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

FORM 10-K

☒ **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the fiscal year ended **December 31, 2024**

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

For the transition period from: _____________ to _____________

Commission file number: **000-55497**

DUOS TECHNOLOGIES GROUP, INC.
(Exact name of registrant as specified in its charter)

Florida	**65-0493217**
(State or Other Jurisdiction of Incorporation)	*(I.R.S. Employer Identification No.)*

7660 Centurion Parkway, Suite 100
Jacksonville, Florida 32256
(Address of Principal Executive Offices)

(904) 296-2807
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**DUOT**	**The NASDAQ Capital Market**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report: ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price of such common equity on June 30, 2024, was $13,499,680. As of March 28, 2025, the registrant has one class of common equity, and the number of shares outstanding of such common equity is 11,524,545.

Documents Incorporated by Reference: Portions of the Company's proxy statement for the Annual Meeting of Shareholders to be held May 22, 2025 are incorporated by reference into Part III of this report. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2024.

DUOS TECHNOLOGIES GROUP, INC.
2024 FORM 10-K ANNUAL REPORT

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FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with the financial statements and related notes contained elsewhere in this Form 10-K. Certain statements made in this discussion are "forward-looking statements" within the meaning of 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"). Forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "intends", "anticipates", "believes", "estimates", "predicts", or "continue" or the negative of these terms or other comparable terminology and include, without limitation, statements below regarding our business plans, the ability to raise working capital and expectations as to market acceptance of our products. Forward-looking statements involve risks and uncertainties and there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, our ability to continue as a going concern, our ability to generate sufficient cash to continue and expand operations, the competitive environment generally and in our specific market areas, changes in technology, the availability of and the terms of financing, changes in costs and availability of goods and services, economic conditions in general and in our specific market areas, changes in federal, state and/or local government laws and regulations potentially affecting the use of our technology, changes in operating strategy or development plans and the ability to attract and retain qualified personnel. Although we believe that expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance or achievements. Indeed, it is likely that some of our assumptions may prove to be incorrect. Our actual results and financial position may vary from those projected or implied in the forward-looking statements and the variances may be material. Moreover, we do not assume responsibility for the accuracy and completeness of these forward-looking statements. The Company is under no duty to update any forward-looking statements after the date of this report, except as may be required by law.

PART I

Item 1. Business.

Our Corporate History

Information Systems Associates, Inc. (“ISA”) was incorporated in Florida on May 31, 1994. Our original business operations consisted of consulting services for asset management of large corporate data centers and the development and licensing of information technology (“IT”) asset management software. In late 2014, ISA entered negotiations with Duos Technologies, Inc. (“duostech™”) for the purposes of executing a merger between the two organizations (also known as a “reverse triangular merger”). Incorporated under the laws of Florida on November 30, 1990, duostech™ operated in various industry segments, specializing in the design, development and deployment of proprietary technology applications and turn-key engineered systems. This transaction was completed on April 1, 2015, whereby duostech™ became a wholly owned subsidiary of ISA. After the merger was completed, ISA changed its corporate name to Duos Technologies Group, Inc. (“Duos” or “the Company”). During 2024, the Company began a major expansion into new markets, leveraging the developments previously undertaken and the experience of its management team. Still headquartered in Jacksonville, Florida, Duos now manages three, wholly owned subsidiaries, duostech™, Duos Edge AI Inc., (“Duos Edge”) and Duos Energy Corporation (“Duos Energy”). In its current operations it now employs approximately 84 people in management, operations, engineering, software development, customer support and project implementation and management across three major market segments including rail technology deployment, Data Center co-location facilities and behind the meter electrical power provision. Duos also continues to operate as a technology company which designs, develops, deploys and operates intelligent technology solutions with a focus on software applications and artificial intelligence (“AI”) in addition to large project, consulting, implementation and asset management. The Company has a strong and growing portfolio of intellectual property including significant patent awards in the areas of railcar scanning technology for the identification of defects. The Company’s headquarters are located at 7660 Centurion Parkway, Suite 100, Jacksonville, Florida 32256 and main telephone number is (904) 296-2807.

Overview

The Company, operating under its brand name **duostech**, develops and deploys technology systems with focus on inspecting and evaluating moving vehicles. Its technology focus is within the Vision Technology market sector and, more specifically, the Machine Vision subsector. Machine Vision companies provide imaging-based automatic inspection and analysis for process control for industry with potential expansion into other markets. Duos has developed key technologies over the past several years in software, industry specific hardware and artificial intelligence and has demonstrated industrial strength usability of its systems supporting rail, logistics and intermodal businesses that streamline operations, improve safety and reduce costs. Our team includes engineering subject matter expertise in hardware, software, and information technology as well as industry specific applications of artificial intelligence also referred to as Expert Artificial Intelligence. We also have specific industry experts in the rail industry on staff and as consultants.

In 2024, the Company’s management team determined that it would be in the best interests of the Company and its shareholders to leverage the skills and expertise that have been built up since 2021 to expand into complimentary and naturally adjacent markets. Duos will continue to develop industry solutions for its target markets addressing rail, trucking, aviation and other vehicle-based processes. In addition, the Company elected to develop new offerings based on its existing technology and formed a new subsidiary in July 2024, Duos Edge AI. The objective of this new subsidiary is to market a special part of the Railcar Inspection Portal (“RIP”) for the provision of high-speed and function processing of data and applications with a focus on reducing latency in response times to end-users. Duos has many years of experience via its expert staff in bringing these types of capabilities to remote locations, also known as “the edge”. Edge processing can be an extremely efficient and lower cost alternative to traditional data centers. The strategy for Duos Edge is to serve rural communities, also known as Tier 3 and 4 markets, and install Edge data centers in these locations thereby providing access to high-speed communications and advanced processing capabilities as a substitute for solutions where large amounts of data are “backhauled” using “the Cloud”. Duos developed these capabilities as an adjunct to its RIP offerings due to the need for fast results (less than 60 seconds) in identifying defects and maintenance issues on moving railcars.

As Duos’ initial offering, the RIP provides both freight and transit railroad customers and select government agencies the ability to conduct fully remote railcar inspections of trains while they are moving at full speed. The RIP utilizes a variety of sophisticated optical, laser and speed sensors to scan each passing railcar to create a high-resolution image-set of the top, sides and undercarriage. These images are then processed with our edge data center using artificial intelligence (AI) algorithms to identify safety and security defects on each railcar. The algorithms are developed in conjunction with industrial application experts, in this case resident Railcar Mechanical Engineers, to provide specific guidance in the analysis (“human in the loop”). Within seconds of the railcar passing through the RIP, a detailed report is sent to the customer where they are able to take action on identified issues. This solution has the potential to transform the railroad industry immediately increasing safety, improving efficiency and reducing costs. The Company has already deployed this system with several Class 1 railroads and anticipates an increased demand from transit and other railroad customers along with selected government agencies that operate and/or manage rail traffic. The Company has deployed RIPs in Canada, Mexico and the United States and anticipates expanding this solution into Europe, Asia and the Middle East in coming years.

Duos has been successful in patenting much of its technology and specifically for the rail industry offerings. Key patents include:

- Use of Artificial Intelligence ("AI") to detect defects in trains and method to use. (US 11,891,098 B1)
- Device to Capture High Resolution Images of a train as it passes through an inspection portal (US 11,974,035 B1)
- Device to Capture High Resolution Images of the undercarriage of a freight car (US 12,188,846 B2)

These three recent patents, in conjunction with 8 other patents, put Duos in a dominant position for this type of scanning technology (also known as "Wayside Technology") and the Company expects to both deploy systems and, where appropriate, license to users or manufacturers. The Company has previously notified certain third parties of the existence of these patents to secure its rights in regard to this intellectual property.

The Company has also developed the Automated Logistics Information System (ALIS) which can automate gatehouse operations where transport trucks enter and exit large logistics and intermodal facilities. This solution incorporates a similar set of sensors, data processing and artificial intelligence to streamline the customer's logistics transactions and tracking and can also automate the security and safety inspection if called for. The Company has previously deployed this system with one large North American retailer. While Duos originally anticipated increased demand from other large retailers, railroad intermodal operators and select government agencies that manage logistics and border crossing points, the Company has been resource constrained to effectively market this offering. However, the Company continues to perform research and development in evaluating other solutions for moving vehicles including aircraft, which could provide similar benefits in terms of safety and efficiency for required inspections as part of an operations process. The Company will continue to evaluate its resource commitments in future years in conjunction with the expected growth in revenues and cash flow to support additional investments in these areas.

Also in late 2024, Duos formed a third subsidiary, Duos Energy Corporation ("Duos Energy") with the express purpose of providing consulting services and solutions for the rapidly growing demand for electrical power outside of traditional utilities. As an outgrowth of its new Edge Data Center subsidiary, and the current expert staff on-hand, Duos has engaged with multiple third parties to act in a consulting and asset management capacity whereby Duos staff will be engaged directly to supply this type of power solutions for multiple uses including for large data centers supporting AI "hyperscalers". In late 2024, Duos also engaged with Fortress Investment Group ("FIG") to assist in FIG's purchase of approximately 850 Mega Watts of electrical generation capacity (consisting of 30 mobile gas turbine generators) and associated equipment to support their installation and operation ("balance of plant"), certain trademarks and domain names and certain contracts. In late November, Sawgrass Buyer, LLC ("Sawgrass"), an entity formed and owned by FIG, executed an asset purchase agreement with Atlas Corporation, APR Energy Holdings Limited and a number of its wholly-owned affiliates (collectively "APR"). From 2018 to 2020, Chuck Ferry was formerly the CEO of APR. The transaction closed on December 31, 2024. At Closing, Sawgrass entered into an Asset Management Agreement ("AMA") with Duos under which a substantial portion of Duos staff and some members of the management team (including Mr. Ferry), would oversee operations of Sawgrass. The AMA term is up to two years and is expected to generate approximately $42 million in revenue for Duos over that period. At Closing, Duos also took a 5% ownership stake in Sawgrass APR Holdings LLC, the ultimate parent company of Sawgrass. Subsequent to Closing, Sawgrass changed its name to New APR Energy, LLC ("New APR").

Under the terms of the AMA, Duos staff will conduct all operations for commercial engagement, planning and project management, installation and operations of the New APR assets. The new entity will share certain management functions with Duos including the CEO, COO, Chief Commercial Officer and General Counsel and other services will be provided by Duos in a combination of direct staffing with specific experience in the power generation industry and other functions as necessary via a "shared services" agreement. New APR over time will develop its own accounting and administrative functions. There are significant synergies between Duos and New APR, particularly in the areas of Data Center power generation and related business development.

Intelligent Technologies

Duos has developed two proprietary solutions that continue to form the basis for the operations of our data capture, user interface software and artificial intelligence based analytics. **centraco®** is an Enterprise Information Management Software platform that consolidates data and events from multiple sources into a unified and distributive user interface. Customized to the end user's Concept of Operations (CONOPS), it provides improved situational awareness and data visualization for operational objectives compared to traditional manual inspections. **truevue360™** is our fully integrated platform that we utilize to develop and deploy Artificial Intelligence (AI) algorithms, including Machine Learning, Computer Vision, Object Detection and Deep Neural Network-based processing for real-time applications.

These same Artificial Intelligence applications are creating other opportunities for the Company to provide revenue producing solutions with potentially high market adoption.

In 2021, the Company ended support of its IT Asset Management (ITAM) solution which cataloged results for data center asset inventory and audit services. We are now using our current operations experience within "edge data centers" (as deployed for our Railcar Inspection Portal) to drive additional revenues within other markets requiring this type of solution. As previously discussed, the formation of a new subsidiary, Duos Edge focuses on this rapidly growing market, and is well suited to contribute to the growth of the Company's revenues and predicted future profitability.

In the last quarter of 2022, the Company elected not to renew a support contract for its Integrated Correctional Automation System (iCAS) for one customer. The Company subsequently sold its iCAS assets to a buyer during the second quarter of 2023 for $165,000 via a convertible note. Our current CFO is a related party of the buyer as their non-Executive Chairman.

The year 2024 was a transformative year for Duos with the addition of two new subsidiaries addressing the adjunct Edge Data Center market and the power generation market, utilizing much of the skills and expertise inherent in the staff that has been built up in the past 24 months. All three businesses made significant progress during 2024 including:

- Execution of a long-term agreement with a major Class 1 railroad for the support of the "subscription" based offering, giving access to data and images by a much broader target market including Class 1 railroads, railcar owners and lessors, and short-line railroads.
- Development of a modular "RIP" allowing the capability of much greater customization of desired images and an overall lower cost to potential purchasers.
- Sales of customized RIPs to industrial companies where specialized applications or routes demand a bespoke solution.
- Entrance into the market for edge computing by targeting key opportunities within the Tier 3 and 4 markets for education and supplying specialized data centers to serve those markets in conjunction with providing computing and telecommunications capacity to commercial customers outside of the rail industry.
- Offering consulting, asset management including full organizational implementation and support, with operational capabilities for the power generation market focusing on data center operations

Operating Subsidiaries

duostech™

The Company is currently as of the date of this report operating in three distinct but related segments. These newer businesses are in early stages of development and have generated no revenue through December 31, 2024. Accordingly, for purposes of segment reporting under ASC 280, the Company has determined that it operates in a single reportable segment, as the Chief Operating Decision Maker currently evaluates financial performance and allocates resources on a consolidated basis. The Company markets itself collectively under the Duostech™ brand name, which broadly covers the Company's commercial activities within a wide range of technology deployments from sophisticated moving vehicle analysis using machine vision and AI to deployment of specialized data centers and operational deployment of alternatives to grid power through its relationship with New APR.

Duos Technologies, Inc.

Duos Technologies, until recently, was our sole operating entity and is currently being led by our Chief Technology Officer. Its mission is to develop leading edge technologies as Duos has done since its inception. It consists of a dedicated team of developers focused on creating solutions for the transportation industry and has spent much of the past five years focused on building the premier offering for large rail operators. It has been successful in securing 11 patents that cover much of the "best in class" wayside technology offerings.

***Railcar Inspection Portal* (rip®)**

The RIP is our premier offering for the scanning and analysis of railcars while they are in motion. Federal regulations require each railcar/train to be inspected for mechanical defects prior to leaving a rail yard. Founded in 1934, the Association of American Railroads (AAR) is responsible for setting the standards for the safety and productivity of the U.S./North American freight rail industry, and by extension, has established the inspection parameters for the rail industry's rolling stock. Also known as the "Why Made" codes, the AAR established approximately 110 inspection points under its guidelines for mechanical inspections.

Under current practice, inspections are conducted manually, a very labor intensive and inefficient process that only covers a select number of inspection points and can take several hours per train. Our RIP reduces this inspection to minutes while the train is moving at speed, improving safety, reducing dwell time and optimizing maintenance.

Our system combines high-definition image and data capture technologies with our AI-based analytics applications that are typically installed on active tracks located between two rail yards. We inspect railcars traveling through our inspection portal at speeds of up to 70 mph for freight and up to 125 mph for high-speed transit and report mechanical anomalies detected by our system to the inbound train yard, well ahead of the train entering the yard.

Currently, three Class 1 railroads and several transit and international railroads use have deployed RIP with one of those railroads broadly deploying the technology across its network.

The Company continues to expand its detection capabilities through the development and integration of additional sensor technologies to include laser, infrared, thermal, sound and signal detection to process AI-based analytics of inspection points. Currently the Company has a high-reliability catalog of over 53 proprietary artificial intelligence algorithms which can be integrated into the RIP to enhance mechanical anomalies detections. These detections support railroads in the active maintenance and overall safety of their railcar fleet and networks.

Railcar Inspection Portal (RIP) Business Overview and 2024 Technical Advancements

Over the past year, we transformed our technical solutions, redefined our business model, and reimagined the way we work. Through continued investment in research and development we have fortified and further commercialized our existing product offerings. We have made them more scalable and rolled out features and capabilities that speak directly to customer value. We have reached new markets and restructured how we promote, sell, and get paid.

As part of our continued focus on innovation and operational efficiency, we have made significant strides in the following technical areas:

System Modularity – Adapting to Customer Needs

Historically, our RIP was delivered as a comprehensive, standardized system. In 2024, we shifted towards a modular design approach, enabling customers to tailor RIP deployments to their specific operational and regulatory requirements. This modularity allows for easier integration, reduced installation time, and optimized cost-efficiency, as customers can now select only the Acquisition Modules (perspectives) they require. Whether a customer needs undercarriage railcar imaging only or a full 360-degree all-around view, our new modular approach ensures that RIP solutions are adaptable to various industry needs.

Moreover, this modularity is reflected in how we promote and get paid for the RIP. Instead of a single, overarching software license, each Acquisition Module (formerly called a "perspective") is now licensed separately under an annual software subscription model. This shift allows customers to pay only for the specific modules they require, making the system more flexible and scalable while increasing long-term revenue generation. Additionally, we have eliminated licensing fees for "Centraco", our system's central UI, ensuring seamless adoption and usability across deployments. By moving to a per-module software licensing model, we have created a more flexible, scalable revenue structure that aligns pricing with value, while also enabling us to capture greater recurring revenue from customers as they expand their use of the system over time.

RIP-as-a-Service – A New Business Model for Scalability

In 2024, we introduced RIP-as-a-Service, offering a flexible deployment and pricing model that lowers the barrier to entry for shippers, manufacturers, short-line railroads, and other industry stakeholders. RIP-as-a-Service leverages the existing infrastructure of our RIP systems that are already deployed on Class 1 customer railroads. This innovative Software-as-a-Service (SaaS) model goes beyond simply utilizing the hardware, by unlocking the wealth of safety and mechanical condition data it generates.

This data is invaluable to a wide range of stakeholders in the rail industry. Railcar owners and operators can gain real-time insights into the health of their fleets, allowing for proactive maintenance and reduced downtime. Shippers can track the condition of their cargo throughout its journey, ensuring safe and timely delivery. Railcar manufacturers can identify potential design flaws or recurring issues through in-field data, improving future models.

In addition to enabling Duos Technologies to approach a wider market, the RIP-as-a-Service offering aligns with the broader industry trend toward cloud-based and service-oriented solutions, making our technology more accessible while ensuring long-term customer retention and recurring revenue growth.

Laser Illumination – Enhanced Visibility & Inspection Accuracy

One of the most significant technological advancements in 2024 has been our near completion of Laser Illumination technology for railcar inspections. Traditional lighting methods presented challenges in harsh environmental conditions, such as low-light environments, extreme weather, and high-speed rail traffic.

By designing and integrating high-intensity, precision laser illumination, we have improved image quality and clarity, ensuring high-resolution data capture even in adverse conditions. In addition, we greatly enhanced system durability, as laser technology requires less maintenance and offers longer operational lifespans compared to traditional lighting solutions. Finally, replacing LED-based lighting with laser field illumination is expected to result in a 60-70% reduction in hardware cost, allowing for greater margins.

Advanced Notifications – Real-Time Intelligence for Operators

In 2024, we enhanced our notification and alerting system to deliver real-time actionable insights and alarms to rail operators and railcar maintenance teams. Leveraging AI-driven analytics and deep integration with customer workflows, our Advanced Notifications feature real-time and close-to-real time alerts on critical railcar defects, ensuring rapid response and minimized downtime. Utilizing the enhanced notification features along with the RIP's comprehensive API (Application Programming Interface), customers have the ability to integrate alerts and alarms with customer-owned and third party systems. This capability is particularly useful for integrating with railroad dispatch systems which can be configured to allow critical real-time alerts to be immediately sent to the locomotive operator.

AI-Powered Self-Diagnostics – Maximizing System Uptime

One of the most groundbreaking advancements in 2024 has been the development and deployment of AI-powered self-diagnostics across our RIP platforms. This new capability allows our systems to monitor their own health in real time, detect anomalies, and allow support personnel to proactively address potential issues before they escalate. With this newly developed technology, we are taking advantage of information we already acquire to help determine if processes are running according to expectations and within pre-determined operational parameters. For example, several purpose-built AI models are used to inspect a sampling of images from each train scan. These AI models collectively evaluate and analyze a number of factors, such as camera operation, camera focus and quality of illuminations. The system then generates a report back to the NOC (Network Operations Center) alerting operators to current system conditions.

Because the analysis is being performed after each and every train scan, the information is always timely and up to date. Moreover, the comprehensive and detailed content of the information significantly decreases the time spent manually troubleshooting abnormal system conditions, allowing personnel to more quickly take action to address the situation, often times before the customer is aware of the issue.

More than traditional remote diagnostics capabilities, AI-driven self-diagnostics enables our customers to experience greater system reliability and enhanced operational efficiency, while potentially decreasing the overall workload and effort for our support personnel.

DUOS EDGE AI

Duos Edge's mission is to bring advanced technology to underserved communities, particularly in education, healthcare, and rural industries, by deploying high-powered edge computing solutions that minimize latency and optimize performance. Duos Edge specializes in high-function Edge Data Center ("EDC") solutions tailored to meet evolving needs in any environment. By focusing on providing scalable IT resources that seamlessly integrate with existing infrastructure, its solutions expand capabilities at the network edge, ensuring data uptime onsite services. With the ability to provide 100 kW+ per cabinet, rapid 90-day deployment, and continuous 24/7 data services, Duos Edge aims to position its edge data centers within 12 miles of end users or devices, significantly closer than traditional data centers. This approach enables timely processing of massive amounts of data for applications requiring real-time response and supporting current and future technologies without large capital investments.

duosenergy

Duos Energy plans to build, own and operate efficient and environmentally friendly U.S. energy projects to support Edge Data Centers and industries where power grid capacity is struggling to keep up with demand. Beyond data centers, Duos Energy's offerings extend to industrial clients in sectors such as manufacturing, oil and gas, mining, and microgrids. The Company's rapid response power plants are designed to meet urgent demands, particularly in emergency scenarios, underscoring its commitment to providing reliable and flexible energy solutions.

New APR Energy

New APR, as of December 31, 2024, owns 850 Mega Watts of power generation assets in the form of 30 mobile gas-powered turbine generators and related equipment to construct power plants and operate the turbines that were acquired from Atlas Corp. and APR and its affiliates, along with certain trademarks, domain names and contracts. New APR's majority owner is FIG; Duos has a 5% non-voting equity interest in New APR's ultimate parent. Duos' equity interest has an initial value of approximately $7.2 million. The transaction closed on December 31, 2024. In connection with the transaction, and the deployment and management of New APR's generation assets, Duos negotiated the AMA that became effective on January 1, 2025. The AMA is expected to be in place for 24 months and is expected to generate $42 million in revenue for Duos during that period. The AMA also has provisions for extensions. There are significant synergies between Duos and New APR, particularly in the areas of Data Center power generation and related business development.

Markets

Market Expansion

In 2024, the Company set in place a strategy, in concert with the Board of Directors, to expand its target markets beyond the provision of scanning technology for moving vehicles. The decision was taken to facilitate a faster growth path to profitability and positive free cash flow. After careful consideration, it was determined that the overall response to the Company's offerings in the rail technology sector was overwhelmingly positive but the market may take more years to fully adopt and the Company needed to factor the amount of capital that might be necessary to achieve significant market penetration. It was therefore determined that the Company should use its existing technologies and highly skilled resources to enter markets where the growth path was more defined. This approach fell into two distinct areas:

1. Adapt some of the technology and processes for high-speed, localized, data processing for the fast-growing demand in data centers to support AI and other compute intensive applications that were already in place for the RIP.
2. Utilize the existing management, operations and engineering skills that were already in place in the Company to enter the fast growing market for "behind the meter" electrical power.

This approach was formally adopted by the Company in May 2024, and led to the formation of two new subsidiaries; Duos Edge AI ("Duos Edge") and Duos Energy Corporation ("Duos Energy"). By the end of 2024, both subsidiaries were operating and in position to secure additional revenue streams starting in 2025.

Edge Computing

The market for edge data centers is experiencing significant growth both in the United States and internationally, driven by the increasing demand for faster data processing, lower latency, and support for emerging technologies like 5G, IoT, and AI. Although not an explicit market target for Duos in the past, in fact, the Company has wide ranging and extensive experience in the provision of Edge Computing through its RIPs of which 13 are in operation across North America today with two more under construction on the Northeast US rail corridor. Each of these RIPs has a full edge data center provisioned complete with the infrastructure (racks, air handling and conditioning, electrical power and security) capable of providing the high-speed information processing "at the edge", necessary to provide the Duos customers access to the data in under 60 seconds, something that would not be possible by operating via the cloud into a more traditional data center.

Duos is taking advantage of its many years of operational experience to expand its offerings into key markets requiring localized, high-speed processing.

United States Market

The edge data center market in the United States is projected to grow substantially, according to Grand View Research. In 2023, the market generated revenues of approximately $2.56 billion and is expected to reach around $8.34 billion by 2030, with a compound annual growth rate (CAGR) of 18.4% from 2024 to 2030. This growth is fueled by the need for localized data processing to support applications in IT and telecom, BFSI (banking, financial services, and insurance), healthcare, manufacturing, and other sectors. Specifically, Duos is initially focused on partnering with rural communities (Tier 3 and 4 markets) and provisioning Edge Data Centers in these markets for access by both the local governments and distributed processing requirements for commercial clients who are expected to rent space within Duos Edge data centers. Duos ended 2024 with six Edge data centers that were in the process of being installed and prepared for operations.

International Market

There are currently no plans to expand Duos Edge internationally but the Company will look at opportunities if and as they arise. Globally, the edge data center market was valued at $9.30 billion in 2022 and is expected to grow to $41.60 billion by 2030, exhibiting a CAGR of 20.9% during the forecast period according to Fortune Magazine "Insights". Key regions driving this growth include North America outside of the US, Europe, Asia-Pacific, Latin America, and the Middle East & Africa. The market is particularly strong in countries like China, Japan, Germany, and Canada.

Key Drivers and Trends

The following factors are the key drivers behind the anticipated growth in this market including:

- 5G and IoT Proliferation: The rollout of 5G networks and the expansion of IoT devices are major drivers, as they require edge data centers to handle the increased data traffic and provide low-latency processing.
- AI and Machine Learning: The integration of AI and machine learning technologies is expected to further boost the demand for edge data centers, as these applications often require real-time data processing.
- E-commerce and OTT Services: The growth of e-commerce platforms and over-the-top (OTT) streaming services is also contributing to the demand for edge data centers to ensure faster content delivery and improved user experiences.
- Government Initiatives: Various government initiatives to enhance digital infrastructure and attract investments in smaller data centers are supporting market growth.

Despite the promising growth, the market faces challenges such as high initial investment costs, data security concerns, and the need for skilled professionals to manage and maintain edge data centers. Duos believes that it addresses each of these areas, giving it advantages in the deployment and provisioning of Edge Data Centers. For example, due to the long-term nature of financial engagements for leasing rack space, Duos has been successful in attracting initial funding for its first six edge data centers and expects to be successful in attracting additional capital for expansion. In addition, the Company's long experience in providing this functionality as part of a RIP leads management to believe that it has the ability to address the other challenges and serve as a key differentiator against other competitors.

Overall, the edge data center market is poised for robust growth, driven by technological advancements and the increasing need for efficient data processing closer to end-users.

Electrical Power Provision

The market for "behind the meter" (BTM) electrical power solutions is growing rapidly, especially for data centers and other energy-intensive operations. BTM systems allow facilities to generate their own power on-site or near-site, reducing reliance on the grid and enhancing energy resilience. Although Duos does not directly own power generation facilities, its management and a considerable number of its staff have wide ranging experience in deploying this type of solution in a rapid manner where collectively, the staff has installed and operated over 30 different installations in the past 10 years. In addition, the AMA has significantly advanced Duos shareholder value. This increase in value is expected to be accomplished in the next several years by the following Key Drivers:

- Rising Energy Demands: Data centers are experiencing soaring energy demand due to the increasing use of AI, cloud services, and IoT.
- Grid Challenges: Obtaining sufficient power from the grid can be challenging due to lengthy interconnection processes and infrastructure limitations.
- Sustainability Goals: There is a strong push towards renewable energy sources to meet sustainability targets. Duos key personnel are able to integrate renewable energy sources with thermal solutions where natural gas is the cleanest source of thermal energy for the current time.

There are a number of key benefits for the use of BTM solutions:

- Cost Savings: By generating power on-site, data centers can reduce energy costs and avoid peak demand charges.
- Faster startup for new operations where new installations are delayed by years due to lack of available grid power.
- Flexibility allowing the deployment to certain regions where the costs of operations may be lower.
- Resilience in that BTM systems provide a reliable power supply, crucial for operations that require high availability.
- Environmental Impact using the ability to utilize renewable energy sources like solar or wind in conjunction with thermal operations.

Market Outlook

According to datacenterknowledge.com and powermag.com, all of the drivers and benefits cited above will drive the BTM energy market growth over the next several years. The market is expected to grow as more data centers and other facilities adopt these solutions to meet their energy needs sustainably and efficiently. This trend is driven by the need for reliable power, cost efficiency, and environmental responsibility.

In-motion Vehicle Inspection

We believe the opportunity for our RIP business is substantial and continues to be a priority along with our investments and activities in the new markets recently entered. We are currently engaged with the RIP solution with three of seven Class 1 railroad operators with 13 systems already deployed across the North American rail network. Because of our early leadership position, we have been able to accumulate experience and intellectual property that we believe would be time-consuming and expensive for a new competitor to replicate. In particular, we have expanded our IP portfolio by the addition of 3 new patents in 2024 alone, with the total number of patents now at 11. Furthermore, we believe we have the ability to upgrade and scale our solutions with additional technologies in the future. We believe that the current market for our technologies is substantial. At the same time, we recognize that the technology life cycle is fast and evolving. Potential competitors are moving into this sector, and some Class 1 railroads are developing their own solutions that could limit our total addressable market.

In late 2022, the Company announced it will pursue a subscription platform for the RIPs and in 2024, the Company entered a long-term agreement with CN Railways for the management of seven Duos RIPs owned by them in exchange for full data access to be used for marketing subscription data to approximately 3,000 railcar owners and lessors. Under this new model, the Company may also build, own and operate its RIP product and offer the data access for each portal to potential customers. This expansion of the RIP offering would potentially open up the addressable market to other potential users of the data or even the provision of customized solutions for industrial owners of railcar operations such as the petrochemical industry. While this shift could increase the pool of potential customers by lowering the entry point for the RIP and potentially reshape the Company’s working capital needs to invest in the construction of a RIP ahead of customer revenue inflows, the Company is still evaluating the potential market for this offering. The Company continues to explore this expansion on the long-term effects it may have on future cash flows, and remains in discussions with a number of potential customers.

Another market we continue to explore is using our technologies for the scanning and management of other moving vehicles including trucks, buses and potentially aircraft. Potential customers include commercial retail logistics and intermodal operators, Class 1 rail intermodal operators that are moving large amounts of automobiles, and U.S. Government agencies such as the Department of Defense and the Department of Homeland Security. Although we have previously identified over 900 lanes of traffic within nearly 300 facilities as potential business opportunities in the near-term, we are not actively pursuing this at this time, but rather deploying our resources to the new markets described above. We continue limited R&D operations in these areas however and have filed a number of patents for consideration.

Patents and Trademarks

The Company owns a number of patents and trademarks for our technology solutions. We protect our intellectual property rights by relying on federal, state, and common law rights, as well as contractual restrictions. We control access to our proprietary technology by entering into confidentiality and invention assignment agreements with all of our employees and contractors, and confidentiality agreements with third parties. We also actively engage in monitoring activities with respect to infringing uses of our intellectual property by third parties.

Specific Areas of Competition

One of our primary commercial goals is to develop innovative technology solutions and target potential "greenfield" market spaces in order to maximize our business footprint and give us the ability to help define the market parameters for the future. More recently, we have expanded our operations into two additional markets as described previously. We now operate in 3 distinct markets, in some cases using related technologies from our different solutions. For example, the Duos Edge installs and operates Edge data centers that are similar to the RIP Edge Data Centers. Some power solutions will be related to fast or temporary power provided for our RIPs or EDCs. Nonetheless, competitors are unique to each market and are described below as they relate to those market segments.

Duostech Railcar Inspection Portal

Companies that participate in the visual and optical (laser) based railcar inspection systems market include Wabtec (Beena Vision), Ensco (KLD Labs), WID, IEM, and Camlin Rail. Some Class 1 railroads have stated that they are developing "in-house" solutions. We believe that Duos has a significant competitive advantage in that we have multiple years of deployment experience, have access to millions of images where our RIP has performed scans with AI analysis and in-house industry expertise to train our systems and make identification of common problems more automated. We believe that some of the Class 1 railroads are deploying platforms for the development of AI algorithms, specifically with Cogniac which could be construed as competitive with Duos developed Algorithms. In evaluating the performance of these algorithms and based on reports from our customers, we believe they are having limited success with these self-developed algorithms. While we expect to cooperate with our customers as necessary, we will reserve the right to refuse such cooperation where we believe that a particular vendor or technology supplier may be violating our intellectual property. At this time we are investigating at least three such potential conflicts and have notified each party of potential infringements.

While we have indicated previously that our Automated Logistics Information System (ALIS) also represents an opportunity to expand into a mature market that we believe has a significant technology gap we are not aggressively pursuing this market at the present time. While most facilities, such as distribution centers, that process commercial trucks in and out have sophisticated software management applications for logistics control, they have most often not implemented an advanced gatehouse automation solution. Historically, this category was referred to as "Automated Gate Systems" or AGS. The purpose of AGS technology is to streamline entry in and exit out of facilities. The marketplace for this was mostly seaports and intermodal transfer facilities and was relatively expensive technology to deploy. We will continue to review opportunities in this market if they arise.

