would be settled in equity rather than cash. As there is no stated maturity for the notes, the payments were presented in the less than 1 year category for this table.

(2) Vehicle note payable matures in February 2027. The loan is secured by the related vehicle. The amounts presented represent scheduled principal.

(3) Operating lease obligations represent undiscounted fixed lease payments under the Company's office lease in accordance with ASC 842. Variable lease payments and non-lease components are excluded.

(4) Interest related to notes payable primarily represents accrued interest at March 31, 2026 and projected contractual interest payments on the convertible note, assuming payment proportionately over 2026.

(5) The Company is party to an exclusive patent license agreement with its Chief Executive Officer, Daniel O'Toole, providing rights to certain patented technology through April 2040. The agreement requires fixed payments of \$10,000 per month through the patent's expiration. As of March 31, 2026, the remaining fixed commitment totals approximately \$1,690,000. The agreement also provides for a \$25 per unit royalty upon achievement of unit sales revenue milestones in excess of \$10,000 a month. No royalties have been incurred to date, and future royalty obligations are not currently estimable due to the Company's limited operating history and uncertain future sales volumes. The License Agreement constitutes a related-party transaction.

Critical Accounting Estimates

The preparation of our financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses, along with the disclosure of contingent assets and liabilities at the date of the financial statements. We consider an accounting estimate to be critical if it requires assumptions about highly uncertain matters and different estimates reasonably could have been used that would have had a material impact on our financial statements. We have identified the following critical accounting estimate.

Fair Value of Bifurcated Derivative Liabilities and Carrying Value of the Host Convertible Notes Payable

In connection with our convertible notes issued under the Securities Purchase Agreement with Streeterville Capital, LLC, we are required to bifurcate the embedded conversion feature and account for it as a derivative liability measured at fair value at each reporting date, with changes recognized in earnings. The conversion feature must be bifurcated because it fails the indexed-to-own-stock test under ASC 815-40-15-7. Because this formula does not permit a closed-form solution, we engaged an independent third-party valuation firm to estimate fair value using a Monte Carlo simulation model. This measurement is classified as Level 3 in the fair value hierarchy, as it relies on significant unobservable inputs, including expected equity volatility, an estimated instrument term (the notes have no stated maturity, as they are convertible solely at the discretion of the investor with no fixed repayment date specified in the agreement), and a debt discount rate calibrated to comparable issuers. Equity volatility is the most sensitive input; the conversion feature's asymmetric payoff structure means higher assumed volatility increases the expected value of the noteholder's conversion optionality.

The fair value of the bifurcated derivative at issuance also directly determines the initial carrying value of the host debt instrument, which is measured as cash proceeds received, reduced by the original issue discount, allocated debt issuance costs, and that derivative fair value. The resulting discount is accreted to par using the effective interest method over the estimated term of each note, the same expected term assumption used in the Monte Carlo model. A shorter assumed term accelerates interest expense recognition through faster accretion; a longer term decelerates it.

Because the derivative valuation and host note carrying value share critical assumptions, particularly expected term and equity volatility, changes in those assumptions affect both the fair value of the derivative liabilities and the pattern of interest expense recognized on the host instruments and could have a material effect on our reported net loss in any given period. As of March 31, 2026, the aggregate fair value of the derivative liabilities was \$1,440,000 and the net carrying value of the host instruments was \$7,681,354. For the three months ended March 31, 2026, the net change in fair value of the derivative liabilities recognized in earnings was a gain of \$1,129,769, and interest expense on the convertible notes consisted of stated interest of \$239,866, EIM accretion of discount \$250,969, and EIM accretion of debt issuance costs of \$26,618.

For a complete discussion of these estimates, including valuation inputs, sensitivity analysis, and roll-forward schedules, refer to Note 5, *Fair Value Measurements*, and Note 10, *Convertible Notes Payable*.

New Accounting Standards

For a description of new accounting standards that could affect the Company, reference the "Recently Issued Accounting Standards Not Yet Adopted" section of Note 2 to the Financial Statements included in this Form 10-Q.

Off Balance Sheet Arrangements

As of March 31, 2026, we had no off-balance sheet arrangements pursuant to Item 303 of Regulation S-K under the Securities Exchange Act of 1934, as amended, that we believe are reasonably likely to have a current or future effect on our financial condition, results of operations, or cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is not required to provide the information required by this Item because it is a “smaller reporting company.”

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2026, our disclosure controls and procedures were not effective due to the material weakness in our internal control over financial reporting described below.

The Company did not maintain sufficient controls to ensure the proper identification, bifurcation and fair value measurement of embedded derivatives in hybrid financial instruments, or to ensure that the effective interest method was applied over the accretion period for host debt instruments containing a discount. As described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025, filed on April 15, 2026, corrective actions have been implemented to address this control weakness; however, as of March 31, 2026, the material weakness had not yet been fully remediated.

