As filed with the U.S. Securities and Exchange Commission on January 17, 2019

Registration No. 333-222206

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

POST-EFFECTIVE AMENDMENT NO. 1 TO
(Amendment No. 2)
to
FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

Florida	**7373**	**65-0493217**
(State or Other Jurisdiction of Incorporation)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

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(Address and telephone number of registrant's principal executive offices and principal place of business)

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Approximate date of commencement of proposed sale to the public: **As soon as practicable after this Registration Statement becomes effective.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☑

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration Statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SUCH SECTION 8(a), MAY DETERMINE.

EXPLANATORY NOTE

On December 29, 2017, the U.S. Securities and Exchange Commission declared effective the registration statement number 333-222206 on Form S-1 (the “Registration Statement”) filed by Duos Technologies Group. Inc. (the “Company”). The Company is filing this post-effective amendment No. 1 to the Registration Statement for the purpose of updating its financial and other disclosures.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the U.S. Securities and Exchange Commission ("SEC") is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS

Subject to completion, dated January 17, 2019

DUOS TECHNOLOGIES GROUP, INC.

17,902,742 Shares of Common Stock

5,660,000 Shares of Common Stock issuable upon Conversion of Series B Convertible Preferred Stock

22,062,742 Shares of Common Stock Issuable upon Exercise of Warrants

This prospectus relates to the offering and resale by the Selling Stockholders identified herein of up to 45,625,484 shares of Common Stock, of Duos Technologies Group, Inc. (the "Company"). These shares include 17,902,742 shares of Common Stock, 5,660,000 shares of Common Stock underlying the Company's Series B Convertible Preferred Stock (the "Series B Preferred"), 22,062,742 shares of Common Stock issuable upon exercise of warrants issued and sold to investors in a private placement offering (the "Private Placement Offering").

The Selling Stockholders may from time to time sell, transfer or otherwise dispose of any or all of the securities in a number of different ways and at varying prices. See "Plan of Distribution" beginning on page 35 of this prospectus for more information.

We are not selling any shares of common stock in this offering, and we will not receive any proceeds from the sale of shares by the Selling Stockholders.

Our Common Stock is currently quoted on the OTCQB under the symbol "DUOT." On January 14, 2019, the closing price as reported on the OTCQB was $0.54 per share. This price will fluctuate based on the demand for our common stock.

The Selling Stockholders may offer all or part of the shares for resale from time to time through public or private transactions, at either prevailing market prices or at privately negotiated prices.

This prospectus provides a general description of the securities being offered. You should this prospectus and the registration statement of which it forms a part before you invest in any securities.

Investing in our securities involves a high degree of risk. See "Risk Factors" beginning on page 21 of this prospectus for a discussion of information that should be considered in connection with an investment in our securities.

Our auditors have issued a going concern opinion. For more information please see the going concern opinion on page F-2 and the risk factors herein.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is January 17, 2019

TABLE OF CONTENTS

	PAGE
Prospectus Summary	1
Summary of Consolidated Financial Information	18
Risk Factors	21
Cautionary Note Regarding Forward-Looking Statements	28
Use of Proceeds	29
Determination of Offering Price	30
Dilution	30
Selling Security Holders	31
Plan of Distribution	35
Market for Common Equity and Related Shareholder Matters	37
Management's Discussion and Analysis of Financial Condition and Results of Operations	38
Business	47
Directors, Executive Officers and Key Employees	61
Executive Compensation	65
Security Ownership of Certain Beneficial Owners and Management	68
Certain Relationships and Related Party Transactions	70
Description of Capital Stock	71
Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	74
Incorporation by Reference	74
Interests of Named Experts and Counsel	74
Where You Can Find More Information	74
Index to Consolidated Financial Statements	F-1

You may only rely on the information contained in this prospectus or that we have referred you to. We have not authorized anyone to provide you with different information. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the common stock offered by this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any common stock in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus nor any sale made in connection with this prospectus shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus is correct as of any time after its date.

PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus. While this summary highlights what we consider to be important information about us, you should carefully read this entire prospectus before investing in our common stock and warrants, especially the risks and other information we discuss under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operation" and our consolidated financial statements and related notes beginning on page F-1. Our fiscal year end is December 31 and our fiscal years ended December 31, 2016 and 2017 are sometimes referred to herein as fiscal years 2016 and 2017, respectively. Some of the statements made in this prospectus discuss future events and developments, including our future strategy and our ability to generate revenue, income and cash flow. These forward-looking statements involve risks and uncertainties which could cause actual results to differ materially from those contemplated in these forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements". Unless otherwise indicated or the context requires otherwise, the words "we," "us," "our", the "Company" or "our Company" or "Duos" refer to Duos Technologies Group, Inc., a Florida corporation, and our wholly owned subsidiaries, Duos Technologies, Inc. and TrueVue 360, Inc. Effective April 26, 2017, the Company filed an Articles of Amendment to the Articles of Incorporation of the Company to effectuate a reverse split of the Company's issued and outstanding common stock at an exchange ratio of 1-for-35. All share and per share information in this prospectus gives retroactive effect to the Reverse Split (as defined herein).

Our Corporate History

We were incorporated on May 31, 1994 in the State of Florida as Information Systems Associates, Inc. (the "Company", "we", "us", "our"). Initially, our business operations consisted of consulting services for asset management of large corporate data centers and development and licensing of Information Technology (IT) asset management software. On April 1, 2015, we completed a reverse triangular merger, pursuant to an Agreement and Plan of Merger (the "Merger Agreement") among Duos Technologies, Inc., a Florida corporation ("DTI"), the Company, and Duos Acquisition Corporation, a Florida corporation and wholly owned subsidiary of the Company ("Merger Sub"). Under the terms of the Merger Agreement, the Merger Sub merged with and into DTI, whereby DTI remained as the surviving corporation and a wholly-owned subsidiary of the Company (the "Merger"). On the same date, TrueVue 360, Inc., a Delaware corporation, became a wholly owned subsidiary of the Company. In connection with the Merger, on July 10, 2015, the Company effected a name change to Duos Technologies Group, Inc.

Overview

The Company, through its wholly owned subsidiary DTI, focuses on the design, development and turnkey delivery of proprietary "intelligent technologies" that enable our customers to derive measurable increases in return on investment for their business. Our technologies integrate with our customer's existing business process and create actionable information to streamline mission critical operations. Our target market is the largest transportation, industrial and retail corporations representing over $100 billion in total available market. Our technologies have been verified by multiple government and private organizations including Johns Hopkins University Applied Physics Laboratory (JHU/APL), the Department of Homeland Security (DHS) and the Transportation Technology Center, Inc., a wholly owned subsidiary of the Association of American Railroads, and a transportation research and testing organization (TTCI). The Company has worked with these organizations over the past several years where we have supplied funded prototypes of our technologies to verify technology and operating parameters.

The Company provides a broad range of sophisticated intelligent technology solutions with an emphasis on security, inspection and operations for critical infrastructure within a variety of industries including transportation, healthcare, retail, law enforcement, oil, gas and utilities sectors. Our business operations are in two business units: intelligent technologies and IT asset management. Our proprietary applications, specific to critical infrastructure, include but are not limited to:

Intelligent Rail Inspection Portal

- A suite of sub-systems for the automated inspection of freight or transit railcars while in motion. The objective is to automatically detect anomalies such as open or missing hatches, open cargo doors, illegal riders hiding in cargo wells, and an expanding number of mechanical defects, all while the train is traveling through various strategic areas (i.e. border crossings or inspection areas). The anomalies are detected through a combination of visual inspections, utilizing the Company's proprietary remote user interface which displays ultra-high definition images of a 360-degree view of each rail car, and by a growing number of the Company's proprietary artificial intelligence (AI) based algorithms. The inspection portal is typically installed between two rail yards and the inspection takes place while the trains are at speed of up to 140 MPH. Detections are reported to the respective rail yards well ahead of the train arrival at the yard.

Tunnel and Bridge Security

- A suite of artificial intelligence-based homeland security applications for the security of critical tunnels and bridges.

Virtual Security Shield

- A suite of artificial intelligence-based homeland security applications for the security of critical areas and buffer zones. This application includes intrusion detection zone, Radio Frequency Identification (RFID) tracking and discriminating “Friend or Foe” modules (Friend or Foe refers to a Radio Frequency - based tagging system that validates individuals authorized to be in a specific area).

Facility Safety and Security

- A suite of artificial intelligence-based homeland security applications for the “hardening” or safety and resilience of facilities against natural or man originated threats for the protection of critical facilities (energy, water, chemical facilities). The Company and all of its’ staff are CFATS (Chemical Facility Anti-Terrorism Standards) certified.

Remote Bridge Operation

- Proprietary system for remote control of draw bridges.

Pantograph Inspection System

- A system designed to inspect pantographs (structure connecting transit locomotives to high voltage power lines) for the detection of excessive depletion of carbon liners, which may cause power line ruptures.

Vehicle Undercarriage Examiner

- A system that inspects the undercarriage of railcars (both freight and transit rail) traveling at speeds of up to 140 miles per hour. The original maximum speed of 70MPH has been superseded by further development work which was completed recently. The addition of algorithms for an increasing number of automated detection of anomalies is a continuing development, which once completed and successfully tested, may have a significant impact on our revenues. The next version upgrade is scheduled to be completed by the end of the third quarter of 2018.

Thermal Undercarriage Examiner

- Under a development award from the TTCI (the technology evaluation arm of the American Association of Railroads (“AAR”)), the Company recently developed and deployed a prototype thermal undercarriage examiner which uses high-speed thermal imaging technology to inspect the thermal signature of undercarriage components. Thermal monitoring of component heat signatures while underway will provide indications of the overall operating health of the locomotive that are not possible to observe during static inspections. The system is undergoing calibration and sensitivity adjustments and is expected to be completed by the end of the second quarter of 2018. This system is considered a breakthrough in detection technologies as it is capable of detecting anomalies of trains at speed which are not detectable with currently available technologies.

Multi-Layered Enterprise Command and Control Interface (centraco®)

- Aggregator and central point for information consolidation, systems management and communications of our proprietary systems and third-party applications.

Several significant new programs and technologies are currently under development and in various stages of maturity. Some of the more significant developments are:

Neural Network Modeling for detection algorithms

- A neural network is a powerful computational data model, able to capture and represent complex input/output relationships. The neural network includes the development of an artificial system that could perform "intelligent" tasks like those performed by the human brain, including the acquisition of knowledge through deep learning, which is stored within inter-neuron connection strengths known as synaptic weights.

Automated Retail Facility Logistics

- We are currently in the final stage of developing a comprehensive system to automate facility security gate operations, leveraging our proprietary Multi-Layered Enterprise Command and Control Interface (centraco®). The automation of gatehouse operations should provide significant improvements to efficiency of distribution center traffic flow, resulting in significant ROI to the customer.

Transit Rail Platform Analytics

- We have been selected by the New York City Transit Authority ("NYCT") to provide a pilot (proof of concept) of our Platform Analytics Technology concept. The technology is designed to automatically detect objects falling on tracks adjacent to transit passenger platforms and to alert incoming rail traffic to that effect. Field installation of the prototype has been completed and field testing by the NYCT technology team is expected to be completed during the 2019 fiscal year.

Our Customers

DTI, our wholly owned subsidiary, operates our Intelligent Technologies Division which develops and implements an array of sophisticated, proprietary technology applications and turnkey engineered systems. Initially developed and deployed for homeland and border security, these applications are used by major freight rail operators (also known as Class-1, such as CN, Union Pacific, CSX, BNFS and KCS). After achieving initial success in the transportation industry, the Company broadened its market reach, adapting its proprietary technologies to a suite of applications. This suite of applications now services the commercial, industrial, utilities and government sectors. Our current major customers include Amtrak, Burlington Northern (BNSF), CN, Concho Oil, Conrail, CSX, Chicago Metra, Metrolink, Kansas City Southern de Mexico (KCSM), Ferromex, Kohl's, Olin Chemical, TTCI and Union Pacific.