Duos Edge AI Datacenters

The edge data center market is highly competitive, and according to datamation, encora advisors and Polaris market research there are several key players leading the industry. The following companies are acknowledged to be participants in this market:

- **American Tower** is known for leveraging its extensive telecommunications infrastructure to establish edge data centers quickly and efficiently.
- **EdgeConneX** specializes in providing customizable and scalable edge data centers, focusing on reducing latency and improving data processing speed.
- **Cloudflare** offers edge computing solutions that enhance connectivity and performance, particularly for web applications and content delivery.
- **Switch** is known for its innovative transportable edge data pods, which provide flexibility and rapid deployment.
- **AWS (Amazon Web Services)** provides a comprehensive suite of cloud services, including edge services that allow users to deploy APIs and tools closer to their endpoints.

Each of these companies is considered to be at the forefront of the edge data center market, driving innovation and meeting the growing demand for low-latency, high-performance data processing.

Duos Edge AI is a recent entrant to the market although it has been engaged in the provision of high-performance local processing for more than 10 years through the provision of EDCs connected with its RIP technology. Duos Edge AI differs from the competitors above in the following ways:

1. Focus on certain markets (rural, local government and industry also known as "Tier 3 and 4 markets").
2. Specialization via adaptive, versatile, and streamlined edge data center solutions tailored to meet evolving needs in various environments.
3. Partnerships by working with industry participants. For example, it recently partnered with Accu-Tech to accelerate the deployment of edge computing infrastructure across the U.S., targeting underserved markets such as regional school districts in largely rural states such as Texas.
4. Technological Edge, emphasizing machine vision and artificial intelligence to enhance data processing and analysis such as it has done previously with its Railcar Inspection Portal
5. Management expertise where the leader of that business is a 30-year industry veteran with extensive connections to large industry players and backed by extensive operational experience through the Duos operations team.
6. Access to significant inventory of mobile power solutions for backup or even primary power.

Duos Energy Corp Services

Duos Energy Corporation primarily services the AMA and as such does not have direct competitors. Duos Energy started operations in late 2024 and will be extensively engaged in support operations for New APR in 2025 and 2026 in conjunction with the AMA. New APR shares some management and operational personnel with Duos and is engaged in commercial activities to quickly deploy available power assets.

The availability of these assets is a significant competitive advantage to Duos Edge AI in their growth of the data center business and related opportunities. While competition exists in these markets, the current high demand for power and lack of available assets puts APR Energy and (indirectly) Duos in a significant position of competitive advantage.

Our Growth Strategy

Vision

The Company designs, develops, deploys and operates in three distinct but related market segments and deploys intelligent technology solutions in support of the fast growing demand for efficient data centers, power solutions for immediate implementation of those data centers where grid power is not immediately available as well as for its original product set for inspecting and evaluating moving objects. The technology application focus has expanded beyond the traditional rail and intermodal markets and into the world of high-speed data access, low latency communications as well as offering imaging-based automatic inspection and analysis for process.

Objectives

The Company has set itself the following objectives to support this vision:

- Significantly grow our revenue for 2025 and beyond by engaging in additional markets for data center deployment and associated power delivery.

- Achieve breakeven and profitability in 2025 by rationalizing our operating costs over a larger revenue base.

- Form strategic partnerships that improve market access and credibility.

- Improve policy, processes, and toolsets to become a viable platform for internal growth and for mergers and acquisitions.

- Thoughtfully execute mergers and acquisitions to expand offerings and/or capabilities.

- Promote a performance-based workforce where employees enjoy their work and are incentivized to excel and innovate.

Organic Growth

Our organic growth strategy is to generate significant new business for the Company directly through its new subsidiaries and indirectly through its AMA. We will continue our focus and prioritization in the rail, logistics and intermodal market space but intend to drive efficiencies in the personnel resources allocated to that line of business through utilization of key staff in other areas. In this regard, the Company has made significant changes in the senior management team to include a new divisional President, who joined the Company in July 2024 as the senior leader of our new subsidiary Duos Edge AI and has more than 30 years of experience successfully leading start-up ventures in the data center industry. In addition, the appointment of our CEO as the Executive Chairman and CEO of New APR brings Duos leadership to that organization. The team also saw a change in CFO in Q2 2024 with the return of our former CFO as a highly experienced senior public company executive to assist the CEO with transforming the Company going forward. Finally, late in 2024, a new Chief Operating Officer was appointed with leadership skills that span operational environments including the new power industry target for the asset management agreement.

In addition to the CEO's joint role, the new divisional President will serve in a joint role as Chief Commercial Officer at New APR and the newly appointed COO and General Counsel will also serve in joint roles for Duos and New APR. The joint leadership team's focus is to oversee operational and technical execution which will in turn enable the commercial side of the business to expand the Company's business into new markets and customers.

Manufacturing and Assembly

The Company designs and develops technology solutions using a combination of in-house fabrication, commercial off-the-shelf technology, and outsourced manufacturing. This methodology will continue and be applied to our new subsidiaries where on-site installations are performed using a combination of in-house project managers and engineers and using third-party sub-contractors as needed. Throughout the process of design, develop, deploy and operate, the Company maintains responsibility for all aspects. Our internal manufacturing operations consist primarily of materials procurement, assembly, testing and quality control by our engineers. If not manufactured internally, we use third-party manufacturing partners to produce our hardware related components and hardware products and we most often complete final assembly, testing and quality control processes for these components and products. Our manufacturing processes are based on standardization of components across product types, centralization of assembly and distribution centers, and a "build-to-order" methodology in which products generally are built only after customers have placed firm orders. For most of our hardware products, we have existing alternate sources of supply.

In the rail industry, the time from concept to contract can be substantial but is offset by an anticipated faster time to market in both the data center and power industries due to high expected demand for our offerings. Although we are now adapting to these new markets, previous bids that have been submitted in the rail industry could be challenging to execute within the financial framework and execution times originally envisaged due to significant delays by one of our major customers. We continue to have dialogue with that customer regarding potential price increases and implementation delays, but we may suffer some economic impacts because of this. Revenue recognition could be delayed as a result of these factors and profitability could be impacted due to higher costs for materials and other services in that specific subsidiary. The Company will continue to monitor the situation and update shareholders as the project progresses.

Research and Development

The Company's R&D and software development teams design and develop all systems and software applications with a combination of full-time in-house software engineers and outside contractors, although the use of outside contractors was substantially reduced in 2024. Internal development allows us to maintain technical control over the design and development of our products. Rapid technological advances in hardware and software development, evolving standards in computer hardware and software technology, and changing customer requirements characterize the markets in which we compete. We plan to continue to dedicate resources to research and development efforts, including software development, to maintain and improve our current product and services offerings. We have been successful in obtaining key patents for some of these developments.

Government Regulations

The Company has worked with various agencies of the federal government for more than 10 years including the Department of Homeland Security (“DHS”). When our solutions have been deployed into these agencies, they meet specific requirements for certification, safety and security that are stipulated in requirements and contract documents. The Company is currently competing for other government related work and strictly follows the rules and regulations outlined in the Federal Acquisition Regulations.

The Company’s rail customers are all governed by regulations related to the safe and effective transportation of goods and passengers, primarily by rail, but in future scenarios by air, road and sea. While changes in the regulatory environment could impact on the Company in future years, we believe any changes will be generally positive for the Company. We continuously review potential changes in the regulatory environment and maintain contact with key personnel at certain agencies including the Federal Railroad Administration (FRA), the Transportation Security Administration (TSA) as well as the DHS previously mentioned. We expect to develop similar relationships with governmental agencies in target markets both in the US and internationally. At this time, we believe our offerings are complementary to the current and evolving standards and that we will adapt to any new regulations as they are promulgated.

We also work closely with state and local governments, particularly in the provision of Edge Data Centers to make sure that we comply with local zoning ordinances and other regulatory requirements. Additionally, we comply with all necessary requirements as they might relate to our power business including emissions. In certain cases, we have provisioned for the addition of additional exhaust gas emissions cleaning technologies, although the cost of this will be borne by New APR Energy.

Employees

We have a current staff of 86 employees, of which 79 are full-time, the majority of which work in the Jacksonville area, none of which are subject to a collective bargaining agreement. We have not experienced any work stoppages and we consider our relationship with our employees to be good.

Item 1A. Risk Factors.

Risks Related to Our Company and Business

The nature of the technology management platforms utilized by us are complex and highly integrated, and if we fail to successfully manage releases or integrate new solutions, it could harm our revenues, operating income, and reputation.

The technology platforms developed and designed by us accommodate integrated applications that include our own developed technology and third-party technology, thereby substantially increasing their functionality.

Due to this complexity and the condensed development cycles under which we operate, we may experience errors in our software, corruption or loss of our data, or unexpected performance issues from time to time. For example, our solutions may face interoperability difficulties with software operating systems or programs being used by our customers, or new releases, upgrades, fixes or the integration of acquired technologies may have unanticipated consequences on the operation and performance of our other solutions. If we encounter integration challenges or discover errors in our solutions late in our development cycle, it may cause us to delay our launch dates. Any major integration or interoperability issues or launch delays could have a material adverse effect on our revenues, operating income and reputation.

We may be adversely affected by the effects of inflation and supply chain disruption.

Our business operates in an environment of long bid to contract award cycles. Our customer's bid requirements are such that firm pricing is expected on much or all of our proposals and as such we must commit to certain commercial terms and conditions such as pricing. In addition, the Company hires employees and contractors to perform most (if not all) of the work required to complete a contract. We have experienced, and expect to continue to experience, impacts of inflation upon previously forecasted costs including employees that require higher salaries, contractors demanding higher prices for jobs and higher costs for materials necessary to complete contracts. While we endeavor to charge additional costs to our customers, in some cases this may not be possible contractually and as a result our profitability may suffer as a result. Although we anticipate these effects to be mitigated in the long term, we cannot be assured that this will be possible in all or any instances and as such our revenue, profitability and growth prospects may suffer as a result of this.

Current supply chain issues continue to extend deadlines for shipment of key components used in our technology systems. The effect of this may be to delay revenue recognition. We have experienced and expect to continue to experience delays to our business operations resulting from lack of materials availability, delays in securing key components such as video cameras requiring certain computer chips, and other material and personnel shortages that may impact our ability to implement our products and services in a timely manner or meet required milestones or customer commitments. In addition, higher costs for travel may adversely impact our business, financial condition, operating results and cash flows. This has made it necessary for the Company to order certain components prior to receiving a contract to ensure we have key components available when necessary to satisfy future contract obligations.

Our products and services may fail to keep pace with rapidly changing technology and evolving industry standards.

The markets in which we operate are characterized by rapid, and sometimes disruptive, technological developments, evolving industry standards, frequent new product introductions and enhancements and changes in customer requirements. In addition, both traditional and new competitors are investing heavily in our market areas and competing for customers. As next-generation video analytics technology continues to evolve, we must keep pace in order to maintain or expand our market position. We continue to introduce new product offerings focused on automating mechanical and security inspections in the rail, logistics, intermodal and government sectors as potential revenue drivers. If we are not able to successfully add staff resources with sufficient technical skills to develop and bring these new products to market in a timely manner, achieve market acceptance of our products and services or identify new market opportunities for our products and services, our business and results of operations may be materially and adversely affected.

The market opportunity for our products and services may not develop in the ways that we anticipate.

The demand for our products and services could change quickly and in ways that we may not anticipate. Our operating results may be adversely affected if the market opportunity for our products and services does not develop in the ways that we anticipate or if other technologies become more accepted or standard in our industry or disrupt our technology platforms.

Our revenues are dependent on general economic conditions and the willingness of enterprises to invest in technology.

We believe that operators in the business sectors we are focused on continue to be cautious about sustained economic growth and seek to maintain or improve profitability through cost control and constrained spending. While our core technologies are designed to address cost reduction, other factors may cause companies to delay or cancel capital projects, including the implementation of our products and services. In addition, the business sectors in which we are focused are under financial pressure to reduce capital investment which may make it more difficult for us to close large contracts in the immediate future. We believe there is a growing market trend toward more customers exploring operating expense models as opposed to capital expense models for procuring technology. We believe the market trend toward operating expense models will continue as customers seek ways of reducing their overhead and other costs. All of the foregoing may result in continued pressure on our ability to increase our revenue and may potentially create competitive pricing pressures and price erosion. If these or other conditions limit our ability to grow revenue or cause our revenue to decline our operating results may be materially and adversely affected.

Our working capital profile may shift over time to require additional investment.

Historically, the Company has leveraged significant milestone payments at a contract onset to fund the purchase of required materials. Expansion into a subscription format would allow the Company to potentially transact faster and more routinely with a larger customer base than it has previously had. In certain instances where the Company plans to build, own and operate its own assets, it will require a different working capital and capitalization strategy whereby the Company will be required to make upfront investments without significant customer milestone payments to offset the investment. The Company believes that this presents a short-term capital risk but is expected, long-term, to improve the overall performance of the business.

Some of our competitors are larger and have greater financial and other resources than we do.

Some of our product offerings compete and will compete with other similar products from our competitors. These competitive products could be marketed by well-established, successful companies that possess greater financial, marketing, distribution, personnel and other resources than we possess. In certain instances, competitors with greater financial resources also may be able to enter a market in direct competition with us offering attractive marketing tools to encourage the sale of products that compete with our products or present cost features that our target end users may find attractive.

We have a history of losses and our growth plans may lead to additional losses and negative operating cash flows in the future.

Our accumulated deficit was approximately $74 million as of December 31, 2024. Our operating losses may continue as we continue to expend resources to further develop and enhance our market expansion, to complete prototyping for proof-of-concept, obtain regulatory clearances or approvals as required, expand our business development activities and finance capabilities and conduct further research and development. We also expect to experience negative cash flow in the short term until our revenues and margins increase at a rate greater than our expenses, which may not occur.

We may be unable to protect our intellectual property, which could impair our competitive advantage, reduce our revenue, and increase our costs.

Our success and ability to compete depend in part on our ability to maintain the proprietary aspects of our technologies and products. We rely on a combination of trade secrets, patents, copyrights, trademarks, confidentiality agreements, and other contractual provisions to protect our intellectual property, but these measures may provide only limited protection. We customarily enter into written confidentiality and non-disclosure agreements with our employees, consultants, customers, manufacturers, and other recipients of information about our technologies and products and assignment of invention agreements with our employees and consultants. We may not always be able to enforce these agreements and may fail to enter into any such agreement in every instance when appropriate. We license from third-parties certain technology used in and for our products. These third-party licenses are granted with restrictions; therefore, such third-party technology may not remain available to us on terms beneficial to us. Our failure to enforce and protect our intellectual property rights or obtain from third parties the right to use necessary technology could have a material adverse effect on our business, operating results, and financial condition. In addition, the laws of some foreign countries do not protect proprietary rights as fully as do the laws of the United States.

Patents may not be issued from the patent applications that we have filed or may file in the future. Our issued patents may be challenged, invalidated, or circumvented, and claims of our patents may not be of sufficient scope or strength, or issued in the proper geographic regions, to provide meaningful protection or any commercial advantage. We have registered certain of our trademarks in the United States and other countries. We cannot assure you that we will obtain registrations of principal or other trademarks in key markets in the future. Failure to obtain registrations could compromise our ability to protect fully our trademarks and brands and could increase the risk of challenge from third parties to our use of our trademarks and brands.

We may be required to incur substantial expenses and divert management attention and resources in defending intellectual property litigation against us.

We cannot be certain that our technologies and products do not and will not infringe on issued patents or other proprietary rights of others. While we are not currently subject to any infringement claim, any future claim, with or without merit, could result in significant litigation costs and diversion of resources, including the attention of management, and could require us to enter into royalty and licensing agreements, any of which could have a material adverse effect on our business. We may not be able to obtain such licenses on commercially reasonable terms, if at all, or the terms of any offered licenses may be unacceptable to us. If forced to cease using such technology, we may be unable to develop or obtain alternate technology. Accordingly, an adverse determination in a judicial or administrative proceeding, or failure to obtain necessary licenses, could prevent us from manufacturing, using, or selling certain of our products, which could have a material adverse effect on our business, operating results, and financial condition.

Furthermore, parties making such claims could secure a judgment awarding substantial damages, as well as injunctive or other equitable relief, which could effectively block our ability to make, use, or sell our products in the United States or abroad. Such a judgment could have a material adverse effect on our business, operating results, and financial condition. In addition, we are obligated under certain agreements to indemnify the other party in connection with infringement by us of the proprietary rights of third parties. In the event that we are required to indemnify parties under these agreements, it could have a material adverse effect on our business, financial condition, and results of operations.

We may incur substantial expenses and divert management resources in prosecuting others for their unauthorized use of our intellectual property rights.

Other companies, including our competitors, may develop technologies that are similar or superior to our technologies, duplicate our technologies, or design around our patents, and may have or obtain patents or other proprietary rights that would prevent, limit, or interfere with our ability to make, use, or sell our products. Although we do not have operations outside North America at this time, we may compete for contracts in other countries in the future. Effective intellectual property protection may be unavailable, or limited, in some foreign countries in which we may do business, such as China. Unauthorized parties may attempt to copy or otherwise use aspects of our technologies and products that we regard as proprietary. Our means of protecting our proprietary rights in the United States or abroad may not be adequate or competitors may independently develop similar technologies. If our intellectual property protection is insufficient to protect our intellectual property rights, we could face increased competition in the market for our technologies and products.

Should any of our competitors file patent applications or obtain patents that claim inventions also claimed by us, we may choose to participate in an interference proceeding to determine the right to a patent for these inventions, because our business would be harmed if we fail to enforce and protect our intellectual property rights. Even if the outcome is favorable, this proceeding could result in substantial cost to us and disrupt our business.

In the future, we also may need to file lawsuits to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others. This litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources, which could have a material adverse effect on our business, financial condition, and results of operations.

If we are unable to apply technology effectively in driving value for our clients through technology-based solutions or gain internal efficiencies and effective internal controls through the application of technology and related tools, our operating results, client relationships, growth and compliance programs could be adversely affected.

Our future success depends, in part, on our ability to anticipate and respond effectively to the threat and opportunity presented by new technology disruption and developments. These may include new software applications or related services based on artificial intelligence, machine learning, or robotics. We may be exposed to competitive risks related to the adoption and application of new technologies by established market participants or new entrants, start-up companies and others. These new entrants are focused on using technology and innovation, including artificial intelligence, to simplify and improve the client experience, increase efficiencies, alter business models and effect other potentially disruptive changes in the industries in which we operate. We must also develop and implement technology solutions and technical expertise among our employees that anticipate and keep pace with rapid and continuing changes in technology, industry standards, client preferences and internal control standards. We may not be successful in anticipating or responding to these developments on a timely and cost-effective basis and our ideas may not be accepted in the marketplace. Additionally, the effort to gain technological expertise and develop new technologies in our business requires us to incur significant expenses. If we cannot offer new technologies as quickly as our competitors, or if our competitors develop more cost-effective technologies or product offerings, we could experience a material adverse effect on our operating results, client relationships, growth and compliance programs.

We are dependent on information technology networks and systems to securely process, transmit and store electronic information and to communicate among our locations around North America and with our people, clients, partners and vendors. As the breadth and complexity of this infrastructure continues to grow, including as a result of the use of mobile technologies, social media and cloud-based services, the risk of security breaches and cyberattacks increases. Such breaches could lead to shutdowns or disruptions of or damage to our systems and those of our clients, alliance partners and vendors, and unauthorized disclosure of sensitive or confidential information, including personal data. In the past, we have experienced data security breaches resulting from unauthorized access to our and our service providers' systems, which to date have not had a material impact on our operations, however, there is no assurance that such impacts will not be material in the future.

In providing services and solutions to clients, we may be required to manage, utilize and store sensitive or confidential client data, possibly including personal data, and we anticipate these activities to increase, including through the use of artificial intelligence, the internet of things and analytics. Unauthorized disclosure of sensitive or confidential client data, whether through systems failure, employee negligence, fraud, misappropriation, or other intentional or unintentional acts, could damage our reputation, could cause us to lose clients and could result in significant financial exposure. Similarly, unauthorized access to our or through our or our service providers' information systems or those we develop for our clients, whether by our employees or third parties, including a cyberattack by computer programmers, hackers, members of organized crime and/or state-sponsored organizations, who continuously develop and deploy viruses, ransomware or other malicious software programs or social engineering attacks, could result in negative publicity, significant remediation costs, legal liability, damage to our reputation and government sanctions and could have a material adverse effect on our results of operations. Cybersecurity threats are constantly expanding and evolving, thereby increasing the difficulty of detecting and defending against them and maintaining effective security measures and protocols.

We depend on key personnel who would be difficult to replace, and our business plan will likely be harmed if we lose their services or cannot hire additional qualified personnel.

Our success depends substantially on the efforts and abilities of our senior management and certain key personnel. The competition for qualified management and key personnel, especially engineers, is intense. Although we maintain non-competition and non-disclosure covenants with all our key personnel, we do not have employment agreements with many of them. The loss of services of key employees, or the inability to hire, train, and retain key personnel, especially engineers and technical support personnel, could delay the development and sale of our products, disrupt our business, and interfere with our ability to execute our business plan.

Under the Asset Management Agreement, New APR will share certain management functions with the Company and its subsidiaries, including the Chief Executive Officer, Chief Operating Officer, Chief Commercial Officer and General Counsel, and other services will be provided by the Company in a combination of direct staffing with specific experience in the power generation industry and other functions as necessary via a "shared services" agreement. This may at times affect such employees', including members of senior management, ability to devote time, attention, and effort to the Company.

Due to our dependence on a limited number of customers, we are subject to a concentration of credit risk.

For the year ended December 31, 2024, four customers accounted for 34%, 31%, 13% and 12% of revenues. For the year ended December 31, 2023, three customers accounted for 48%, 30%, and 11% of revenues. In all cases, there are no minimum contract values stated. Each contract covers an agreement to deliver a rail inspection portal which, once accepted, must be paid in full, with 30% or more being due and payable prior to delivery. The balances of the contracts are for service and maintenance which is paid annually in advance with revenues recorded ratably over the contract period.

As of December 31, 2024, three customers accounted for 73%, 17% and 10% of our accounts receivable. In the case of insolvency by one of our significant customers, accounts receivable with respect to that customer might not be collectible, might not be fully collectible, or might be collectible over longer than normal terms, each of which could adversely affect our financial position. This concentration of credit risk makes us more vulnerable economically. The loss of any of these customers could materially reduce our revenues and net income, which could have a material adverse effect on our business. We expect this concentration risk will increase due to the significance of the anticipated revenues under the AMA with New APR.

Our anticipated business growth is highly dependent on an Asset Management Agreement with New APR Energy.

The Company is expecting to report improved revenues and potentially achieve profitability during fiscal year 2025. That expectation is based on substantial revenues being achieved from the AMA with New APR. Although the Company has some influence on that agreement, we are dependent on the market for “behind the meter” power growing as anticipated. If the market should not grow as anticipated or due to some other circumstances either within or beyond our control, revenues recognized from this agreement could be substantially less than expected which would have a material impact on the agreement or lead to its cancellation.

In addition, New APR’s business may be affected by new technologies or changes in the industry, regulations, and customer requirements, which may render its existing power, generating solutions obsolete, excessively costly or otherwise unmarketable. Its competitive position may then be impaired, which could have a material adverse effect on the Company’s business.

The term of the AMA is for two years and it may be extended at the option of New APR. There is no assurance, however, that it will be extended and it may be terminated under certain circumstances.

Changes in the Availability of Government Financing May Adversely Affect Our Customer’s Ability to Enter Into Major Capital Projects, such as Data Centers.

The strategy of our Duos Edge subsidiary is to serve rural communities, also known as Tier 3 and 4 markets, and install Edge data centers in these locations. The customers for which we might build these Edge data centers may be dependent on Government grants or financing to assist them to complete these projects. Any reductions in the availability of such grants or financing may adversely affect the ability of these parties to enter into such projects.

Risks Related to Our Common Stock

There is currently not an active liquid trading market for the Company’s common stock.

Our common stock is quoted on the Nasdaq Capital Market tier under the symbol “DUOT”. However, there is currently limited active trading in our common stock. Although there are periodic volume spikes from time to time, we cannot give assurance that a consistent, active trading market will develop. If an active market for our common stock develops, there is a significant risk that our stock price may fluctuate in the future in response to any of the following factors, some of which are beyond our control:

- Variations in our quarterly operating results;
- Announcements that our revenue or income are below analysts’ expectations;
- General economic downturns;
- Sales of large blocks of our common stock; and
- Announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments.

You may experience dilution of your ownership interest due to future issuances of our securities.

We are in a capital-intensive business, and we may not have sufficient funds to finance the growth of our business or to support our projected capital expenditures. As a result, we may require additional funds from future equity or debt financing, including potential sales of preferred shares or convertible debt, to complete the development of new projects and pay the general and administrative costs of our business. We may in the future issue our previously authorized and unissued securities, resulting in the dilution of the ownership interests of holders of our common stock. We are currently authorized to issue 500,000,000 shares of common stock and 10,000,000 shares of preferred stock. We may also issue additional shares of common stock or other securities that are convertible into or exercisable for common stock in future public offerings or private placements for capital raising purposes or for other business purposes. The future issuance of a substantial number of shares of common stock into the public market, or the perception that such issuance could occur, could adversely affect the prevailing market price of our common shares. A decline in the price of our common stock could make it more difficult to raise funds through future offerings of our common stock or securities convertible into common stock.

Our Board of Directors may issue and fix the terms of shares of our Preferred Stock without stockholder approval, which could adversely affect the voting power of holders of our Common Stock or any change in control of our Company.

Our Articles of Incorporation authorize the issuance of up to 10,000,000 shares of "blank check" preferred stock, with such designation rights and preferences as may be determined from time to time by the Board of Directors. Our Board of Directors is empowered, without shareholder approval, to issue shares of preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of our common stock. In the event of such issuances, the preferred stock could be used, under certain circumstances, as a method of discouraging, delaying, or preventing a change in control of our Company.

We recently completed an "At the Market" (ATM) offering and may consider registering additional shares using our S3 shelf registration facility.

We currently have an active shelf registration statement (S-3). We are able to file a supplement to raise potentially as much as $16.5 million under the "baby shelf" rules and use a new ATM to raise additional capital. The future issuance of a substantial number of shares of common stock into the public market, or the perception that such issuance could occur, could adversely affect the prevailing market price of our common shares. A decline in the price of our common stock could make it more difficult to raise funds through future offerings of our common stock or securities convertible into common stock.

We do not expect to pay dividends and investors should not buy our common stock expecting to receive dividends.

We do not anticipate that we will declare or pay any dividends in the foreseeable future. Consequently, you will only realize an economic gain on your investment in our common stock if the price appreciates. You should not purchase our common stock expecting to receive cash dividends. Accordingly, our stockholders will not realize a return on their investment unless the trading price of our common stock appreciates, which is uncertain and unpredictable. In addition, because we do not pay dividends, our common stock may be less attractive, which may cause us to have trouble raising additional funds which could affect our ability to expand our business operations.

Our operating results are likely to fluctuate from period to period.

We anticipate that there may be significant fluctuations in our future operating results. Potential causes of future fluctuations in our operating results may include:

- Period-to-period fluctuations in financial results
- Issues in manufacturing products
- Unanticipated potential product liability claims
- The introduction of technological innovations or new commercial products by competitors
- The entry into, or termination of, key agreements, including key strategic alliance agreements
- The initiation of litigation to enforce or defend any of our intellectual property rights
- Regulatory changes
- Failure of any of our products to achieve commercial success

We are subject to the Florida anti-takeover provisions, which may prevent you from exercising a vote on business combinations, mergers or otherwise.

As a Florida corporation, we are subject to certain anti-takeover provisions that apply to public corporations under Florida law. Pursuant to Section 607.0901 of the Florida Business Corporation Act, or the Florida Act, a publicly held Florida corporation, under certain circumstances, may not engage in a broad range of business combinations or other extraordinary corporate transactions with an interested shareholder without the approval of the holders of two-thirds of the voting shares of the corporation (excluding shares held by the interested shareholder).

An interested shareholder is defined as a person who together with affiliates and associates beneficially owns more than 15% of a corporation's outstanding voting shares. We have not made an election in our amended Articles of Incorporation to opt out of Section 607.0901.

In addition, we are subject to Section 607.0902 of the Florida Act which prohibits the voting of shares in a publicly held Florida corporation that are acquired in a control-share acquisition unless (i) our board of directors approved such acquisition prior to its consummation or (ii) after such acquisition, in lieu of prior approval by our board of directors, the holders of a majority of the corporation's voting shares, exclusive of shares owned by officers of the corporation, employee directors or the acquiring party, approve the granting of voting rights as to the shares acquired in the control-share acquisition. A control-share acquisition is defined as an acquisition that immediately thereafter entitles the acquiring party to 20% or more of the total voting power in an election of directors.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity

Risk Management

We have in place certain infrastructure, systems, policies, and procedures that are designed to proactively and reactively address circumstances that arise when an unexpected cybersecurity incident occurs. These include processes for assessing, identifying, and managing material risks from cybersecurity threats. Our internal procedures dictate that we evaluate and evolve our security measures as appropriate. Identifying, assessing, and managing cybersecurity risk is integrated into our overall internal controls approach. Additionally, we have in place cybersecurity and data privacy policies designed to (a) respond to new requirements in global privacy laws and (b) prevent, detect, respond to, mitigate and recover from identified and significant cybersecurity threats. Refer to "Item 1A. Risk Factors" in this annual report on Form 10-K for additional information about cybersecurity-related risks.

Governance

During the first quarter of 2024, information security matters reporting, including managing and assessing risks from cybersecurity threats, have been established under the oversight of the Audit Committee of the Board or the "Audit Committee." The Audit Committee also reviews the adequacy and effectiveness of the Company's information security policies and practices and the internal controls regarding information security risks. Our security efforts are managed by a team of IT professionals who oversee the daily responsibilities of managing cybersecurity identification and threats. Going forward, the Audit Committee receives regular information security updates from management, including our Chief Technology Officer, who the board designated as the Chief Information Security Officer. The management team has established a quarterly rhythm to keep the Board and Audit Committee apprised of identified risks, ongoing risk management and changes in procedure to ensure transparency in the Company's governance over cybersecurity.

Item 2. Properties.

On July 26, 2021, the Company entered a new operating lease agreement of office and warehouse combination space of 40,000 square feet with the lease commencing on November 1, 2021 and ending May 31, 2032, This additional space allows for resource growth and engineering efforts for operations before deploying to the field. The rent for the first twelve months of the term were calculated as rentable base space on 30,000 square feet. The rent is subject to an annual escalation of 2.5%, beginning December 1, 2022. The Company made a security deposit payment in the amount of $600,000 on July 26, 2021. The Company has applied the FASB issued ASU No. 2016-02 Leases (Topic 842) ("ASU 2016-02") in the fourth quarter of 2021

The Company now has a total of office and warehouse space of 40,000 square feet.

Rental expense for the office lease during 2024 and 2023 was $781,638 and $781,638, respectively.

Item 3. Legal Proceedings.

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our Company, our common stock, any of our subsidiaries or any of our Company's or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is quoted on the Nasdaq Capital Market (“Nasdaq”) under the trading symbol “DUOT”.

Authorized Capital

The Company is authorized to issue an aggregate number of 510,000,000 shares of capital stock, of which 10,000,000 shares are blank check preferred stock, $0.001 par value per share, and 500,000,000 shares are common stock, $0.001 par value per share.

Series A Redeemable Convertible Preferred Stock

Our board of directors has designated 500,000 of the 10,000,000 authorized shares of preferred stock as Series A Convertible Preferred Stock. As of December 31, 2024 and 2023, we have no shares of Series A Convertible Preferred Stock issued and outstanding, respectively.

Series B Convertible Preferred Stock

Our board of directors has designated 15,000 of the 10,000,000 authorized shares of preferred stock as Series B Convertible Preferred Stock.

Each share of Series B Convertible Preferred Stock was convertible at any time at the holder’s option into a number of shares of common stock equal to $1,000 divided by the conversion price of $7.00 per share. Notwithstanding the foregoing, we could not effect any conversion of Series B Convertible Preferred Stock, with certain exceptions, to the extent that, after giving effect to an attempted conversion, the holder of shares of Series B Convertible Preferred Stock (together with such holder’s affiliates, and any persons acting as a group together with such holder or any of such holder’s affiliates) would beneficially own a number of shares of our common stock in excess of 4.99% (or, at the election of the purchaser, 9.99%) of the shares of our common stock then outstanding after giving effect to such conversion. Holders of Series B Convertible Preferred Stock voted on an as converted basis on all matters on which the holders of common stock are entitled to vote, subject to beneficial ownership limitations. As of December 31, 2024 and 2023, there are 0 and 0 shares of Series B Convertible Preferred Stock issued and outstanding, respectively.