Remediation Plan for the Material Weakness

Management has implemented remediation measures to address the material weakness discovered in connection with the preparation of our Annual Report on Form 10-K, filed on April 15, 2026, including enhancing its technical accounting review procedures for complex financial instruments, engaging additional external resources with expertise in derivative accounting under ASC 815, and strengthening its controls around the review and approval of significant accounting estimates and elections. The Company’s Insider Trading Policy has been modified to emphasize the restrictions on any stock transactions within six months of a previous reported transaction. Management may determine to take additional measures to address the material weakness or modify the remediation efforts described above. The material weakness will be considered remediated after the applicable controls have operated for a sufficient period of time and management has concluded that the controls are effective.

On April 15, 2026, the Company filed amended Quarterly Reports on Form 10-Q/A for the periods ended June 30, 2025 and September 30, 2025, reflecting restated financial information related to this material weakness.

Changes in Internal Controls over Financial Reporting

During the three months ended March 31, 2026, management implemented the corrective actions described above under “Remediation Plan for the Material Weakness.” Other than those remediation measures, no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) was identified during the quarter ended March 31, 2026 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

There have been no material developments in the Company’s previously disclosed legal proceedings, and no new matters occurring during the period ended March 31, 2026.

Item 1A. Risk Factors

As a smaller reporting company under Rule 12b-2 of the Exchange Act, the Company is not required to provide risk factors in this report. For our current risk factors relating to our operations see the section entitled “Risk Factors” contained in our Annual Report on Form 10-K filed on April 15, 2026.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On February 3, 2026, the Company issued 118,343 shares of common stock to a consultant in exchange for services, with a fair value of \$161,000.

Purchases of Equity Securities by the Issuer

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans	Approximate dollar value of shares that may yet be purchased under the plan
January 1 – January 31	-	\$ -	-	\$ 9,925,257
February 1 – February 28	-	-	-	9,925,257
March 1 – March 31	-	-	-	-(1)
	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

(1) The Company’s share repurchase program expired on March 31, 2026.

On September 8, 2025, our Board of Directors authorized the repurchase of up to \$10,000,000 of the Company’s common shares under the Repurchase Program. The plan expired March 31, 2026. During the three months ended March 31, 2026, the Company did not repurchase any shares of its common stock under the program. As of the program’s expiration, \$9,925,257 remained available and unused under the program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Trading Arrangements

On September 22, 2025, Mark Hamm, the Company’s Chief Operating Officer, entered into a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act. The plan provides for the sale, subject to certain price limits, of 144,102 shares vesting between September 22, 2025 and September 21, 2026, pursuant to certain equity awards granted to Mr. Hamm, excluding any shares withheld by the Company to satisfy income tax withholding and remittance obligations. Mr. Hamm’s plan will expire on September 21, 2026, subject to early termination in accordance with the terms of the plan.

Item 6. Exhibits

The following exhibits are filed as part of this Report.

EXHIBIT INDEX

Exhibit No.	Description
31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Chief Financial Officer
32.1*	Section 906 Certifications of Chief Executive Officer
32.2*	Section 906 Certifications of Chief Financial Officer
101 INS**	INSTANCE DOCUMENT
101 SCH**	SCHEMA DOCUMENT
101 CAL**	CALCULATION LINKBASE DOCUMENT
101 LAB**	LABELS LINKBASE DOCUMENT
101 PRE**	PRESENTATION LINKBASE DOCUMENT
101 DEF**	DEFINITION LINKBASE DOCUMENT
104**	COVER PAGE INTERACTIVE DATA FILE - THE COVER PAGE XBRL TAGS ARE EMBEDDED WITHIN THE INLINE XBRL DOCUMENT

* Filed herewith

** Submitted electronically herewith. Attached as Exhibit 101 are the following materials from Quarterly Report on Form 10-Q for the quarter ended March 31, 2026, formatted in Inline eXtensible Business Reporting Language (“iXBRL”): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Equity; (iv) the Condensed Consolidated

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.

Date: May 15, 2026

ARRIVE AI INC.

/s/ Todd Pepmeier

Todd Pepmeier

Chief Financial Officer

(On behalf of the Registrant and as principal financial officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)/RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Daniel S. O'Toole, certify that:

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

Date: May 15, 2026

By: */s/ Daniel S. O'Toole*

Daniel S. O'Toole
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a)/RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Todd Pepmeier, certify that:

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

Date: May 15, 2026

By: */s/ Todd Pepmeier*

Todd Pepmeier
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION 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 of Arrive AI Inc. (the “Registrant”) on Form 10-Q for the period ending March 31, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Daniel S. O’Toole, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: May 15, 2026

By: */s/ Daniel S. O’Toole*

Daniel S. O’Toole
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION 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 of Arrive AI Inc. (the "Registrant") on Form 10-Q for the period ending March 31, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Todd Pepmeier, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: May 15, 2026

By: */s/ Todd Pepmeier*

Todd Pepmeier
Chief Financial Officer
(Principal Financial and Accounting Officer)