Additionally, DTI operates our IT Asset Management ("ITAM") division which provides infrastructure and device audit services for large data centers. The Company markets its ITAM services through strategic partners.

Our goal is to provide our end users with improved situational awareness and overall efficiencies in operations by leveraging "smart" technology as a force multiplier. Our current core technology solutions are industry agnostic and suitable for adaptation to a wide range of applications and industries.

Market

At this time, we primarily target the $60B North American Rail market, the $2B video analytics market and the $53B enterprise information systems market. We implement our products in railcar security inspection with a focus on providing our customers with the capability of performing mission critical security inspections of inbound trains crossing US borders from a centralized, remote location. The U.S. Customs and Border Protection ("CBP") agency uses our systems at U.S./Mexican border rail crossings. Additionally, opportunities exist within the entire operating environment with initial emphasis on freight carriers by providing mechanical inspection portals for the remote inspection of railcars while traveling at high speeds. Unlike trucks, barges and airlines; freight railroads operate almost exclusively on infrastructure that they own, build and maintain. According to the AAR article on Freight Railroad Capacity and Investment dated April 2016, from 1980 to 2015 freight railroads alone reinvested approximately $600 billion of their own funds in capital expenditures and maintenance projects related to locomotives, freight cars, tracks, bridges, tunnels and other infrastructure related equipment. The AAR further reports that more than 40 cents out of every revenue dollar is reinvested into a rail network.

According to AAR's statistical railroad report, there are approximately 1.56 million freight cars and 26,574 locomotives in service operated on approximately 250,000 miles of active rail tracks throughout North America. Rail tracks are predominantly owned by the Class-I railroad industry which include:

Class-I Railroads	Tracks Owned in:		
	Canada	USA	Mexico
BNSF Railway	✓	✓	x
Canadian National Railway (CN)	✓	✓	x
Canadian Pacific	✓	✓	x
CSX Transportation	✓	✓	x
Ferrocarril Mexicano (Ferromex)	x	x	✓
Kansas City Southern Railway	x	✓	✓
Norfolk Southern	✓	✓	x
Union Pacific Railroad	x	✓	x

The report further elaborates that profitability of rail operators is measured by their operating ratio, which is the rail operator's operating expenses as a percentage of revenue. According to AAR's Annual Spending Data report, the labor cost to run and maintain trains represent a significant portion of their total operating expenses. Revenue is mostly affected by the average "velocity" of its rolling stock, which determines how much freight or how many passengers a rail operator can transport between destinations and the average speeds. Railroads implement their own speed limits within Federal Railroad Administration (FRA) guidelines. Average speed is impacted by many factors including, but not limited to:

- Track curvatures and condition, signaling, and stoppages for inspections (security and mechanical);
- Grade crossings; and
- Physical condition of locomotives and railcars.

Freight trains are considered massive in size and weight. Thus, worn or broken parts can have a significantly negative impact on operations. Quicker detection can prevent costly car and track repairs, and derailments. Early detection has the potential to dramatically increase velocity and direct profitability.

Examples include inspections at rail border crossings by CBP agents, which can often lead to significant delays and mandated mechanical inspections. Under FRA regulations, each time a railcar departs a yard, terminal or industrial facility, it is required to be inspected by either a qualified mechanical inspector or a train crew member for specific defects that would adversely affect the safe operation of the train. There are currently over 70 mechanical and safety inspection criteria, therefore the inspection process typically takes between two and three hours (dwell time) during which each train is "grounded" in a maintenance yard. In addition, the current railcar inspection process is tedious, labor intensive, dangerous and in general, lacks the level of efficiency and objectivity that may be achievable using technology.

In order to effectively detect structural or mechanical defects, railcar inspectors today need to walk around the car and under current practice, they are unable to inspect undercarriage components. Because this process is so lengthy and hazardous, it is only utilized for pre-departure mechanical inspections. Otherwise, cars are only inspected with this level of scrutiny in shops before undergoing major repairs. In addition to the inherent safety and efficiency challenges of manual inspections, records of these inspections are generally not retained unless a billed repair is performed. Thus, the maintenance of railcar structural components is almost entirely reactive rather than predictive, making repairs and maintenance less efficient.

For many years, the rail industry, through the AAR and its subsidiary TTCI, has been evaluating the feasibility of using technology, and has most recently focused on the objective of performing remote mechanical inspections prior to a train arriving at a rail yard. In the first phase, car inspectors would remotely perform visual inspections of multiple train "consists", a group of rail vehicles which are permanently or semi-permanently coupled together to form a unified set of equipment, from a regional inspection station and generate work orders for detected anomalies. These anomalies will be distributed to the respective yards prior to a train arriving at the yard facility. The time-consuming process of physical inspection would be significantly reduced, leading to a significant increase in average velocity and decreased labor cost. We believe this lends itself to the natural progression of automating the inspection process, taking inspectors from the physical inspection to the required actions for diagnosing and resolving issues.

We are currently in the process of converting the inspection process to a complete automated system that will inspect the entire car via an "intelligent system". This would implement a wayside inspection portal employing a combination of sensors capturing live images and sensor data, of each side, top and undercarriage. Software algorithms interpret the data to identify defects or anomalies. This inspection technology increases average speed and consequently overall return on investment of our customers due to the following:

1. The safety risks associated with manual car inspection will be minimized through reduced exposure to potential yard hazards; and

2. Reducing inspection time will increase yard efficiency and improve overall network capacity by also reducing the time needed to process inbound and outbound trains.

We believe that the evolution of automating the inspection processes is broadly advocated throughout the industry. In our experience, the freight rail companies are constantly seeking out innovative ways to increase capacity and improve efficiencies while increasing safety and security standards. A recently launched aggressive plan to automate the mechanical inspection process is at the core of our market opportunity.

Our Products and Systems - Technology Platforms

The Company's solution is comprised of two core technology platforms: praesidium® and centraco®

These in-house developed software suites are distributed as licensed software suites and form the centerpiece of our engineered turnkey systems. Each integrated system encompasses three major components:

1. The data collectors, including specialized cameras integrated by the Company and other sensors that are specific to the customers' requirements (third party supplied or pre-existing);

2. praesidium®, the analytics software suite which performs real-time analysis of the data generated by the Company; and

3. centraco®, the multi-layered presentation interface which graphically depicts the data analyzed and identifies anomalies and provides actionable intelligence.

Since 2002, we have developed and patented key software components that provide a significant competitive advantage in specialized solutions for our target markets. We believe an important factor in this development is that the Company's intellectual property is "industry agnostic" and can be deployed to many different industries. The following technical descriptions of praesidium® and centraco® provide further insight.

praesidium® Intelligent Analytics Suite

praesidium® is an integrated suite of analytics applications which processes and analyzes data streams from a virtually unlimited number of conventional or specialized sensors and/or data points. Our algorithms compare analyzed data against user-defined criteria and rules in real time and automatically reports any exceptions, deviations and/or anomalies. This application suite also includes a broad range of conventional operational system components and sub-systems, including an embedded feature-rich video management engine and a proprietary Alarm Management Service ("AMS"). The AMS provides continuous monitoring of all connected devices, processes, equipment and sub-systems, and automatically communicates to centraco®, the Company's enterprise information management suite if and when an issue, event or performance anomaly is detected. The processed information is instantly distributed simultaneously to an unlimited number of users in a visualized and correlated user interface using the centraco® command and control platform.

Our core modules are tailored to specific industry applications and the analytics engine(s) process any type of conventional sensor outputs, also adding "intelligence" to any third-party sensor technology. A key benefit is that the customer may often retain existing systems and we would integrate these into an overall solution.

Key praesidium® Modules (1):

Module Name	Description
Adm	Tracks objects and filters images.
BoatTrackandDetect	Detects the movement of a boat using a fixed camera then uses a Pan-Tilt-Zoom (“PTZ”) camera to follow it.
C3 / C2 (CII.dll)	Human tracking module.
FodDraw -Legacy	Draws ellipses around points identified by the Foreign Object Detection (“FOD”) engine.
GFAG	The Automated Pantograph Inspection System (APiS™) incorporating praesidium® intelligent video analytics automatically captures, inspects and processes real time images from trains passing one of three inspection points. Cameras mounted above the track capture high-resolution digital images of all pantographs. At the same time, an RFID reader captures the unique car number from the passing railcar by reading an RFID tag mounted on the top of each car. Each pantograph image and corresponding car number are bundled, transmitted to the RVSPRO™ digital server, and stored in the provided SQL database as a single record. The captured images are sorted automatically to show the most recent pantographs for each car and potential defects for each pantograph.
Gudm – Legacy	Encompasses the various detection modules.
IpPTZ	Current PTZ control module – controls both serial and IP PTZ cameras.
LaserCapture	Sub component of the Rail Inspection Portal (rip™) module – captures video frame for open door and hatch as directed by lasertech.
LaserTech	rip™ module – orchestrates open door, open hatch detections, car separations. Interface for the lasers, AEI reader and the VIEW/Gatekeeper system.
LiveStitch	rip™ module – creates panorama tiles for side and top view.
PTZ	Legacy PTZ control.
Stitcher	rip™ module – legacy – similar to LiveStitch.
Stitcher2	rip™ module – legacy – similar to LiveStitch.
TrainDetection	The role of the train detection module is to detect the presence/absence of a train within a predefined zone.
TRIDS	rip™ module – train rider detection.
VideoCheck	Checks the integrity of a video feed. It checks for FPS.
WrongWay	Detects the direction of a train/human and alarms if the direction is opposite of the allowed direction.
WWII	Legacy – WrongWay detection.
ZoneOccup	Detects the presence/absence of an object within a predefined zone.
AMS.exe	This module receives input from multiple sensors and detection modules. The sensors range from emergency communication (“EMCOM”) buttons, fire alarm panels, Ethertrak devices, power distribution units (“PDU”s), web relays and video analytics modules attached to praesidium®. AMS is also used as a distributed alarm manager, aggregating detection signals from multiple servers and reporting them to v centraco®. Alarms and detections can be suppressed or enabled by a scheduling system that is controlled via AMS. A portion of centraco®’s auto check functionality is provided by AMS in that it has a built-in data server that gathers statistics on the operation / status of itself and praesidium®.
TrainInspect.exe	This module is integral to the rip™ back end processing. This module orchestrates the conversion of images from the vue™/Gatekeeper systems, imports train information into the MySQL database and locates the appropriate reference image for the current railcar for the FOD engine (Foreign Object Detection).
FODEngine.exe	This module works in concert with the TrainInspect.exe to calculate the difference between the current and reference images for railcars.
GIGEApp.exe	High speed machine vision camera control module. This module is a device driver level module that captures high shutter speed / high frame rate camera images. The frame rates range from 112fps to 380fps for some camera models.
VueLiveStitch.exe	High speed stitching module. Works with the output of the GIGEApp.exe to produce panorama images for the Vehicle Undercarriage Examiner (vue™) system.
P2 Engine	New generation of praesidium® core engine designed to increase stability and efficiency by sandboxing each module in its own process. P2 comes in 32 and 64-bit versions and it is completely backwards compatible with legacy praesidium® modules.

P2 SDK	Development toolkit for P2 engine enabling effortless creation of new modules within the framework.

(1) Not a complete representation of the praesidium® modules.

As listed on the Safetyact.gov website, the praesidium® video analytics technology has received “Safety Act” designation from the US Department of Homeland Security. We are one of only ten companies to have received this designation for video related solutions and praesidium® is the only video analytics application with this designation.