Series C Convertible Preferred Stock

On February 26, 2021, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with certain existing investors in the Company (the “Purchasers”). Pursuant to the Purchase Agreement, the Purchasers purchased 4,500 shares of a newly authorized Series C Convertible Preferred Stock (the “Series C Convertible Preferred Stock”), and the Company received proceeds of $4,500,000. The Purchase Agreement contains customary representations, warranties, agreements and indemnification rights and obligations of the parties. As of December 31, 2024 and 2023, there are 0 and 0 shares of Series C Convertible Preferred Stock issued and outstanding, respectively.

Under the Purchase Agreement, the Company was required to hold a meeting of shareholders at the earliest practical date, and such meeting occurred on July 15, 2021. Nasdaq Marketplace Rule 5635(d) limits the number of shares of common stock (or securities that are convertible into common stock) that can be issued in a transaction other than a public offering without shareholder approval. The rule required shareholder approval for us to issue shares of common stock underlying the Series C Preferred Stock which equal 20% or more of our Common Stock outstanding before the issuance at a price less than the lower of the price immediately preceding the signing of the Purchase Agreement or the average of the price for the five trading days immediately preceding such signing. We received the shareholder approval at the meeting held on July 15, 2021.

In connection with the Purchase Agreement, the Company also entered into a Registration Rights Agreement with the Purchasers. Pursuant to the Registration Rights Agreement, the Company filed with the SEC a registration statement covering the resale by the Purchasers of the shares of common stock into which the shares of Series C Convertible Preferred Stock were convertible. The Company caused the registration statement to be declared effective on June 3, 2021. The Registration Rights Agreement contains customary representations, warranties, agreements and indemnification rights and obligations of the parties.

The Company’s Board of Directors had designated 5,000 shares as the Series C Convertible Preferred Stock. Each share of the Series C Convertible Preferred Stock had a stated value of $1,000. The holders of the Series C Convertible Preferred Stock, the holders of the common stock and the holders of any other class or series of shares entitled to vote with the common stock shall vote together as one class on all matters submitted to a vote of shareholders of the Company. Each share of Series C Convertible Preferred Stock had 172 votes (subject to adjustment); provided that in no event may a holder of Series C Convertible Preferred Stock be entitled to vote a number of shares in excess of such holder’s Beneficial Ownership Limitation (as defined in the Certificate of Designation). Each share of Series C Convertible Preferred Stock was convertible, at any time and from time to time, at the option of the holder, into that number of shares of common stock (subject to the Beneficial Ownership Limitation) determined by dividing the stated value of such share ($1,000) by the conversion price, which was $5.50 (subject to adjustment).

Series D Convertible Preferred Stock

On September 28, 2022, the Company amended its articles of incorporation to designate 4,000 shares as the Series D Convertible Preferred Stock (the “Series D Convertible Preferred Stock”). Each share of the Series D Convertible Preferred Stock has a stated value of $1,000. The holders of the Series D Convertible Preferred Stock, the holders of the common stock and the holders of any other class or series of shares entitled to vote with the common stock shall vote together as one class on all matters submitted to a vote of shareholders of the Company. Each share of Series D Convertible Preferred Stock has 333 votes (subject to standard anti-dilution adjustment); provided that in no event may a holder of Series D Convertible Preferred Stock be entitled to vote a number of shares in excess of such holder’s Beneficial Ownership Limitation (as defined in the Certificate of Designation and as described below). Each share of Series D Convertible Preferred Stock is convertible, at any time and from time to time, at the option of the holder, into that number of shares of common stock (subject to the Beneficial Ownership Limitation) determined by dividing the stated value of such share ($1,000) by the conversion price, which is $3.00 (subject to adjustment). The Company shall not effect any conversion of the Series D Convertible Preferred Stock, and a holder shall not have the right to convert any portion of the Series D Convertible Preferred Stock, to the extent that after giving effect to the conversion sought by the holder such holder (together with such holder’s Attribution Parties (as defined in the Certificate of Designation)) would beneficially own more than 4.99% (or upon election by a holder, 19.99%) of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon such conversion (the “Beneficial Ownership Limitation”). All but one of the holders of the Series D Preferred Stock elected the 19.99% Beneficial Ownership Limitation. The Company shall reserve and keep available out of its authorized and unissued Common Stock, solely for the issuance upon the conversion of the Series D Convertible Preferred Stock, such a number of shares of Common Stock as shall from time to time be issuable upon the conversion of all of the shares of the Series D Convertible Preferred Stock then outstanding. Additionally, the Series D Convertible Preferred Stock does not have the right to dividends and in the event of an involuntary liquidation, the Series D shares shall be treated as a pro rata equivalent of common stock outstanding at the date of the liquidation event and have no liquidation preference.

On September 30, 2022, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with certain existing investors in the Company (the “Purchasers”). Pursuant to the Purchase Agreement, the Purchasers purchased 999 shares of the newly authorized Series D Convertible Preferred Stock, and the Company received proceeds of $999,000. The Purchase Agreement contains customary representations, warranties, agreements and indemnification rights and obligations of the parties. On October 29, 2022, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with a certain existing investor in the Company (the “Purchaser”). Pursuant to the Purchase Agreement, the Purchaser purchased 300 shares of the newly authorized Series D Convertible Preferred Stock, and the Company received proceeds of $300,000. The Purchase Agreement contains customary representations, warranties, agreements and indemnification rights and obligations of the parties.

At the Annual Meeting on May 16, 2023, the stockholders approved the convertibility of the Series D Preferred Stock into common stock.

On March 22, 2024, March 28, 2024, and April 3, 2024, the Company entered into Securities Purchase Agreements (the “Purchase Agreements”) with certain existing and other accredited investors (the “2024 Purchasers”). Pursuant to the Purchase Agreements, the 2024 Purchasers purchased an aggregate of 870 shares of Series D Preferred Stock, at a price of $1,000 per share, and the Company received proceeds of $870,000.

In April, May, July and October of 2024, 870 outstanding shares of Series D Convertible Preferred Stock were converted into 290,002 shares of common stock. As of December 31, 2024, and 2023 there are 1,299 and 1,299 shares of Series D Convertible Preferred Stock issued and outstanding, respectively.

In connection with such Purchase Agreements, the Company entered into Registration Rights Agreements and filed registration statements with the SEC covering the resale by the Purchasers of the shares of common stock into which the shares of Series D Convertible Preferred Stock are convertible. The Registration Rights Agreements contain customary representations, warranties, agreements and indemnification rights and obligations of the parties.

The Registration Rights Agreements contain provisions for liquidated damages equal to 1% multiplied by the aggregate subscription amount paid, paid each month, in the event certain deadlines are missed.

Series E Convertible Preferred Stock

The Company's Board of Directors had designated 30,000 shares as the Series E Convertible Preferred Stock (the "Series E Convertible Preferred Stock"). Each share of the Series E Convertible Preferred Stock has a stated value of $1,000. The holders of the Series E Convertible Preferred Stock, the holders of the common stock and the holders of any other class or series of shares entitled to vote with the common stock shall vote as one class on all matters submitted to a vote of shareholders of the Company. Each share of Series E Convertible Preferred Stock has 333 votes (subject to adjustment); provided that in no event may a holder of Series E Convertible Preferred Stock be entitled to vote a number of shares in excess of such holder's Beneficial Ownership Limitation. Each share of Series E Convertible Preferred Stock is convertible at any time and from time to time, at the option of the holder, into that number of shares of common stock (subject to the Beneficial Ownership Limitation) determined by dividing the stated value of such share ($1,000) by the conversion price, which was $3.00 (subject to adjustment) (see adjustment below). The Company shall not effect any conversion of the Series E Convertible Preferred Stock, and the holder shall not have the right to convert any portion of the Series E Convertible Preferred Stock, to the extent that after giving effect to the conversion sought by the holder such holder (together with such holder's Attribution Parties (as defined in the Certificate of Designation)) would beneficially own more than 4.99% (or upon election by a holder, 19.99%) of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon such conversion (the "Beneficial Ownership Limitation"). All but one of the holders of the Series E Preferred Stock elected the 19.99% Beneficial Ownership Limitation.

The Company on March 27, 2023 entered into a Securities Purchase Agreement (the "Purchase Agreement") with an existing investor in the Company (the "Purchaser"). Pursuant to the Purchase Agreement, the Purchasers purchased 4,000 shares of a newly authorized Series E Convertible Preferred Stock at a price of $1,000 per share, and the Company received proceeds of $4,000,000. The Purchase Agreement contains customary representations, warranties, agreements and indemnification rights and obligations of the parties.

The existing investor's Purchase Agreement also provided that the Company would not, with certain exceptions, sell or issue common stock or Common Stock Equivalents (as defined in the Purchase Agreement) on or prior to December 31, 2023 that entitled any person to acquire shares of common stock at an effective price per share less than the then conversion price of the Series E Convertible Preferred Stock without the consent of the Purchaser.

On November 9, 2023, the Company entered into a Securities Purchase Agreement (the "November Purchase Agreement") with existing investors in the Company (the "Purchasers"). Pursuant to the Purchase Agreement, the Purchasers purchased 2,500 shares of Series E Convertible Preferred Stock, at a price of $1,000 per share, and the Company received proceeds of $2,500,000.

The November Purchase Agreement also provided that the Company would not, with certain exceptions, sell or issue common stock or Common Stock Equivalents (as defined in the November Purchase Agreement) on or prior to June 30, 2024 that entitled any person to acquire shares of common stock at an effective price per share less than the then conversion price of the Series E Convertible Preferred Stock (which was $3.00) without the consent of the Purchasers. This provision was not triggered as of June 30, 2024.

The Purchasers under the November Purchase Agreement also were the holders of the Company's Series F Convertible Preferred Stock issued on August 1, 2023. The purchase agreement relating to the shares of Series F Convertible Preferred Stock required the consent of the holders in the event the Company were to issue common stock or rights to acquire common stock prior to December 31, 2023 at an effective price per share less than the then conversion price of the Series F Convertible Preferred Stock, which was $6.20 per share. As a result, on November 10, 2023 the Company and the holders of the Series F Convertible Preferred Stock entered into Exchange Agreements pursuant to which the holders of Series F Convertible Preferred Stock exchanged their 5,000 shares of Series F Convertible Preferred Stock for an equal number of shares of Series E Convertible Preferred Stock. As a result of the November Purchase Agreement and the Exchange Agreements, the Company issued a total of 7,500 shares of Series E Convertible Preferred Stock and the 5,000 shares of Series F Convertible Preferred Stock were cancelled.

On March 22, 2024 and March 28, 2024, the Company entered into Securities Purchase Agreements (the "Purchase Agreements") with certain existing and other accredited investors (the "2024 Purchasers"). Pursuant to the Purchase Agreements, the 2024 Purchasers purchased an aggregate of 2,125 shares of Series E Convertible Preferred Stock, at a price in each case of $1,000 per share, and the Company received proceeds of $2,125,002. Those purchase agreements had similar price protections as the November Purchase Agreement but extended the price protection date to December 31, 2024, for all Series E holders. On September 19, 2024, the conversion rate was lowered to $2.61 from $3.00 per share based on the warrant's induced exercise price of $2.61 per share.

In October of 2024, 125 outstanding shares of Series E Convertible Preferred Stock were converted into 47,892 shares of common stock. As of December 31, 2024, and December 31, 2023, respectively, there were 13,500 and 11,500 shares of Series E Convertible Preferred Stock issued and outstanding.

In connection with such Purchase Agreements, the Company also entered into Registration Rights Agreements with the Purchasers. Pursuant to the Registration Rights Agreements, the Company filed with the SEC registration statements covering the resale by the Purchasers of the shares of common stock into which the shares of Series E Convertible Preferred Stock are convertible.

The Registration Rights Agreements contain customary representations, warranties, agreements and indemnification rights and obligations of the parties. The Registration Rights Agreements contain provisions for liquidated damages equal to 1% multiplied by the aggregate subscription amount paid, paid each month, in the event certain deadlines are missed.

Series F Convertible Preferred Stock

On August 2, 2023, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with existing, accredited investors in the Company (the “Purchasers”). Pursuant to the Purchase Agreement, the Purchasers purchased 5,000 shares of a newly authorized Series F Convertible Preferred Stock (the “Series F Convertible Preferred Stock”), and the Company received proceeds of $5,000,000. The Purchase Agreement contains customary representations, warranties, agreements and indemnification rights and obligations of the parties.

The Company's Board of Directors designated 5,000 shares as the Series F Preferred Stock. Each share of Series F Preferred Stock was convertible, at any time and from time to time, at the option of the holder, into that number of shares of common stock (subject to the beneficial ownership limitation described below) determined by dividing the stated value of such share ($1,000) by the conversion price, which is $6.20 (subject to adjustment) which equates to 161 common shares for each converted Series F preferred share. The Company, however, shall not effect any conversion of the Series F Preferred Stock, and the holder shall not have the right to convert any portion of the Series F Preferred Stock, to the extent that after giving effect to the conversion sought by the holder such holder (together with such holder’s Attribution Parties (as defined in the Certificate of Designation)) would beneficially own more than 4.99% (or upon election by a holder, 19.99%) of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon such conversion. The purchasers of the Series F Preferred Stock elected that their ownership limitation would be 19.99%.

The holders of the Series F Preferred Stock, the holders of the common stock and the holders of any other class or series of shares entitled to vote with the common stock shall vote together as one class on all matters submitted to a vote of shareholders of the Company. Each share of Series F Preferred Stock had 161 votes (subject to adjustment); provided that in no event may a holder of Series F Preferred Stock be entitled to vote a number of shares in excess of such holder’s ownership limitation.

The Company also agreed that it would not, with certain exceptions, sell or issue common stock or Common Stock Equivalents (as defined in the Purchase Agreement relating to the Series F Preferred Stock) on or prior to December 31, 2023 that entitled any person to acquire shares of common stock at an effective price per share less than the then conversion price of the Series F Preferred Stock without the consent of the holders. As a result of that agreement, upon the issuance of 2,500 shares of Series E Preferred Stock (which had a conversion price of $3.00 per share) on November 10, 2023, the holders exchanged their 5,000 shares of Series F Preferred Stock for 5,000 shares of Series E Preferred Stock. All of the shares of Series F Preferred Stock thereupon were cancelled with zero shares now outstanding.

As of December 31, 2024, and December 31, 2023, respectively, there were zero and zero shares of Series F Convertible Preferred Stock issued and outstanding.

Approximate Number of Equity Security Holders

As of March 27, 2025, there were approximately 243 holders of record of our common stock, and the last reported sale price of our common stock on the Nasdaq Capital Market on March 27, 2025 was $6.05 per share.

Dividends

To date, we have not paid any dividends on our common stock and do not anticipate paying any such dividends in the foreseeable future. The declaration and payment of dividends on the common stock is at the discretion of our board of directors and will depend on, among other things, our operating results, financial condition, capital requirements, contractual restrictions or such other factors as our board of directors may deem relevant. We currently expect to use all available funds to finance the future development and expansion of our business and do not anticipate paying dividends on our common stock in the foreseeable future.

Unregistered Sales of Equity Securities

There were no unregistered sales of the Company's equity securities during 2024 that were not previously disclosed in a Quarterly Report on Form 10-Q or in a Current Report on Form 8-K.

Item 6.

Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Form 10-K and other reports filed by the Company from time to time with the Securities and Exchange Commission (the "SEC") contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, the Company's management as well as estimates and assumptions made by Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," or the negative of these terms and similar expressions as they relate to the Company or the Company's management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including the risks contained in the "Risk Factors" section of this Annual Report on Form 10-K, relating to the Company's industry, the Company's operations and results of operations, and any businesses that the Company may acquire. 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.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, the Company does not intend to update any of the forward-looking statements.

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our consolidated financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. The following discussion should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this report.

Overview

We intend for this discussion to provide information that will assist in understanding our financial statements, the changes in certain key items in those financial statements, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements.

Plan of Operation

The Company's growth strategy includes expansion of its technology base through organic development efforts, strategic partnerships, and targeted acquisitions where appropriate. The Company provides a broad range of technology solutions with a primary emphasis on the Vision Technology market sector, specifically within the Machine Vision subsector. Machine Vision companies provide imaging-based automatic inspection and analysis for process control, with the potential for expansion into additional industries. Duos is currently developing industry solutions targeting rail, trucking, aviation, and other vehicle-based processes while also expanding into the fast-growing Edge Data Center and power generation markets.

The Company's flagship product, the Railcar Inspection Portal (RIP), enables freight and transit railroad customers and select government agencies to conduct fully automated railcar inspections in real-time as trains move at full speed. The RIP integrates sophisticated optical, laser, and speed sensors with edge computing and artificial intelligence (AI) algorithms to detect safety and security defects instantly, allowing operators to take immediate action.

In 2024, the Company made a strategic decision to leverage its core expertise in high-speed data processing and AI-driven analysis to expand into additional markets. This resulted in the formation of two new subsidiaries:

1. **Duos Edge AI ("Duos Edge") –** Specializing in high-speed data processing through Edge Data Centers, Duos Edge is focused on serving underserved Tier 3 and Tier 4 markets, providing critical infrastructure for education, healthcare, and enterprise computing needs. The Edge Data Centers support applications requiring real-time response, reducing reliance on centralized cloud-based processing and improving efficiency.
2. **Duos Energy Corporation ("Duos Energy") –** Established to meet the growing demand for power generation outside of traditional utility grids, Duos Energy provides consulting, asset management, and operational expertise for rapid deployment power generation. Duos Energy has engaged in agreements with Fortress Investment Group ("FIG") to support power generation solutions, particularly for data centers and AI-driven applications, managing approximately 850 MW of generating capacity.

The strategic expansion into Edge Computing and power generation aligns with the Company's long-term vision to drive growth through diversified revenue streams while leveraging its existing technology infrastructure and domain expertise.

Prospects and Outlook

The Company is focused on improving operational and technical execution, which, in turn, will enable commercial expansion and new technology offerings. The primary objectives for 2025 and beyond include:

- **Expansion into power generation and energy solutions**: The newly formed Duos Energy subsidiary is positioned to capitalize on the increasing demand for behind-the-meter (BTM) energy solutions. The Company's AMA with New APR, valued at approximately $42 million over two years, along with its 5% non-voting equity interest in the ultimate parent of New APR, establishes a strong foundation for further market penetration in the fast power sector. This business expansion in conjunction with the revenue generated under the AMA is expected to provide a significant portion of the Company's revenues in 2025.
- **Expansion of the RIP business model**: The Company is shifting to a modular and subscription-based approach, allowing customers to select specific Acquisition Modules suited to their operational needs. This transition provides flexible pricing structures, improves scalability, and enhances recurring revenue streams through "RIP-as-a-Service."
- **Deployment of AI-powered self-diagnostics**: Enhancing RIP systems with AI-driven self-diagnostics enables real-time monitoring, improved system uptime, and predictive maintenance capabilities, reducing operational disruptions for customers.
- **Integration of Edge Data Centers**: The Company is actively deploying Edge Data Centers to enable faster, localized data processing, particularly in rural and underserved markets. The first six sites are expected to become operational in the first half of 2025, with a further nine sites anticipated for the second half of 2025. These initial Edge Data Centers are providing scalable solutions for enterprise and government clients.
- **Enhancements in artificial intelligence and automation**: The Company continues to refine its proprietary AI solutions, including computer vision, deep learning, and predictive analytics, to improve inspection accuracy and operational efficiency across all product offerings.
- **Expansion into new vehicle inspection markets**: While the Company remains committed to its core rail technology solutions, it continues to explore applications for scanning and inspecting other vehicle types, including trucks, buses, and aircraft. These markets offer potential growth opportunities through partnerships with logistics providers, government agencies, and commercial transport operators.

In 2024, Duos entered a long-term agreement with a major Class 1 railroad, securing data access from its RIPs and enabling new subscription-based services for over 3,000 railcar owners and lessors. This initiative is expected to open up significant new revenue streams while strengthening the Company's market leadership.

The Company recognizes that technology adoption within the rail industry can be a gradual process, requiring substantial capital investment from customers. To accelerate adoption, Duos is focused on demonstrating clear ROI for its solutions, securing long-term service agreements, and pursuing partnerships that enhance its value proposition. Additionally, investments in engineering and software development will ensure compliance with evolving Federal Railroad Administration (FRA) and Association of American Railroad (AAR) standards, further positioning the Company for continued success in the rail sector.

With the diversification into Edge Computing and power generation, coupled with continued growth in its core machine vision and AI-based inspection technologies, the Company is well-positioned to drive increased revenue, improve profitability, and generate long-term shareholder value.

Although the Company's prospects for future revenue growth are anticipated to be favorable, investing in our securities involves risk and careful consideration should be made before deciding to purchase our securities. There are many risks that affect our business and results of operations, some of which are beyond our control and unexpected macro events can have a severe impact on the business. Please see the risk factors identified in "Item 1A – Risk Factors" elsewhere in this Annual Report.

Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements included in this report.

For the year ended December 31, 2024 compared to December 31, 2023

The following table sets forth a summary of our Consolidated Statements of Operations that is used in the following discussions of our results of operations:

	For the Years Ended December 31, 2024	2023
Revenues	$ 7,280,885	$ 7,471,198
Cost of revenues	6,811,670	6,162,317
Gross margin	469,215	1,308,881
Operating expenses	11,452,741	12,755,447
Loss from operations	(10,983,526)	(11,446,566)
Other income	219,069	204,848
Net loss	$ (10,764,457)	$ (11,241,718)

Revenues

	For the Years Ended December 31, 2024	2023	% Change
Revenues:			
Technology systems	$ 2,252,357	$ 3,618,022	-38%
Services and consulting	5,028,528	3,853,176	31%
Total revenues	$ 7,280,885	$ 7,471,198	-3%

For the full year 2024, there was a 3% decrease in overall revenues compared to 2023. The decrease in overall revenues is primarily attributed to delays outside of the Company's control with the deployment of our two high-speed Railcar Inspection Portals, which are recorded in the technology systems portion of our business. Although these systems were largely ready for deployment in 2023, customer delays at the deployment site prevented installation even though these two high-speed Railcar Inspection Portals were deep into their production and manufacturing phases, which did not allow us to record the next phase of revenue recognition. The Company was able to contract an equitable adjustment related to our two high-speed Railcar Inspection Portals project in 2024. This adjustment added $1.4 million to the contract's total value, with a substantial portion recognized in 2024. We believe that the customer is approaching the completion of the local site preparation and is preparing for field installation in 2025. Additionally, the Company continues to see opportunities for expansion of its programs with existing customers. In spite of the timing delays that continue to impact results, management remains confident in the long-term potential of the RIP product.

For the full year 2024, there was a 31% increase in services and consulting revenues compared to 2023. The increase in the services portion of our revenues stems from the addition of new AI and subscription customers that were not present in for the full year in 2023, as well as increases in service contract revenue due to higher service contract prices. We also generated $921,562 in services and consulting revenue from power consulting work, which was not present in 2023. The Company expects growth with new revenue from existing customers, including services revenue as the result of new maintenance contracts being established on installations coming on-line during 2025. The Company anticipates revenue growth from new and existing customers related to the subscription offering starting in 2025, giving access to RIP data and images to a much broader target market including Class 1 railroads, railcar owners and lessors, and short-line railroads. The Company also anticipates renewals of existing and backlog contracts and a shift to the next generation of technology systems which are currently being manufactured and expect to be completed during early 2025. The Company also expects new revenue growth in 2025 related to its 5% non-voting ownership equity interest in Sawgrass Parent, including revenue attributable to the AMA.

While customer-driven delays in the installation of our high-speed transit-focused Railcar Inspection Portals have impacted revenue growth timing year-over-year, the Company's capital structure remains resilient, allowing us to pursue large projects despite unexpected delays. It should be noted that the Company recently increased its working capital to account for an increase in pre-contract procurement activities to avoid a slowdown in revenues caused by delays in receiving certain components as had been the case in previous years.

Overall, in 2024, the Company made significant strides in advancing the procurement and manufacturing of its transit-focused RIPs. The Company also successfully grew its service contracts and secured new agreements in AI, enhancing its AI portfolio. Additionally, the Company launched the Duos Edge AI and Duos Energy business lines, which are expected to start contributing to the Company's success in 2025. Recurring revenue from services and consulting continues to grow and is expected to contribute significantly to future revenue streams, bolstered by new long-term contracts with existing customers expected to commence in the coming months.

Cost of Revenues

	For the Years Ended December 31,		
	2024	2023	% Change
Cost of revenues:			
Technology systems	$ 2,818,078	$ 4,352,247	-35%
Services and consulting	3,993,592	1,810,070	121%
Total cost of revenues	$ 6,811,670	$ 6,162,317	11%

Cost of revenues primarily includes inventory, shipping, certain fixed labor and overhead and allocated depreciation and amortization as applicable necessary to support the implementation of new systems and support and maintenance of existing systems. Cost of revenues on technology systems decreased during the period compared to the equivalent period in 2023 in-line with the decline in project revenues. The decline in costs generally follows the same year-over-year trend as project revenues due to timing differences in major project work. This is primarily related to the procurement and manufacturing of transit-focused RIPs. As we near the end of the manufacturing cycle and begin preparations for field installation in 2025, the cost of revenues for technology systems decreases accordingly. In contrast, during the same period in 2023, the Company was still progressing through the advanced stages of procurement and manufacturing for these RIPs. Completion is expected in late 2025 or early 2026, depending on customer-related constraints for track access.

These internal costs of revenue noted above are being recognized against project and support revenues with a similar reduction in costs previously recognized for research and development, engineering and internal support. The project costs reflect subsequent allocations of fixed costs related to the staff and departmental costs associated with procurement, manufacturing and installation of RIP installations. As such, in 2024, this fixed component contributed to a negative margin on the technology systems revenues. In concert with this, there is a continued focus on construction costs and savings through efficiency, and there were some targeted staff reductions during 2024. However, the Company has elected to retain its key employees in anticipation of expected sales growth in technology systems and services in 2025 and beyond.

The cost of revenues increased on services and consulting year-over-year. The increase in costs is primarily due to $1,569,311 in amortization expense of the intangible asset related to a nonmonetary transaction, which was not present in 2023. The Company also generated $921,562 in services and consulting revenue from power consulting work, which was provided at cost, further increasing the cost of revenues for services and consulting, which was also not present in 2023. The Company continues to put into service additional artificial intelligence algorithms and maintenance and support services which are high margin and represent only marginal increases in the requisite costs to deliver these services.

Gross Margin

	For the Years Ended December 31,		
	2024	2023	% Change
Revenues	$ 7,280,885	$ 7,471,198	-3%
Cost of revenues	6,811,670	6,162,317	11%
Gross margin	$ 469,215	$ 1,308,881	-64%

Gross margin showed a decrease for the year ended December 31, 2024, as compared to the same period in 2023. As noted above, the decrease in margin was a direct result of the timing of business activity related to the manufacturing of two high-speed, transit-focused Railcar Inspection Portals compared to the activity in 2023. The business activity in 2024 consisted primarily of continued progression into the advanced stages of procurement and manufacturing for the transit-focused RIPs. The Company also generated $921,562 in services and consulting revenue from power consulting work, which was provided at cost, further diluting the overall gross margin. These same project revenues and subsequent margin impacts were absent during 2023; however, the power consulting and asset management activities are expected to generate positive gross margins going forward. The recognition of the revenue and subsequent profit from these projects, as well as underlying services and maintenance revenues from existing and recently completed projects, coupled with the previously mentioned fixed departmental costs resulted in a gross margin of approximately 6%. By comparison for the full-year 2023, the Company had increased business activity from a procurement and manufacturing standpoint related to the transit-focused RIPs. The recognition of the revenue and subsequent profit from these major projects, as well as underlying services and maintenance revenues from existing projects, resulted in an 18% gross margin in 2023. It should be noted that when comparing the results between two periods, the stage of completion for manufacturing and installation can factor in those comparisons and should be taken into account when analyzing those periods.

Operating Expenses

	For the Years Ended December 31,		
	2024	2023	% Change
Operating expenses:			
Sales and marketing	$ 2,138,431	$ 1,493,309	43%
Research and development	1,531,390	1,812,951	-16%
General and administration	7,782,920	9,449,187	-18%
Total operating expense	$ 11,452,741	$ 12,755,447	-10%

Overall operating expenses decreased by 10% in 2024 as compared to the full year 2023. There was a 43% increase in sales and marketing related to increased investment into the capability of the commercial team, including the addition of professionals with extensive experience and leadership in the rail, Edge data center and power industries. Research and development costs saw a 16% decline during the year, driven by the decreased personnel costs related to the departments allocated to R&D and scaled-back testing of prospective technologies. Additionally, an 18% decrease in general and administration costs was influenced by several factors, including a reduction in personnel and personnel related expenses as well as a decrease in non-cash amortization charges year over year associated with roughly 781,323 share options that were forfeited during 2024. Other factors driving the decrease in general and administration costs include a decrease in consulting and legal expenses as compared to 2023.

Loss From Operations

The losses from operations for the years ended December 31, 2024 and 2023 were $10,983,526 and $11,446,566, respectively. The decrease in loss from operations was primarily the result of planned decreases in operating expenses, which offset the impact of lower revenues recorded in the period as a consequence of delays in going to field for the two high-speed RIPs for a passenger transit client, and the short term lower gross margins from the impact of the initial power industry consulting.

Interest Expense

Interest expense for the years ended December 31, 2024 and 2023 was $286,114 and $7,159, respectively. The increase in interest expense is primarily due to the amortization of the debt discount on the $2.2 million note and the associated monthly interest expense in 2024; this note, related to the acquisition and build out of 3 Edge data centers, had not been entered into in 2023.

Other Income

Other income for the years ended December 31, 2024 and 2023 was $505,183 and $212,007, respectively. The significant increase in other income is primarily due to a gain from the fair value adjustment of the warrant liability and gain on extinguishment of warrant liabilities resulting from the exercise of the warrants. There was no such transaction in 2023.

Net Loss

The net loss for the years ended December 31, 2024 and 2023 was $10,764,457 and $11,241,718, respectively. The decrease in net loss is primarily attributable to the decrease in operating costs as described above. Net loss per common share was $1.39 and $1.56 for the years ended December 31, 2024 and 2023, respectively.

Liquidity and Capital Resources

As of December 31, 2024, the Company has a cash balance of $6,266,296 and an accounts receivable balance of $403,441.

Cash Flows

The following table sets forth the major components of our statements of cash flows data for the periods presented:

	For the Years Ended December 31,	
	2024	2023
Net cash used in operating activities	$ (3,488,687)	$ (8,746,564)
Net cash used in investing activities	(1,841,298)	(1,093,909)
Net cash provided by financing activities	9,154,439	11,161,223
Net increase in cash	$ 3,824,454	$ 1,320,750

Net cash used in operating activities for the years ended December 31, 2024 and 2023 was $3,488,687 and $8,746,564, respectively. The decrease in net cash used in operations for the year ended December 31, 2024 was the result of a decrease in expenditures related to current projects as previously discussed. In addition, there are several changes in assets and liabilities that decreased the use of cash in operations including decreases in accounts receivable, increases in accounts payable and accrued expenses, and a rise in contract liabilities due to advance payments received from customers. Notably, an energy customer prepaid $5 million for services to be provided throughout the year, contributing to the increase in contract liabilities and improving short-term cash flow.

Net cash used in investing activities for the years ended December 31, 2024 and 2023 was $1,841,298 and $1,093,909, respectively. The Company ramped up its investment activities in 2024 compared to 2023 through an increase in the purchase of various fixed assets including our three edge data centers that are currently being manufactured to be deployed in the first half of 2025; the remainder includes the purchase of computer equipment and product and software development and disbursements for patent costs.

Net cash provided by financing activities for the years ended December 31, 2024 and 2023 was $9,154,439 and $11,161,223, respectively. Cash flows provided by financing activities during 2024 were primarily attributable to gross proceeds of approximately $2,995,002 from issuances of Series D and Series E Convertible Preferred Stock, along with a combined total of $4,444,210 in proceeds from the issuance of common stock via warrant exercises of $899,521 and our At-The-Market (ATM) offering program for proceeds of $3,544,689. The Company also obtained $2,200,000 in cash proceeds pursuant to notes executed in 2024 with a related parties. Cash flows from financing activities during 2023 were primarily attributable to the issuance of Series E and Series F Convertible Preferred Stock for $11,500,000 of gross proceeds offset by repayments of certain loans related to financing of insurance costs.

During 2024, we funded our operations through the sale of our equity (or equity linked) securities, and through revenues generated and cash received from ongoing project execution, services and associated maintenance revenues. As of March 28, 2025, we have cash on hand of approximately $4,060,300 after the completion of our At-The-Market (ATM) in January and February of 2025, which provided net proceeds of $3,836,032.

On a long-term basis, our liquidity is dependent on the continuation and expansion of operations and receipt of revenues. Our current capital and access to further capital and revenues are sufficient to fund such expansion and we are now less dependent on timely payments by our customers for projects and work in process. However we anticipate such timely payments to continue. Material cash requirements will be satisfied within the normal course of business, including substantial upfront payments from our customers prior to starting projects. As previously mentioned, an energy customer prepaid $5 million for services to be provided throughout the year, related to the AMA, contributing to the increase in contract liabilities and improving short-term cash flow. In some cases, the Company may elect to purchase materials and supplies in advance of contract award but where there is a high probability of that award. Most, if not all, high value items that are pre-purchased, can be re-purposed if necessary. The maximum amount of material cash requirements not currently supported by up-front customer deposits is expected to be less than $1 million.

Demand for the products and services will be dependent on, among other things, market acceptance of our products and services, the technology market in general, and general economic conditions, which are cyclical in nature. In as much as a major portion of our activities is the receipt of revenues from the sales of our products and services, our business operations could be adversely affected by our competitors as well as prolonged recession periods although these are not considered to be a factor at present.

Liquidity

Under Accounting Codification ASC 205, Presentation of Financial Statements—Going Concern (Subtopic 205-40) (“ASC 205-40”), the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. As required by ASC 205-40, this evaluation shall initially not take into consideration the potential mitigating effects of plans that have not been fully implemented as of the date the financial statements are issued. Management has assessed the Company’s ability to continue as a going concern in accordance with the requirement of ASC 205-40.

As reflected in the accompanying consolidated financial statements, the Company had a net loss of $10,764,457 for the year ended December 31, 2024. During the same period, cash used in operating activities was $3,488,687. The working capital deficit and accumulated deficit as of December 31, 2024, were $8,002,361 and $74,368,009, respectively. In previous financial reports, the Company had raised substantial doubt about continuing as a going concern. This was principally due to a lack of working capital prior to an underwritten offerings and private placements which were completed during the first, third and fourth quarters of 2022, the first, third and fourth quarters of 2023, as well as 2024 and 2025.

As previously noted, the Company was successful during 2023 in raising gross proceeds of over $11,500,000 from the sale of Series E and F Preferred Stock. Additionally, late in the first and second quarters of 2024, the Company raised gross proceeds of $2,995,002 from the issuance of a combination of Series D and E Preferred Stock (See Note 14). The Company successfully raised approximately $3,544,689 in gross proceeds through its At-The-Market (ATM) offering program in 2024 and secured an additional $3,954,940 in gross proceeds during the first two months of 2025. Additionally, during the second quarter of 2025, the Company will again have access to its S-3 “shelf registration” statement allowing the Company to sell additional securities. At the time of this document, the Company estimates that it has available capacity on its shelf registration which it can utilize to bolster working capital and growth of the business in the event that revenues from its recently executed Asset Management Agreement (“AMA”) with New APR Energy does not provide sufficient cash flow to support operations. Although additional investment is not assured, the Company is comfortable that it would be able to raise sufficient capital to support expanded operations based on an anticipated increase in business activity. In the long run, the continuation of the Company as a going concern is dependent upon the ability of the Company to continue executing its business plan, generate enough revenue, and attain consistently profitable operations. We have analyzed our cash flow under “stress test” conditions and have determined that we have sufficient liquid assets on hand or available via the capital markets to maintain operations for at least twelve months from the issuance date of this report.

In addition, management has taken and continues to take actions including, but not limited to, elimination of certain costs that do not contribute to short term revenue, and re-aligning both management and staffing with a focus on improving certain skill sets necessary to build growth and profitability and focusing product strategy on opportunities that are likely to bear results in the relatively short term. The Company believes that, with the combination of commercial sales success, coupled with an S-3 shelf registration availability starting in the second quarter of 2025, it will have sufficient working capital to meet its obligations over the following twelve months. In the last twelve months the Company has seen growth in its contracted backlog as well as significant, positive signs from new commercial projects that indicate improvements in future revenues.

Management believes that, at this time, the conditions in our traditional market space with ongoing contract delays and the additional time needed to execute on new contracts previously reported could put a strain on our cash reserves. However, the anticipated steady cashflow from the AMA and the ability to raise capital via its shelf registration indicate there is no substantial doubt for the Company to continue as a going concern for a period of twelve months. We expect to continue executing the plan to grow our business and achieve profitability as previously discussed. The Company may selectively look at opportunities for fundraising in the future including potential debt offerings to support asset acquisition. Management has extensively evaluated our requirements for the next 12 months and has determined that the Company currently has sufficient cash and access to capital to operate for at least that period.

While no assurance can be provided, management believes that these actions provide the opportunity for the Company to continue as a going concern and to grow its business and achieve profitability with access to additional capital funding. Ultimately the continuation of the Company as a going concern is dependent upon the ability of the Company to continue executing the plan described above which was put in place in late 2024 and will continue in 2025 and beyond. As a result, we expect to generate sufficient revenue and to attain profitable operations with minimal cash use in the next 12-18 months. These consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Critical Accounting Estimates

Revenue Recognition

For technology systems, the Company recognizes revenue over time using a cost-based input methodology in which significant judgment is required to estimate costs to complete projects. These estimated costs are then used to determine the progress towards contract completion and the corresponding amount of revenue to recognize. The Company follows the principles in ASC 606 which include the following: a contract with a customer creates distinct contract assets and performance obligations, satisfaction of a performance obligation creates revenue, and a performance obligation is satisfied upon transfer of control to a good or service to a customer.

Revenue is recognized by evaluating the Company revenue contracts with customers based on the five-step model under ASC 606:

1. Identify the contract with the customer;

2. Identify the performance obligations in the contract;

3. Determine the transaction price;

4. Allocate the transaction price to separate performance obligations; and

5. Recognize revenue when (or as) each performance obligation is satisfied.

The Company generates revenue from four sources:

1. Technology Systems

2. AI Technologies

3. Technical Support

4. Consulting Services including revenues from the AMA agreement which begins in January 2025

Equity Method Investments

If an investment qualifies for the equity method of accounting, the Company's investment is recorded initially at cost and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. The net income or loss of an unconsolidated equity method investment is allocated to its investors in accordance with the provisions of the operating agreement of the entity. The allocation provisions in these agreements may differ from the ownership interest held by each investor. Differences, if any, between the carrying amount of our investment in the respective equity method investee and the Company's share of the underlying equity of such equity method investee are amortized over the respective lives of the underlying assets as applicable. These items are reported as a single line item in the consolidated statements of operations as income or loss from investments in unconsolidated equity method investees. Investments are reviewed for changes in circumstance or the occurrence of events that suggest an other-than-temporary event where our investment may not be recoverable.

On December 31, 2024, the Company entered into an Asset Management Agreement (the "AMA"), with New APR, an entity formed by affiliates of Fortress Investment Group ("FIG"). Under the AMA, Duos Energy will manage the deployment and operations of a fleet of mobile gas turbines and balance-of-plant inventory, providing management, sales and operations functions to New APR in connection with the Assets. In exchange for services to be performed under the AMA, the Company received an initial cash payment and common units in Sawgrass Parent. While the Company has board representation in Sawgrass Parent, its common units are non-voting and the Company does not control the board of directors of Sawgrass Parent.

Where the Company has an interest in a Variable Interest Entities ("VIE") it will consolidate any VIE in which the Company has a controlling financial interest and deemed to be the primary beneficiary. A controlling financial interest has both of the following characteristics: (1) the power to direct the activities of the VIE that most significantly impact its economic performance; and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could be significant to the VIE. If both of the characteristics are met, the Company is considered to be the primary beneficiary and therefore will consolidate that VIE into the consolidated financial statements.

Investments in partnerships, unincorporated joint ventures and LLCs that maintain specific ownership accounts for each investor are excluded from the scope of ASC 323-10. However, ASC 323-30 provides guidance on applying the criteria for equity method accounting to investments in partnerships, unincorporated joint ventures and LLCs. When an investor in a partnership, unincorporated joint venture or LLC has the ability to exercise significant influence over that investment, it should apply the equity method (ASC 323-10) by analogy (ASC 323-30-25-1).

Sawgrass Parent is deemed to be a VIE and the Company holds a 5% interest in the Parent and an interest in the subsidiary New APR through the AMA, both of which are considered variable interests. However, the Company does not represent the primary beneficiary as it does not possess the ability to direct the activities that most significantly impact the economic performance of Sawgrass Parent. Accordingly, the Company does not consolidate Sawgrass Parent. Due to the Company's interest in Sawgrass Parent, it was determined that the Company has significant influence over Sawgrass Parent. Therefore, the Company accounts for its investment in Sawgrass Parent as an Equity Method Investment.

The Company also concluded that the arrangement with Sawgrass Parent is within the scope of ASC 606, Revenue from contracts with customers, and the common units issued to the Company by Sawgrass Parent represented non-cash consideration. The initial carrying value as of December 31, 2024 of $7.2 million was measured equal to the fair value of the common units received for future services to be performed under the AMA. The Company recorded $7.2 million of deferred revenue for services to be performed under the AMA. During the year ended December 31, 2024, the Company did not recognize any revenue associated with the AMA. The Company will initially record the equity method investment in Sawgrass Parent of $7.2 million, equal to the fair value of the common units as of December 31, 2024.

The Company assesses its equity method investment for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. No impairment losses were recognized during the year ended December 31, 2024.

Impairment of Intangible Assets

In May 2024, the Company recorded an intangible asset with a fair value of $11,161,428. This asset represents non-monetary consideration received under a 5-year customer contract, in which the Company will provide maintenance services to the customer. The intangible asset represents Digital Image data rights in the form of a license agreement received by the Company from the customer.

The fair value of the asset was determined on the contract inception date based on the standalone selling price of the service and goods to be provided to the customer under the 5-year contract since the Company could not reasonably estimate the fair value of the data rights received. The non-monetary transaction was accounted for in accordance with Accounting Standards Codification (ASC) 606-10-32-21 through ASC 606-10-32-24.

On the contract inception date, the Company also recorded an immediate amortization of the intangible asset of $199,008 related to the pre-contract costs incurred relating to a pilot program for this contract and recorded deferred revenue of $11,161,428 as contract liabilities with a current and non-current component, and then immediately recognized $199,008 of this deferred revenue relating to the completed pilot program. The remaining deferred revenue is being recognized over the 5-year term.

In accordance with ASC 350-30-35-1, the amortization for the intangible asset is based on its useful life and the useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to the future cash flows of that entity. Accordingly, amortization of the intangible asset is recognized over the life of the contract of five years.

In accordance with ASC 350-30-35-14, an intangible asset that is subject to amortization shall be reviewed for impairment if the carrying amount of the asset is not recoverable and exceeds its fair value.

There is no indication of impairment at December 31, 2024.

Stock Based Compensation

The Company accounts for employee and non-employee stock-based compensation in accordance with ASC 718-10, "*Share-Based Payment*," which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including stock options, restricted stock units, and employee stock purchases based on estimated fair values. The stock-based compensation carries a graded vesting feature subject to the condition of time of employment service with awarded stock-based compensation tranches vesting evenly upon the anniversary date of the award.

The Company estimates the fair value of stock options granted using the Black-Scholes option-pricing formula. In accordance with ASC 718-10-35-8, the Company elected to recognize the fair value of the stock award using the graded vesting method as time of employment service is the criteria for vesting. The Company amortizes the fair value of the stock award over the requisite service periods of the awards, which is generally the vesting period. The Company's determination of fair value using an option-pricing model is affected by the stock price as well as assumptions regarding a number of highly subjective variables.

The Company estimates volatility based upon the historical stock price of the Company and estimates the expected term for stock options using the simplified method for employees and directors and the contractual term for non-employees. The risk-free rate is determined based upon the prevailing rate of United States Treasury securities with similar maturities.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements are contained in pages F-1 through F-43 which appear at the end of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

There are no reportable events under this item for the year ended December 31, 2024.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

With the participation of our Chief Executive Officer, Chief Financial Officer and Controller, we have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Report. Based upon such evaluation, our Chief Executive Officer, Chief Financial Officer and Controller have concluded that, as of the end of such period, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer, Chief Financial Officer and Controller, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management, under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and Controller, evaluated the effectiveness of our internal control over financial reporting as of the end of the period covered by this report. In making this assessment, our management used the criteria set forth in the framework contained in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of the end of the period covered by this report based on those criteria.

Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer, Chief Financial Officer and Controller to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with generally accepted accounting principles, or GAAP. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) for the quarter ended December 31, 2024, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information.

Trading Plans

During the quarter ended December 31, 2024, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information about Directors, Executive Officers and Corporate Governance is incorporated by reference to the Company's definitive Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days of the end of the Company’s fiscal year.

Item 11. Executive Compensation

Information about executive compensation is incorporated by reference to the Company's definitive Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days of the end of the Company’s fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information about security ownership is incorporated by reference to the Company's definitive Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days of the end of the Company’s fiscal year.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information about transactions with related persons and director independence is incorporated by reference to the Company's definitive Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days of the end of the Company’s fiscal year.

Item 14. Principal Accountant Fees and Services.

Information about aggregate fees billed to us by our principal accountant is incorporated by reference to the Company's definitive Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days of the end of the Company’s fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed or furnished as part of this Annual Report on Form 10-K:

1. Financial Statements

Reference is made to the Index to Financial Statements under page F-1 hereof.

2. Financial Statement Schedules

The Financial Statement Schedules have been omitted because they are not applicable, not required, or the information is shown in the financial statements or related notes.

3. Exhibits

Exhibit No.	Exhibit Description
2.1	First Amendment to Merger and Plan of Merger, dated March 15, 2015 (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 2.1 on March 19, 2015)
2.2	Merger Agreement and Plan of Merger, dated February 6, 2015 (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 2.1 on February 9, 2015)
3.1	Amendment to Amended and Restated Articles of Incorporation (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 3.1 on July 13, 2015)
3.2	Amended and Restated Articles of Incorporation (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 3.1 on April 7, 2015)
3.3	Amended and Restated Bylaws, as amended (incorporated by reference to Exhibit 3.3 of the Company’s Form S-1/A filed on May 28, 2021)
3.4	Articles of Amendment to Articles of Incorporation (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 3.1 with the Securities and Exchange Commission on April 28, 2017)
3.5	Articles of Amendment to Articles of Incorporation Designation Series B Convertible Preferred Stock (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 3.1 with the Securities and Exchange Commission on November 29, 2017)
3.6	Certificate of Amendment to Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 15, 2020)
3.7	Articles of Amendment to Articles of Incorporation Designation of Series C Convertible Preferred Stock (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2021)
3.8	Amendments to Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.8 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 18, 2021)
3.9	Articles of Amendment to Articles of Incorporation Designation of Series D Convertible Preferred Stock (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 3, 2022).
3.10	Articles of Amendment to Articles of Incorporation Designation of Series E Convertible Preferred Stock (incorporated herein by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 28, 2023)
3.11	Articles of Amendment to Articles of Incorporation Designation of Series F Convertible Preferred Stock (incorporated herein by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 3, 2023)
3.12	Articles of Amendment to Articles of Incorporation (incorporated herein by reference to Exhibit 3.12 to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 23, 2024)
4.1	Common Stock Purchase Warrant (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 4.1 on December 23, 2016)
4.2	Form of Purchaser Warrant (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 4.1 on November 29, 2017)
4.3	Form of Placement Agent Warrant (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 4.2 on November 29, 2017)

Exhibit No.	Exhibit Description
4.4	Form of Representative's Warrant Agreement (incorporated herein by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on January 24, 2020)
4.5	Description of the Company's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated herein by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K for the Year Ended December 31, 2021, filed with the Securities and Exchange Commission on March 31, 2022)
10.1+	Employment Agreement, dated September 1, 2020, between the Company and Charles P. Ferry (incorporated by reference to the Annual Report on Form 10-K filed as Exhibit 10.32 on March 30, 2021)
10.2	Securities Purchase Agreement, dated March 31, 2016, by and between Duos Technologies Group, Inc. and the Schedule of Buyers attached thereto (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.1 on April 6, 2016)
10.3	Security and Pledge Agreement, dated April 1, 2016, by and among Duos Technologies Group, Inc., each of the Company's Subsidiaries named therein and GPB Debt Holdings II, LLC (in its capacity as collateral agent) (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.2 on April 6, 2016)
10.4	Guaranty, dated April 1, 2016, by and among each of Duos Technologies Group, Inc.'s Subsidiaries named therein and GPB Debt Holdings II, LLC (in its capacity as collateral agent) (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.3 on April 6, 2016)
10.5	Warrant, dated April 1, 2016, issued by Duos Technologies Group, Inc. (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.4 on April 6, 2016)
10.6+	2016 Equity Incentive Plan (incorporated herein by reference to the Proxy Statement on Schedule 14A filed on April 1, 2016)
10.7	Securities Purchase Agreement, dated December 20, 2016, by and between Duos Technologies Group, Inc. and JMJ Financial (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.1 on December 23, 2016)
10.8	Promissory Note, dated December 20, 2016, by and between Duos Technologies Group, Inc. and JMJ Financial (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.2 on December 23, 2016)
10.9	Form of Securities Purchase Agreement (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.1 on November 29, 2017)
10.10	Form of Registration Rights Agreement (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.2 on November 29, 2017)
10.11	Amendment #1 to the Securities Purchase Agreement and to the Note, dated May 22, 2017 (incorporated herein by reference to the Quarterly Report on Form 10-Q filed as Exhibit 10.5 with the Securities and Exchange Commission on August 15, 2017)
10.12	Amendment #2 to the Securities Purchase Agreement and to the Note, dated July 12, 2017 (incorporated herein by reference to the Quarterly Report on Form 10-Q filed as Exhibit 10.6 with the Securities and Exchange Commission on August 15, 2017)
10.13	Amendment #3 to the Securities Purchase Agreement and to the Note, dated August 14, 2017 (incorporated herein by reference to the Quarterly Report on Form 10-Q filed as Exhibit 10.7 with the Securities and Exchange Commission on August 15, 2017)
10.14	Amendment #4 to the Securities Purchase Agreement and Note, dated November 14, 2017, by and between Duos Technologies Group, Inc. and JMJ Financial (incorporated herein by reference to the Quarterly Report on Form 10-Q filed as Exhibit 10.8 on November 20, 2017)
10.15	Amendment #5 to the Securities Purchase Agreement and Note, dated November 16, 2017, by and between Duos Technologies Group, Inc. and JMJ Financial (incorporated herein by reference to the Quarterly Report on Form 10-Q filed as Exhibit 10.9 on November 20, 2017)
10.16	Amendment #6 to the Securities Purchase Agreement and Note, dated November 20, 2017, by and between Duos Technologies Group, Inc. and JMJ Financial (incorporated herein by reference to the Quarterly Report on Form 10-Q filed as Exhibit 10.10 on November 20, 2017)
10.17	Forbearance Agreement, dated May 12, 2017, by and among Duos Technologies Group, Inc. and GPB Debt Holdings II, LLC (incorporated herein by reference to the Quarterly Report on Form 10-Q filed as Exhibit 10.13 on November 20, 2017)
10.18	Form of Note Holder Letter Agreement, dated June 9, 2017 (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.1 with the Securities and Exchange Commission on June 15, 2017)
10.19+	Form of Arcaini Letter Agreement, dated June 9, 2017 (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.2 with the Securities and Exchange Commission on June 15, 2017)
10.20+	Form of Goldfarb Letter Agreement, dated June 9, 2017 (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.3 with the Securities and Exchange Commission on June 15, 2017)
10.21	GPB Debt Holdings II, LLC Letter Agreement, dated August 1, 2017 (incorporated herein by reference to the Quarterly Report on Form 10-Q filed as Exhibit 10.4 with the Securities and Exchange Commission on August 15, 2017)
10.22	Form of Conversion Letter (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.5 with the Securities and Exchange Commission on November 29, 2017)
10.23	Form of Redemption Letter (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.4 with the Securities and Exchange Commission on November 29, 2017)
10.24	Form of Pay-off Letter (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.3 with the Securities and Exchange Commission on November 29, 2017)

Exhibit No.	Exhibit Description
10.25+	Amendment to 2016 Equity Incentive Plan (incorporated by reference to Appendix B of the Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on December 18, 2017).
10.26+	Amendment to 2016 Equity Incentive Plan (incorporated by reference to the Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on June 21, 2019)
10.27+	Form of Non-Qualified Stock Option Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 15, 2020)
10.28	Paycheck Protection Program Note, dated April 23, 2020 (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2020)
10.29	Separation Agreement, dated July 10, 2020, by and between Duos Technologies Group, Inc. and Gianni B. Arcaini (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 12, 2020)
10.30	Form of Securities Purchase Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2021)
10.31	Form of Registration Rights Agreement (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2021)
10.32+	2021 Equity Incentive Plan (incorporated herein by reference to the Proxy Statement on Schedule 14A filed on June 23, 2021)
10.33+	Employment Agreement, dated April 1, 2018, between the Company and Adrian G. Goldfarb (incorporated herein by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on December 11, 2019)
10.34+	Employment Agreement, dated April 1, 2018, between the Company and Connie L. Weeks (incorporated herein by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on December 11, 2019)
10.35	Form of Securities Purchase Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 3, 2022)
10.36	Form of Registration Rights Agreement (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 3, 2022)
10.37	Form of Securities Purchase Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 28, 2023)
10.38	Form of Registration Rights Agreement (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 28, 2023)
10.39+	2021 Equity Incentive Plan as amended (incorporated herein by reference to Exhibit C to the definitive Proxy Statement filed with the Securities and Exchange Commission on April 7, 2023)
10.40+	Duos Technologies Group, Inc. Employee Stock Purchase Plan (incorporated herein by reference to Exhibit B to the definitive Proxy Statement filed with the Securities and Exchange Commission on April 7, 2023)
10.41	Form of Securities Purchase Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 3, 2023)
10.42	Form of Registration Rights Agreement (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 3, 2023)
10.43	Form of Securities Purchase Agreement (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 14, 2023)
10.44	Form of Exchange Agreement (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 14, 2023)
10.45	Form of Registration Rights Agreement (incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 14, 2023)
10.46+	Employment Agreement, dated as of December 1, 2023, between Duos Technologies Group, Inc. and Andrew W. Murphy (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 7, 2023).
10.47	Form of Securities Purchase Agreement for Series D Preferred Stock (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 25, 2024)
10.48	Form of Registration Rights Agreement for Series D Preferred Stock (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 25, 2024)
10.49	Form of Securities Purchase Agreement for Series E Preferred Stock (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 25, 2024)

Exhibit No.	Exhibit Description
10.50	Form of Registration Rights Agreement for Series E Preferred Stock (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 25, 2024)
10.51+	Employment Agreement, dated as of April 25, 2024, between Duos Technologies Group, Inc. and Adrian Goldfarb (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 30, 2024)
10.52	Form of Secured Promissory Note (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 23, 2024)
10.53	Form of Security Agreement (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 23, 2024)
10.54	Form of Guaranty (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 23, 2024)
10.55+	2021 Equity Incentive Plan, as amended (incorporated herein by reference to Exhibit B to the definitive Proxy Statement filed with the Securities and Exchange Commission on August 16, 2024)
10.56+	Employment Agreement, made and entered into as of January 1, 2025, between Duos Technologies Group, Inc. and Charles P. Ferry (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 4, 2025))
10.57+	Employment Agreement, made and entered into as of January 1, 2025, between Duos Technologies Group, Inc. and Adrian Goldfarb (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 4, 2025)
10.58+	Employment Agreement, made and entered into as of January 1, 2025, between Duos Technologies Group, Inc. and Christopher King (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities, and Exchange Commission on February 4, 2025)
14.1	Code of Ethics (incorporated herein by reference to Exhibit 14.1 to the Company's Annual Report on Form 10-K for the Year Ended December 31, 2018 on April 15, 2019)
19.1	Policy on Insider Trading
21	List of Subsidiaries
23.1	Consent of Salberg & Company, P.A.
31.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97*	DUOS Technologies Group, Inc. Policy for the Recovery of Erroneously Awarded Compensation
99.1	Audit Committee Charter (incorporated by reference to the Company's Annual Report on Form 10-K filed on April 15, 2019)
99.2	Compensation Committee Charter (incorporated by reference to the Company's Annual Report on Form 10-K filed on April 15, 2019)
99.3	Corporate Governance and Nominating Committee Charter (incorporated by reference to the Company's Annual Report on Form 10-K filed on April 15, 2019)
101.INS *	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH *	Inline XBRL Taxonomy Extension Schema Document
101.CAL *	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF *	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB *	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE *	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* filed herewith
** furnished herewith
\+ indicates management contract or compensatory plan

Item 16. Form 10-K Summary

Not applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DUOS TECHNOLOGIES GROUP, INC.

Date: March 31, 2025	By: /s/ *Charles P. Ferry* Charles P. Ferry Chief Executive Officer
Date: March 31, 2025	By: /s/ *Adrian G. Goldfarb* Adrian G. Goldfarb Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ *Charles P. Ferry* Charles P. Ferry	Chief Executive Officer and Director (Principal Executive Officer)	March 31, 2025
/s/ *Adrian G. Goldfarb* Adrian G. Goldfarb	Chief Financial Officer (Principal Financial Officer)	March 31, 2025
/s/ *Kenneth Ehrman* Kenneth Ehrman	Chairman	March 31, 2025
/s/ *Ned Mavrommatis* Ned Mavrommatis	Director	March 31, 2025
/s/ James Craig Nixon James Craig Nixon	Director	March 31, 2025
/s/ Frank A. Longegro Frank A. Lonegro	Director	March 31, 2025

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of:
Duos Technologies Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Duos Technologies Group, Inc. and Subsidiaries (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2024 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2024 and 2023, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Equity Method Investment

As described in Footnote 1 "Equity Method Investments" and Footnote 9 "Equity Investment – Sawgrass APR Holdings LLC", the Company entered into an Asset Management Agreement ("AMA") with Sawgrass Buyer LLC ("Sawgrass"). Under the AMA, the Company will manage the deployment and operations of a fleet of mobile gas turbines and balance-of-plant inventory providing management, sales and operations functions. A substantial portion of the Company staff and management would oversee operations of Sawgrass. In connection with this agreement, the company received an initial cash payment and common units in Sawgrass.

We identified the accounting for the common units received in Sawgrass as a critical audit matter. The determination of whether to consolidate Sawgrass as a variable interest entity or use cost method or equity method for the investment and the valuation of the investment is complex and requires estimates which can be subjective. Further, the units are considered received as non-monetary consideration from a customer, which accounting is complex.

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The primary procedures we performed to address these critical audit matters included (a) Reviewed the AMA agreement. (b) Audited management's analysis and conclusion as to whether Sawgrass should be consolidated as a variable interest entity or the value of the common units received should be accounted for under the equity method or cost method and compared such analysis to authoritative and interpretive guidance, (c) Gained an understanding of management's process to value the investment, (d) Audited the Company's fair value valuation of the investment including the propriety of the valuation method used, the reliability and relevancy of data used and the reasonableness of significant assumptions used in the estimate, (e) Recomputed the resulting fair value to test the accuracy of the valuation estimate, (f) Tested management's conclusion that the non-monetary consideration received represents consideration from a customer to be accounted for under ASC 606 "Revenue from contracts with customers", and (g) Compared the financial statement presentation to authoritative or interpretive literature. We agree with management's conclusions.

Percentage of Completion Revenue Recognition & Related Contract Assets and Contract Liabilities

As described in footnote 1, "Revenue Recognition – Technology Systems" and footnote 11, "Revenues and Contract Accounting" to the consolidated financial statements, the Company recognizes revenue over time using a cost-based input methodology in which significant judgement is required to determine estimated costs to complete projects. These estimated costs are then used to determine the progress towards contract completion and the corresponding amount of revenue to recognize. In addition, contract assets on uncompleted contracts represent cumulative revenues in excess of billings on uncompleted contracts accounted for under the percentage of completion contract method. Contract liabilities on uncompleted contracts represent billings that exceed cumulative revenues recognized on uncompleted contracts accounted for under the percentage of completion contract method.

We identified this percentage of completion revenue recognition as a critical audit matter. Auditing management's estimates and judgments regarding forecasts of total estimated costs to complete projects is especially challenging and complex.

The primary procedures we performed to address this critical audit matter included (a) evaluated the reasonableness of management's cost estimates to complete projects by gaining an understanding of the management's process to develop the estimates, comparing them to historical information, year-to-date current information, information available on projects subsequent to year end, and other supporting information, (b) performed ratio analysis and gross margin comparisons when applicable on a sample of technology systems revenues (c) agreed cost details to supporting documents, (d) traced cash receipts from customers to bank statements, (e) recomputed the revenue earned and recognized, and (f) recomputed the contract asset or liability. We agree with management's conclusions.

Analysis of Liquidity and Going Concern

As summarized in Footnote 2 "Liquidity" to the consolidated financial statements, the Company has a history of net losses and net cash used in operating activities and believes such conditions will continue for a period of time into the future. These are considered adverse conditions or events that lead management to consider whether there is substantial doubt about the ability of the Company to continue as a going concern for a reasonable period of time or whether such concerns are alleviated with management's plans.

We identified the going concern risk analysis as a critical audit matter. Auditing management's going concern analysis including their process to develop the analysis and the projections of future cash flows, operating trends, and assessments of internal and external matters that may affect the Company's future operations and cash flows involved a high degree of subjectivity. Additionally, auditing management's plans to address the going concern risk involved highly subjective auditor judgment.

The primary procedures we performed to address this critical audit matter included (a) assessed the reasonableness of management's process for developing their assessment of whether a going concern risk exists, (b) assessed the reasonableness of assumptions management used in their future cash flow projections, consideration of positive and negative evidence impacting management's forecasts, and consideration of the Company's financing arrangements in place as of the report date, (c) developed our own independent calculation of expected source and use of funds and needs of the Company over the one year period from the date of issuance of the consolidated financial statements, (d) tested management's bank reconciliations and confirmed cash balances as of December 31, 2024 with the banks and inspected the bank balances after the January and February 2025 stock subscriptions (e) identified management's plans for dealing with the adverse conditions and events discussed above and assessed the reasonableness of the assumptions of such plans, (f) assessed whether it is probable that management's plans, when implemented, will mitigate the adverse effects of the conditions and events discussed above, (g) concluded whether substantial doubt exists as to whether the Company can continue as a going concern for a period of one year after the consolidated financial statements are issued and (h) considered the effect of such conclusion on the consolidated financial statement disclosures and our report of an independent registered public accounting firm. We agree with management's conclusions

/s/ Salberg & Company, P.A.

SALBERG & COMPANY, P.A.
We have served as the Company's auditor since 2013
Boca Raton, Florida
March 31, 2025

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash	$ 6,266,296	$ 2,441,842
Accounts receivable, net	403,441	1,462,463
Contract assets	635,774	641,947
Inventory	605,356	1,526,165
Prepaid expenses and other current assets	176,338	184,478
Note Receivable, net	—	—
Total Current Assets	8,087,205	6,256,895
Inventory – non current	196,315	—
Property and equipment, net	2,771,779	726,507
Operating lease right of use asset - Office Lease	4,028,397	4,373,155
Financing lease right of use asset - Edge Data Centers	2,019,180	—
Security deposit	500,000	550,000
OTHER ASSETS:		
Equity Investment - Sawgrass APR Holdings LLC	7,233,000	—
Intangible Asset, net	9,592,118	—
Note Receivable, net	—	153,750
Patents and trademarks, net	127,300	129,140
Software development costs, net	403,383	652,838
Total Other Assets	17,355,800	935,728
TOTAL ASSETS	$ 34,958,677	$ 12,842,285

See accompanying notes to the consolidated financial statements.

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)

	December 31, 2024	December 31, 2023
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 969,822	$ 595,634
Notes payable - financing agreements	17,072	41,976
Accrued expenses	373,251	164,113
Operating lease obligations - Office Lease -current portion	798,556	779,087
Financing lease obligation - Edge Data Centers - current portion	367,451	—
Notes payable, net of discount- related parties	1,758,396	—
Contract liabilities, current	11,805,018	1,666,243
Total Current Liabilities	16,089,566	3,247,053
Contract liabilities, less current portion	11,016,134	—
Operating lease obligations - Office Lease, less current portion	3,867,042	4,228,718
Financing lease obligation - Edge Data Centers, less current portion	1,724,604	—
Total Liabilities	32,697,346	7,475,771
Commitments and Contingencies (Note 12)		
STOCKHOLDERS' EQUITY:		
Preferred stock: $0.001 par value, 10,000,000 authorized, 9,441,000 shares available to be designated		
Series A redeemable convertible preferred stock, $10 stated value per share, 500,000 shares designated; 0 and 0 issued and outstanding at December 31, 2024 and December 31, 2023, respectively, convertible into common stock at $6.30 per share	—	—
Series B convertible preferred stock, $1,000 stated value per share, 15,000 shares designated; 0 and 0 issued and outstanding at December 31, 2024 and December 31, 2023, respectively, convertible into common stock at $7 per share	—	—
Series C convertible preferred stock, $1,000 stated value per share, 5,000 shares designated; 0 and 0 issued and outstanding at December 31, 2024 and December 31, 2023, respectively, convertible into common stock at $5.50 per share	—	—
Series D convertible preferred stock, $1,000 stated value per share, 4,000 shares designated; 1,299 and 1,299 issued and outstanding at December 31, 2024 and December 31, 2023, respectively, convertible into common stock at $3.00 per share	1	1
Series E convertible preferred stock, $1,000 stated value per share, 30,000 shares designated; 13,500 and 11,500 issued and outstanding at December 31, 2024 and December 31, 2023, respectively, convertible into common stock at $2.61 and $3.00 per share, respectively	14	12
Series F convertible preferred stock, $1,000 stated value per share, 5,000 shares designated; 0 and 0 issued and outstanding at December 31, 2024 and December 31, 2023, respectively, convertible into common stock at $6.20 per share	—	—
Common stock: $0.001 par value; 500,000,000 shares authorized, 8,922,576 and 7,306,663 shares issued, 8,921,252 and 7,305,339 shares outstanding at December 31, 2024 and December 31, 2023, respectively	8,921	7,306
Additional paid-in-capital	76,777,856	69,120,199
Accumulated deficit	(74,368,009)	(63,603,552)
Sub-total	2,418,783	5,523,966
Less: Treasury stock (1,324 shares of common stock at December 31, 2024 and December 31, 2023)	(157,452)	(157,452)
Total Stockholders' Equity	2,261,331	5,366,514
Total Liabilities and Stockholders' Equity	$ 34,958,677	$ 12,842,285

See accompanying notes to the consolidated financial statements.