Over the years, our proprietary analytics suite has been expanded to meet a significant number of security objectives and environments, adaptable to a broad range of critical infrastructure target verticals, including but not limited to, commercial transportation (rail, air and seaports), retail, healthcare, utilities, oil, gas, chemical and government.

centraco® Enterprise Command and Control Suite

centraco® is an Enterprise Information Management (EIM) system. It was designed as a multi-layered command and control interface and to function as the central point and aggregator for information consolidation, connectivity and communications. The platform is browser based and completely agnostic to the interconnected sub-systems. It provides full LDAP (Lightweight Directory Access Protocol, also known as Active Directory) integration for seamless user credentialing and performs the following major functions:

- **Collection**: Device management independently collects data from any number of disparate devices or sub-systems.
- **Analysis**: Correlates and analyzes data, events and alarms to identify real-time situations and their priorities for response measures and end-user’s Concept of Operations (“CONOPS”).
- **Verification**: The contextual layer represents relevant information in a quick and easily interpreted format which provides operators optimal situational awareness.
- **Resolution**: Event-specific presentation of user-defined Standard Operating Procedures (“SOPs”), that includes step-by-step instructions on how to resolve situations.
- **Reporting**: Tracking of data and events for statistical, pattern and/or forensic analysis.
- **Auditing**: Device-level drill down that records each operator’s login interaction with the system and tracks manual changes including calculations of operator alertness and reaction time for each event.

Engineered Solutions

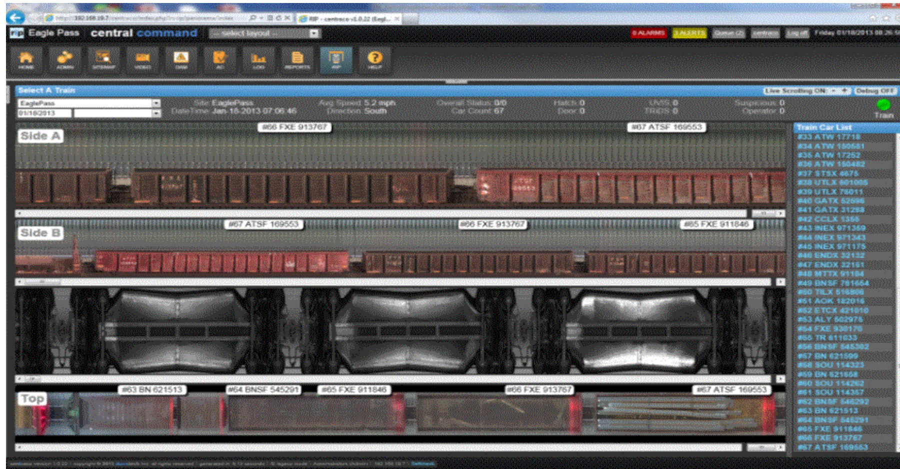
The Company has always delivered engineered solutions which translate into the ability to implement a practical solution to specific customer requirements. Often, software is developed where implementation is the responsibility of the customer. We believe that delivering and supporting turnkey working systems that provide measurable end solutions are the preferred business model for our customers. We also believe that any implementation must co-exist in an already functioning operation and that any solution must work within existing business practices. Due to this philosophy, over time, our code base has been expanded to integrate a myriad of third-party sensor technologies thereby creating complete engineered solutions that dovetail into existing environments and thus not forcing our customers to replace working legacy systems. These engineered solutions usually address more complex end-user requirements and are typically designed, developed, deployed and maintained by the Company in a direct relationship with the end-user on a turnkey basis.

The combination of our two platforms (praesidium® and centraco®), with its many variants, has and continues to deliver comprehensive “end-to-end” solutions, some of which already play a significant role in pro-active homeland security including cross border commercial rail transport.

More recently, we created several proprietary, turnkey systems and applications for commercial railways, the most significant being the following:

Intelligent Rail Inspection Portal (rip™). This turnkey system was originally designed for rail security and inspection at rail border crossings. Under a Union Pacific (UP) funded pilot program the Company designed, developed and deployed an intelligent inspection portal to provide the CBP a tool that aids customs officers in the inspection of inbound and outbound railcars. The rip™ system uses multiple proprietary technologies and sub-systems to remotely scan all railcars passing through the inspection portal, then displays stitched 360-degree views of the entire rail “consist”.

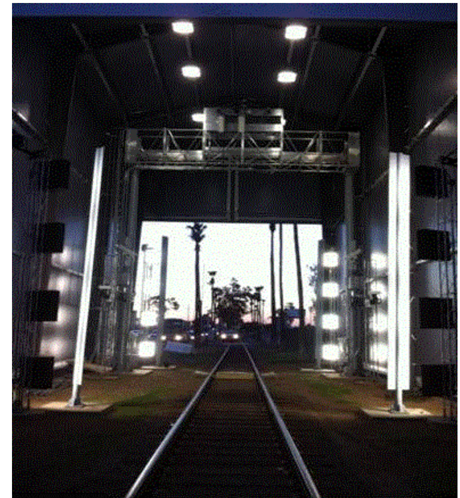
Users conduct a quick review of the pre-screened imagery and decide whether to refer specific areas of interest to field personnel for further (physical) inspection.



Panoramic View of Stitched Train Consists – Security Application

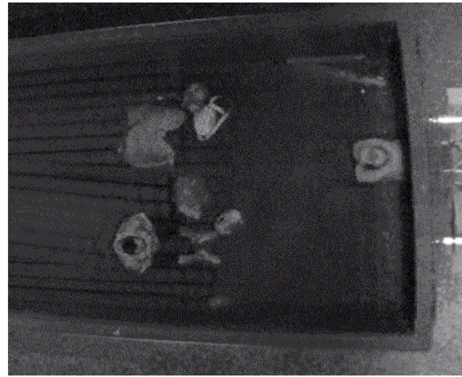
Using sensors and analytical algorithms, we pre-screen railcars and automatically detect and report anomalies and deviations from established norms. After successfully passing rigorous testing this system has now been adopted into the CBP standard concept of operation for southwestern rail border crossings and has been deployed at southwestern border locations, with a few remaining locations currently under negotiation. Similar systems have been deployed to two (undisclosed) locations in Mexico and are currently monitored by the Mexican subsidiary of Kansas City Southern (KCS).

Subsequent to the completion of this security-centric application, we recently completed our next generation system expansion which addresses automation of the mechanical inspection for rolling stock, capable of adjusting to variable speeds of up to 70 MPH. Our comprehensive Intelligent Rail Inspection Portal incorporates our proprietary Vehicle Undercarriage Examiner (vue™), in addition to other technologies, and is considered to be a "game changer" for the rail industry. Utilizing centraco® as the system interface, the user accesses a variety of features enabling remote inspection, analysis and detection from the safety of remote command centers. Images containing detailed views of areas of concern, determined to be "potentially suspicious", are automatically presented to a human operator for further inspection.

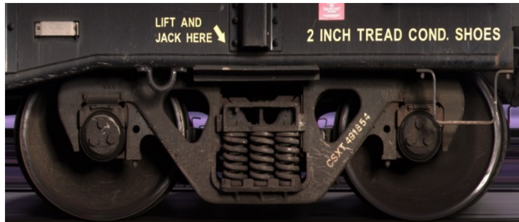


Rail Inspection Portal

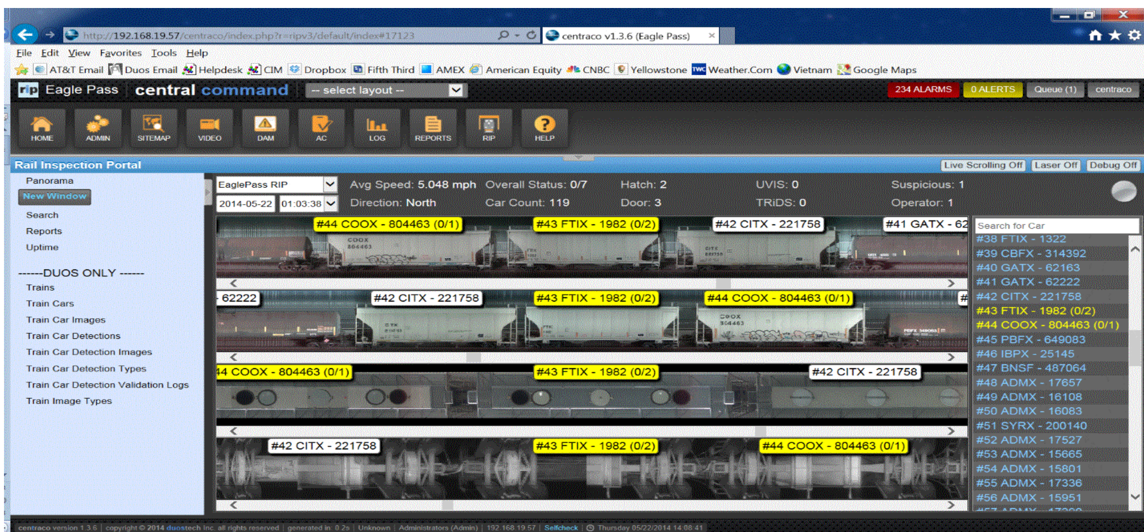
Ultra-High Definition Undercarriage
Image at 46 MPH



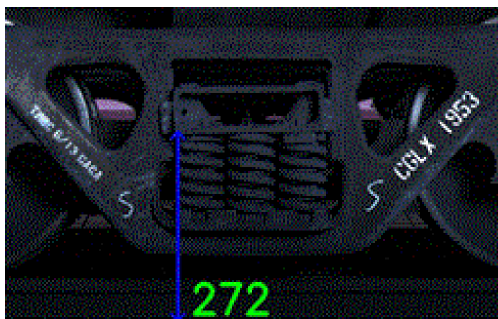
Illegal Riders Hiding in a Rail Hopper
Car. Detected Automatically at
Speed of 46 MPH

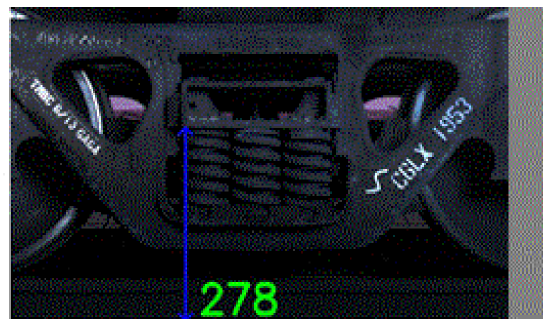


Rail Car Truck-Live Image Taken at High Speed

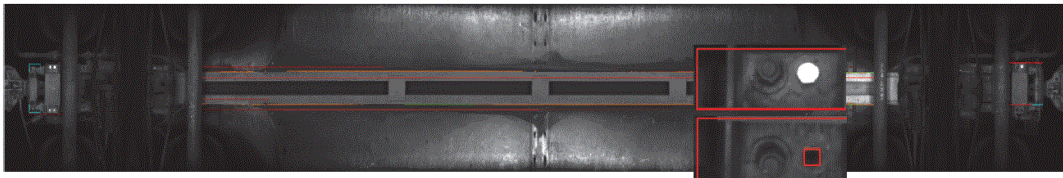


Modified Application for Remote Mechanical Inspection at High Speed





Truck Springs Geometry – Simultaneously Measured on Opposing Sides of Car at High Speed



Automatic Detection of Missing Bolt at High Speed

The development and field-testing of the core application was completed successfully during the third quarter of the 2016 fiscal year. After an extensive Request for Proposal ("RFP") process, we received a contract award in early 2016 to deploy our technology at a live site from CSX Transportation, one of North America's Class I railroads. The award is considered to be a "real-time test run" in anticipation of adapting our technology as a process standard. We received a similar award from Ferromex, Mexico's largest rail operator mid-year 2016. Both systems have recently been completed, delivered, and are currently undergoing live testing.