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31, 2024	2023
REVENUES:		
Technology systems	$ 2,252,357	$ 3,618,022
Services and consulting	5,028,528	3,853,176
Total Revenues	7,280,885	7,471,198
COST OF REVENUES:		
Technology systems	2,818,078	4,352,247
Services and consulting	3,993,592	1,810,070
Total Cost of Revenues	6,811,670	6,162,317
GROSS MARGIN	469,215	1,308,881
OPERATING EXPENSES:		
Sales and marketing	2,138,431	1,493,309
Research and development	1,531,390	1,812,951
General and administration	7,782,920	9,449,187
Total Operating Expenses	11,452,741	12,755,447
LOSS FROM OPERATIONS	(10,983,526)	(11,446,566)
OTHER INCOME (EXPENSES):		
Interest expense	(286,114)	(7,159)
Change in fair value of warrant liabilities	245,980	—
Gain on extinguishment of warrant liabilities	379,626	—
Other income, net	(120,423)	212,007
Total Other Income (Expenses), net	219,069	204,848
NET LOSS	$ (10,764,457)	$ (11,241,718)
Basic and Diluted Net Loss Per Share	$ (1.39)	$ (1.56)
Weighted Average Shares-Basic and Diluted	7,736,281	7,204,177

See accompanying notes to the consolidated financial statements.

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Preferred Stock B		Preferred Stock C		Preferred Stock D		Preferred Stock E		Preferred Stock F		Common Stock					
	# of Shares	Amount	# of Shares	Amount	# of Shares	Amount	# of Shares	Amount	# of Shares	Amount	# of Shares	Amount	Additional Paid-in-Capital	Accumulated Deficit	Treasury Stock	Total
Balance December 31, 2022	—	$ —	—	$ —	1,299	$ 1	—	$ —	—	$ —	7,156,876	$ 7,156	$56,562,600	$(52,361,834)	$(157,452)	$ 4,050,471
Series E preferred stock issued	—	—	—	—	—	—	6,500	7	—	—	—	—	6,499,993	—	—	6,500,000
Series F Preferred stock issued	—	—	—	—	—	—	—	—	5,000	5	—	—	4,999,995	—	—	5,000,000
Series F Preferred stock exchanged for Series E preferred	—	—	—	—	—	—	5,000	5	(5,000)	(5)	—	—	—	—	—	—
Stock options compensation	—	—	—	—	—	—	—	—	—	—	—	—	573,441	—	—	573,441
Stock issuance cost	—	—	—	—	—	—	—	—	—	—	—	—	(25,797)	—	—	(25,797)
Stock issued for services	—	—	—	—	—	—	—	—	—	—	38,249	38	143,027	—	—	143,065
Stock issued under the Employee Stock Purchase Plan for cash and compensation	—	—	—	—	—	—	—	—	—	—	111,538	112	366,940	—	—	367,052
Net loss for the year ended December 31, 2023	—	—	—	—	—	—	—	—	—	—	—	—	—	(11,241,718)	—	(11,241,718)
Balance December 31, 2023	—	$ —	—	$ —	1,299	$ 1	11,500	$ 12	—	$ —	7,306,663	$ 7,306	$69,120,199	$(63,603,552)	$(157,452)	$ 5,366,514
Series D preferred stock issued	—	—	—	—	870	1	—	—	—	—	—	—	869,999	—	—	870,000
Series D preferred stock converted to common stock	—	—	—	—	(870)	(1)	—	—	—	—	290,002	290	(289)	—	—	—
Series E preferred stock issued	—	—	—	—	—	—	2,125	2	—	—	—	—	2,125,000	—	—	2,125,002
Series E preferred stock converted to common stock	—	—	—	—	—	—	(125)	—	—	—	47,892	48	(48)	—	—	—
Common stock issued for cash under ATM	—	—	—	—	—	—	—	—	—	—	818,657	819	3,543,870	—	—	3,544,689
Stock options compensation	—	—	—	—	—	—	—	—	—	—	—	—	26,154	—	—	26,154
Stock issuance cost	—	—	—	—	—	—	—	—	—	—	—	—	(220,183)	—	—	(220,183)
Stock issued for services	—	—	—	—	—	—	—	—	—	—	45,311	45	164,955	—	—	165,000
Stock issued under the Employee Stock Purchase Plan for cash and compensation	—	—	—	—	—	—	—	—	—	—	69,407	69	249,022	—	—	249,091
Common stock issued upon cash exercise of warrants	—	—	—	—	—	—	—	—	—	—	344,644	344	899,177	—	—	899,521
Net loss for the year ended December 31, 2024	—	—	—	—	—	—	—	—	—	—	—	—	—	(10,764,457)	—	(10,764,457)
Balance December 31, 2024	—	$ —	—	$ —	1,299	$ 1	13,500	$ 14	—	$ —	8,922,576	$ 8,921	$76,777,856	$(74,368,009)	$(157,452)	$ 2,261,331

See accompanying notes to the consolidated financial statements.

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2024	2023
Cash from operating activities:		
Net loss	$ (10,764,457)	$ (11,241,718)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,161,722	550,201
Stock based compensation	108,981	710,047
Stock issued for services	165,000	143,065
Amortization of debt discount related to warrant liabilities	184,002	—
Fair value of warrant liabilities	(245,980)	—
Gain on settlement of warrant liabilities	(379,626)	—
Amortization of operating lease right of use asset - Office Lease	344,757	316,776
Amortization of lease right of use asset - Edge Data Centers	50,820	—
Provision for credit losses, accounts receivable	76,037	—
Provision for credit losses, note receivable	161,250	—
Write off of inventory	126,703	—
Changes in assets and liabilities:		
Accounts receivable	982,985	1,955,800
Note receivable	(7,500)	(153,750)
Contract assets	6,173	(216,225)
Inventory	52,700	(97,804)
Security deposit	50,000	50,000
Prepaid expenses and other current assets	414,091	744,771
Accounts payable	374,188	(1,694,756)
Accrued expenses	209,138	(289,209)
Operating lease obligation - Office Lease	(342,206)	(232,007)
Lease obligation - Edge Data Centers	22,055	—
Contract liabilities	2,760,480	708,245
Net cash used in operating activities	(3,488,687)	(8,746,564)
Cash flows from investing activities:		
Purchase of patents/trademarks	(9,535)	(69,327)
Purchase of software development	—	(527,896)
Purchase of fixed assets	(1,831,763)	(496,686)
Net cash used in investing activities	(1,841,298)	(1,093,909)
Cash flows from financing activities:		
Repayments on financing agreements	(430,855)	(520,529)
Repayment of finance lease	—	(22,851)
Proceeds from notes payable, related parties	2,200,000	—
Proceeds from warrant exercises	899,521	—
Proceeds from common stock issued	3,544,689	—
Stock issuance cost	(220,183)	(25,797)
Proceeds from shares issued under Employee Stock Purchase Plan	166,265	230,400
Proceeds from preferred stock issued	2,995,002	11,500,000
Net cash provided by financing activities	9,154,439	11,161,223
Net increase in cash	3,824,454	1,320,750
Cash, beginning of year	2,441,842	1,121,092
Cash, end of year	$ 6,266,296	$ 2,441,842
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 3,865	$ 7,159
Taxes paid	$ 20,126	$ 29,085
Supplemental Non-Cash Investing and Financing Activities:		
Debt discount for warrant liability	$ 625,606	$ —
Notes issued for financing of insurance premiums	$ 434,883	$ 487,929
Transfer of inventory to fixed assets	$ 545,091	$ —
Intangible asset acquired with contract liability	$ 11,161,428	$ —
Equity Investment - Sawgrass APR Holdings LLC	$ 7,233,000	$ —
Right of use asset and liability for Edge Data Centers	$ 2,070,000	$ —

See accompanying notes to the consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Duos Technologies Group, Inc., through its operating subsidiaries, Duos Technologies, Inc., Duos Edge AI, Inc., and Duos Energy Corporation, (collectively the "Company"), is a company that specializes in machine vision and artificial intelligence to analyze fast moving objects such as trains, trucks, automobiles, and aircraft. This technology can help improve safety, maintenance, and operating metrics.

The Company is the inventor of the Railcar Inspection Portal ("RIP") and is currently the rail industry leader for machine vision/camera wayside detection systems that include the use of Artificial Intelligence at speeds up to 125 mph. The RIP inspects a train at full speed from the top, sides, and bottom looking at Federal Railroad Administration/Association of American Railroads mandated safety inspection points. The system also detects illegal riders, which can assist law enforcement agencies. Each railcar is scanned with machine vision cameras and other sensors from the top, sides, and bottom, where images are produced within seconds of the railcar passing. These images can then be used by the customer to help prevent derailments, improve maintenance operations, and assist with security. The Company self-performs all aspects of hardware, software, Information Technology ("IT"), and Artificial Intelligence development and engineering. The Company maintains significant intellectual property and continues to be awarded additional patents for both the technology and methodologies used. The Company also has a proprietary portfolio of approximately 53 Artificial Intelligence "Use Cases" that automatically flag defects. The Company has deployed this system with several Class 1 railroads and one major passenger carrier and anticipates an increased demand in the future from railcar operators, owners, shippers, transit railroads as well as law enforcement agencies.

In 2024, the Company's management team determined that it would be in the best interests of the Company and its shareholders to leverage the skills and expertise that have been built up since 2021 to expand into other markets. Duos will continue to develop industry solutions for its target markets addressing rail, trucking, aviation and other vehicle-based processes. In addition, the Company elected to develop new offerings based on its existing technology and formed a new subsidiary in July 2024 called Duos Edge AI ("Edge"). The objective of this new subsidiary is to market a special part of the RIP for the provision of high-speed and function processing of data and applications with a focus on reducing latency in response times to end-users. Duos has many years of experience via its expert staff in bringing these types of capabilities to remote locations, also known as "the edge". Edge processing can be an extremely efficient and lower cost alternative to traditional data centers. The strategy for Edge is to serve rural communities, also known as Tier 3 and 4 markets, and install Edge data centers in these locations thereby providing access to high-speed communications and advanced processing capabilities as a substitute for solutions where large amounts of data are "backhauled" using "the Cloud". Duos developed these capabilities as an adjunct to its RIP offerings due to the need for fast results (less than 60 seconds) in identifying defects and maintenance issues on moving railcars.

Also in late 2024, the Company formed a third subsidiary, Duos Energy Corporation ("Duos Energy") with the express purpose of providing consulting services and solutions for the rapidly growing demand for electrical power outside of traditional utilities. As an outgrowth of its new Edge Data Center subsidiary, and the current expert staff on-hand, the Company has engaged with multiple third parties to act in a consulting and ultimately asset management capacity whereby Duos staff will be engaged directly to supply this type of power solutions for multiple uses including for large data centers supporting AI "hyperscalers". In conjunction with this, in late 2024, Duos engaged with Fortress Investment Group ("FIG") to assist in FIG's purchase of approximately 850 Mega Watts of electrical generation capacity (consisting of 30 mobile gas turbine generators) and associated equipment to support their installation and operation ("balance-of-plant"). In late November 2024, Sawgrass Buyer LLC, an entity formed and owned by FIG, executed an asset purchase agreement with Atlas Corporation, APR Energy Holdings Limited and a number of its wholly-owned affiliates (collectively, "APR"). Chuck Ferry, our CEO, was formerly the CEO of APR from 2018 to 2020. The transaction closed on December 31, 2024. At Closing, Sawgrass Buyer LLC entered into an Asset Management Agreement ("AMA") with the Company under which a substantial portion of Company staff, including certain members of the management team (including Mr. Ferry), would oversee operations of Sawgrass Buyer LLC. The AMA term has a two year term with customary cancellation provisions. At Closing, the Company also received a 5%, non-voting ownership interest in Sawgrass APR Holdings, LLC ("Sawgrass Parent"), the ultimate parent company of Sawgrass Buyer LLC. Subsequent to Closing, Sawgrass Buyer LLC changed its name to New APR Energy, LLC ("New APR").

On December 31, 2024, the Company entered into an AMA, with New APR, an entity formed by affiliates of FIG. Under the AMA, Duos Energy will manage the deployment and operations for a fleet of mobile gas turbines and "balance-of-plant" inventory, providing management, sales and operations functions to New APR in connection with the Assets. In exchange for services to be performed under the AMA, the Company received an initial cash payment from New APR and common units in Sawgrass Parent. While the Company has board representation in Sawgrass Parent, its common units are non-voting and the Company does not control the board of directors of Sawgrass Parent.

Where the Company has an interest in a Variable Interest Entity ("VIE"), it will consolidate any VIE in which the Company has a controlling financial interest and deemed to be the primary beneficiary. A controlling financial interest has both of the following characteristics: (1) the power to direct the activities of the VIE that most significantly impact its economic performance; and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could be significant to the VIE. If both of the characteristics are met, the Company is considered to be the primary beneficiary and therefore will consolidate that VIE into our consolidated financial statements.

Investments in partnerships, unincorporated joint ventures and LLCs that maintain specific ownership accounts for each investor are excluded from the scope of ASC 323-10. However, ASC 323-30 provides guidance on applying the criteria for equity method accounting to investments in partnerships, unincorporated joint ventures and LLCs. When an investor in a partnership, unincorporated joint venture or LLC has the ability to exercise significant influence over that investment, it should apply the equity method (ASC 323-10) by analogy (ASC 323-30-25-1).

Sawgrass Parent is deemed to be a VIE and the Company holds a 5% interest in the Sawgrass Parent and an interest in the subsidiary New APR through the AMA, both of which are considered variable interests. However, the Company does not represent the primary beneficiary as it does not possess the ability to direct the activities that most significantly impact the economic performance of Sawgrass Parent. Accordingly, the Company does not consolidate Sawgrass Parent. Due to the Company's interest in Sawgrass Parent, it was determined that the Company has significant influence over Sawgrass Parent. Therefore, the Company accounts for its investment in Sawgrass Parent as an Equity Method Investment.

The Company also concluded that the arrangement with Sawgrass Parent is within the scope of ASC 606, Revenue from contracts with customers, and the common units issued to the Company by Sawgrass Parent represented non-cash consideration. The initial carrying value of the equity method investment as of December 31, 2024 of $7.2 million was measured equal to the fair value of the common units received for future services to be performed under the AMA. The Company recorded $7.2 million of deferred revenue for services to be performed under the AMA. During the year ended December 31, 2024, the Company did not recognize any revenue associated with the AMA.

The Company will initially record the equity method investment in Sawgrass Parent of $7.2 million, equal to the fair value of the common units as of December 31, 2024.

Under the terms of the AMA, Duos staff will conduct all operations for commercial engagement, planning and project management, installation and operations of the New APR assets. The new entity will share certain management functions with Duos including the CEO, COO, Chief Commercial Officer and General Counsel and other services will be provided by Duos in a combination of direct staffing with specific experience in the power generation industry and other functions as necessary via a "shared services" agreement. New APR will have its own President and Chief Financial Officer and while in the early stages, certain accounting staff will be supplied via the shared services arrangement, it is expected that New APR will develop its own accounting and administrative functions. It is expected that there will be a strong correlation between the two companies, particularly in the areas of Data Center power generation and business development and Duos is expected to participate in these opportunities in addition to the anticipated revenues from the AMA.

Principles of Consolidation

The audited consolidated financial statements include Duos Technologies Group, Inc. and its wholly owned subsidiaries, Duos Technologies, Inc., Duos Edge AI, Inc. and Duos Energy Corporation. All inter-company transactions and balances are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The most significant estimates in the accompanying audited consolidated financial statements include the initial valuation of a non-monetary transaction with a customer, valuation of intangible assets for impairment analysis, allowance on accounts receivable and notes receivable, valuation of common stock warrants received in exchange for an asset sale, valuation of deferred tax assets, valuation of other long-lived assets, estimates of net contract revenues and the total estimated costs to determine progress towards contract completion, valuation of inventory, estimates of the valuation of right of use assets and corresponding lease liabilities, valuation of warrants issued with debt, valuation of warrant liabilities, valuation of stock-based awards and the valuation of a minority interest in Sawgrass Parent. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Concentrations

Cash Concentrations

Cash is maintained at financial institutions and at times, balances may exceed federally insured limits. We have not experienced any losses related to these balances. As of December 31, 2024 and 2023, the Company had balances in a financial institution which combined exceeded federally insured limits by approximately $5,422,404 and $1,948,794, respectively. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's consolidated financial condition, results of operation and cash flows.

Significant Customers and Concentration of Credit Risk

The Company had certain customers whose revenue individually represented 10% or more of the Company's total revenue, or whose accounts receivable balances individually represented 10% or more of the Company's total accounts receivable, as follows:

For the year ended December 31, 2024, four customers accounted for 34%, 31%, 13%, and 12% of revenues. For the year ended December 31, 2023, three customers accounted for 48%, 30%, and 11% of revenues. In all cases, there are no minimum contract values stated. Each contract covers an agreement to deliver a rail inspection portal which, once accepted, must be paid in full, with 30% or more being due and payable prior to delivery. The balances of the contracts are for service and maintenance, which is paid annually in advance with revenues recorded ratably over the contract period.

At December 31, 2024, three customers accounted for 73%, 17% and 10%, of accounts receivable. At December 31, 2023, two customers accounted for 83% and 11% of accounts receivable. Much of the credit risk is mitigated since all of the customers listed here are Class 1 railroads with a history of timely payments to us.

Geographic Concentration

Approximately 45% and 44% of revenue in 2024 and 2023, respectively, is generated from customers outside of the United States.

Significant Vendors and Concentration of Credit Risk

In some instances, the Company relies on a limited pool of vendors for key components related to the manufacturing of its subsystems. These vendors are primarily focused on camera, server and lighting technologies integral to the Company's solution. Where possible, the Company seeks multiple vendors for key components to mitigate vendor concentration risk.

Fair Value of Financial Instruments and Fair Value Measurements

The Company follows Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures" ("ASC 820"), for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that requires the use of fair value measurements, establishes a framework for measuring fair value and expands disclosure about such fair value measurements.

ASC 820 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. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions that the market participants would use in the valuation of the asset or liability based on the best available information.

The Company analyzes all financial instruments with features of both liabilities and equity under the Financial Accounting Standard Board's ("FASB") accounting standard for such instruments. Under this standard, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The estimated fair value of certain financial instruments, including accounts receivable, prepaid expenses, accounts payable, accrued expenses and notes payable are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments.

The changes in level 3 valuations for the year ended December 31, 2024, was as follows:

	December 31, 2024
December 31, 2023	$ —
Issuance of Warrant liabilities	625,606
Change in fair value	(245,980)
Gain on extinguishment	(379,626)
	$ —

Accounts Receivable

On January 1, 2023, the Company adopted ASC 326, "Financial Instruments - Credit Losses". In accordance with ASC 326, an allowance for credit losses is maintained for estimated forward-looking losses resulting from the possible inability of customers to make required payments (current expected losses). The amount of the allowance is determined principally on the basis of past collection experience and known financial factors regarding specific customers.

Accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for credit losses. In determining the collections on the account, historical trends are evaluated, and specific customer issues are reviewed to arrive at appropriate allowances. The Company reviews its accounts to estimate losses resulting from the inability of its customers to make required payments. Any required allowance is based on specific analysis of past due accounts and also considers historical trends of write-offs. Past due status is based on how recently payments have been received from customers.

Inventory

Inventory consists primarily of spare parts and consumables and long-lead time components to be used in the production of our technology systems or in connection with maintenance agreements with customers. Any inventory deemed to be obsolete is written off. Inventory is stated at the lower of cost or net realizable value. Inventory cost is primarily determined using the weighted average cost method.

The Company classifies inventory as a current asset when it is expected to be sold or utilized in production within the normal operating cycle, typically twenty-four months. Inventory that is determined to be slow-moving or not expected to be sold or utilized within the next twenty-four months is reclassified to non-current assets under Non-current inventory

The assessment of slow-moving inventory is based on historical sales trends, demand forecasts, and management's judgment regarding market conditions. Once reclassified, the inventory is reviewed annually for impairment, and any necessary write-downs are recognized in the consolidated statement of operations.

As of December 31, 2024, the Company recognized an inventory write-off of $126,703. This write-off was primarily due to inventory that was deemed obsolete. The write-off was recorded as a reduction to the carrying value of inventory and recorded to general and administration as an expense in the period. The Company continuously evaluates the recoverability of its inventory. There are no material impacts on the Company's financial position as a result of the write-off.

For the year ended December 31, 2024, the Company reclassified $196,315 of inventory to non-current assets due to extended product cycles. This reclassification did not have a material impact on the Company's financial position or results of operations.

Intangible Asset

In May 2024, the Company recognized an intangible asset which represents digital image data rights received under a license agreement as non-monetary consideration under a five-year customer contract. The intangible asset will be amortized over the five-year contractual term.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided by the straight-line method over the estimated economic life of the property and equipment (three to five years). When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of operations. Leasehold improvements are expensed over the shorter of the term of our lease or their useful lives.

Software Development Costs

Software development costs incurred prior to establishing technological feasibility are charged to operations and included in research and development costs. The technological feasibility of a software product is established when the Company has completed all planning, designing, coding, and testing activities that are necessary to establish that the product meets its design specifications, including functionality, features, and technical performance requirements. Software development costs incurred after establishing technological feasibility for software sold as a perpetual license, as defined within ASC 985-20 (Software – Costs of Software to be Sold, Leased, or Marketed) are capitalized and amortized on a product-by-product basis when the product is available for general release to customers. Software development costs are evaluated for impairment annually by comparing the net realizable value to the unamortized capitalization costs and writing these costs down to net realizable value.

Patents and Trademarks

Patents and trademarks which are stated at amortized cost, relate to the development of video surveillance security system technology and are being amortized over 17 years.

Long-Lived Assets

The Company evaluates the recoverability of its property, equipment, and other long-lived assets, including finite-lived intangible assets, in accordance with FASB ASC 360-10-35-15 “Impairment or Disposal of Long-Lived Assets”, which requires recognition of impairment of long-lived assets in the event there are indicators of impairment and the net book values of such assets exceed the estimated future undiscounted cash flows attributable to such assets or the business to which such intangible assets relate. This guidance requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. 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 assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Equity Method Investments

If an investment qualifies for the equity method of accounting, the Company’s investment is recorded initially at cost and subsequently adjusted for equity in net income (loss) and cash contributions and distributions. The net income or loss of an unconsolidated equity method investment is allocated to its investors in accordance with the provisions of the operating agreement of the entity. The allocation provisions in these agreements may differ from the ownership interest held by each investor. Differences, if any, between the carrying amount of our investment in the respective equity method investee and the Company’s share of the underlying equity of such equity method investee are amortized over the respective lives of the underlying assets as applicable. These items are reported as a single line item in the consolidated statements of operations as income or loss from investments in unconsolidated equity method investees. Investments are reviewed for changes in circumstance or the occurrence of events that suggest an other-than-temporary event where our investment may not be recoverable.

On December 31, 2024, the Company entered into an Asset Management Agreement (the “AMA”), with New APR, an entity formed by affiliates of FIG. Under the AMA, Duos Energy will manage the deployment and operations of a fleet of mobile gas turbines and balance-of-plant inventory, providing management, sales and operations functions to New APR in connection with the assets. In exchange for services to be performed under the AMA, the Company received an initial cash payment and common units in Sawgrass Parent. While the Company has board representation in Sawgrass Parent, its common units are non-voting and the Company does not control the board of directors of Sawgrass Parent.

Where the Company has an interest in a Variable Interest Entities ("VIE") it will consolidate any VIE in which the Company has a controlling financial interest and deemed to be the primary beneficiary. A controlling financial interest has both of the following characteristics: (1) the power to direct the activities of the VIE that most significantly impact its economic performance; and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could be significant to the VIE. If both of the characteristics are met, the Company is considered to be the primary beneficiary and therefore will consolidate that VIE into the consolidated financial statements.

Investments in partnerships, unincorporated joint ventures and LLCs that maintain specific ownership accounts for each investor are excluded from the scope of ASC 323-10. However, ASC 323-30 provides guidance on applying the criteria for equity method accounting to investments in partnerships, unincorporated joint ventures and LLCs. When an investor in a partnership, unincorporated joint venture or LLC has the ability to exercise significant influence over that investment, it should apply the equity method (ASC 323-10) by analogy (ASC 323-30-25-1).

Sawgrass Parent is deemed to be a VIE and the Company holds a 5% interest in the Parent and an interest in the subsidiary New APR through the AMA, both of which are considered variable interests. However, the Company does not represent the primary beneficiary as it does not possess the ability to direct the activities that most significantly impact the economic performance of Sawgrass Parent. Accordingly, the Company does not consolidate Sawgrass Parent. Due to the Company's interest in Sawgrass Parent, it was determined that the Company has significant influence over Sawgrass Parent. Therefore, the Company accounts for its investment in Sawgrass Parent as an Equity Method Investment.

The Company also concluded that the arrangement with Sawgrass Parent is within the scope of ASC 606, Revenue from contracts with customers, and the common units issued to the Company by Sawgrass Parent represented non-cash consideration. The initial carrying value of the equity method investment as of December 31, 2024 of $7.2 million was measured equal to the fair value of the common units received for future services to be performed under the AMA. The Company recorded $7.2 million of deferred revenue for services to be performed under the AMA. During the year ended December 31, 2024, the Company did not recognize any revenue associated with the AMA. The Company will initially record the equity method investment in Sawgrass Parent of $7.2 million, equal to the fair value of the common units as of December 31, 2024.

The Company assesses its equity method investment for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. No impairment losses were recognized during the year ended December 31, 2024.

Product Warranties

The Company has a 90-day warranty period for materials and labor after final acceptance of a project. If any parts are defective they are replaced under our vendor warranty which is usually 12 to 36 months. Final acceptance terms vary by customer. Some customers have a cure period for any material deviation and if the Company fails or is unable to correct any deviations, a full refund of all payments made by the customer will be arranged by the Company. As of December 31, 2024 and 2023, the warranty costs have been de-minimis, therefore no accrual of warranty liability has been made.

Loan Costs

Loan costs paid to lenders, or third parties are recorded as debt discounts to the related loans and amortized to interest expense over the loan term.

Sales Returns

Our systems are sold as integrated systems and there are no sales returns allowed.

Revenue Recognition

The Company follows Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606"), that affects the timing of when certain types of revenues will be recognized. The basic principles in ASC 606 include the following: a contract with a customer creates distinct contract assets and performance obligations, satisfaction of a performance obligation creates revenue, and a performance obligation is satisfied upon transfer of control to a good or service to a customer.

Revenue is recognized by evaluating our revenue contracts with customers based on the five-step model under ASC 606:

1. Identify the contract with the customer;

2. Identify the performance obligations in the contract;

3. Determine the transaction price;

4. Allocate the transaction price to separate performance obligations; and

5. Recognize revenue when (or as) each performance obligation is satisfied.

The Company generates revenue from four sources:

(1) Technology Systems

(2) AI Technologies

(3) Technical Support

(4) Consulting services including revenues from the AMA agreement which begins in January 2025

Technology Systems

For revenues related to technology systems, the Company recognizes revenue over time using a cost-based input methodology in which significant judgment is required to estimate costs to complete projects. These estimated costs are then used to determine the progress towards contract completion and the corresponding amount of revenue to recognize.

Accordingly, the Company now bases its revenue recognition on ASC 606-10-25-27, where control of a good or service transfers over time if the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date including a profit margin or reasonable return on capital. Control is deemed to pass to the customer instantaneously as the goods are manufactured and revenue is recognized accordingly.

In addition, the Company has adopted ASC 606-10-55-21 such that if the cost incurred is not proportionate to the progress in satisfying the performance obligation, we adjust the input method to recognize revenue only to the extent of the cost incurred. Therefore, the Company will recognize revenue at an equal amount to the cost of the goods to satisfy the performance obligation. To accurately reflect revenue recognition based on the input method, the Company has adopted the implementation guidance as set out in ASC-606-10-55-187 through 192.

Under this method, contract revenues are recognized over the performance period of the contract in direct proportion to the costs incurred. Costs include direct material, direct labor, subcontract labor and other allocable indirect costs. All un-allocable indirect costs and corporate general and administrative costs are also charged to the periods as incurred. Any recognized revenues that have not been billed to a customer are recorded as an asset in "contract assets". Any billings of customers more than recognized revenues are recorded as a liability in "contract liabilities". However, in the event a loss on a contract is foreseen, the Company will recognize the loss when such loss is determined to be both probable and reasonably estimable.

AI Technologies

The Company has revenue from applications that incorporate artificial intelligence (AI) in the form of predetermined algorithms which provide important operating information to the users of our systems. The revenue generated from these applications of AI consists of a fixed fee related to the design, development, testing and incorporation of new algorithms into the system, which is recognized as revenue at a point in time upon acceptance, as well as an annual application maintenance fee, which is recognized as revenue ratably over the contracted maintenance term.

Technical Support

Technical support services are provided on both an as-needed and extended-term basis and may include providing both parts and labor. Maintenance and technical support provided outside of a maintenance contract are on an "as-requested" basis, and revenue is recognized over time as the services are provided. Revenue for maintenance and technical support provided on an extended-term basis is recognized over time ratably over the term of the contract.

Consulting Services

The Company's consulting services business generates revenues under contracts with customers from four sources: (1) Professional Services (consulting and auditing and including revenues from the AMA agreement which begins in January 2025); (2) Software licensing with optional hardware sales; (3) Customer service training and (4) Maintenance/support.

(1) Revenues for professional services, which are of short-term duration, are recognized when services are completed;

(2) For all periods reflected in this report, software license sales have been one-time sales of a perpetual license to use our software product and the customer also has the option to purchase third-party manufactured handheld devices from us if they purchase our software license. Accordingly, the revenue is recognized upon delivery of the software and delivery of the hardware, as applicable, to the customer;

(3) Training sales are one-time upfront short-term training sessions and are recognized after the service has been performed; and

(4) Maintenance/support is an optional product sold to our software license customers under one-year contracts. Accordingly, maintenance payments received upfront are deferred and recognized over the contract term.

Multiple Performance Obligations and Allocation of Transaction Price

Arrangements with customers may involve multiple performance obligations including project revenue and maintenance services in our Technology Systems business. Maintenance will occur after the project is completed and may be provided on an extended-term basis or on an as-needed basis. In our consulting services business, multiple performance obligations may include any of the above four sources. Training and maintenance on software products may occur after the software product sale while other services may occur before or after the software product sale and may not relate to the software product. Revenue recognition for a multiple performance obligations arrangement is as follows:

Each performance obligation is accounted for separately when each has value to the customer on a standalone basis and there is Company specific objective evidence of the selling price of each deliverable. For revenue arrangements with multiple deliverables, the Company allocates the total customer arrangement to the separate units of accounting based on their relative selling prices as determined by the price of the items when sold separately. Once the selling price is allocated, the revenue for each performance obligation is recognized using the applicable criteria under GAAP as discussed above for performance obligations sold in single performance obligation arrangements. A delivered item or items that do not qualify as a separate unit of accounting within the arrangement are combined with the other applicable undelivered items within the arrangement. The allocation of arrangement consideration and the recognition of revenue is then determined for those combined deliverables as a single unit of accounting. The Company sells its various services and software and hardware products at established prices on a standalone basis which provides Company specific objective evidence of selling price for purposes of performance obligations relative selling price allocation. The Company only sells maintenance services or spare parts based on its established rates after it has completed a system integration project for a customer. The customer is not required to purchase maintenance services. All elements in multiple performance obligations arrangements with Company customers qualify as separate units of account for revenue recognition purposes.

Cost of Revenues

Cost of revenues primarily includes inventory, shipping, certain fixed labor and overhead and allocated depreciation and amortization as applicable.

Advertising

The Company expenses the cost of advertising. During the years ended December 31, 2024 and 2023, there were no advertising costs.

Stock Based Compensation

The Company accounts for employee and non-employee stock-based compensation in accordance with ASC 718-10, "*Share-Based Payment*," which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including stock options, restricted stock units, and employee stock purchases based on estimated fair values. The stock-based compensation carries a graded vesting feature subject to the condition of time of employment service with awarded stock-based compensation tranches vesting evenly upon the anniversary date of the award.

The Company estimates the fair value of stock options granted using the Black-Scholes option-pricing formula. In accordance with ASC 718-10-35-8, the Company elected to recognize the fair value of the stock award using the graded vesting method as time of employment service is the criteria for vesting. The Company's determination of fair value using an option-pricing model is affected by the stock price as well as assumptions regarding a number of highly subjective variables.

The Company estimates volatility based upon the historical stock price of the Company and estimates the expected term for stock options using the simplified method for employees and directors and the contractual term for non-employees. The risk-free rate is determined based upon the prevailing rate of United States Treasury securities with similar maturities.

Income Taxes

The Company accounts for income taxes in accordance with the Financial Accounting Standards Board FASB Accounting Standards Codification ("ASC") 740, Income Taxes, which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company evaluates all significant tax positions as required by ASC 740. As of December 31, 2024, the Company does not believe that it has taken any positions that would require the recording of any additional tax liability, nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

Any penalties and interest assessed by income taxing authorities are included in operating expenses.

The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed. Tax years 2021, 2022 and 2023 remain open for potential audit.

Earnings (Loss) Per Share

Basic earnings per share (EPS) are computed by dividing the net loss applicable to common stock by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing the net loss applicable to common stock by the weighted average number of common shares outstanding for the period and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise or conversion of stock options, stock warrants, convertible debt instruments, convertible preferred stock or other common stock equivalents. Potentially dilutive securities are excluded from the computation if their effect is anti-dilutive.

At December 31, 2024, there were (i) an aggregate of 0 outstanding warrants to purchase shares of common stock, (ii) employee stock options to purchase an aggregate of 606,452 shares of common stock, (iii) 433,000 common shares issuable upon conversion of Series D Convertible Preferred Stock, (iv) 5,172,416 common shares issuable upon conversion of Series E Convertible Preferred Stock, and (v) 0 common shares issuable upon conversion of Series F Convertible Preferred Stock, all of which were excluded from the computation of diluted net earnings per share because their inclusion would have been anti-dilutive.

At December 31, 2023, there were (i) an aggregate of 44,644 outstanding warrants to purchase shares of common stock, (ii) employee stock options to purchase an aggregate of 1,387,775 shares of common stock, (iii) 433,000 common shares issuable upon conversion of Series D Convertible Preferred Stock, (iv) 3,833,334 common shares issuable upon conversion of Series E Convertible Preferred Stock, and (v) 0 common shares issuable upon conversion of Series F Convertible Preferred Stock, all of which were excluded from the computation of diluted net earnings per share because their inclusion would have been anti-dilutive.

Leases

The Company follows ASC 842 “Leases”. This guidance requires lessees to recognize right-of-use (“ROU”) assets and lease liabilities for most operating leases. In addition, this guidance requires that lessors separate lease and non-lease components in a contract in accordance with the revenue guidance in ASC 606.

The Company made an accounting policy election to not recognize short-term leases with terms of twelve months or less on the balance sheet and instead recognize the lease payments in expense as incurred. The Company has also elected to account for real estate leases that contain both lease and non-lease components as a single lease component.

At the inception of a contract the Company assesses whether the contract is, or contains, a lease. The Company’s assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether we obtain the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether we have the right to direct the use of the asset.

Operating ROU assets represent the right to use the leased asset for the lease term and operating lease liabilities are recognized based on the present value of minimum lease payments over the lease term at commencement date. As most leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at the lease commencement date to determine the present value of future payments. The lease term includes all periods covered by renewal and termination options where the Company is reasonably certain to exercise the renewal options or not to exercise the termination options. Operating lease expense is recognized on a straight-line basis over the lease term and is included in general and administration expenses in the consolidated statements of operations.

Recent Accounting Pronouncements

From time to time, the FASB or other standards setting bodies will issue new accounting pronouncements. Updates to the FASB ASC are communicated through issuance of an Accounting Standards Update (“ASU”).

In December 2023, the FASB issued ASU No. 2023-09 Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU 2023-09 requires companies to disclose, on an annual basis, specific categories in the effective tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. Further, ASU 2023-09 requires companies to disclose additional information about income taxes paid. ASU 2023-09 is effective for annual periods beginning January 1, 2025 and will be applied on a prospective basis with the option to apply the standard retrospectively. The Company evaluated the disclosure impact of ASU 2023-09; and determined the standard will not have an impact on the Company’s consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40), which requires entities to provide more detailed disaggregation of expenses in the income statement, focusing on the nature of the expenses rather than their function. The new disclosures will require entities to separately present expenses for significant line items, including but not limited to, depreciation, amortization, and employee compensation. Entities will also be required to provide a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively, disclose the total amount of selling expenses and, in annual reporting periods, provide a definition of what constitutes selling expenses. This pronouncement is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company does not expect the adoption of this new guidance to have a material impact on the consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

NOTE 2 – LIQUIDITY

Under Accounting Codification ASC 205, Presentation of Financial Statements—Going Concern (Subtopic 205-40) ("ASC 205-40"), the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. As required by ASC 205-40, this evaluation shall initially not take into consideration the potential mitigating effects of plans that have not been fully implemented as of the date the financial statements are issued. Management has assessed the Company's ability to continue as a going concern in accordance with the requirement of ASC 205-40.

As reflected in the accompanying consolidated financial statements, the Company had a net loss of $10,764,457 for the year ended December 31, 2024. During the same period, cash used in operating activities was $3,488,687. The working capital deficit and accumulated deficit as of December 31, 2024, were $8,002,361 and $74,368,009, respectively. In previous financial reports, the Company had raised substantial doubt about continuing as a going concern. This was principally due to a lack of working capital prior to securities underwritten offerings and private placements which were completed during 2022, 2023, 2024 and 2025 as well.

As previously noted, the Company was successful during 2023 in raising gross proceeds of over $11,500,000 from the sale of Series E and F Preferred Stock. Additionally, in the first and second quarters of 2024, the Company raised gross proceeds of $2,995,002 from the issuance of a combination of Series D and E Preferred Stock (See Note 14). The Company successfully raised approximately $3,544,689 in gross proceeds through its At-The-Market (ATM) offering program in 2024 and secured an additional $3,954,940 in gross proceeds during the first two months of 2025. Additionally, during the second quarter of 2025, the Company will again have access to its S-3 "shelf registration" statement allowing the Company to sell additional securities. At the time of this document, the Company estimates that it will have available capacity on its shelf registration which it can utilize to bolster working capital and growth of the business in the event that revenues from its recently executed AMA with New APR do not provide sufficient cash flow to support operations. Although additional investment is not assured, the Company is comfortable that it would be able to raise sufficient capital to support expanded operations based on an anticipated increase in business activity. In the long run, the continuation of the Company as a going concern is dependent upon the ability of the Company to continue executing its business plan, generate enough revenue, and attain consistently profitable operations. We have analyzed our cash flow under "stress test" conditions and have determined that we have sufficient liquid assets on hand or available via the capital markets to maintain operations for at least twelve months from the issuance date of this report.

In addition, management has taken and continues to take actions including, but not limited to, elimination of certain costs that do not contribute to short term revenue, and re-aligning both management and staffing with a focus on improving certain skill sets necessary to build growth and profitability and focusing product strategy on opportunities that are likely to bear results in the relatively short term. The Company believes that, with the combination of commercial sales success, coupled with an S-3 shelf registration availability starting in the second quarter of 2025, it will have sufficient working capital to meet its obligations over the following twelve months. In the last twelve months the Company has seen growth in its contracted backlog as well as significant, positive signs from new commercial projects that indicate improvements in future revenues.

Management believes that, at this time, the conditions in our traditional market space with ongoing contract delays, the consequent need to procure certain materials in advance of a binding contract and the additional time needed to execute on new contracts previously reported could put a strain on our cash reserves. However, the anticipated steady cashflow from the AMA and the ability to raise capital via its shelf registration indicate there is no substantial doubt for the Company to continue as a going concern for a period of twelve months. We expect to continue executing the plan to grow our business and achieve profitability as previously discussed. The Company may selectively look at opportunities for fundraising in the future including potential debt offerings to support asset acquisition. Management has extensively evaluated our requirements for the next twelve months and has determined that the Company currently has sufficient cash and access to capital to operate for at least that period.

While no assurance can be provided, management believes that these actions provide the opportunity for the Company to continue as a going concern and to grow its business and achieve profitability with access to additional capital funding. Ultimately the continuation of the Company as a going concern is dependent upon the ability of the Company to continue executing the plan described above which was put in place in late 2024 and will continue in 2025 and beyond. As a result, we expect to generate sufficient revenue and to attain profitable operations with minimal cash use in the next 12-18 months. These consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable were as follows at December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Accounts receivable	$ 479,478	$ 1,462,463
Allowance for credit losses	(76,037)	—
Accounts Receivable, net	$ 403,441	$ 1,462,463

The Company recorded bad debt expense in the amount of $76,037 and zero for the years ended December 31, 2024 and December 31, 2023, respectively.

A summary of the activity related to our allowance for credit losses during the year ended December 31, 2024 is summarized below.

	Amounts
Allowance for doubtful accounts, beginning balance	$ —
Allowance for doubtful accounts provision	(76,037)
Less recoveries	—
Allowance for doubtful accounts, ending balance	$ (76,037)

NOTE 4 – INTANGIBLE ASSET

In May 2024, the Company recorded an intangible asset with a fair value of $11,161,428. This asset represents non-monetary consideration received under a 5-year customer contract, in which the Company will provide maintenance services to the customer. The intangible asset represents Digital Image data rights in the form of a license agreement received by the Company from the customer.

The fair value of the asset was determined on the contract inception date based on the standalone selling price of the service and goods to be provided to the customer under the 5-year contract since the Company could not reasonably estimate the fair value of the data rights received. The non-monetary transaction was accounted for in accordance with Accounting Standards Codification (ASC) 606-10-32-21 through ASC 606-10-32-24.

On the contract inception date, the Company also recorded an immediate amortization of the intangible asset of $199,008 related to the pre-contract costs incurred relating to a pilot program for this contract and recorded deferred revenue of $11,161,428 as contract liabilities with a current and non-current component, and then immediately recognized $199,008 of this deferred revenue relating to the completed pilot program. The remaining deferred revenue is being recognized over the 5-year term.

In accordance with ASC 350-30-35-1, the amortization for the intangible asset is based on its useful life and the useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to the future cash flows of that entity. Accordingly, amortization of the intangible asset is recognized over the life of the contract of five years.

In accordance with ASC 350-30-35-14, an intangible asset that is subject to amortization shall be reviewed for impairment if the carrying amount of the asset is not recoverable and exceeds its fair value. There is no indication of impairment at December 31, 2024.

Intangible asset at December 31, 2024 and December 31, 2023 consists of:

	December 31, 2024	December 31, 2023
Intangible Asset, gross	$ 11,161,428	$ —
Accumulated Amortization	(1,569,310)	—
Intangible Asset, net	$ 9,592,118	$ —

Amortization of the intangible asset during the years ended December 31, 2024 and December 31, 2023, was $1,569,310 and zero , respectively.

The future amortization of the intangible asset is as follows:

Calendar Year	Amount
2025	$ 2,192,484
2026	2,192,484
2027	2,192,484
2028	2,192,484
2029	822,182
Total Intangible Asset Amortization	$ 9,592,118

NOTE 5: CASH ADVANCE PAYMENT – SAWGRASS HOLDINGS LLC

	Amount
Cash	$ 5,000,000
Contract liabilities, current	(5,000,000)
Net Statement of operations impact	$ —

In December 2024, the Company entered into a series of contracts with Fortress under which the Company will deploy and operate a fleet of mobile gas turbines and balance-of-plant inventory, providing management, sales and operations functions to New APR in connection with the assets. In exchange for services performed under the Asset Management Agreement ("AMA"), the Company received an advance cash payments and common units in Sawgrass Parent (see Note 9). The Company will account for the arrangement with New APR as *Revenue from contracts with customers*. New APR advanced the Company $5.0 million in cash upon execution of the contract, which will be applied ratably on a monthly basis against amounts incurred under the AMA for a period of 12 months in 2025. In the event that the AMA is terminated within the first 12 months, any balance remaining of the advanced funds would be credited in full to Duos.

The advanced consideration does not provide the benefit of financing as the cash will be consumed within the first year of the contract to align the interests of both parties under the AMA. As of December 31, 2024, deferred revenue under the arrangement was $5.0 million, comprised of the $5.0 million advance payment. The Company did not recognize any revenue under the AMA during the year ended December 31, 2024.

NOTE 6 – PROPERTY AND EQUIPMENT

The major classes of property and equipment are as follows at December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Furniture and Fixtures	$ 132,018	$ 132,018
Tools and Equipment	1,569,034	1,291,673
Leasehold Improvements	298,004	298,004
Construction in Progress	2,099,493	
Internal Use Software	381,441	381,441
	4,479,990	2,103,136
Accumulated Depreciation	(1,708,211)	(1,376,629)
Property, Equipment and Software, net	$ 2,771,779	$ 726,507

	December 31, 2024	December 31, 2023
Internal Use Software consisted of the following:		
Internal Use Software	$ 381,441	$ 381,441
Accumulated depreciation	(225,429)	(133,149)
Internal Use Software, net	$ 156,012	$ 248,292

	December 31, 2024	December 31, 2023
Depreciation Expense:		
Property and equipment, excluding internal use software	$ 239,302	$ 315,686
Internal Use Software amortization expense	92,280	84,328

The following is a schedule of estimated future amortization expense of internal use software at December 31, 2024:

2025	$ 97,340
2026	58,672
2027	—
	$ 156,012

NOTE 7 – PATENTS AND TRADEMARKS

	December 31, 2024	December 31, 2023
Patents	$ 405,007	$ 395,472
Accumulated Amortization	(277,707)	(266,332)
Patents and trademarks, net	$ 127,300	$ 129,140

Amortization expense in 2024 and 2023 was $11,375 and $9,920, respectively.

NOTE 8 – SOFTWARE DEVELOPMENT COSTS

	December 31, 2024	December 31, 2023
Software Development	$ 796,807	$ 721,309
Construction in Progress	72,872	148,371
Accumulated amortization	(466,296)	(216,842)
Software Development, net	$ 403,383	$ 652,838

The following is a schedule of estimated future amortization expense of software development costs at December 31, 2024:

2025	$ 246,676
2026	108,894
2027	47,813
	$ 403,383

Amortization of software development costs for the years ended December 31, 2024 and 2023 was $249,454 and $140,267, respectively.

NOTE 9 – EQUITY INVESTMENT – SAWGRASS APR HOLDINGS LLC

	December 31, 2024
Equity Investment - Sawgrass APR Holdings LLC	$ 7,233,000

At the close of business December 31, 2024, Duos Energy Corporation, a subsidiary, executed an AMA with New APR to manage its operations. The Company's CEO is also the CEO of New APR and the operations of New APR are housed in the same facility as the Company in Jacksonville Florida.

The Company was issued a 5% non-voting ownership interest in Sawgrass Parent, in the form of 25,882,353 common units, which is accounted for using the equity method. The Company determined the equity method was appropriate since Sawgrass Parent is considered a related party due to common management and the Company can exert significant influence over the operations of New APR.

The Company concluded that the arrangement with New APR is within the scope of ASC 606, Revenue from contracts with customers, and the common units issued to the Company by Sawgrass Parent represented non-cash consideration under ASC 606-10-32-31. The initial carrying value as of December 31, 2024 of $7.2 million was measured equal to the fair value of the common units received for future services to be performed under the AMA. The Company recorded $7.2 million of an equity method investment asset and $7.2 million of deferred revenue for services to be performed under the AMA. During the year ended December 31, 2024, the Company did not recognize any revenue associated with the AMA and did not recognize any equity in net loss of the investee.

The Company assesses its equity method investment for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. No impairment losses were recognized during the year ended December 31, 2024.

NOTE 10 – DEBT

Notes Payable – Insurance Premium Financing Agreements

The Company's notes payable relating to financing agreements classified as current liabilities consist of the following as of:

	December 31, 2024		December 31, 2023	
Notes Payable	Principal	Interest	Principal	Interest
Third Party - Insurance Note 1	$ 13,002	8.00%	$ 39,968	6.24%
Third Party - Insurance Note 2	4,070	—	2,008	—
Third Party - Insurance Note 3	—	—	—	—
Total	$ 17,072		$ 41,976	

The Company entered into an agreement on April 15, 2023 with its insurance provider by issuing a note payable (Insurance Note 1) for the purchase of an insurance policy in the amount of $142,734, secured by that policy with an annual interest rate of 8.00% and payable in 11 monthly installments of principal and interest totaling $13,501. The Company renewed its agreement on April 15, 2024 with its insurance provider by issuing a note payable (Insurance Note 1) for the purchase of an insurance policy in the amount of $154,338, secured by that policy with an annual interest rate of 8.25% and payable in 10 monthly installments of principal and interest totaling $16,023. At December 31, 2024 and December 31, 2023, the balance of Insurance Note 1 was $13,002 and $39,968, respectively.

The Company renewed its agreement on February 3, 2023 with its insurance provider by issuing a note payable (Insurance Note 2) for the purchase of an insurance policy in the amount of $24,140, and payable in 12 monthly installments of $2,012. The Company renewed its agreement on February 3, 2024 with its insurance provider by issuing a note payable (Insurance Note 2) for the purchase of an insurance policy in the amount of $24,480, and payable in 12 monthly installments of $2,040. At December 31, 2024 and December 31, 2023, the balance of Insurance Note 2 was $4,070 and $2,008, respectively.

The Company entered on February 2, 2023 with its insurance provider by issuing a note payable (Insurance Note 3) for the purchase of an insurance policy in the amount of $293,520 with a down payment paid in the amount of $125,690. The Company received a refund in October 2024 in the amount of $30,433 as a result of the annual audit of the policy resulting in the refund being applied to the outstanding balance. The Company renewed its agreement on February 3, 2024 with its insurance provider by issuing a note payable (Insurance Note 3) for the purchase of an insurance policy in the amount of $245,798 with a down payment paid in the amount of $84,473 in the first quarter of 2024 and ten monthly installments of $20,166. At December 31, 2024 and December 31, 2023, the balance of Insurance Note 3 was $0 and $0, respectively**.**

Notes Payable, Related Parties

On July 22, 2024, the Company and Duos Edge entered into secured promissory notes (the "Notes") with two institutional investors in the Company, 21 April Fund LP and 21 April Fund Ltd. These investors own more than 10% of the outstanding shares and are therefore considered related parties. The principal amounts of the Notes are $1,520,000 for the Note issued to 21 April Fund Ltd. and $680,000 for the Note issued to 21 April Fund LP. The Notes bear interest at an annual rate of 10% and the principal and any accrued interest on the Notes are due on December 30, 2025. The Company has guaranteed all of Duos Edge's obligations pursuant to the Notes.

As security for the Notes, Duos Edge AI granted a first priority security interest in the equipment installed, as well as all revenues from such equipment and the Company pledged all proceeds from the sale of shares of Common Stock under its ATM facility. All of the pledged revenues from the equipment and the ATM facility are deposited in a blocked account and used solely to repay the Notes until they are repaid in full. In November 2024, the Company obtained the lenders' consent waiving the requirement to deposit ATM proceeds in a separate blocked account and to utilize the ATM proceeds for general corporate purposes, provided that any such amounts must be deposited in the blocked account on or prior to December 1, 2025. The Notes may be prepaid without any prepayment penalties, provided that any prepayments shall be made proportionately to each Note.

This transaction is accounted for in accordance with ASC 470, which provides guidance on the accounting for debt and debt modifications. The Company is in compliance with all covenants and conditions associated with the Notes as of December 31, 2024.

As of December 31, 2024, the carrying amount of the Notes is classified as a current liability on the Company's consolidated balance sheet. The company accrued interest of $98,247 for the six months ended December 31, 2024 with regard to the Notes.

In connection with the Notes, the Company issued warrants to purchase 92,727 shares of Common Stock to 21 April Fund LP and 207,273 shares of Common Stock to 21 April Fund Ltd. The warrants had an exercise price of $3.00 and were exercisable at any time on or prior to the close of business on the five-year anniversary of the original issuance date of July 22, 2024. The warrants contained a fundamental transaction provision whereby the Company might have to make a cash payment to the warrant holder on a fundamental transaction trigger date. Accordingly, the warrants met the criteria to be accounted for as a derivative liability instrument.

The above warrants and the previously held 44,644 warrants were exercised by 21 April Fund LP and 21 April Fund Ltd. on September 19, 2024 and the Company issued an aggregate of 344,644 shares of Common Stock. In connection with such exercise, the parties agreed to reduce the exercise price of the warrants to $2.61 per share and to remove any “blocker” or similar provisions in the warrants.

The warrant liability value was measured using a Monte Carlo simulation valuation method. The initial warrant liability valuation on the loan date was $625,606 which was recorded as a debt discount and initial warrant liability. The warrant liability on September 19, 2024 was $379,626 with a change in fair value recorded in other income/expense from the initial recording date through September 30, 2024 of $245,980. The debt discount is being amortized over the term of the Notes.

On September 19, 2024, the warrant exercise date, the Company eliminated the warrant liability and recognized a gain on the extinguishment of the warrants in the amount $379,626.

The promissory Notes Payable at December 31, 2024 were as follows:

Notes Payable	$	2,200,000
Unamortized Discount		(441,604)
Notes Payable, net	$	1,758,396

Amortization of the discount from the Note date of July 22, 2024 through December 31, 2024 was $184,002 which is included in interest expense.

The Company used the following assumptions in determining the fair value of the warrant liabilities:

	Upon Grant		Upon Exercise	
Date of Grant (Exercise)	21 April Fund LP July 22, 2024	21 April Fund Ltd July 22, 2024	21 April Fund LP September 19, 2024	21 April Fund Ltd September 19, 2024
Note Value	$ —	$ —	$ —	$ —
Issue (Exercise) Stock Price	$ 2.77	$ 2.77	$ 2.49	$ 2.49
Strike	$ 3.00	$ 3.00	$ 2.61	$ 2.61
Share Equivalents	92,727	207,273	92,727	207,273
Strike Price discount	0%	0%	0%	0%
Expected Remaining Term (Years)	5.00	5.00	4.84	4.84
Historical Volatility	52%	52%	58%	58%
Expected Volatility	100%	100%	58%	58%
Dividend Yield	0%	0%	0%	0%
Annual Rate of Quarterly Dividends	$ 0.000	$ 0.000	$ 0.000	$ 0.000
Discount Rate - Bond Equivalent Yield	4.170%	4.170%	3.480%	3.480%

NOTE 11 – REVENUES AND CONTRACT ACCOUNTING

The Company generates revenue from four sources: (1) Technology Systems; (2) AI Technology which is included in the consolidated statements of operations line-item Technology Systems; (3) Technical Support; and (4) Consulting Services which is included in the consolidated statements of operations line-item Services and Consulting.

Contract assets and contract liabilities on uncompleted contracts for revenues recognized over time are as follows:

Contract Assets

Contract assets on uncompleted contracts represent cumulative revenues recognized in excess of billings and/or cash received on uncompleted contracts accounted for under the cost-to-cost input method which recognizes revenue based on the ratio of costs incurred to total estimated costs.

At December 31, 2024 and 2023, contract assets on uncompleted contracts consisted of the following:

	2024	2023
Cumulative revenues recognized	$ 9,916,761	$ 8,820,256
Less: Billings or cash received	(9,280,987)	(8,178,309)
Contract Assets	$ 635,774	$ 641,947

Contract Liabilities

Contract liabilities on uncompleted contracts represent billings and/or cash received that exceed cumulative revenues recognized on uncompleted contracts accounted for under the cost-to-cost input method, which recognizes revenues based on the ratio of the cost incurred to total estimated costs.

Contract liabilities on services and consulting revenues represent billings and/or cash received in excess of revenue recognized on service agreements that are not accounted for under the cost-to-cost input method.

At December 31, 2024 and December 31, 2023, contract liabilities on uncompleted contracts and contract liabilities on services and consulting consisted of the following:

	2024	2023
Billings and/or cash receipts on uncompleted contracts	$ 1,264,658	$ 1,264,658
Less: Cumulative revenues recognized	(861,024)	(199,976)
Contract liabilities, technology systems, current	$ 403,634	$ 1,064,682
Contract liabilities, services and consulting, current	11,401,384	601,561
Total contract liabilities, current	$ 11,805,018	$ 1,666,243
Total contract liabilities, services and consulting, non-current	$ 11,016,134	$ —

Contract liabilities at December 31, 2023 were $1,666,243; of which $661,048 for technology systems and $601,560 in services and consulting have been recognized as of December 31, 2024.

The Company expects to recognize all current contract liabilities within 12 months from the respective consolidated balance sheet date. In May 2024, the Company recorded an initial deferred revenue as a contract liability in the amount of $11,161,428 of which $199,008 related to a pilot program was immediately recognized as revenue (See Note 4) and another $1,569,310 was recognized in 2024.. This contract liability resulted from a five-year contract with a customer where the Company received non-monetary consideration recorded as intangible assets (See Note 4) This transaction was accounted for under ASC 606-10-32-21 through ASC-606-10-32-24, Non-Cash Consideration. The performance obligations, which include various support and maintenance services will be recognized as revenue pro-rata over time during the five-year contract term. The current contract liabilities of $2,192,484 for just this contract as of December 31, 2024 relate to the portion of the contract value the Company expects to recognize pro-rata within the next twelve months. The non-current contract liabilities of $7,399,634 as of December 31, 2024 represent the portion of the contract value that is expected to be recognized pro-rata beyond the next twelve months. If the Digital Image License Agreement is terminated prior to the completion of the five-year term, then the customer will pay for the maintenance and support services annually in cash.

In December 2024, the Company entered into a series of contracts with Fortress under which the Company will deploy and operate a fleet of mobile gas turbines and balance-of-plant inventory, providing management, sales and operations functions to Sawgrass in connection with the assets. In exchange for services performed under the Asset Management Agreement (“AMA”), the Company received an advance cash payments and common units in Sawgrass (see Note 9). Sawgrass paid the Company $5.0 million in cash upon execution of the contract, which will be applied ratably on a monthly basis against amounts incurred under the AMA for a period of 12 months in 2025. In the event that the AMA is terminated within the first 12 months, any balance remaining of the advanced funds would be credited in full to Duos.

As of December 31, 2024, deferred revenue under the arrangement was $5.0 million, comprised of the $5.0 million advance payment. The Company did not recognize any revenue under the AMA during the year ended December 31, 2024.

The Company also concluded that the arrangement with Sawgrass is within the scope of ASC 606, Revenue from contracts with customers, and the common units issued to the Company by Sawgrass Parent represented non-cash consideration. The initial carrying value as of December 31, 2024 of $7.2 million was measured equal to the fair value of the common units received for future services to be performed under the AMA. The Company recorded $7.2 million of deferred revenue for services to be performed under the AMA (see Note 9). During the year ended December 31, 2024, the Company did not recognize any revenue associated with the AMA. The Company initially recorded the equity method investment in Sawgrass of $7.2 million, equal to the fair value of the common units as of December 31, 2024.

As of December 31, 2024, the balance in contract liabilities pertaining to the non-monetary transaction agreement is as follows:

Calendar Year		Amount
2025	$	2,192,484
2026		2,192,484
2027		2,192,484
2028		2,192,484
2029		822,182
Total Contract Liabilities	$	9,592,118

The Company will fully recognize $5.0 million in revenue pertaining to the AMA during 2025.

As of December 31, 2024, the balance in contract liabilities pertaining to the value of the equity method interest will be recognized as revenue as follows:

Calendar Year		Amounts
2025	$	3,616,500
2026		3,616,500
Contract Assets	$	7,233,000

Disaggregation of Revenue

The Company is following the guidance of ASC 606-10-55-296 and 297 for disaggregation of revenue. Accordingly, revenue has been disaggregated according to the nature, amount, timing and uncertainty of revenue and cash flows. We are providing qualitative and quantitative disclosures.

Qualitative:

1. We have four distinct revenue sources:
    a. Technology Systems (Turnkey, engineered projects);
    b. AI Technology (Associated maintenance and support services);
    c. Technical Support (Operational support, asset management of power generation systems); and
    d. Consulting Services (Predetermined algorithms to provide important operating information to the users of our systems).
2. We currently operate in North America including the USA, Mexico and Canada.
3. Our customers include rail transportation, and commercial.
4. Our technology systems and equipment projects fall into two types:
    a. Transfer of goods and services over time.
    b. Goods delivered at point in time.
5. Our services & maintenance contracts are fixed price and fall into two duration types:
    a. Turnkey engineered projects and professional service contracts that are less than one year in duration and are typically one to two quarters in length; and
    b. Maintenance and support contracts ranging from one to five years in length.

Quantitative:

For the Year Ended December 31, 2024

Segments	Rail	Commercial	Government	Artificial Intelligence	Total
Primary Geographical Markets					
North America	$ 5,696,931	$ 921,562	$ —	$ 662,392	$ 7,280,885
Major Goods and Service Lines					
Turnkey Projects	$ 2,252,357	$ —	$ —	$ —	$ 2,252,357
Maintenance and Support	3,444,574	921,562	—	—	4,366,136
Algorithms	—	—	—	662,392	662,392
	$ 5,696,931	$ 921,562	$ —	$ 662,392	$ 7,280,885
Timing of Revenue Recognition					
Goods transferred over time	$ 2,252,357	$ —	$ —	$ —	$ 2,252,357
Services transferred over time	3,444,574	921,562	—	662,392	5,028,528
	$ 5,696,931	$ 921,562	$ —	$ 662,392	$ 7,280,885

Quantitative:

For the Year Ended December 31, 2023

Segments	Rail	Commercial	Government	Artificial Intelligence	Total
Primary Geographical Markets					
North America	$ 6,261,748	$ 78,575	$ 11,353	$ 1,119,522	$ 7,471,198
Major Goods and Service Lines					
Turnkey Projects	$ 3,616,334	$ 1,694	$ —	$ —	$ 3,618,028
Maintenance and Support	2,645,414	76,881	11,353	—	2,733,648
Data Center Auditing Services	—	—	—	—	—
Software License	—	—	—	—	—
Algorithms	—	—	—	1,119,522	1,119,522
	$ 6,261,748	$ 78,575	$ 11,353	$ 1,119,522	$ 7,471,198
Timing of Revenue Recognition					
Goods transferred over time	$ 3,616,334	$ 1,694	$ —	$ —	$ 3,218,028
Services transferred over time	2,645,414	76,881	11,353	1,119,522	3,853,170
	$ 6,261,748	$ 78,575	$ 11,353	$ 1,119,522	$ 7,471,198

Segment Information

In November 2023, the FASB issued ASU 2023-07 Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. ASU 2023-07 requires companies to disclose significant segment expenses that are regularly provided to the chief operating decision maker. ASU 2023-07 is effective for annual periods beginning on January 1, 2024 and interim periods beginning on January 1, 2025. ASU 2023-07 must be applied retrospectively to all prior periods presented in the financial statements. The Company has evaluated the disclosure impact of ASU 2023-07; and determined the standard will not have an impact on the Company's consolidated financial statements.

In 2024, the Company principally operated in one reportable segment related to the development and commercialization of technology solutions in the transportation and industrial sectors. The Chief Operating Decision Maker ("CODM") for the Company is Mr. Chuck Ferry, the Chief Executive Officer (the "CEO"). The Company's CEO reviews operating results on an aggregate basis and manages the Company's operations as a whole for the purpose of evaluating financial performance and allocating resources. Accordingly, the Company has determined that it has a single reportable and operating segment structure. The CEO evaluates financial performance regularly by comparing actual results with established budgets and forecasts.

The CEO assesses performance for the Company and decides how to allocate resources based on the aggregate net loss that is reported on the accompanying consolidated statement of operations as net loss. The measure of segment assets is reported on the consolidated balance sheets as total assets.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Operating Lease Obligations

On July 26, 2021, the Company entered a new operating lease agreement for office and warehouse combination space of 40,000 square feet, with the lease commencing on November 1, 2021, and ending April 30, 2032. This new space combines the Company's two separate work locations into one facility, which allows for greater collaboration and also accommodates a larger anticipated workforce and manufacturing facility. On November 24, 2021, the lease was amended to commence on December 1, 2021, and end on May 31, 2032. The Company recognized a ROU asset and operating lease liability in the amount of $4,980,104 at lease commencement. Rent for the first eleven months of the term was calculated based on 30,000 rentable square feet. The rent is subject to an annual escalation of 2.5%, beginning November 1, 2023. The Company made a security deposit payment in the amount of $600,000 on July 26, 2021. Per the contract, in the 18th month and every 12th month thereafter, the security deposit is reduced by $50,000 and now stands at $500,000. The right of use asset balance at December 31, 2024, net of accumulated amortization, was $4,028,698.

As of December 31, 2024, the office and warehouse lease is the Company's only lease with a term greater than twelve months. The office and warehouse lease has a remaining term of approximately 7.5 years and includes an option to extend for two renewal terms of five years each. The renewal options are not reasonably certain to be exercised, and therefore, they are not included when determining the lease term used to establish the right-of use asset and lease liability. The Company also has several short-term leases, primarily related to equipment. The Company made an accounting policy election to not recognize short-term leases with terms of twelve months or less on the consolidated balance sheet and instead recognize the lease payments in expense as incurred. The Company has also elected to account for real estate leases that contain both lease and non-lease components (such as common area maintenance) as a single lease component.

The following table shows supplemental information related to leases:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Lease cost:		
Operating lease cost	$ 781,638	$ 781,638
Short-term lease cost	$ 21,909	$ 63,770
Other information:		
Operating cash outflow used for operating leases	$ 779,087	$ 696,869
Weighted average discount rate	9.0%	9.0%
Weighted average remaining lease term	7.5 years	8.5 years

At December 31, 2024, future minimum lease payments due under the operating lease are as follows:

	Amount
Calendar year:	
2025	$ 798,556
2026	818,518
2027	838,984
2028	859,856
Thereafter	3,183,571
Total undiscounted future minimum lease payments	6,499,485
Less: Impact of discounting	(1,833,887)
Total present value of operating lease obligation	4,665,598
Current portion	(798,556)
Operating lease obligation, less current portion	$ 3,867,042

Master Lease Agreement

On November 1, 2024, the Company entered into a Master Lease Agreement ("MLA") for a total lease obligation of $2,662,282. The lease is structured with a repayment term of 66 months, with fixed monthly payments commencing on December 10, 2024. At the end of the lease term, the Company has the option to purchase the leased asset for $1.