At the present time, our rip™ application provides the following modules for automated analysis, detection and inspection:

- Linear Panorama Generator;
- Automated Detection of Open Doors;
- Automated Detection of Open/Missing Hatches;
- Train Rider Detection System (trids™);
- Under Vehicle Inspection with Foreign Object Detection (vue™);
- Gondola Car Inspection System;
- Pantograph Inspection System (apis™); and
- 3D modeling using LIDAR technology for Transit platform intrusion detection (under development).

Utilizing the centraco® command and control platform as the system interface, the user accesses a variety of features enabling remote inspection, analysis and detection from the safety of remote command centers. Images containing detailed views of areas of concern, determined to be "potentially suspicious", are automatically presented to a human operator for further inspection. Users conduct a quick review of the pre-screened imagery and decide whether to refer specific areas of interest to field personnel for further (physical) inspection and/or repair.

The system also resolves the particularly difficult process of inspecting railcar undercarriages by providing high resolution images of the entire undercarriage. The system is designed to help streamline the physical inspection process by narrowing the number of inspection targets down to cars with "potential" anomalies. Consequently, the detection sensitivity is intentionally set to err on the safe side to avoid false negatives. Our customers are in the process of awarding the development of a significant number of detection algorithms, which combined with our Inspection Portal technology, will eventually facilitate full automation of the mechanical inspection process. We believe to be well positioned to capture a significant portion of this phase of the automation process.

We are currently in the process of adapting our inspection portal technology to the retail industry and have recently deployed a prototype for Kohl's to automate in and outbound traffic controls at their distribution centers. A respective pilot project was completed in early 2018.

We recently received an award from the NYCT to develop a pilot system using our intelligent technology to automatically detect intrusions to their passenger platform tracks. NYCT plans to deploy technology to their 470+ transit stations to minimize derailments caused by objects falling onto their tracks. We are in the process of developing and testing a multi-layered detection system with the initial test completed in 3rd quarter of 2018. The system has undergone some technical revisions since the initial test and further testing is ongoing and will continue through 2019.

IT Asset Management

Our IT Asset Management (ITAM) division is dedicated to the mission of developing, marketing and delivering software and professional services to the world's largest data centers. The focus of its technology and knowledgebase evolved out of our core strength in collecting and analyzing data on assets resident within these large data centers. Over the next three years, the Company plans to further develop its software and service offerings, and market these solutions for the growing ITAM market place either as a standalone asset management solution or in conjunction with a comprehensive Datacenter Infrastructure Management (DCIM) solution from other vendors.

Using proprietary patented methodology, the Company surveys and audits large data centers by physically identifying each piece of equipment and its location. By scanning all devices into our proprietary system and providing the client with a report detailing type, quantity and location of its IT assets, (racks, servers, network cards, power supplies, etc.), this system/service provides our clients with the ability to verify their own internal records.

In line with the Company's philosophy of integration with existing systems, the design of our process methodology and related software mean that we are able to work with almost any other DCIM provider. Specifically, the Company will focus on the asset management requirements of our clients and partners within specific geographic locations that will allow the Company to balance its investment requirements with income potential to develop a sustainable business in this division. The Company has selected this specific application of its technology to seek revenue opportunities that are readily available in an identified market. We generate profits from this division by maintaining a low level of "bench" staff and hire independent consultants as we are awarded business opportunities. The Company is currently developing a new ITAM system which is expected was initially released in the second quarter of 2018. We expect that this will generate revenues from software sales and maintenance starting in 2019.

Specific Areas Of Competition

Since inception, we have implemented a strategy of diversification to mitigate the potential vulnerabilities experienced by companies with a narrow business scope. We believe many public companies in the micro- and nano-cap ecosystem suffer major challenges due to their lack of diversification, and their single product strategy has made many of these companies irrelevant in the market place.

During the past several years, we have made considerable investments in, and have successfully developed, our two core technology platforms, praesidium® and centraco®.

praesidium® is an open architecture, modular engine that manages an unlimited number of "back end" process and analytics frameworks. In addition to driving our own proprietary sensor and data analytics, this core technology also allows for the integration of an unlimited number of third-party technologies, systems and sub-systems. Third-party industry or task-specific processes are modularized and embedded into the praesidium® engine, thereby substantially expanding the functionality of such third-party system. While we believe most companies tailor their products and services to a specific industry, this core platform is "industry agnostic" which we believe will allow us to penetrate multiple industries. Our past and current concentration on specific target markets such as rail, retail, healthcare, utilities, chemical, gas, oil and government has enabled us to test the markets with our innovative technology solutions. Our praesidium® platform competes currently with the following sector specific companies:

Intelligent Video Analytics
Security
Agent Video Intelligence Ltd. Agent VI (Israel)
Robert Bosch GmbH, Germany
SightLogix, Inc.
IntelliVision Technologies Corp (USA)
Avigilon Corporation (Video IQ)

Rail Inspection Portal	
Mechanical	**Security**
Trimble Inc. (Acquired Beena Vision Systems Inc.)	No direct competition at this time (1)
Lynx Engineering Consultants Pty Ltd (LYNXRAIL) - Australia (Tracks, wheels and wayside only)	Beena Vision (development stage, just entering the market place)
KLD Labs Inc. (Tracks, wheels and wayside only)	
MERMEC S.p.A - Italy Tracks, wheels and wayside only)	

(1) We believe we are the first to develop the concept of an intelligent rail inspection portal used for comprehensive inspection of security threads and at this time we are unaware of any competitor in this sector. Recently, the AAR, through its technology research subsidiary TTCI, has engaged us to adapt our security portal technology to an automated mechanical inspection system. We are currently in stage 2 of 3 of this development. We believe our potential competitors in this area are currently focusing chiefly on the inspection of wheels, bearings, breaks and track alignment. We expect that any competitor interested in expanding their inspection technologies to the ones we have developed over the past four years would require at least 2-3 years of research and development before being able to produce similar systems for real time testing. We believe the testing cycle will take at least an additional 1-2 years for potential competition. The AAR/TTCI is currently conducting beta testing only with our systems. Similarly, the CBP (US Customs and Border Protection) and Union Pacific Railroad are using our systems as their only security inspection infrastructure at the US border.

centraco® is an open architecture aggregator and "fusion" engine which functions as a comprehensive "front end" user interface. This framework combines our proprietary modules with an unlimited number of 3d-party technologies. In addition to a wide range of proprietary embedded features, such as video management (VMS), alarm management (AMS), LDAP network access credentialing and many more, centraco® intelligently manages unlimited types of data sources and allows control and monitoring of this wide array of sensors and data from a single unified interface. This platform includes both the traditional Physical Security Information Management (PSIM) systems, as well as, a full-scale Enterprise Information Management System (EIMS). We believe we are at an advantage because none of our competitors' product offerings include both PSIM and EIMS, nor do any of the competing products allow for the integration of embedded engineered solutions. Our competitors in this area include:

PSIM	
· Qognify (Formerly NICE)	· CNL
· VidSys	· Proximex
· IDV/Everbridge	· Axxon

We believe the PSIM market is rapidly expanding and we expect that capability requirements will substantially increase. Companies increasingly require expanded capabilities to justify the investment in their digital infrastructure for use by multiple corporate disciplines (security, building management, IT and network access control management).

Our Growth Strategy

Our strategy is to grow our business through a combination of organic growth of our applications and technology solutions, both within our existing geographic reach and through geographic expansion, as well as expansion through strategic acquisitions.

Organic Growth

Our organic growth strategy is to increase our market share through the expansion of our business development team and our research and development talent pool, which will enable us to significantly expand our current solution offerings with feature rich applications, and the development of new and enhanced technology solutions. We plan to augment such growth with strategic relationships both in the business development and research development arenas, reducing time to market with additional industry applications, expansion of existing offerings to meet customer requirements, as well as, potential geographical expansion into international territories.

Strategic Acquisitions

Planned acquisition targets include sector specific technology companies with the objective of augmenting our current capabilities with feature-rich (third-party) solutions. The decision-making process includes, but is not limited to, weighing time, effort and approximate cost to develop certain technologies in-house, versus acquiring or merging with one or more entities that we believe have a proven record of successfully developing a technology sub-component. Additional criteria include evaluating the potential acquisition target's customer base, stage of technology and merger or acquisition cost as compared to market conditions.

Manufacturing and Assembly

The Company streamlines its manufacturing by outsourcing component manufacturing to qualified fabricators. On-site installations are performed using a combination of in-house project managers/engineers and specialist sub-contractors as necessary. We maintain responsibility for the system implementation, servicing and tech support for our solutions. Our internal manufacturing operations consist primarily of materials procurement, assembly, testing and quality control of our engineers. If not manufactured internally, we generally rely on third party manufacturing partners to produce our hardware related components and hardware products and we may involve our internal manufacturing operations in the final assembly, testing and quality control processes for these components and products. We distribute most of our hardware products either from our facilities or partner facilities. 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 or such sources are readily available.

Research and Development

The Company's research and development team designs and develops all its systems and software applications. We develop the majority of our products internally. Internal development allows us to maintain technical control over the design and development of our products. We have several United States and foreign patents and patent-pending applications that relate to various aspects of our products and technology. 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 significant resources to research and development efforts, including software development, to maintain and improve our current product and services offerings.

Government Regulations

The Company has been working with various agencies of the federal government for more than 10-years including the Department of Homeland Security ("DHS"). Our video analytics are DHS Safety Act certified, and our staff is Chemical Facility Anti-Terrorism Standards (CFATS) certified. The Company's Homeland Security solutions include sophisticated remote systems that combine and synchronize a myriad of sensing technologies, wireless communications, and innovative intelligent sensor applications.

Intellectual Property

Our business is significantly based on the creation, acquisition, use and protection of intellectual property. Some of this intellectual property is in the form of software code, patented technology and trade secrets that we use to develop our technologies, solutions and products. We have developed a broad portfolio of intellectual property that covers our application software as well as the sensor and data acquisition process of our security and inspection analytics platforms. As of December 31, 2018, we have 10 patents and 20 trademarks registered or pending by the United States Patent and Trademark Office (USPTO) and we have 1 pending patent applications with the USPTO.

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 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.

In addition to these contractual arrangements, we also rely on a combination of trade secret, copyright, trademark, trade dress, domain name and patents to protect our products and other intellectual property. We typically own the copyright to our software code, as well as the brand or title name trademark under which our products are marketed. We pursue the registration of our domain names, trademarks, and service marks in the United States and in locations outside the United States.

As discussed in the risk factors section herein, we may face allegations by third parties, including our competitors and non-practicing entities, that we have infringed their trademarks, copyrights, patents and other intellectual property rights.

Our Risks and Challenges

An investment in our securities involves a high degree of risk. You should carefully consider the risks summarized below. The risks are discussed more fully in the "Risk Factors" section of this prospectus immediately following this prospectus summary. These risks include, but are not limited to, the following:

- *We will need to raise capital in order to realize our business plan and the failure to obtain the needed funding could adversely impact our operations.*

- *The nature of the technology management platforms utilized by us is 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.*

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

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

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

- *We could be vulnerable to security breaches if certain third-parties attempt to gain access through our systems because of unknown weaknesses in our clients' infrastructures.*

- *We face significant competition and many of our competitors are larger and have greater financial and other resources than we do.*

- *We have a history of losses and our growth plans expect to incur losses and negative operating cash flows in the future.*

- *Our inability to protect our intellectual property could impair our competitive advantage, reduce our revenue, and increase our costs.*

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

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

Recent Developments

Securities Purchase Agreement and Registration Rights Agreement

Effective November 24, 2017 (the "Effective Date"), the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") and a Registration Rights Agreement (the "Registration Rights Agreement") with 57 investors (the "Purchasers"). Pursuant to the Securities Purchase Agreement, the Purchasers purchased 16,402,742 shares of common stock, 22,062,742 purchaser warrants (the "Purchaser Warrants"), and 2,830 shares of Series B Preferred Stock (collectively, the "SPA Securities") worth $11,031,371 (including the conversion of liabilities and redemptions of shares of Series A Preferred Stock) at a price of $0.50 per Class A Unit (as defined in the Securities Purchase Agreement) and $1,000 per Class B Unit (as defined in the Securities Purchase Agreement) (the "Private Offering"). The Purchaser Warrants have a strike price of $0.65, expiring five years from the Initial Exercise Date (as defined in the Purchaser Warrants). The Securities Purchase Agreement contains customary representations, warranties, agreements and conditions to completing future sale transactions, indemnification rights and obligations of the parties. Additionally, the Purchasers may participate in a subsequent offering of the Company's securities in an aggregate amount of up to 35% of the subsequent offering on the twenty-four (24) month anniversary of the Private Offering. In connection with the Private Offering, as of the date hereof there are 20,651,371 shares of common stock issued and outstanding, 2,830 shares of Series B Preferred Stock issued and outstanding, and 25,122,454 common stock purchase warrants issued and outstanding.

Additionally, in connection with the Private Offering, the Company issued to Joseph Gunnar & Co., LLC (Placement Agent) in the Private Offering 2,206,274 Placement Agent Warrants with a strike price of $0.65 expiring five years from the Initial Exercise Date.

In connection with the Securities Purchase Agreement, on the Effective Date, the Company entered into the Registration Rights Agreement with the Purchasers and the Placement Agent. Pursuant to the Registrations Rights Agreement, the Company shall file with the Securities and Exchange Commission (the "SEC") a Registration Statement (the "Registration Statement") covering the resale of all the SPA Securities and the Placement Agent Warrants. The Company must cause the Registration Statement to be declared effective by the SEC by January 13, 2018 (or in the event of a full review by the SEC, by February 12, 2018). The Registration Rights Agreement contains customary representations, warranties, agreements and indemnification rights and obligations of the parties.

Letter Agreements for Debt and Preferred Stock

In connection with the conversion and redemption portion of the Private Offering, on the Effective Date, the Company entered into that certain Agreement to Convert Promissory Note (the "JMJ Letter Agreement") with JMJ Financial, a sole proprietorship ("JMJ"), whereby JMJ agreed to convert $2,105,263 of liabilities and their additional investment of $1,000,000, into 6,210,526 shares of common stock of the Company at a conversion price equal to $0.50 per share. Additionally, JMJ was issued warrants to purchase 6,210,526 shares of the Company's common stock at an exercise price equal to $0.65 per share, expiring five years from the Initial Exercise Date. Commencing on the Effective Date, JMJ entered into a Lock-Up Agreement for a period of 365 days prohibiting the sale or other transfer of all securities of the Company owned by JMJ.

Additionally, in connection with the conversion and redemption portion of the Private Offering, the Company entered into Letter Agreements (the "Debt and Preferred Stock Letter Agreements") with certain debt holders and holders of the Company's Series A Preferred Stock (the "Debt and Preferred Holders") for conversion or repayment of an additional aggregate amount of $1,013,788 including certain trade payables. All Series A holders were repaid in full and no stock or warrants were issued. The remaining debt holders and trade payables were converted into 1,388,216 shares of common stock of the Company at a conversion price equal to $0.50 per share. Additionally, the debt holders and certain trade payables which were converted, were issued warrants to purchase 1,388,216 shares of the Company's common stock at an exercise price equal to $0.65 per share, expiring five years from the Initial Exercise Date.

Simultaneously with the closing of the Private Offering, (i) Gianni B. Arcaini, the Chief Executive Officer, converted $700,543 of accrued salary into 700,543 shares of the Company's common stock at a $1.00 per share and 700,543 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the Initial Exercise Date, (ii) Adrian G. Goldfarb, the Chief Financial Officer of the Company, converted $34,020 of liabilities into 34,020 shares of the Company's common stock at a $1.00 per share and 34,020 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the Initial Exercise Date, (iii) a non-related entity converted $118,875 of liabilities into 118,875 shares of the Company's common stock at a $1.00 per share and 118,875 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the Initial Exercise Date.

Series B Preferred Stock

On November 22, 2017, the Company amended its Certificate of Incorporation by filing the Certificate of Amendment of the Certificate of Incorporation of the Company ("Amendment to Certificate") with the Secretary of State of the State of Florida, which established the Series B Preferred Stock, having such designations, rights and preferences as set forth in the Series B Preferred Certificate of Designation (as defined herein), as determined by the Company's Board of Directors in its sole discretion, in accordance with the Company's Certificate of Incorporation and bylaws.

The shares of Series B Preferred Stock rank senior to the Common Stock and have the right to vote together with the holders of Common Stock as one class, with each share of Series B Preferred Stock voting on an "as converted" basis.

THE OFFERING

This prospectus relates to the offer and sale from time to time of up to 5,660,000 shares of our common stock by the Selling Stockholders that may be issued upon conversion of the Series B Preferred Stock, up to 22,062,742 shares of our common stock by the Selling Stockholders that may be issued upon the conversion of warrants to purchase shares of our common stock, and 17,902,742 shares of our common stock.

In connection with the Private Offering, under the terms of the Registration Rights Agreement entered into with the Selling Stockholders on the same date and in connection with the Securities Purchase Agreement, we must register with the U.S. Securities and Exchange Commission 17,902,742 shares of common stock, 5,660,000 shares of common stock underlying the Series B Preferred Stock, and 22,062,742 shares of common stock underlying the Warrants. The number of shares ultimately offered for resale by the Selling Stockholders depends upon how much of the Series B Preferred Stock and Warrants the Selling Stockholders elect to convert and exercise, respectively, and the liquidity and market price of our common stock.

Securities offered by us:	We are offering 17,902,742 Class A units, each consisting of one share of Common Stock and one warrant to purchase one share of Common Stock. The warrants included within the Class A units are exercisable immediately, have an exercise price of $0.65 per share and expire five years from the date of issuance. We are also offering 2,830 Class B units, each consisting of one share of Series B Convertible Preferred Stock and one warrant to purchase one share of Common Stock into which each share of Series B Convertible Preferred stock is convertible. The warrants included within the Class B units are exercisable immediately, have an exercise price of $0.65 per share and expire five years from the date of issuance.
Price per Class A Unit	$0.50
Price per Class B Unit	$1,000.00
Description of Series B Convertible Preferred Stock	Each share of Series B Convertible Preferred Stock is 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 $1.00 per share. Notwithstanding the foregoing, we shall 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 exercise. For additional information, see "Description of Capital Stock — Series B Convertible Preferred Stock" in this prospectus.
Common stock outstanding before the offering	1,895,191 shares of common stock.
Common stock to be outstanding after the offering	20,951,371 shares of common stock, 5,660,000 underlying common stock for the Series B Preferred Shares and 21,762,742 shares of common stock if all the warrants that are a part of this offering are exercised in full.
Use of proceeds	We will not receive any proceeds from the sale of common stock by the Selling Stockholders. All of the net proceeds from the sale of our common stock will go to the Selling Stockholders as described below in the sections entitled "Selling Stockholders" and "Plan of Distribution". We have agreed to bear the expenses relating to the registration of the common stock for the Selling Stockholders.

Risk factors	Investing in our securities is highly speculative and involves a high degree of risk. You should carefully consider the information set forth in the "Risk Factors" section beginning on page 21 before deciding to invest in our securities.
Trading symbol	Our common stock is currently quoted on the OTCQB under the trading symbol "DUOT".
Lock-ups	We and our directors, officers and certain stockholders have agreed with the placement agent and selling securities holders not to offer for sale, issue, sell, contract to sell, pledge or otherwise dispose of any of our common stock or securities convertible into common stock for a period of 365 days after the date of this prospectus.

Unless we indicate otherwise, all information in this prospectus:

- Excludes 2,326,274 shares of common stock underlying the warrants to be issued to the placement agent in connection with this offering, 2,242,000 incentive stock options granted to employees, 1,443,535 outstanding warrants.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following summary consolidated statements of operations data for the fiscal years ended December 31, 2017 and 2016 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Additionally, the three months and nine months ended September 30, 2018 and 2017, respectively, have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The summary consolidated balance sheet data as of September 30, 2018 are derived from our consolidated financial statements that are included elsewhere in this prospectus. The historical financial data presented below is not necessarily indicative of our financial results in future periods, and the results for the quarter ended September 30, 2018 is not necessarily indicative of our operating results to be expected for the full fiscal year ending December 31, 2018 or any other period. You should read the summary consolidated financial data in conjunction with those financial statements and the accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our consolidated financial statements are prepared and presented in accordance with United States generally accepted accounting principles, or U.S. GAAP. Our consolidated financial statements have been prepared on a basis consistent with our audited financial statements and include all adjustments, consisting of normal and recurring adjustments that we consider necessary for a fair presentation of the financial position and results of operations as of and for such periods.

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

	For the Years Ended December 31,	
	2017	2016
REVENUES:		
Project	$ 1,884,079	$ 3,200,182
Maintenance and technical support	1,127,932	2,230,633
IT asset management services	872,577	674,078
Total Revenues	3,884,588	6,104,893
COST OF REVENUES:		
Project	1,487,516	1,580,665
Maintenance and technical support	458,960	785,872
IT asset management services	348,076	365,914
Total Cost of Revenues	2,294,552	2,732,451
GROSS PROFIT	1,590,036	3,372,442
OPERATING EXPENSES:		
Selling and marketing expenses	179,318	278,264
Salaries, wages and contract labor	3,098,782	3,370,191
Research and development	310,099	271,950
Professional fees	393,531	306,458
General and administrative expenses	1,051,799	889,685
Total Operating Expenses	5,033,529	5,116,548
LOSS FROM OPERATIONS	(3,443,494)	(1,744,106)
OTHER INCOME (EXPENSES):		
Interest Expense	(4,519,035)	(561,174)
Gain on settlement of debt	64,647	—
Warrant derivative gain (loss)	2,743,686	(264,099)
Other income, net	1,719	7,766
Total Other Income (Expense)	(1,708,983)	(817,507)
NET LOSS	(5,152,477)	(2,561,613)
Series A preferred stock dividends	(17,760)	(5,920)
Net loss applicable to common stock	$ (5,170,237)	$ (2,567,533)
NET LOSS APPLICABLE TO COMMON STOCK PER COMMON SHARE:		
Basic & Diluted	$ (1.43)	$ (1.36)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic & Diluted	3,606,401	1,883,598