In accordance with ASC 842, the lease is classified as a finance lease, as the $1 buyout option indicates a transfer of ownership. As a result, the Company has recorded a right-of-use asset and a corresponding lease liability on its balance sheet. Interest expense and amortization of the right-of-use asset will be recognized over the lease term. Management believes this lease structure supports the Company's operational and financial objectives.

The following table shows supplemental information related to the MLA:

	Year Ended December 31,	
	2024	2023
Lease cost:		
Master Lease Agreement cost	$ 3,900	$ —
Short-term lease cost	$ 367,451	$ —
Other information:		
Operating cash outflow used for operating leases	$ 3,900	$ —
Weighted average discount rate	8.63%	—
Weighted average remaining lease term	5.4 years	—

At December 31, 2024, future minimum lease payments due under the MLA are as follows:

	Amount
Calendar year:	
2025	$ 367,451
2026	527,777
2027	527,777
2028	527,777
Thereafter	703,702
Total undiscounted future minimum lease payments	2,654,484
Less: Impact of discounting	(562,429)
Total present value of MLA obligation	2,092,057
Current portion	(367,451)
MLA, less current portion	$ 1,724,604

Executive Severance Agreement

Pursuant to a separation agreement with Gianni Arcaini, our former Chief Executive Officer and Chairman of the Board (the "Separation Agreement"), Mr. Arcaini's employment with the Company ended on September 1, 2020 ("Separation Date"). The Separation Agreement provided that he would receive separation payments over a 36-month period equal to his base salary plus $75,000 as well as certain limited health and life insurance benefits. The Separation Agreement also contained confidentiality, non-disparagement and non-solicitation covenants and a release of claims by Mr. Arcaini. In accordance with the Separation Agreement, the Company paid to Mr. Arcaini the total sum of $747,788. On March 1, 2021, the Company paid to Mr. Arcaini a lump-sum amount equal to the first six months of payments, or $124,631, owed to Mr. Arcaini and the Company continued to pay him in semi-monthly installments for 30 months thereafter, as contemplated in Mr. Arcaini's Separation Agreement. On November 21, 2024, the Company paid Mr. Arcaini a further $23,890 to settle a dispute concerning certain benefits that were claimed by him as part of the separation agreement. As a condition of this payment, Mr. Arcaini forfeited all of his equity in the Company consisting of 100,716 non-qualified stock options granted under the 2016 Equity Incentive Plan.

NOTE 13 – INCOME TAXES

The Company maintains deferred tax assets and liabilities that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The deferred tax assets (liabilities) at December 31, 2024 and 2023 consist of net operating loss carryforwards and differences in the book basis and tax basis of intangible assets.

The items accounting for the difference between income taxes at the effective statutory rate and the provision for income taxes for the years ended December 31, 2024 and 2023 were as follows:

	Years Ended December 31, 2024	Years Ended December 31, 2023
Income tax benefit at U.S. statutory rate of 21%	$ (2,260,536)	$ (2,360,761)
State income taxes	(387,520)	(404,702)
Non-deductible expenses	164,156	271,648
Change in valuation allowance	2,483,901	2,493,815
Total provision for income tax	$ —	$ —

The Company's approximate net deferred tax assets as of December 31, 2024 and 2023 were as follows:

	December 31, 2024	December 31, 2023
Deferred Tax Asset (Liability):		
Net operating loss carryforward	$ 15,313,305	$ 12,318,836
Intangible assets	(537,017)	(84,823)
Allowance for bad debt	(58,375)	—
	14,717,913	12,234,013
Valuation allowance	(14,717,913)	(12,234,013)
Net deferred tax assets	$ —	$ —

The gross operating loss carryforward was approximately $62,249,209 and $50,076,569 at December 31, 2024 and 2023, respectively. The Company provided a valuation allowance equal to the net deferred income tax assets for the years ended December 31, 2024, and 2023 because it was not known whether future taxable income will be sufficient to utilize the loss carryforward and other deferred tax assets. The increase in the valuation allowance was $2,483,900 in 2024.

The potential tax benefit arising from the net operating loss carryforward of $4,357,876 from the period prior to January 1, 2018, will expire in 2037. The potential tax benefit arising from the net operating loss carryforward of $10,360,037 generated after January 1, 2018 can be carried forward indefinitely within the annual usage limitations.

Additionally, the future utilization of the net operating loss carryforward to offset future taxable income is subject to an annual limitation as a result of ownership or business changes that may occur in the future. The Company has not conducted a study to determine the limitations on the utilization of these net operating loss carryforwards. If necessary, the deferred tax assets will be reduced by any carryforward that may not be utilized or expires prior to utilization as a result of such limitations, with a corresponding reduction of the valuation allowance.

The Company does not have any uncertain tax positions or events leading to uncertainty in a tax position. The Company's 2023, 2022 and 2021 Corporate Income Tax Returns are subject to Internal Revenue Service examination.

NOTE 14 – STOCKHOLDERS' EQUITY

2016 Equity Plan

We maintained the 2016 Equity Incentive Plan (the "2016 Plan") for employees, officers, directors and other entities and individuals whose efforts contribute to our success. The 2016 Plan terminated pursuant to its terms on December 31, 2020, although all outstanding awards on such date continue in full force and effect.

2021 Equity Plan

On May 12, 2021, the Board adopted, with shareholder approval as of July 15, 2021, the 2021 Equity Incentive Plan (the "2021 Plan") providing for the issuance of up to 1,000,000 shares of our Common Stock. On September 30, 2024, the shareholders approved an increase in the shares of Common Stock available under the 2021 Plan to 2,500,000 and beginning as of February 1, 2025, and for each February 1st thereafter to the greater of 2,500,000 or a number of shares based on a formula tied to the Company's fully diluted common equivalent share capitalization, excluding warrants and options. The purpose of the 2021 Plan is to assist the Company in attracting and retaining key employees, directors and consultants and to provide incentives to such individuals to align their interests with those of our shareholders.

General Description of the 2021 Plan

The following is a summary of the material provisions of the 2021 Plan and is qualified in its entirety by reference to the complete text of the 2021 Plan, which you are encouraged to read in full.

Administration

The 2021 Plan is administered by the Compensation Committee of the Board, which consists of three members of the Board, each of whom is a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Exchange Act and an "outside director" within the meaning of Code Section 162(m). Among other things, the Compensation Committee has complete discretion, subject to the express limits of the 2021 Plan, to determine the directors, employees and nonemployee consultants to be granted an award, the type of award to be granted, the terms and conditions of the award, the form of payment to be made and/or the number of shares of Common Stock subject to each award, the exercise price of each option and base price of each stock appreciation right ("SAR"), the term of each award, the vesting schedule for an award, whether to accelerate vesting, the value of the Common Stock underlying the award, and the required withholding, if any. The Compensation Committee may amend, modify or terminate any outstanding award, provided that the participant's consent to such action is required if the action would impair the participant's rights or entitlements with respect to that award. The Compensation Committee is also authorized to construe the award agreements and may prescribe rules relating to the 2021 Plan. Notwithstanding the foregoing, the Compensation Committee does not have any authority to grant or modify an award under the 2021 Plan with terms or conditions that would cause the grant, vesting or exercise thereof to be considered nonqualified "deferred compensation" subject to Code Section 409A.

Grant of Awards; Shares Available for Awards

The 2021 Plan provides for the grant of stock options, SARs, performance share awards, performance unit awards, distribution equivalent right awards, restricted stock awards, restricted stock unit awards and unrestricted stock awards to non-employee directors, officers, employees and nonemployee consultants of the Company or its affiliates. We had reserved a total of 1,000,000 shares of Common Stock for issuance as or under awards to be made under the 2021 Plan. In accordance with shareholder approval received at the meeting held on September 30, 2024, the total reserved shares as of February 1, 2025 amount to 2,905,334, calculated using a formula based on the Company's fully diluted common equivalent share capitalization, excluding warrants and options. If any award expires, is cancelled, or terminates unexercised or is forfeited, the number of shares subject thereto is again available for grant under the 2021 Plan.

Stock Options

The 2021 Plan provides for either “incentive stock options” (“ISOs”), which are intended to meet the requirements for special federal income tax treatment under the Code, or “nonqualified stock options” (“NQSOs”). On May 12, 2021, the 2021 Plan was approved by the board of directors and by the shareholders on July 15, 2021. Stock options may be granted on such terms and conditions as the Compensation Committee may determine; provided, however, that the per share exercise price under a stock option may not be less than the fair market value of a share of the Company’s Common Stock on the date of grant and the term of the stock option may not exceed 10 years (110% of such value and five years in the case of an ISO granted to an employee who owns (or is deemed to own) more than 10% of the total combined voting power of all classes of capital stock of the Company or a parent or subsidiary of the Company). ISOs may only be granted to employees. In addition, the aggregate fair market value of our Common Stock covered by one or more ISOs (determined at the time of grant) which are exercisable for the first time by an employee during any calendar year may not exceed $100,000. Any excess is treated as a NQSO.

Stock Appreciation Rights

An SAR entitles the participant, upon exercise, to receive an amount, in cash or stock or a combination thereof, equal to the increase in the fair market value of the underlying Common Stock between the date of grant and the date of exercise. SARs may be granted in tandem with, or independently of, stock options granted under the 2021 Plan. An SAR granted in tandem with a stock option (i) is exercisable only at such times, and to the extent, that the related stock option is exercisable in accordance with the procedure for exercise of the related stock option; (ii) terminates upon termination or exercise of the related stock option (likewise, the Common Stock option granted in tandem with an SAR terminates upon exercise of the SAR); (iii) is transferable only with the related stock option; and (iv) if the related stock option is an ISO, may be exercised only when the value of the stock subject to the stock option exceeds the exercise price of the stock option. An SAR that is not granted in tandem with a stock option is exercisable at such times as the Compensation Committee may specify.

Performance Share and Performance Unit Awards

Performance share and performance unit awards entitle the participant to receive cash or shares of our Common Stock upon the attainment of specified performance goals. In the case of performance units, the right to acquire the units is denominated in cash values.

Restricted Stock Awards and Restricted Stock Unit Awards

A restricted stock award is a grant or sale of Common Stock to the participant, subject to our right to repurchase all or part of the shares at their purchase price (or to require forfeiture of such shares if issued to the participant at no cost) in the event that conditions specified by the Compensation Committee in the award are not satisfied prior to the end of the time period during which the shares subject to the award may be repurchased by or forfeited to us. Our restricted stock unit entitles the participant to receive a cash payment equal to the fair market value of a share of Common Stock for each restricted stock unit subject to such restricted stock unit award, if the participant satisfies the applicable vesting requirement.

Unrestricted Stock Awards

An unrestricted stock award is a grant or sale of shares of our Common Stock to the participant that is not subject to transfer, forfeiture or other restrictions, in consideration for past services rendered to the Company or an affiliate or for other valid consideration.

Amendment and Termination

The Compensation Committee may adopt, amend and rescind rules relating to the administration of the 2021 Plan, and amend, suspend or terminate the 2021 Plan, but no such amendment, rescission, suspension or termination will be made that materially and adversely impairs the rights of any participant with respect to any award received thereby under the 2021 Plan without the participant’s consent, other than amendments that are necessary to permit the granting of awards in compliance with applicable laws.

Series B Convertible Preferred Stock

The following summary of certain terms and provisions of our Series B Convertible Preferred Stock (the "Series B Convertible Preferred Stock") is subject to, and qualified in its entirety by reference to, the terms and provisions set forth in our certificate of designation of preferences, rights and limitations of Series B Convertible Preferred Stock (the "Series B Convertible Preferred Certificate of Designation") as previously filed. Subject to the limitations prescribed by our articles of incorporation, our board of directors is authorized to establish the number of shares constituting each series of preferred stock and to fix the designations, powers, preferences, and rights of the shares of each of those series and the qualifications, limitations and restrictions of each of those series, all without any further vote or action by our stockholders. Our board of directors designated 15,000 of the 10,000,000 authorized shares of preferred stock as Series B Convertible Preferred Stock with a stated value of $1,000 per share. The shares of Series B Convertible Preferred Stock were validly issued, fully paid and non-assessable.

Each share of Series B Convertible Preferred Stock was convertible at any time at the holder's option into a number of shares of common stock equal to $1,000 divided by the conversion price of $7.00 per share. Notwithstanding the foregoing, we could not effect any conversion of Series B Convertible Preferred Stock, with certain exceptions, to the extent that, after giving effect to an attempted conversion, the holder of shares of Series B Convertible Preferred Stock (together with such holder's affiliates, and any persons acting as a group together with such holder or any of such holder's affiliates) would beneficially own a number of shares of our common stock in excess of 4.99% (or, at the election of the purchaser, 9.99%) of the shares of our common stock then outstanding after giving effect to such conversion. The Series B Convertible Preferred Certificate of Designation does not prohibit the Company from waiving this limitation. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders would be entitled to participate on an as-converted-to-common stock basis (without giving effect to the Beneficial Ownership Limitation) with holders of the common stock in any distribution of assets of the Company to the holders of the common stock. As of December 31, 2024 and December 31, 2023, respectively, there are zero and zero shares of Series B Convertible Preferred Stock issued and outstanding.

Series C Convertible Preferred Stock

The Company's Board of Directors designated 5,000 shares as the Series C Convertible Preferred Stock (the "Series C Convertible Preferred Stock"). Each share of the Series C Convertible Preferred Stock had a stated value of $1,000. The holders of the Series C Convertible Preferred Stock, the holders of the common stock and the holders of any other class or series of shares entitled to vote with the common stock shall vote together as one class on all matters submitted to a vote of shareholders of the Company. Each share of Series C Convertible Preferred Stock had 172 votes (subject to adjustment); provided that in no event may a holder of Series C Convertible Preferred Stock be entitled to vote a number of shares in excess of such holder's Beneficial Ownership Limitation (as defined in the Certificate of Designation and as described below). Each share of Series C Convertible Preferred Stock was convertible, at any time and from time to time, at the option of the holder, into that number of shares of common stock (subject to the Beneficial Ownership Limitation) determined by dividing the stated value of such share ($1,000) by the conversion price, which is $5.50 (subject to adjustment). The Company shall not effect any conversion of the Series C Convertible Preferred Stock, and a holder shall not have the right to convert any portion of the Series C Convertible Preferred Stock, to the extent that after giving effect to the conversion sought by the holder such holder (together with such holder's Attribution Parties (as defined in the Certificate of Designation)) would beneficially own more than 4.99% (or upon election by a holder, 19.99%) of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon such conversion (the "Beneficial Ownership Limitation"). All holders of the Series C Preferred Stock elected the 19.99% Beneficial Ownership Limitation. As of December 31, 2024 and December 31, 2023, respectively, there are zero and zero shares of Series C Convertible Preferred Stock issued and outstanding.

Series D Convertible Preferred Stock

On September 28, 2022, the Company amended its articles of incorporation to designate 4,000 shares as the Series D Convertible Preferred Stock (the “Series D Convertible Preferred Stock”). Each share of the Series D Convertible Preferred Stock has a stated value of $1,000. The holders of the Series D Convertible Preferred Stock, the holders of the common stock and the holders of any other class or series of shares entitled to vote with the common stock shall vote together as one class on all matters submitted to a vote of shareholders of the Company. Each share of Series D Convertible Preferred Stock has 333 votes (subject to standard anti-dilution adjustment); provided that in no event may a holder of Series D Convertible Preferred Stock be entitled to vote a number of shares in excess of such holder’s Beneficial Ownership Limitation (as defined in the Certificate of Designation and as described below). Each share of Series D Convertible Preferred Stock is convertible, at any time and from time to time, at the option of the holder, into that number of shares of common stock (subject to the Beneficial Ownership Limitation) determined by dividing the stated value of such share ($1,000) by the conversion price, which is $3.00 (subject to adjustment to $2.61). The Company shall not effect any conversion of the Series D Convertible Preferred Stock, and a holder shall not have the right to convert any portion of the Series D Convertible Preferred Stock, to the extent that after giving effect to the conversion sought by the holder such holder (together with such holder’s Attribution Parties (as defined in the Certificate of Designation)) would beneficially own more than 4.99% (or upon election by a holder, 19.99%) of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon such conversion (the “Beneficial Ownership Limitation”). All but one of the holders of the Series D Preferred Stock elected the 19.99% Beneficial Ownership Limitation. The Company shall reserve and keep available out of its authorized and unissued Common Stock, solely for the issuance upon the conversion of the Series D Convertible Preferred Stock, such a number of shares of Common Stock as shall from time to time be issuable upon the conversion of all of the shares of the Series D Convertible Preferred Stock then outstanding. Additionally, the Series D Convertible Preferred Stock does not have the right to dividends and in the event of an involuntary liquidation, the Series D shares shall be treated as a pro rata equivalent of common stock outstanding at the date of the liquidation event and have no liquidation preference.

On September 30, 2022, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with certain existing investors in the Company (the “Purchasers”). Pursuant to the Purchase Agreement, the Purchasers purchased 999 shares of the newly authorized Series D Convertible Preferred Stock, and the Company received proceeds of $999,000. The Purchase Agreement contains customary representations, warranties, agreements and indemnification rights and obligations of the parties. On October 29, 2022, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with a certain existing investor in the Company (the “Purchaser”). Pursuant to the Purchase Agreement, the Purchaser purchased 300 shares of the newly authorized Series D Convertible Preferred Stock, and the Company received proceeds of $300,000. The Purchase Agreement contains customary representations, warranties, agreements and indemnification rights and obligations of the parties.

At the Annual Meeting on May 16, 2023, the stockholders approved the convertibility of the Series D Preferred Stock into common stock.

On March 22, 2024, March 28, 2024, and April 3, 2024, the Company entered into Securities Purchase Agreements (the “Purchase Agreements”) with certain existing and other accredited investors (the “2024 Purchasers”). Pursuant to the Purchase Agreements, the 2024 Purchasers purchased an aggregate of 870 shares of Series D Preferred Stock, at a price of $1,000 per share, and the Company received proceeds of $870,000.

In connection with such Purchase Agreements, the Company entered into Registration Rights Agreements and filed registration statements with the SEC covering the resale by the Purchasers of the shares of common stock into which the shares of Series D Convertible Preferred Stock are convertible. The Registration Rights Agreements contain customary representations, warranties, agreements and indemnification rights and obligations of the parties.

The Registration Rights Agreements contain provisions for liquidated damages equal to 1% multiplied by the aggregate subscription amount paid, paid each month, in the event certain deadlines are missed.

In April, May, July and October of 2024, 870 outstanding shares of Series D Convertible Preferred Stock were converted into 290,002 shares of common stock. As of December 31, 2024, and 2023, there were 1,299 and 1,299 shares of Series D Convertible Preferred Stock issued and outstanding, respectively.

Series E Convertible Preferred Stock

The Company's Board of Directors has designated 30,000 shares as the Series E Convertible Preferred Stock (the "Series E Convertible Preferred Stock"). Each share of the Series E Convertible Preferred Stock has a stated value of $1,000. The holders of the Series E Convertible Preferred Stock, the holders of the common stock and the holders of any other class or series of shares entitled to vote with the common stock shall vote as one class on all matters submitted to a vote of shareholders of the Company. Each share of Series E Convertible Preferred Stock has 333 votes (subject to adjustment); provided that in no event may a holder of Series E Convertible Preferred Stock be entitled to vote a number of shares in excess of such holder's Beneficial Ownership Limitation. Each share of Series E Convertible Preferred Stock is convertible at any time and from time to time, at the option of the holder, into that number of shares of common stock (subject to the Beneficial Ownership Limitation) determined by dividing the stated value of such share ($1,000) by the conversion price, which was $3.00 (subject to adjustment) (see adjustment below to $2.61). The Company shall not effect any conversion of the Series E Convertible Preferred Stock, and the holder shall not have the right to convert any portion of the Series E Convertible Preferred Stock, to the extent that after giving effect to the conversion sought by the holder such holder (together with such holder's Attribution Parties (as defined in the Certificate of Designation)) would beneficially own more than 4.99% (or upon election by a holder, 19.99%) of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon such conversion (the "Beneficial Ownership Limitation"). All but one of the holders of the Series E Preferred Stock elected the 19.99% Beneficial Ownership Limitation.

The Company on March 27, 2023 entered into a Securities Purchase Agreement (the "Purchase Agreement") with existing investors in the Company (the "Purchasers"). Pursuant to the Purchase Agreement, the Purchasers purchased 4,000 shares of a newly authorized Series E Convertible Preferred Stock at a price of $1,000 per share, and the Company received proceeds of $4,000,000. The Purchase Agreement contains customary representations, warranties, agreements and indemnification rights and obligations of the parties.

The existing investors' Purchase Agreement also provided that the Company would not, with certain exceptions, sell or issue common stock or Common Stock Equivalents (as defined in the Purchase Agreement) on or prior to December 31, 2023 that entitled any person to acquire shares of common stock at an effective price per share less than the then conversion price of the Series E Convertible Preferred Stock without the consent of the Purchaser.

On November 9, 2023, the Company entered into a Securities Purchase Agreement (the "November Purchase Agreement") with existing investors in the Company (the "Purchasers"). Pursuant to the Purchase Agreement, the Purchasers purchased 2,500 shares of Series E Convertible Preferred Stock, at a price of $1,000 per share, and the Company received proceeds of $2,500,000.

The November Purchase Agreement also provided that the Company would not, with certain exceptions, sell or issue common stock or Common Stock Equivalents (as defined in the November Purchase Agreement) on or prior to June 30, 2024 that entitled any person to acquire shares of common stock at an effective price per share less than the then conversion price of the Series E Convertible Preferred Stock (which was $3.00 per share) without the consent of the Purchasers. If the Company sold shares less than the conversion price, with the consent of purchasers, then the Series E conversion price would be amended to that lower share price. This provision had not been triggered as of June 30, 2024.

The Purchasers under the November Purchase Agreement also were the holders of the Company's Series F Convertible Preferred Stock issued on August 1, 2023. The purchase agreement relating to the shares of Series F Convertible Preferred Stock required the consent of the holders in the event the Company were to issue common stock or rights to acquire common stock prior to December 31, 2023 at an effective price per share less than the then conversion price of the Series F Convertible Preferred Stock, which was $6.20 per share. As a result, on November 10, 2023 the Company and the holders of the Series F Convertible Preferred Stock entered into Exchange Agreements pursuant to which the holders of Series F Convertible Preferred Stock exchanged their 5,000 shares of Series F Convertible Preferred Stock for an equal number of shares of Series E Convertible Preferred Stock. As a result of the November Purchase Agreement and the Exchange Agreements, the Company issued a total of 7,500 shares of Series E Convertible Preferred Stock and the 5,000 shares of Series F Convertible Preferred Stock were cancelled.

On March 22, 2024 and March 28, 2024, the Company entered into Securities Purchase Agreements (the "Purchase Agreements") with certain existing and other accredited investors (the "2024 Purchasers"). Pursuant to the Purchase Agreements, the 2024 Purchasers purchased an aggregate of 2,125 shares of Series E Convertible Preferred Stock, at a price in each case of $1,000 per share, and the Company received proceeds of $2,125,002. Those purchase agreements had similar price protections as the November Purchase Agreement but extended the price protection date to December 31, 2024, for all Series E holders.

On September 19, 2024, the conversion rate of the Series E Convertible Preferred Stock was lowered to $2.61 from $3.00 per share based on the down round protection provision triggered by the warrants induced exercise price of $2.61 per share. This will lead to the issuance of an additional 678,640 shares of common stock upon the conversion of the preferred shares.

In October of 2024, 125 outstanding shares of the Series E Convertible Preferred Stock were converted into 47,892 shares of common stock. As of December 31, 2024, and December 31, 2023, respectively, there were 13,500 and 11,500 shares of Series E Convertible Preferred Stock issued and outstanding.

In connection with such Purchase Agreements, the Company also entered into Registration Rights Agreements with the Purchasers. Pursuant to the Registration Rights Agreements, the Company filed with the SEC registration statements covering the resale by the Purchasers of the shares of common stock into which the shares of Series E Convertible Preferred Stock are convertible.

The Registration Rights Agreements contain customary representations, warranties, agreements and indemnification rights and obligations of the parties. The Registration Rights Agreements contain provisions for liquidated damages equal to 1% multiplied by the aggregate subscription amount paid, paid each month, in the event certain deadlines are missed.

Series F Convertible Preferred Stock

The Company's Board of Directors designated 5,000 shares as the Series F Preferred Stock. Each share of Series F Preferred Stock was convertible, at any time and from time to time, at the option of the holder, into that number of shares of common stock (subject to the beneficial ownership limitation described below) determined by dividing the stated value of such share ($1,000) by the conversion price, which is $6.20 (subject to adjustment) which equates to 161 common shares for each converted Series F preferred share. The Company, however, shall not effect any conversion of the Series F Preferred Stock, and the holder shall not have the right to convert any portion of the Series F Preferred Stock, to the extent that after giving effect to the conversion sought by the holder such holder (together with such holder's Attribution Parties (as defined in the Certificate of Designation)) would beneficially own more than 4.99% (or upon election by a holder, 19.99%) of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon such conversion. The purchasers of the Series F Preferred Stock elected that their ownership limitation would be 19.99%.

The holders of the Series F Preferred Stock, the holders of the common stock and the holders of any other class or series of shares entitled to vote with the common stock shall vote together as one class on all matters submitted to a vote of shareholders of the Company. Each share of Series F Preferred Stock had 161 votes (subject to adjustment); provided that in no event may a holder of Series F Preferred Stock be entitled to vote a number of shares in excess of such holder's ownership limitation.

On August 2, 2023, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with existing, accredited investors in the Company (the "Purchasers"). Pursuant to the Purchase Agreement, the Purchasers purchased 5,000 shares of a newly authorized Series F Convertible Preferred Stock (the "Series F Convertible Preferred Stock"), and the Company received proceeds of $5,000,000. The Purchase Agreement contains customary representations, warranties, agreements and indemnification rights and obligations of the parties.

The Company also agreed that it would not, with certain exceptions, sell or issue common stock or Common Stock Equivalents (as defined in the Purchase Agreement relating to the Series F Preferred Stock) on or prior to December 31, 2023 that entitled any person to acquire shares of common stock at an effective price per share less than the then conversion price of the Series F Preferred Stock without the consent of the holders. As a result of that agreement, upon the issuance of 2,500 shares of Series E Preferred Stock (which had a conversion price of $3.00 per share) on November 10, 2023, the holders exchanged their 5,000 shares of Series F Preferred Stock for 5,000 shares of Series E Preferred Stock. All of the shares of Series F Preferred Stock thereupon were cancelled with zero shares now outstanding.

As of December 31, 2024, and December 31, 2023, respectively, there were zero and zero shares of Series F Convertible Preferred Stock issued and outstanding.

Common stock issued

2024 Transactions

During the three months ended March 31, 2024, the Company issued 8,655 shares of common stock for payment of board fees to four directors in the amount of $37,500 for services to the board which was expensed during the three months ended March 31, 2024. The volume-weighted average price (VWAP) per share used to value the services is $4.33.

On April 23, 2024, two shareholders converted 147 and 78 for a total of 225 shares of Series D Convertible Preferred Stock collectively with a stated value of $225,000 with a conversion price of $3.00 per common share resulting in the issuance of 49,000 and 26,000 shares of the Company's common stock.

On April 30, 2024, two shareholders converted 100 and 250 for a total of 350 shares of Series D Convertible Preferred Stock collectively with a stated value of $350,000 with a conversion price of $3.00 per common share resulting in the issuance of 33,334 and 83,334 shares of the Company's common stock.

On May 7, 2024, a shareholder converted 75 shares of Series D Convertible Preferred Stock with a stated value of $75,000 with a conversion price of $3.00 per common share resulting in the issuance of 25,000 shares of the Company's common stock.

On May 17, 2024, the Company entered into an At-the-Market Issuance Sales Agreement (the "Sales Agreement") with Ascendiant Capital Markets, LLC, as sales agent (the "Agent") providing for the sale by the Company of shares of our common stock, having an aggregate offering price of up to $7,500,000 from time to time through the Agent in connection with an "at-the-market" equity offering program (the "ATM Offering") as defined in Rule 415 under the Securities Act of 1933, as amended (the "Securities Act").

On May 17, 2024, the Company filed a prospectus supplement with the Securities and Exchange Commission ("SEC") relating to the offer and sale of up to $7,500,000 of common stock in the ATM Offering.

During the three months ended June 30, 2024, the Company issued an aggregate of 38,530 shares of common stock through its At-The-Market (ATM) offering program, generating total net proceeds of $115,563.

During the three months ended June 30, 2024, the Company issued 15,041 shares of common stock for payment of board fees to four directors in the amount of $42,500 for services to the board which was expensed during the three months ended June 30, 2024. The volume-weighted average price (VWAP) per share used to value the services is $2.83.

On June 30, 2024, the Company issued 38,041 shares of common stock to employees participating in the Company's Employee Stock Purchase Plan at the end of a six-month offering period. The employee contributions totaled $87,348 for the six months ended June 30, 2024 which represented a purchase price of approximately $2.30 per share and stock based compensation of $40,588 was recognized. The purchase price for one share of Common Stock under the ESPP is equal to 85% of the fair market value of one share of Common Stock on the first trading day of the offering period or the purchase date, whichever is lower (see below).

On July 5, 2024, a shareholder converted 120 shares of Series D Convertible Preferred Stock with a stated value of $120,000 with a conversion price of $3.00 per common share resulting in the issuance of 40,000 shares of the Company's common stock.

On September 19, 2024, the Company issued an aggregate of 344,644 shares of common stock, upon the exercise by 21 April Fund LP and 21 April Fund Ltd. (collectively, the "21 April Entities") of warrants to purchase 104,647 and 239,997 shares of Common Stock, respectively. In connection with such exercise, the Company and the 21 April Entities agreed to reduce the exercise price of the warrants to $2.61 per share, and to remove any "blocker" or similar provisions in the warrants. The Company received $899,521 upon the exercise.

During the three months ended September 30, 2024, the Company issued 14,433 shares of common stock for payment of board fees to four directors in the amount of $42,500 for services to the board which was expensed during the three months ended September 30, 2024. The volume-weighted average price (VWAP) per share used to value the services is $2.95.

During the three months ended September 30, 2024, the Company issued an aggregate of 28,514 shares of common stock through its At-The-Market (ATM) offering program, generating total net proceeds of $81,448.

On October 2, 2024, two holders of Series E Preferred stock converted an aggregate of 52 shares of Series E Preferred Stock into 19,922 shares of common stock.

On October 8, 2024, two holders of Series E Preferred Stock converted an aggregate of 73 shares of Series E Preferred Stock into 27,970 shares of common stock.

On October 24, 2024, a holder of Series D Preferred Stock converted 100 shares of Series D Preferred Stock into 33,334 shares of common stock.

On December 31, 2024, the Company issued 31,366 shares of common stock to employees participating in the Company's Employee Stock Purchase Plan at the end of a six-month offering period. The employee contributions totaled $78,917 for the six months ended December 31, 2024 which represented a purchase price of approximately $2.52 per share and stock based compensation of $42,238 was recognized. The purchase price for one share of Common Stock under the ESPP is equal to 85% of the fair market value of one share of Common Stock on the first trading day of the offering period or the purchase date, whichever is lower (see below).

During the three months ended December 31, 2024, the Company issued 7,182 shares of common stock for payment of board fees to four directors in the amount of $42,500 for services to the board which was expensed during the three months ended December 31, 2024. The volume-weighted average price (VWAP) per share used to value the services is $5.92.

During the three months ended December 31, 2024, the Company issued an aggregate of 751,613 shares of common stock through its At-The-Market (ATM) offering program, generating total gross proceeds of approximately $3,347,678.

2023 Transactions

During the three months ended March 31, 2023, the Company issued 12,463 shares of common stock for payment of board fees to three directors in the amount of $32,500 for services to the board which was expensed during the three months ended March 31, 2023. The volume-weighted average price (VWAP) per share used to value the services is $2.61.

During the three months ended June 30, 2023, the Company issued 5,645 shares of common stock for payment of board fees to three directors in the amount of $32,500 for services to the board which was expensed during the three months ended June 30, 2023. The volume-weighted average price (VWAP) per share used to value the services is $5.76.

On June 30, 2023, the Company issued 65,561 shares of common stock to employees participating in the Company's Employee Stock Purchase Plan at the end of a six-month offering period. The employee contributions totaled $117,048 for the six months ended June 30, 2023 and represented a purchase price of $1.79 per share and stock based compensation of $66,217 was recognized. The purchase price for one share of Common Stock under the ESPP is equal to 85% of the fair market value of one share of Common Stock on the first trading day of the offering period or the purchase date, whichever is lower (see below).