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
REVENUES:				
Project	$ 4,731,106	$ 561,022	$ 8,516,812	$ 1,512,628
Maintenance and technical support	371,110	288,137	881,004	914,438
IT asset management services	—	196,576	92,386	816,903
Total Revenues	5,102,216	1,045,735	9,490,202	3,243,969
COST OF REVENUES:				
Project	2,684,785	458,337	5,079,455	1,180,193
Maintenance and technical support	89,077	131,363	300,593	366,357
IT asset management services	—	68,691	47,989	328,730
Total Cost of Revenues	2,773,862	658,391	5,428,037	1,875,280
GROSS PROFIT	2,328,354	387,344	4,062,165	1,368,689
OPERATING EXPENSES:				
Selling and marketing expenses	73,468	27,104	189,092	146,031
Salaries, wages and contract labor	1,072,029	784,012	3,153,138	2,359,899
Research and development	122,755	65,984	401,116	225,982
Professional fees	63,878	87,366	187,679	292,099
General and administrative expenses	359,991	210,398	864,969	768,606
Total Operating Expenses	1,692,121	1,174,864	4,795,994	3,792,617
INCOME (LOSS) FROM OPERATIONS	636,233	(787,520)	(733,829)	(2,423,928)
OTHER INCOME (EXPENSES):				
Interest Expense	(4,589)	(1,525,894)	(14,755)	(3,279,898)
Gain on settlement of debt	—	—	—	64,647
Warrant derivative gain	—	2,188,546	—	1,901,219
Other income, net	981	—	3,742	1
Total Other Income (Expense)	(3,608)	662,652	(11,013)	(1,314,031)
NET INCOME (LOSS)	632,625	(124,868)	(744,842)	(3,737,959)
Series A preferred stock dividends	—	(5,920)	—	(17,760)
Net income (loss) applicable to common stock	$ 632,625	$ (130,788)	$ (744,842)	$ (3,755,719)
Basic Net Income (Loss) Per Share	$ 0.03	$ (0.07)	$ (0.04)	$ (1.98)
Diluted Net Income (Loss) Per Share	$ 0.02	$ (0.07)	$ (0.04)	$ (1.98)
Weighted Average Shares-Basic	20,752,450	1,899,716	20,724,153	1,896,578
Weighted Average Shares-Diluted	26,412,450	1,899,716	20,724,153	1,896,578

RISK FACTORS

Investing in our securities involves a great deal of risk. Careful consideration should be made of the following factors as well as other information included in this prospectus 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. Our business, financial condition or operating results could be materially harmed by any of these risks. This could cause the trading price of our securities to decline, and you may lose all or part of your investment. Additional risks that we do not yet know of or that we currently think are immaterial may also affect our business and results of operations.

Risks Related to Our Company and Business

Our auditor has expressed substantial doubt regarding our ability to continue as a going concern.

We had a net loss of $5,152,477 for the year ended December 31, 2017. During the same period, cash used in operations was $3,562,306. The accumulated deficit as of December 31, 2017 was $28,688,946. Although our financial condition has improved substantially, our auditor has expressed substantial doubt regarding our ability to continue as a going concern. Management is unable to predict if and when we will be able to consistently generate positive cash flow. Our plan regarding these matters is to focus our efforts on substantial revenue growth through investments in sales and marketing and project execution staff. Although these investments are expected to allow us the ability to cover our current cash flow requirements and meet our obligations as they become due, there can be no assurances that these investments will generate the additional revenues needed to cover our obligations.

Accordingly, our auditor has expressed substantial doubt regarding our ability to continue as a going concern. Management is unable to predict if and when we will be able to generate positive cash flow. Our plan regarding these matters is to raise additional debt and/or equity financing to allow us the ability to cover our current cash flow requirements and meet our obligations as they become due. There can be no assurances that financing will be available or if available, that such financing will be available under favorable terms. In the event that we are unable to generate adequate revenues to cover expenses and cannot obtain additional financing in the near future, we may seek protection under bankruptcy laws.

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. By enabling such system interoperability, our communications platform both reduces implementation and ongoing costs, and improves overall management efficiencies.

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.

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

The market in which we operate is 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 recently introduced a significant number of new product offerings and are increasingly focused on new, high value safety and security-based surveillance products, as a revenue driver. 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 can change quickly and in ways that we may not anticipate because the market in which we operate is characterized by rapid, and sometimes disruptive, technological developments, evolving industry standards, frequent new product introductions and enhancements, changes in customer requirements and a limited ability to accurately forecast future customer orders. 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 enterprises continue to be cautious about sustained economic growth and have tried 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 delaying or rejecting capital projects, including the implementation of our products and services. In addition, certain industries in which we operate 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.

We could be vulnerable to security breaches if certain third-parties attempt to gain access through our systems because of unknown weaknesses in our clients' infrastructures.

Our systems operate inside client network infrastructure, which typically reside behind an ASA or other form of firewall. Communication between us and our clients are highly encrypted and generally take place through virtual private network (VPN) connections. We also use ASA equipment to protect our own network infrastructure. In addition, although our systems are LDAP/Active Directory compatible and include additional security layers we cannot be assured that any of our or our client's systems are 100% secure. Any breach of these systems could be damaging to our reputation and lead to a loss of confidence in our offerings. Such loss of confidence could impact future sales or revenues from existing systems.

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, distributional, 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 expect to incur losses and negative operating cash flows in the future.

Our accumulated deficit was approximately $28 million as of December 31, 2017. Our operating losses may continue as we continue to expend resources to further develop and enhance our technology offering, 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 will continue to grow as we invest in additional resources for development and sales.

Our inability to protect our intellectual property 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 party's 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 issue 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 foreign operations at this time, we may compete for contracts in non-US countries from time to time. 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.

We depend on key personnel who would be difficult to replace, and our business plans 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 most of them. The loss of services of one or more of our 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.

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

As of December 31, 2017, four customers accounted for 83% of our accounts receivables. 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. Additionally, our three largest customers accounted for approximately 60% of our total revenues for the year ended December 31, 2017. 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.

Potential strategic alliances may not achieve their objectives, and the failure to do so could impede our growth.

We may enter into strategic alliances. Among other matters, we continually explore strategic alliances designed to enhance or complement our technology or to work in conjunction with our technology; to provide necessary know-how, components, or supplies; to attract additional customers; and to develop, introduce, and distribute products utilizing our technology. Any strategic alliances may not achieve their intended objectives, and parties to our strategic alliances may not perform as contemplated. The failure of these alliances may impede our ability to introduce new products.

The Company has appealed for a reduction in penalty payments in connection with the delinquent payment of payroll taxes.

As of the date hereof, the Company has paid its payroll taxes in full and the Company had appealed the IRS penalty payments for a reduction which was under review. The IRS has since responded, and the Company will be required to repay the penalties in connection with the delinquent payroll taxes. At September 30, 2018, the payroll taxes payable balance of $200,119 includes accrued late fees in the amount of $138,572. The Company is making monthly payments in the amount of $15,000 starting in July 2018 to pay down the accrued late fees.

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 OTC Markets OTCQB tier under the symbol "DUOT". However, there is currently no regular active trading market in our common stock. Although there are periodic volume spikes from time to time, we cannot give an assurance that a consistent, active trading market will develop in the short term. 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
- Announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments.

Our common stock is subject to the "penny stock" rules of the Securities and Exchange Commission, which may make it more difficult for stockholders to sell our common stock.

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require that a broker or dealer approve a person's account for transactions in penny stocks, and the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must obtain financial information and investment experience objectives of the person, and make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form sets forth the basis on which the broker or dealer made the suitability determination, and that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of the Company's common stock if and when such shares are eligible for sale and may cause a decline in the market value of its stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

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

We are in a capital-intensive business and we do not have sufficient funds to finance the growth of our business or to support our projected capital expenditures. As a result, we will require additional funds from future equity or debt financings, 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 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, $0.001 par value per share, 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 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. Since we do not pay dividends, and if we are not successful in establishing an orderly trading market for our shares, then you may not have any manner to liquidate or receive any payment on your investment. Therefore, our failure to pay dividends may cause you to not see any return on your investment even if we are successful in our business operations. In addition, because we do not pay dividends we may 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 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

Our business, financial condition and results of operations could be materially adversely affected by various risks, including, but not limited to the principal risks noted below.

The requirements of the Sarbanes-Oxley Act of 2002 and other U.S. securities laws impose substantial costs, and may drain our resources and distract our management.

We are subject to certain of the requirements of the Sarbanes-Oxley Act of 2002 in the U.S., as well as the reporting requirements under the Exchange Act. The Exchange Act requires, among other things, filing of annual reports on Form 10-K, quarterly reports on Form 10-Q and periodic reports on Form 8-K following the happening of certain material events, with respect to our business and financial condition. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. Our existing controls have some weaknesses, as described below. Meeting the requirements of the Exchange Act and the Sarbanes-Oxley Act may strain our resources and may divert management's attention from other business concerns, both of which may have a material adverse effect on our business.

If we fail to establish and maintain an effective system of internal control, we may not be able to report our financial results accurately or to prevent fraud. Any inability to report and file our financial results accurately and timely could harm our reputation and adversely impact the trading price of our common stock.

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation with investors may be harmed. As a result, our small size and any current internal control deficiencies may adversely affect our financial condition, results of operation and access to capital.

We currently have written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements. Due to the small size of our accounting staff, we may need to add additional staff to provide additional segregation of duties to support our internal control over financial reporting and technical expertise with regard to financial reporting for publicly held companies.

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 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), unless the:

- transaction is approved by a majority of disinterested directors before the shareholder becomes an interested shareholder;
- interested shareholder has owned at least 80% of the corporation’s outstanding voting shares for at least five years preceding the announcement date of any such business combination;
- interested shareholder is the beneficial owner of at least 90% of the outstanding voting shares of the corporation, exclusive of shares acquired directly from the corporation in a transaction not approved by a majority of the disinterested directors; or
- consideration paid to the holders of the corporation’s voting stock is at least equal to certain fair price criteria.

An interested shareholder is defined as a person who together with affiliates and associates beneficially owns more than 10% 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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Forward-looking statements involve risks and uncertainties and include statements regarding, among other things, our projected revenue growth and profitability, our growth strategies and opportunity, anticipated trends in our market and our anticipated needs for working capital. They are generally identifiable by use of the words "may," "will," "should," "anticipate," "estimate," "plans," "potential," "projects," "continuing," "ongoing," "expects," "management believes," "we believe," "we intend" or the negative of these words or other variations on these words or comparable terminology. These statements may be found under the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," as well as in this prospectus generally. In particular, these include statements relating to future actions, prospective products, market acceptance, future performance or results of current and anticipated products, sales efforts, expenses, and the outcome of contingencies such as legal proceedings and financial results.

Examples of forward-looking statements in this prospectus include, but are not limited to, our expectations regarding our business strategy, business prospects, operating results, operating expenses, working capital, liquidity and capital expenditure requirements. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the cost, terms and availability of components, pricing levels, the timing and cost of capital expenditures, competitive conditions and general economic conditions. These statements are based on our management's expectations, beliefs and assumptions concerning future events affecting us, which in turn are based on currently available information. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect.

Important factors that could cause actual results to differ materially from the results and events anticipated or implied by such forward-looking statements include, but are not limited to:

- changes in the market acceptance of our products;
- increased levels of competition;
- changes in political, economic or regulatory conditions generally and in the markets in which we operate;
- our relationships with our key customers;
- our ability to retain and attract senior management and other key employees;
- our ability to quickly and effectively respond to new technological developments;
- our ability to protect our trade secrets or other proprietary rights, operate without infringing upon the proprietary rights of others and prevent others from infringing on the proprietary rights of the Company; and
- other risks, including those described in the "Risk Factors" discussion of this prospectus.

We operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all of those risks, nor can we assess the impact of all of those risks on our business or the extent to which any factor may cause actual results to differ materially from those contained in any forward-looking statement. The forward-looking statements in this prospectus are based on assumptions management believes are reasonable. However, due to the uncertainties associated with forward-looking statements, you should not place undue reliance on any forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and unless required by law, we expressly disclaim any obligation or undertaking to publicly update any of them in light of new information, future events, or otherwise.

USE OF PROCEEDS

We will not receive any proceeds from the sale of common stock by the Selling Stockholders. All of the net proceeds from the sale of our common stock will go to the Selling Stockholders as described below in the sections entitled "Selling Stockholders" and "Plan of Distribution". We have agreed to bear the expenses relating to the registration of the common stock for the Selling Stockholders.

DETERMINATION OF OFFERING PRICE

The selling stockholder will offer common stock at the prevailing market prices or privately negotiated prices. The offering price of our common stock does not necessarily bear any relationship to our book value, assets, past operating results, financial condition or any other established criteria of value. Our common stock may not trade at the market prices in excess of the offering prices for common stock in any public market will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity.

DILUTION

Not applicable. The shares registered under the registration statement of which this prospectus forms a part are not being offered for purchase. The shares are being registered on behalf of the selling stockholders.

SELLING SECURITY HOLDERS

The common stock being offered by the Selling Stockholders are those previously issued to the Selling Stockholders, and those issuable to the Selling Stockholders, upon exercise of the warrants and conversion of the Series B Preferred Stock. We are registering the shares of common stock in order to permit the Selling Stockholders to offer the shares for resale from time to time. Except for the ownership of the shares of Series B Preferred Stock, common stock and the warrants, the Selling Stockholders have not had any material relationship with us within the past three years.

The table below lists the Selling Stockholders and other information regarding the beneficial ownership of the shares of common stock by each of the Selling Stockholders. The second column lists the number of shares of common stock beneficially owned by each Selling Stockholder, based on its ownership of the shares of preferred stock, common stock and warrants, as of the date hereof, assuming conversion of the Series B Preferred Stock and exercise of the warrants held by the Selling Stockholders on such date, without regard to any limitations on conversions or exercises. The third column lists the shares of common stock being offered by this prospectus by the Selling Stockholders.

In accordance with the terms of a registration rights agreement with the Selling Stockholders, this prospectus generally covers the resale of the sum of (i) the number of shares of common stock issued to the Selling Stockholders in the Private Offering (ii) the maximum number of shares of common stock issuable upon conversion of the related preferred stock, determined as if the outstanding shares of preferred stock were converted in full as of the trading day immediately preceding the date this registration statement was initially filed with the SEC, and (iii) the maximum number of shares of common stock issuable upon exercise of the related warrants, determined as if the outstanding warrants were exercised in full as of the trading day immediately preceding the date this registration statement was initially filed with the SEC, each as of the trading day immediately preceding the applicable date of determination and all subject to adjustment as provided in the registration right agreement, without regard to any limitations on the exercise of the warrants or the conversion of the preferred stock. The fourth column assumes the sale of all of the shares offered by the Selling Stockholders pursuant to this prospectus.

Under the terms of the warrants and the Series B Preferred Certificate of Designation, a Selling Stockholder may not exercise the warrants or convert the Series B Preferred Stock to the extent such exercise or conversion would cause such Selling Stockholder, together with its affiliates and attribution parties, to beneficially own a number of shares of common stock which would exceed 9.99% of our then outstanding common stock following such exercise or conversion, excluding for purposes of such determination shares of common stock issuable upon exercise of the warrants which have not been exercised and shares of common stock issuable upon conversion of the preferred stock which has not been converted. The number of shares in the second column does not reflect this limitation. The Selling Stockholders may sell all, some or none of their shares in this offering. See “Plan of Distribution.”

Name of Selling Stockholder	Number of Shares of Common Stock Owned Prior to Offering	Maximum Number of shares of Common Stock to be Sold Pursuant to this Prospectus	Number of shares of Common Stock Owned After the Offering (1)(2)
JMJ Financial(3)	13,921,052	13,921,052	0
AIGH Investment Partners LP(4)	4,000,000	4,000,000	0
A.K.S Family Partners LP(5)	400,000	400,000	0
Alexander E. Kishel(6)	80,000	80,000	0
Alpha Capital Anstalt(7)	3,000,000	3,000,000	0
Article Fourth Trust, FBO Claude R. Rolo(8)	52,000	52,000	0
Bigger Capital Fund, LP(9)	1,000,000	1,000,000	0
Brian L. Pessin(10)	1,000,000	1,000,000	0
Brio Capital Master Fund Ltd.(11)	800,000	800,000	0
Bruce L. Boyd(12)	60,000	60,000	0
Clayton A. Struve(13)	400,000	400,000	0
Covista Value Fund LP(14)	400,000	400,000	0
David S Nagelberg 2003 Revocable Trust(15)	400,000	400,000	0
Richard Dyke Rogers(16)	600,000	600,000	0
John S. Paulsen(17)	400,000	400,000	0
KBB Asset Management(18)	200,000	200,000	0
L1 Capital Global Opportunities Master Fund(19)	600,000	600,000	0
Matthew Hayden and Julie Hayden(20)	200,000	200,000	0

Preston and Patricia Evans(21)	60,000	60,000	0
Ramnarain Jaigobind(22)	600,000	600,000	0
Richard W. Baskerville Living Trust(23)	400,000	400,000	0
Robert F. Hannon(24)	96,000	96,000	0
Sameer Sharma(25)	100,000	100,000	0
Sandra F. Pessin(26)	1,000,000	1,000,000	0
Stephen McGovern(27)	60,000	60,000	0
Syam Kethi Reddy(28)	80,000	80,000	0
Howard Deshong, Trustee of the Howard Deshong Revocable Trust(29)	700,000	700,000	0
Warberg WF V LP(30)	280,000	280,000	0
The Hewlett Fund LP(31)	1,400,000	1,400,000	0
Satellite Capital LLC(32)	40,000	40,000	0
Hades Investment SPC obo FGP Protective Opportunity Fund, SP(33)	600,000	600,000	0
Totaram Mangroo(34)	160,000	160,000	0
Lina Kay(35)	300,000	300,000	0
Steven Farber(36)	60,000	60,000	0
Catalysis Partners, LLC(37)	400,000	400,000	0
Uniplan Consulting LLC(38)	200,000	200,000	0
Mark J. Rosenblum(39)	40,000	40,000	0
Iroquois Master Fund Ltd.(40)	400,000	400,000	0
Iroquois Capital Investment Group(41)	600,000	600,000	0
William Grove Hunt(42)	100,000	100,000	0
Empery Asset Master, LTD(43)	633,520	633,520	0
Empery Tax Efficient, LP(44)	282,784	282,784	0
Empery Tax Efficient II, LP(45)	683,696	683,696	0
Jared and Candace Shaw(46)	100,000	100,000	0
High Alpha Partners, Inc.(47)	76,432	76,432	0
Lucosky Brookman LLP(48)	400,000	400,000	0
21 April Fund, L.P. (49)	815,860	815,860	0
21 April Fund, Ltd.(50)	3,184,140	3,184,140	0
Nason, Yeager, Gerson, White & Lioce, P.A.(51)	200,000	200,000	0
Steve Cohen(52)	200,000	200,000	0
John Nash(53)	1,280,000	1,280,000	0
Sheppard, Mullin, Richter & Hampton LLP(54)	100,000	100,000	0
US International Consulting Network – New Jersey Corp (55)	200,000	200,000	0
Edward L. Scanlon & Barbara A. Scanlon(56)	200,000	200,000	0
GPB Debt Holdings II, LLC(57)	2,002,486	2,000,000	2,486
Lawrence R. Read(58)	40,000	40,000	0
Brian Prinz(59)	40,000	40,000	0
Total	45,627,970	45,625,484	2,486

(1) Includes shares of common stock underlying the Class A Units that may held by the Selling Stockholders that are covered by this prospectus, including any such securities that, due to contractual restrictions, may not be exercisable if such conversion or put would result in beneficial ownership greater than 4.99%.

(2) Assumes that the selling stockholder sells all of the common stock underlying the Class A Units and Class B Units offered pursuant to this prospectus.

(3) Assumes that the selling stockholder converts all of the Series B Preferred Stock underlying the Class B Units into the shares registered hereunder. Includes 6,210,526 warrants to purchase shares of common stock at an exercise price of $0.65, 2,830 shares of Series B Preferred Stock of which each one (1) share of Series B Preferred Stock converts into 2,000 shares of common stock subject to a 9.99% beneficial ownership limitation, and 1,500,000 origination shares issued in connection with that certain bridge financing Securities Purchase Agreement dated December 20, 2016. Justin Keener is the control person of JMJ Financial and as such is the beneficial owner of the shares held in its name.

(4) Includes 2,000,000 warrants to purchase shares of common stock at an exercise price of $0.65. Orin Hirschman is the control person of AIG Investment Partners and as such is the beneficial owner of the shares held in its name.

(5) Includes 200,000 warrants to purchase shares of common stock at an exercise price of $0.65. Adam Stern is the control person of AKS Family Partners and as such is the beneficial owner of the shares held in its name.

(6) Includes 40,000 warrants to purchase shares of common stock at an exercise price of $0.65.

(7) Includes 1,500,000 warrants to purchase shares of common stock at an exercise price of $0.65. Konrad Ackermann is the control person of Alpha Capital Anstalt and as such is the beneficial owner of the shares held in its name.

(8) Includes 26,000 warrants to purchase shares of common stock at an exercise price of $0.65. Claude R. Rolo is the control person of Article Fourth Trust FBO Claude R. Rolo and as such is the beneficial owner of the shares held in its name.
(9) Includes 500,000 warrants to purchase shares of common stock at an exercise price of $0.65. Michael Bigger is the control person of Bigger Capital Fund, LP and as such is the beneficial owner of the shares held in its name.
(10) Includes 500,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(11) Includes 400,000 warrants to purchase shares of common stock at an exercise price of $0.65. Shaye Hirsch is the control person of Brio Capital Master Fund Ltd. and as such is the beneficial owner of the shares held in its name.
(12) Includes 30,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(13) Includes 200,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(14) Includes 200,000 warrants to purchase shares of common stock at an exercise price of $0.65. Rann Cannon is the control person of Covista Value Fund and as such is the beneficial owner of the shares held in its name.
(15) Includes 200,000 warrants to purchase shares of common stock at an exercise price of $0.65. David S. Nagelberg is the control person of David S. Nagelberg 2003 Revocable Trust and as such is the beneficial owner of the shares held in its name.
(16) Includes 300,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(17) Includes 200,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(18) Includes 100,000 warrants to purchase shares of common stock at an exercise price of $0.65. Steven Segal is the control person of KBB Asset Management and as such is the beneficial owner of the shares held in its name.
(19) Includes 300,000 warrants to purchase shares of common stock at an exercise price of $0.65. David Feldman is the control person of L1 Capital Global Opportunities Master Fund and as such is the beneficial owner of the shares held in its name.
(20) Includes 100,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(21) Includes 30,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(22) Includes 300,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(23) Includes 200,000 warrants to purchase shares of common stock at an exercise price of $0.65. Richard W. Baskerville is the control person of Richard W. Baskerville Living Trust and as such is the beneficial owner of the shares held in its name.
(24) Includes 48,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(25) Includes 50,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(26) Includes 500,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(27) Includes 30,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(28) Includes 40,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(29) Includes 350,000 warrants to purchase shares of common stock at an exercise price of $0.65. Howard Deshong is the control person of Trustee of Howard Deshong Revocable Trust and as such is the beneficial owner of the shares held in its name.
(30) Includes 140,000 warrants to purchase shares of common stock at an exercise price of $0.65. David Walsh is the control person of Warberg WF V LP and as such is the beneficial owner of the shares held in its name.
(31) Includes 700,000 warrants to purchase shares of common stock at an exercise price of $0.65. Martin Chopp is the control person of The Hewlett Fund and as such is the beneficial owner of the shares held in its name.
(32) Includes 20,000 warrants to purchase shares of common stock at an exercise price of $0.65. John Bodzick is the control person of Satellite Capital LLC and as such is the beneficial owner of the shares held in its name.
(33) Includes 300,000 warrants to purchase shares of common stock at an exercise price of $0.65. Gregory Pepin is the control person of Hades Investment SPC obo FGB Protective Opportunity Fund, SP and as such is the beneficial owner of the shares held in its name.
(34) Includes 80,000 warrants to purchase shares of common stock at an exercise price of $0.65.