During the three months ended September 30, 2023, the Company issued 7,910 shares of common stock for payment of board fees to four directors in the amount of $40,565 for services to the board which was expensed during the three months ended September 30, 2023. The volume-weighted average price (VWAP) per share used to value the services is $5.13

During the three months ended December 31, 2023, the Company issued 12,231 shares of common stock for payment of board fees to four directors in the amount of $37,500 for services to the board which was expensed during the three months ended December 31, 2023. The volume-weighted average price (VWAP) per share used to value the services is $3.06

On December 29, 2023, the Company issued 45,977 shares of common stock to employees participating in the Company's Employee Stock Purchase Plan at the end of a six-month offering period. The employee contributions totaled $113,352 for the six months ended December 29, 2023 and represented a purchase price of $2.47 per share and stock based compensation of $70,434 was recognized. The purchase price for one share of Common Stock under the ESPP is equal to 85% of the fair market value of one share of Common Stock on the first trading day of the offering period or the purchase date, whichever is lower (see below).

Employee Stock Purchase Plan

In the fourth quarter of 2022, the board of directors adopted an Employee Stock Purchase Plan ("ESPP") which, was effective as of January 1, 2023 with a term of 10 years. The ESPP allows eligible employees to purchase shares of the Company's common stock at a discounted price, through payroll deductions from a minimum of 1% and up to 25% of their eligible compensation up to a maximum of $25,000 or the IRS allowable limit per calendar year. The Company's Chief Financial Officer administers the ESPP in conjunction with approvals from the Company's Compensation Committee, including with respect to the frequency and duration of offering periods, the maximum number of shares that an eligible employee may purchase during an offering period, and, subject to certain limitations set forth in the ESPP, the per-share purchase price. Currently, the maximum number of shares that can be purchased by an eligible employee under the ESPP is 10,000 shares per offering period and there are two six-month offering periods that begin in the first and third quarters of each fiscal year. The purchase price for one share of Common Stock under the ESPP is currently equal to 85% of the fair market value of one share of Common Stock on the first trading day of the offering period or the purchase date, whichever is lower (look-back feature). Although not required by the ESPP, all payroll deductions received or held by the Company under the ESPP are segregated and deemed as "restricted cash" until the completion of the offering period and redemption of the applicable shares and those withheld amounts are recorded as liabilities. The maximum aggregate number of shares of the Common Stock that may be issued under the ESPP is 1,000,000 shares.

Under ASC 718-50 "Employee Share Purchase Plans" the plan is considered a compensatory plan and the compensation for each six-month offering period is computed based upon the grant date fair value of the estimated shares to be purchased based on the estimated payroll deduction withholdings. The grant date fair value was computed as the sum of (a) 15% purchase discount off of the grant date quoted trading price of the Company's common stock and (b) the fair value of the look-back feature of the Company's common stock on the grant date which consists of a call option on 85% of a share of common stock and a put option on 15% of a share of common stock.

In the year ended December 31, 2024, the Company issued an aggregate of 69,407 shares of common stock related to two transactions. For the six months ended June 30, 2024, the employee contributions for the first ESPP tranche totaled $87,348 and represented a purchase price of $2.30 per share for 38,041 shares. For the six-month period beginning July 1, 2024 and ending December 31, 2024 the employee contributions for the second ESPP tranche totaled $78,917 and represented a purchase price of $2.52 per share for 31,366 shares.

In the year ended December 31, 2023, the Company issued an aggregate of 111,538 shares of common stock related to two transactions. For the six months ended June 30, 2023, the employee contributions for the first ESPP tranche totaled $117,048 and represented a purchase price of $1.79 per share for 65,561 shares. For the six-month period beginning July 1, 2023 and ending December 31, 2023 the employee contributions for the second ESPP tranche totaled $113,352 and represented a purchase price of $2.47 per share for 45,977 shares.

Stock-Based Compensation

Stock-based compensation expense recognized under ASC 718-10 for the years ended December 31, 2024 and 2023, was $26,154 and $573,441, respectively, for stock options granted to employees and directors. This expense is included in selling, general and administrative expenses in the consolidated statements of operations. Stock-based compensation expense recognized during the periods is based on the grant date fair value of the portion of share-based payment awards that is ultimately expected to vest during the period. At December 31, 2024, the total compensation cost for stock options that was not yet recognized was $64,034. This cost will be recognized over the remaining vesting term of the options ranging from 7 months to 1.0 year.

Treasury Stock

In August 2016, the Company's Board of Directors approved a new class of Preferred Stock, "Series A". For shareholders who invested in previous private placements, the Company was offering on a case-by-case basis, the ability to convert the existing amount invested into an equivalent amount in the Series A on the condition that they invest an equivalent additional amount in the Series A. In December of 2017, the Company redeemed all of the Series A and continues to hold 235 shares purchased for $148,000 as a part of the original transaction. In December 2018, the Company entered into an agreement with two shareholders to purchase shares from them at fair market value. The Company purchased 84 shares at $7.00 per shares and 140 shares at $6.30 per share. In 2019, the Company entered into an agreement with two shareholders to purchase shares from them at fair market value. The Company purchased 115 shares at $10.08 per share and 753 shares at $9.09 per share. Accordingly, as of December 31, 2024, and 2023, the Company held 1,324 shares of Common Stock at an aggregate value of $157,452.

NOTE 15 – COMMON STOCK OPTIONS AND WARRANTS

Options

2024

The Company did not issue any new stock options in 2024. In the second quarter of 2024, a former employee forfeited 46,872 stock options upon leaving the Company. During the third quarter, three former employees forfeited a total of 81,837 stock options due to their departures. In the fourth quarter of 2024, the management team forfeited 551,898 stock options as a condition of entering into new employment agreements whereby they will be granted a total of 1,901,898 shares of restricted stock with 3-year cliff vesting to be granted in the first quarter of 2025. Additionally, in the fourth quarter of 2024, a former executive forfeited 100,716 stock options (see Note 12).

2023

During the second quarter of 2023, the Company's Board of Directors granted 293,117 new stock options and in the fourth quarter granted a further 170,000 new stock options both with a strike price of $4.22 per share to 19 key employees and one contract employee. These options were awarded as a one-time award as a retention incentive and had a fair value of approximately $556,000 for the April 1, 2023 awards and approximately $172,000 for the December 1, 2023 award and carry a three-year vesting period. The issuance of these options generated stock option compensation expense in the year in the amount of $269,611 and a balance of unamortized stock option compensation expense of $458,389, that is being expensed over the following 2.0 years.

During the first quarter of 2023, two former staff members forfeited 1,608 non-qualified stock options as the options expired.

During the third quarter of 2021, the shareholders approved the issuance of up to one million shares or share equivalents in the form of stock options for the purposes of share issuance for compensation to Board Members and grants to certain staff members for recruiting and retention. On August 5, 2021, the Company filed an S-8 registration statement in concert with the 2021 Equity Incentive Plan. The plan covers a period of ten years. Additional S-8 registrations were filed on October 9, 2024 and February 5, 2025. On September 30, 2024, the shareholders approved an increase in the shares of Common Stock available under the 2021 Plan to 2,500,000 and beginning as of February 1, 2025, and for each February 1st thereafter to the greater of 2,500,000 or a number of shares based on a formula tied to the Company's fully diluted common equivalent share capitalization, excluding warrants and options.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2022	926,266	$ 5.74	3.3	$ —
Granted	463,117	$ 4.22	4.35	—
Forfeited	(1,608)	$ 14.00	—	—
Outstanding at December 31, 2023	1,387,775	$ 5.23	3.0	—
Exercisable at December 31, 2023	581,324	$ 5.38	1.8	$ —
Outstanding at December 31, 2023	1,387,775	$ 5.23	3.0	$ —
Granted	—	$ —	—	—
Forfeited	(781,323)	$ 5.17	—	—
Outstanding at December 31, 2024	606,452	$ 5.29	2.0	$ 514,394
Exercisable at December 31, 2024	442,445	$ 5.50	1.6	$ 296,145

The fair value of the incentive stock option grants for the years ended December 31, 2024 and 2023 were estimated using the following weighted- average assumptions:

	For the Years Ended December 31, 2024	2023
Risk free interest rate	—	3.73%
Expected term in years	—	3.50
Dividend yield	—	—
Volatility of common stock	—	54% – 118%
Weighted average grant date fair value per option	$ —	$ 1.57

Warrants

2024

On July 22, 2024, the Company and Duos Edge entered into secured promissory notes (the "Notes") with two institutional investors in the Company, 21 April Fund LP and 21 April Fund Ltd. The principal amounts of the Notes are $1,520,000 for the Note issued to 21 April Fund Ltd. and $680,000 for the Note issued to 21 April Fund LP. The Notes bear interest at an annual rate of 10% and the principal and any accrued interest on the Notes are due on December 30, 2025. The Company has guaranteed all of Duos Edge's obligations pursuant to the Notes.

In connection with the Notes, the Company issued warrants to purchase 92,727 shares of Common Stock to 21 April Fund LP and 207,273 shares of Common Stock to 21 April Fund Ltd. The warrants had an exercise price of $3.00 and were exercisable at any time on or prior to the close of business on the five-year anniversary of the original issuance date of July 22, 2024. The warrants contained a fundamental transaction provision whereby the Company might have to make a cash payment to the warrant holder on a fundamental transaction trigger date. Accordingly, the warrants met the criteria to be accounted for as a derivative liability instrument.

On September 20, 2024, the Company made an offer, which was accepted, to two warrant holders to exercise 44,644 warrants with an expiration date of September 24, 2024 and with an original strike price of $7.70 per share. The warrants, which were granted on September 25, 2019 and in conjunction with a loan to the Company of $1 million for a term of 9 months, had been originally valued at $172,029 which amount had been fully amortized by the second quarter of 2020.

In conjunction with the extinguishment of the warrant liability, the Company agreed to modify the terms of the outstanding warrants. Specifically, the exercise price of the warrants was reduced from $7.70 to $2.61 per share of Common Stock. As a result of this modification, the fair value of the warrants on the date of the modification was recalculated to be approximately $615.

Upon the consummation of the extinguishment, the warrants were cancelled and rendered null and void. Consequently, any and all rights arising under the original warrant agreements were extinguished, and the Company shall no longer be required to reserve shares of Common Stock for issuance upon the exercise of these warrants. The Company received $116,521 in cash for the exercise which was recorded as additional paid in capital.

During the third quarter of 2024, the Company issued an aggregate of 344,644 shares of common stock, upon the exercise by 21 April Fund LP and 21 April Fund Ltd. (collectively, the "21 April Entities") of warrants to purchase 104,647 and 239,997 shares of Common Stock, respectively. In connection with such exercise, the Company and the 21 April Entities agreed to reduce the exercise price of the warrants to $2.61 per share, and to remove any "blocker" or similar provisions in the warrants. The Company received $899,521 upon the exercise. As of December 31, 2024, there are no warrants outstanding.

2023

During the first and fourth quarters of 2023, warrants held by 48 holders representing 102,947 shares expired. All of the expired warrants can no longer be exercised.

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2022	80,091	$ 8.63	0.8	—
Warrants expired, forfeited, cancelled or exercised	(102,947)	$ —	—	—
Warrants issued	—	$ —	—	—
Outstanding at December 31, 2023	44,644	$ 7.70	0.7	—
Exercisable at December 31, 2023	44,644	$ 7.70	0.7	—
Outstanding at December 31, 2023	44,644	$ 7.70	0.7	—
Warrants expired, forfeited, cancelled or exercised	(344,644)	$ —	—	—
Warrants issued	300,000	$ 3.00	4.47	—
Outstanding at December 31, 2024	—	$ —	—	—
Exercisable at December 31, 2024	—	$ —	—	—

NOTE 16 – DEFINED CONTRIBUTION PLAN

The Company has a 401(k)-retirement savings plan (the “401(k) Plan”) covering all eligible employees. The 401(k) Plan allows employees to defer a portion of their annual compensation, and the Company may match a portion of the employees’ contributions generally after the first six months of service. During the year ended December 31, 2024, the Company matched 100% of the first 4% of eligible employee compensation that was contributed to the 401(k) Plan. For the year ended December 31, 2024, the Company recognized expense for matching cash contributions to the 401(k) Plan totaling $214,347.

NOTE 17 – RELATED PARTY TRANSACTIONS

Frank Lonegro serves on the Board of Directors and is a member of the Audit Committee. Mr. Lonegro is the Chief Executive Officer of Landstar System, Inc. (“Landstar”), based in Jacksonville, Florida. The Company has previously utilized Landstar for shipping services including transporting large items. Most recently, Landstar was the designated vendor involved in shipping an Edge Data Center to an Amtrak site in Secaucus, New Jersey. Mr. Lonegro was not involved in the selection of his company by the Company, with whom there was an existing relationship pre-dating Mr. Lonegro’s appointment to the Board of the Company. Mr. Lonegro did not participate in any Board discussions or votes relating to the selection of Landstar nor approval of the transactions with Landstar. The terms of these transactions were reviewed and approved by the management team. For the years ended December 31, 2024 and December 31, 2023, the Company expensed $64,686 and $33,812, respectively. As of December 31, 2024 and December 31, 2023, the amounts owed were $21,674 and $395, respectively, and are included in accounts payable in the accompanying balance sheets.

In the fourth quarter of 2022, the Company elected to not renew a support contract with an existing customer due to a change in focus by the Company away from its Integrated Correctional Automation System (“iCAS”) business and the limited amount of revenue expected from that business going forward. On June 29, 2023, the Company completed a transaction whereby it sold assets related to its iCAS business and a recommendation to that customer to engage with the eventual buyer going forward. The transaction was completed with a third-party buyer of which the Company’s then former and now current Chief Financial Officer is a director. The former officer, who was rehired as our CFO in May of 2024, did not participate in the transaction on behalf of the Company which was negotiated by the CEO (see Note 18).

In late 2024, Duos engaged with FIG to assist in FIG’s purchase of approximately 850 Mega Watts of electrical generation capacity (consisting of 30 mobile gas turbine generators) and associated equipment to support their installation and operation (“balance of plant”). In late November 2024, Sawgrass Buyer LLC, an entity formed and owned by FIG, executed an asset purchase agreement with Atlas Corporation, APR Energy Holdings Limited and a number of its wholly-owned affiliates (collectively, “APR”). Chuck Ferry, our CEO, was formerly the CEO of APR from 2018 to 2020. The transaction closed on December 31, 2024. At Closing, Sawgrass Buyer LLC entered into an Asset Management Agreement (“AMA”) with the Company under which a substantial portion of Company staff, including certain members of the management team (including Mr. Ferry), would oversee operations of Sawgrass Buyer LLC. The AMA term is two years and subject to customary cancellation provisions. At Closing, the Company also received a 5% non-voting equity ownership interest in Sawgrass APR Holdings, LLC (“Sawgrass Parent”), the ultimate parent company of Sawgrass Buyer LLC. As part of the transaction, certain members of the Company’s management team, including Charles Ferry, Duos’ Chief Executive Officer, and Christopher King, Duos’ Chief Operating Officer, will serve in similar positions with the New APR in addition to their roles at the Company. Mr. Ferry will also be Executive Chairman and a member of the Board of New APR. Mr. Goldfarb, the Company’s CFO, will be an observer on the board of New APR but will have no Executive role or management responsibilities at the new entity. The Company will continue to pay the full compensation for Mr. Ferry, Mr. King and one other employee, with APR covering 50% of that cost.

In 2024, the Company borrowed $2,200,000 from two lenders that are related parties because together they hold more than 10% of the Company’s voting common stock. (See Note 10).

NOTE 18 – SALE OF ASSETS

On June 29, 2023, the Company completed a transaction whereby it sold assets related to its Integrated Correctional Automation System (iCAS) business with a single customer. In the fourth quarter of 2022, the Company elected to not renew a support contract due to the limited nature of the business. The transaction was completed with a third-party buyer of which the Company’s then former Chief Financial Officer and now Current Chief Financial Officer is a director. Said then former officer did not participate in the transaction on behalf of the Company.

The assets of the iCAS business were sold for a convertible promissory note with a principal amount of $165,000 with a 10% original issue discount as well as common stock purchase warrants. The note matures in 2 years from the date of sale and is convertible immediately through the later of the maturity date or payment by the borrower of the default amount, as defined in the note, into shares of the buyer’s common stock at a conversion price of $0.003 or 55,000,000 shares. The conversion of the note carries restrictions which include limiting conversion to the extent it would not exceed 4.99% of the common stock outstanding of the buyer. The convertible promissory note is subject to standard anti-dilution provisions.

The common stock purchase warrants are for a total of 55,000,000 common shares of the buyer at an exercise price of $0.01 per share. The warrants are subject to standard anti-dilution provisions. The warrants are not exercisable until on or after six months from the issuance date and no later than on or before the third anniversary of the issuance date. The Company may exercise the warrants at any time after the six-month anniversary of the issuance date on a cashless basis if there is no effective registration statement covering the resale of the Warrant Shares at prevailing market prices by the holder. The exercise of these warrants is subject to beneficial ownership limits of 4.99% which may be increased by the holder up to 9.99% as defined in the warrant. Given that the shares carried no intrinsic value at the time of the transaction and that the overall fair value is de minimis, the Company has not recorded the warrants associated with the transaction.

The Company recognized a gain on sale of assets of $150,000, which is included in other income.

The original issue discount is being accrued into interest income over the term of the note.

The Company regularly assesses the collectability of its outstanding note receivable and establishes an allowance for credit losses based on historical collection trends, the financial condition of counterparties, and current market conditions. In the year ended December 31, 2024, the Company recorded an allowance in the amount of $161,250 against the note receivable to reflect management's estimate of the portion of the balance that may not be collectible. This allowance is recorded as a reduction to note receivable on the consolidated balance sheet and as a charge to bad debt expense in the consolidated statement of operations. The Company will cease accrual of interest income on this note prospectively.

The note receivable was recorded as follows on December 31, 2024:

		December 31, 2024
Convertible note receivable	$	165,000
Less allowance on note receivable		(161,250)
Less unamortized discount		(3,750)
Convertible note receivable, net	$	—

NOTE 19 – SUBSEQUENT EVENTS

Effective January 1, 2025, the Company issued restricted stock awards to its executive leadership team as a condition of entering into new employment agreements whereby they were granted a total of 1,901,898 shares of restricted stock with 3-year cliff vesting.

On February 5, 2025, a holder of our Series D Preferred Stock converted 300 shares of Series D Preferred Stock into 100,000 shares of Common Stock.

On February 26, 2025, the Company made a $500,000 payment toward the principal balance of the secured promissory notes entered into with 21 April Fund LP and 21 April Fund Ltd. on July 22, 2024. On March 27, 2025, the Company made a second payment of $500,000 toward the principal balance of the secured promissory notes. These payments reduce the outstanding principal obligations and were made in accordance with the terms of the Notes.

Subsequent to the balance sheet date, through March 31, 2025, certain employees exercised stock options to acquire a total of 27,712 shares of the Company's common stock, generating total net proceeds of approximately $107,550. The exercises were made pursuant to the Company's 2016 and 2021 Equity Incentive Plan and were conducted in accordance with the applicable terms of the plan and the individual award agreements.

Subsequent to the balance sheet date, through March 31, 2025 the Company issued an aggregate of 633,683 shares of common stock at a weighted average price of $6.24 per share through its At-The-Market (ATM) offering program, generating total net proceeds of approximately $3,836,032.

DUOS TECHNOLOGIES GROUP, INC.
POLICY ON INSIDER TRADING

This statement sets forth the policies of Duos Technologies Group, Inc. (the “Corporation”) on trading and causing the trading of securities while in possession of confidential information. Sections 1 through 3 and Section 5 and 6 apply to all persons associated with the Corporation. The entire policy applies to the following “Covered Persons”: (i) all directors of the Corporation; and (ii) all officers of the Corporation and its subsidiaries at the level of “Chief” and above.

1. The Basic Policy—No Trading or Causing Trading While in Possession of Material Non-Public Information

(a) No person associated with the Corporation may purchase or sell any security, whether or not issued by the Corporation, while in possession of material non-public information concerning the security. (The terms “material” and non-public” are defined in Section 2 below.)

(b) No person associated with the Corporation who knows of material non-public information may communicate that information to any other person if he or she has reason to believe that the information may be improperly used in connection with securities trading.

(c) Covered Persons and certain related persons must “preclear” all trading in securities of the Corporation in accordance with the procedures set forth in Section 4 below.

2. The Law Against “Insider Trading”

One of the principal purposes of the federal securities laws is to prohibit so-called insider trading. For many years this has been a major focus of the enforcement program of the Securities and Exchange Commission and of criminal prosecutions brought by United States Attorneys.

(a) <u>Application to Non-Insiders and to Securities Other Than Securities of the Corporation</u>

Prohibitions against “insider trading” apply to trades, tips, and recommendations by virtually any person—including all persons associated with the Corporation—if the information involved is “material” and “non-public.” Thus, for example, the prohibitions would apply if you trade on the basis of material non-public information you obtain regarding the Corporation, its lenders, customers, suppliers, or other corporations with which the Corporation has contractual relationships or may be negotiating transactions. For compliance purposes, you should never trade, tip, or recommend securities (or otherwise cause the purchase or sale of securities) while in possession of information that you have reason to believe is material and non-public unless you first consult with, and obtain the advance approval of, the Corporation’s CFO as the Compliance Officer.

(b) Materiality

Insider trading restrictions come into play only if the information you possess is “material.” Materiality, however, involves a relatively low threshold.

Information is generally regarded as “material” if it has market significance, that is, if its public dissemination is likely to affect the market price of securities, or if it otherwise is information that a reasonable investor would want to know before making an investment decision.

Information dealing with the following subjects is reasonably likely to be found material in particular situations:

- Significant changes in the Corporation’s prospects;
- Significant write-downs in assets or increases in reserves;
- Developments regarding significant litigation or government agency investigations;
- Liquidity problems;
- Changes in earnings estimates or unusual gains or losses in major operation;
- Major changes in management;
- Changes in dividends;
- Extraordinary borrowings;
- Award or loss of a significant contract;
- Changes in debt ratings;
- Proposals, plans, or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets;
- Public offerings; and

- Pending statistical reports (e.g., consumer price index, money supply and retail figures, interest rate developments).

Material information is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger, acquisition, or introduction of a new product, the point at which negotiations or product development are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect the event would have on a company's operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. When in doubt about whether particular non-public information is material, exercise caution. Consult the Compliance Officer before deciding to disclose such information (other than to persons who need to know it) or to trade in or recommend securities to which that information relates.

(c) Non-Public Information

Insider trading prohibitions come into play only when you possess information that is material and "non-public." The fact that information has been disclosed to a few members of the public does not make it public for insider trading purposes. To be "public" the information must have been disseminated in a manner designed to reach investors generally. Even after public disclosure of information regarding the Corporation, you generally must wait a period of two or three days for the information to be absorbed by public investors before you can treat the information as public.

Non-public information may include:

- Information available to a select group of analysts or brokers or institutional investors;
- Undisclosed facts that are the subject of rumors, even if the rumors are widely circulated; and
- Information that has been entrusted to the Corporation on a confidential basis until a public announcement of the information has been made and enough time has elapsed for the market to respond to a public announcement of the information (normally two or three days).

As with questions of materiality, when in doubt about whether information is non-public call the designated Compliance Officer or assume that the information is "non-public" and, therefore, treat it as confidential.

3. Severe Penalties for Violating Insider Trading Laws

Penalties for trading on or communicating material non-public information are severe, both for individuals involved in such unlawful conduct and their employers and supervisors. A person who violates the insider trading laws can be sentenced to a substantial jail term and required to pay a penalty of several times the amount of profits gained or losses avoided.

Moreover, Congress has passed insider trading legislation that, in a significant departure from prior law, explicitly empowers the Securities and Exchange Commission to seek substantial penalties from any person who, at the time of an insider trading violation, "directly or indirectly controlled the person who committed such violation." Such persons may be held liable for up to the greater of $1 million or three times the amount of the profit gained or loss avoided. Thus, even for violations that result in a small or no profit, the Securities and Exchange Commission can seek a minimum of $1 million from the Corporation and various management and supervisory personnel.

Given the severity of the potential penalties, compliance with the policies set forth in Section 1 of this Statement is absolutely mandatory, and noncompliance is a ground for dismissal. Exceptions to these policies, if any, may only be granted by the Compliance Officer and must be provided before any activity contrary to the above policies takes place.

4. Preclearance of Securities Transactions

Because Covered Persons are likely to obtain material non-public information on a regular basis, the Corporation requires all such persons to preclear all purchases and sales of the Corporation's securities in accordance with the following procedures:

(a) Subject to the exemption in part "(d)" below, no Covered Person may, directly or indirectly, purchase or sell any security issued by the Corporation without first obtaining prior approval from the Compliance Officer. These procedures also apply to transactions by such person's spouse, other persons living in such person's household and minor children, and to transactions by entities over which such person exercises control.

(b) The Compliance Officer shall record the date each request is received and the date and time each request is approved or disapproved. Unless revoked, a grant of permission will normally remain valid until the close of trading two business days following the day on which it was granted.

(c) Requests are most likely to be approved for trading that is to occur in the following “window periods”:

(i) Commencing at the close of trading on the second full business day following the date of public disclosure of the financial results for a particular fiscal quarter or year and continuing until the fifteenth business day of the third month of the next fiscal quarter. For example, if public disclosure occurs on Monday, May 14th, trading requests would likely be approved from Thursday, May 17th through Thursday, June 20th (specific dates will be communicated by the Company’s Corporate Communications department);

(ii) Following the wide dissemination of information on the status of the Corporation and current results; or

(iii) At those times when there is relative stability in the Corporation’s operations and the market for its securities.

(d) Preclearance is not required for purchases and sales of securities under a preexisting written plan, contract, instruction, or arrangement that is adopted pursuant to Securities and Exchange Commission Rule 10b5-1(c) (17 C.F.R. §240.10b5-1(c)) and approved in writing by our Compliance Officer and counsel with respect to Duos Technologies concerns. Generally, Rule 10b5-1(c) trading plans are developed in consultation with individual counsel and not the responsibility of the Compliance Officer or our counsel. Key factors to consider are:

(i) That the plan was entered into in good faith by the Covered Person at a time when the Covered Person was not in possession of material non- public information about the Company; and

(ii) The plan either

(a) Gives a third party the discretionary authority to execute such purchases and sales, outside the control of the Covered Person, so long as such third party does not possess any material non-public information about the Company; or

(b) Explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions.

With respect to any purchase or sale under a pre-arranged trading plan as described above, the third-party effecting transactions on behalf of the Covered Person should be instructed to send duplicate confirmations of all such transactions to the Compliance Officer.

5. Employee Stock Purchase Plan (ESPP)

Preclearance is not required for PURCHASEs under the Company's Employee Stock Purchase Plan (ESPP). For SALES of stock acquired under the ESPP, pre-clearance is required for all Covered Persons. For others, no pre-clearance is required but is recommended where any doubt exists regarding executing such a trade outside of a "window period".

6. Prohibited Transactions

Persons associated with the Corporation, including such person's spouse, other persons living in such person's household, and minor children and entities over which such person exercises control, is prohibited from engaging in the following transactions in securities of the Corporation unless advance approval is obtained from the Compliance Officer:

(a) Short-term trading. Persons associated with the Corporation who purchase its securities must retain such securities for at least six months.
(b) Short sales. Persons associated with the Corporation may not sell the Corporation's securities short.
(c) Options trading. Persons associated with the Corporation may not buy or sell puts or calls on the Corporation's securities.
(d) Trading on margin. Persons associated with the Corporation may not trade on the margin the Corporation's securities.

7. Acknowledgment and Certification

All persons associated with the Corporation are required to sign the attached acknowledgment and certification.

ACKNOWLEDGMENT AND CERTIFICATION

The undersigned does hereby acknowledge receipt of the Corporation's Statement of Policy regarding trading on material non-public information. The undersigned has read and understands (or has had explained) such Policy and agrees to be governed by such Policy at all times in connection with the purchase and sale of securities and the confidentiality of non-public information. The undersigned understands that if they are a Covered Person the entire policy applies to them. The undersigned understands that if they are not a Covered Person Sections 1 through 3 and Sections 5 and 6 apply to them.

(Signature)

(Date)

(Please print name)

EXHIBIT 21

Subsidiaries

Duos Technologies, Inc.

Duos Edge AI, Inc.

Duos Energy Corporation

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-1 (SEC File # 333-278649, 333-268638, 333-273272 and 333-276327) and Forms S-8 (SEC File # 333-284722, 333-282568, 333-258525, 333-257897 and 333-273265) of Duos Technologies Group, Inc. of our report dated March 31, 2025 on the consolidated financial statements of Duos Technologies Group, Inc., as of December 31, 2024 and 2023 and for the each of the two years in the period ended December 31, 2024.

/s/ Salberg & Company, P.A.

SALBERG & COMPANY, P.A.
Boca Raton, Florida
March 31, 2025

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Charles P. Ferry, certify that:

1. I have reviewed this annual report on Form 10-K of Duos Technologies Group, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 controls 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 for the period in which this annual 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;

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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 31, 2025

By:/s/ *Charles P. Ferry*
Charles P. Ferry
Chief Executive Officer

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Adrian G. Goldfarb, certify that:

1. I have reviewed this annual report on Form 10-K of Duos Technologies Group, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 controls 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 for the period in which this annual 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;

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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 31, 2025

By:/s/ *Adrian G. Goldfarb*
Adrian G. Goldfarb
Chief Financial Officer

EXHIBIT 32.1

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 this Annual Report of Duos Technologies Group, Inc. (the “Company”), on Form 10-K for the year ended December 31, 2024, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Charles P. Ferry, Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Annual Report on Form 10-K for the year ended December 31, 2024, 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 such Annual Report on Form 10-K for the year ended December 31, 2024, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2025

By: */s/ Charles P. Ferry*
Charles P. Ferry
Chief Executive Officer

EXHIBIT 32.2

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 this Annual Report of Duos Technologies Group, Inc. (the "Company"), on Form 10-K for the year ended December 31, 2024, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Adrian G. Goldfarb, Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Annual Report on Form 10-K for the year ended December 31, 2024, 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 such Annual Report on Form 10-K for the year ended December 31, 2024, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2025

By: */s/ Adrian G. Goldfarb*
Adrian G. Goldfarb
Chief Financial Officer

Exhibit 97

DUOS TECHNOLOGIES GROUP, INC.

POLICY FOR THE

RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

A. OVERVIEW

In accordance with the applicable rules of The Nasdaq Stock Market (the *“**Nasdaq Rules**”),* and Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the *“**Exchange Act**”) (“**Rule 10D-1**”),* the Board of Directors (the *“**Board**”)* of Duos Technologies Group, Inc. (the *“**Company**”)* has adopted this Policy (the *“**Policy**”)* to provide for the recovery of erroneously awarded Incentive-based Compensation from Executive Officers. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section H, below.

B. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

(1) In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with the Nasdaq Rules and Rule 10D-1 as follows:

(i) After an Accounting Restatement, the Compensation Committee (if composed entirely of independent directors, or in the absence of such a committee, a majority of independent directors serving on the Board) (the *“**Committee**”)* shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.

a. For Incentive-based Compensation based on (or derived from) the Company’s stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:

i. The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company’s stock price or total shareholder return upon which the Incentive-based Compensation was Received; and

ii. The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to Nasdaq.

(ii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section B(2) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.

(iii) To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

(iv) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(2) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section B(1) above if the Committee (which, as specified above, is composed entirely of independent directors or in the absence of such a committee, a majority of the independent directors serving on the Board) determines that recovery would be impracticable *and* any of the following two conditions are met:

(i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, documented such attempt(s) and provided such documentation to Nasdaq; or

(ii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

C. DISCLOSURE REQUIREMENTS

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission ***("SEC")*** filings and rules.

D. PROHIBITION OF INDEMNIFICATION

The Company shall not be permitted to insure or indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

E. ADMINISTRATION AND INTERPRETATION

This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company's compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith.

F. AMENDMENT; TERMINATION

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section F to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rule.

G. OTHER RECOVERY RIGHTS

This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

H. DEFINITIONS

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(1) ***"Accounting Restatement"*** means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "***Big R***" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "***little r***" restatement).

(2) ***"Clawback Eligible Incentive Compensation"*** means all Incentive-based Compensation Received by an Executive Officer (i) on or after the effective date of the applicable Nasdaq rules, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined below).

(3) ***"Clawback Period"*** means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.

(4) ***"Erroneously Awarded Compensation"*** means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(5) ***"Executive Officer"*** means each individual who is currently or was previously designated as an "officer" of the Company as defined in Rule 16a-1(f) under the Exchange Act. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K, as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller).

(6) ***"Financial Reporting Measures"*** means measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company's financial statements or included in a filing with the SEC.

(7) ***"Incentive-based Compensation"*** means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(8) ***"Nasdaq"*** means The Nasdaq Stock Market.

(9) ***"Received"*** means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.

(10) ***"Restatement Date"*** means the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

Effective as of December 1, 2023.

Exhibit A

ATTESTATION AND ACKNOWLEDGEMENT OF POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

By my signature below, I acknowledge and agree that:

- I have received and read the attached Policy for the Recovery of Erroneously Awarded Compensation (this ***"Policy").***

- I hereby agree to abide by all of the terms of this Policy both during and after my employment with the Company, including, without limitation, by promptly repaying or returning any Erroneously Awarded Compensation to the Company as determined in accordance with this Policy.

Signature: _________________________________

Printed Name: _____________________________

Date: _____________________________________