(35) Includes 150,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(36) Includes 30,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(37) Includes 200,000 warrants to purchase shares of common stock at an exercise price of $0.65. John Francis is the control person of Catalysis Partners, LLC and as such is the beneficial owner of the shares held in its name.
(38) Includes 100,000 warrants to purchase shares of common stock at an exercise price of $0.65. Richard Imperiale is the control person of Uniplan Consulting LLC and as such is the beneficial owner of the shares held in its name.
(39) Includes 20,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(40) Includes 200,000 warrants to purchase shares of common stock at an exercise price of $0.65. Richard Abbe is the control person of Iroquois Master Fund Ltd. and as such is the beneficial owner of the shares held in its name.
(41) Includes 300,000 warrants to purchase shares of common stock at an exercise price of $0.65. Richard Abbe is the control person of Iroquois Capital Investment Group and as such is the beneficial owner of the shares held in its name.
(42) Includes 50,000 warrants to purchase shares of common stock at an exercise price of $0.65.

(43) Includes 316,760 warrants to purchase shares of common stock at an exercise price of $0.65. Empery Asset Management LP, the authorized agent of Empery Asset Master Ltd. (“EAM”), has discretionary authority to vote and dispose of the shares held by EAM and may be deemed to be the beneficial owner of these shares. Martin Hoe and Ryan Lane, in their capacity as investment managers of Empery Asset Management LP, may also be deemed to have Investment discretion and voting power over the shares held by EAM. EAM, Mr. Hoe and Mr. Lane each disclaim any beneficial ownership of these shares.
(44) Includes 141,392 warrants to purchase shares of common stock at an exercise price of $0.65. Empery Asset Management LP, the authorized agent of Empery Tax Efficient, LP (“ETE”), has discretionary authority to vote and dispose of the shares held by ETE and may be deemed to be the beneficial owner of these shares. Martin Hoe and Ryan Lane, in their capacity as investment managers of Empery Asset Management LP, may also be deemed to have Investment discretion and voting power over the shares held by ETE. ETE, Mr. Hoe and Mr. Lane each disclaim any beneficial ownership of these shares.
(45) Includes 341,848 warrants to purchase shares of common stock at an exercise price of $0.65. Empery Asset Management LP, the authorized agent of Empery Tax Efficient II, LP (“ETE II”), has discretionary authority to vote and dispose of the shares held by ETE II and may be deemed to be the beneficial owner of these shares. Martin Hoe and Ryan Lane, in their capacity as investment managers of Empery Asset Management LP, may also be deemed to have Investment discretion and voting power over the shares held by ETE II. ETE II, Mr. Hoe and Mr. Lane each disclaim any beneficial ownership of these shares.
(46) Includes 50,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(47) Includes warrants to purchase shares of common stock at an exercise price of $0.65. Gerald N. Kieft is the control person of High Alpha Partners, Inc. and as such is the beneficial owner of the shares held in its name.
(48) Includes 200,000 warrants to purchase shares of common stock at an exercise price of $0.65. Seth A. Brookman is the control person of Lucosky Brookman LLP and as such is the beneficial owner of the shares held in its name.
(49) Includes 407,930 warrants to purchase shares of common stock at an exercise price of $0.65. Michael M. Kellen is the control person of 21 April Fund, L.P. and as such is the beneficial owner of the shares held in its name.
(50) Includes 1,592,070 warrants to purchase shares of common stock at an exercise price of $0.65. Michael M. Kellen is the control person of 21 April Fund, Ltd. and as such is the beneficial owner of the shares held in its name.
(51) Includes 100,000 warrants to purchase shares of common stock at an exercise price of $0.65. Michael D. Harris is the control person of Neason, Yeager, Gerson, White, Lioce, P.A. and as such is the beneficial owner of the shares held in its name.
(52) Includes 100,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(53) Includes 640,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(54) Includes 50,000 warrants to purchase shares of common stock at an exercise price of $0.65. Richard W. Brunette, Jr. is the control person of Sheppard, Mullin, Richter & Hampton, LLP and as such is the beneficial owner of the shares held in its name.
(55) Includes 100,000 warrants to purchase shares of common stock at an exercise price of $0.65. Igor Kokorine is the control person of US International Consulting Network and as such is the beneficial owner of the shares held in its name.
(56) Includes 100,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(57) Includes 1,000,000 warrants to purchase shares of common stock at an exercise price of $0.65. Evan Myrianthopoulus is the control person of GPB Debt Holdings II, LLC and as such is the beneficial owner of the shares held in its name.
(58) Includes 20,000 warrants to purchase shares of common stock at an exercise price of $0.65.
(59) Includes 20,000 warrants to purchase shares of common stock at an exercise price of $0.65.

PLAN OF DISTRIBUTION

Each Selling Stockholder of the securities and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their securities covered hereby on the principal Trading Market or any other stock exchange, market or trading facility on which the securities are traded or in private transactions. These sales may be at fixed or negotiated prices. A Selling Stockholder may use any one or more of the following methods when selling securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales that are not in violation of Regulation SHO;
- in transactions through broker-dealers that agree with the Selling Stockholders to sell a specified number of such securities at a stipulated price per security;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell securities under Rule 144 or any other exemption from registration under the Securities Act of 1933, as amended (the “Securities Act”), if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of securities, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM- 2440.

In connection with the sale of the securities or interests therein, the Selling Stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. The Selling Stockholders may also sell securities short and deliver these securities to close out their short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities. The Selling Stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of securities offered by this prospectus, which securities such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The Selling Stockholders and any broker-dealers or agents that are involved in selling the securities may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each Selling Stockholder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the securities.

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the securities. The Company has agreed to indemnify the Selling Stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the securities may be resold by the Selling Stockholders without registration and without regard to any volume or manner-of-sale limitations by reason of Rule 144, without the requirement for the Company to be in compliance with the current public information under Rule 144 under the Securities Act or any other rule of similar effect or (ii) all of the securities have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of the common stock by the Selling Stockholders or any other person. We will make copies of this prospectus available to the Selling Stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

a) Market Information

Our common stock is quoted on the OTC Markets Group Inc. OTCQB quotation platform (the “OTCQB”) under the trading symbol “DUOT”. We intend to apply to the NASDAQ Capital Market to list our common stock under the symbol “DUOT” and our warrants under the symbol “DUOTW.”

Our common stock was initially quoted on the OTCQB in 2008 under the symbol “IOSA” and the following table sets forth the high and low bid price of our common stock on the OTCQB for the last two fiscal years and for the current fiscal year through the most recent fiscal quarter. These prices are based on inter-dealer bid and asked prices, without markup, markdown, commissions, or adjustments and may not represent actual transactions.

PERIOD	High	Low
Fiscal Year Ending December 31, 2019:		
Quarter Ending March 31, 2019 (through January 17, 2019)	$ 0.54	$ 0.40
Fiscal Year Ending December 31, 2018:		
Quarter Ended December 31, 2018	$ 0.55	$ 0.38
Quarter Ended September 30, 2018	$ 0.60	$ 0.38
Quarter Ended June 30, 2018	$ 0.49	$ 0.25
Quarter Ended March 31, 2018	$ 0.60	$ 0.17
Fiscal Year Ending December 31, 2017:		
Quarter Ended December 31, 2017	$ 3.00	$ 0.54
Quarter Ended September 30, 2017	$ 5.40	$ 2.50
Quarter Ended June 30, 2017	$ 8.75	$ 3.01
Quarter Ended March 31, 2017	$ 8.75	$ 1.05
Fiscal Year Ending December 31, 2016:		
Quarter Ended December 31, 2016	$ 3.50	$ .74
Quarter Ended September 30, 2016	$ 6.30	$ 2.45
Quarter Ended June 30, 2016	$ 10.50	$ 2.21
Quarter Ended March 31, 2016	$ 10.50	$ 3.89

(b) Holders

As of January 17, 2019, there were approximately 266 holders of record of our common stock, and the last reported sale price of our common stock on the OTCQB on January 14, 2019 was $0.54 per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Registration Statement on Form S-1 and other reports filed by the Company from time to time with the SEC (collectively, the "Filings") 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 relating to the Company's business, industry, and the Company's operations and results of operations. 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, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Our 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 financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our 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 financial statements and notes thereto appearing elsewhere in this Registration Statement on Form S-1.

Our Company

Overview

Duos Technologies Group, Inc. was incorporated in Florida on May 31, 1994 (the "Company") under the original name of Information Systems Associates, Inc. ("ISA"). Initially, our 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. ("DTI"), for the purposes of executing a reverse triangular merger. This transaction was completed on April 1, 2015, whereby DTI became a wholly owned subsidiary of the Company. DTI was incorporated under the laws of Florida on November 30, 1990 for design, development and deployment of proprietary technology applications and turn-key engineered systems. The Company, based in Jacksonville, Florida, employs approximately 50 people and is a technology and software applications company with a strong portfolio of intellectual property. The Company's core competencies, including advanced intelligent technologies, are delivered through its proprietary integrated enterprise command and control platform, centraco®.

The Company, through its operating subsidiary DTI, is primarily engaged in the design and deployment of advanced, artificial intelligence driven intelligent technologies systems. The Company converges traditional security measures with information technologies to create "actionable intelligence."

The Company's growth strategy includes expansion of its technology base through organic development efforts, strategic partnerships, and through strategic acquisitions. The Company provides its broad range of technology solutions with an emphasis on mission critical security, inspection and operations within the rail transportation, commercial, petrochemical, government, and banking sectors. The Company also offers professional and consulting services for large data centers.

Specifically, based upon the current and anticipated business growth, the Company is investing in resources to focus on execution within its target markets, including but not limited to rail, distribution centers and security. We continue to evaluate key requirements within those markets and add development resources to allow us to compete for additional projects to drive additional revenue growth.

Further, the Company is broadening its offerings in the IT asset management ("ITAM") space for large data centers. During the quarter ended June 30, 2018, the Company announced its new dcVue software platform which is the basis for expanded offerings into this market area. The dcVue offering is a new software platform that replaces the Company's On-Site Physical Inventory (OSPI) system that was commercially marketed from 2010 until 2015. OSPI was used by Duos' ITAM auditing teams until early this year and has now been replaced by dcVue. dcVue is based upon the Company's OSPI patent which was awarded in 2010. The Company will be making dcVue available for license to our customers later this year as a licensed software product. We intend to further develop our ITAM offerings for large data centers with the objective of offering existing Company technologies for data and video analytics. The Company implemented a new plan to expand and focus its sales efforts through the addition of strategic partners.

Prospects and Outlook

Over the past several years, we have made substantial investments in product research and development and achieved significant milestones in the development of our technology and turnkey solutions. We have made significant progress in penetrating the market with our proprietary technology solutions, specifically in the rail industry which is currently undergoing a major shift in maintenance strategies. We believe that this shift will be a significant motivating factor for the industry's use of our technologies.

Our business success in the immediate future will largely depend on the increased penetration into our target markets for our proprietary intelligent analytical technology solutions.

Notwithstanding the above, no assurance can be provided that our product offerings will generate the market acceptance and orders that we contemplate.

Results of Operations

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

Comparison for the Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

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

	For the Three Months Ended September 30,	
	2018	2017
Revenue	$ 5,102,216	$ 1,045,735
Cost of revenue	2,773,862	658,391
Gross profit	2,328,354	387,344
Operating expenses	1,692,121	1,174,864
Income (Loss) from operations	636,233	(787,520)
Other income (expense)	(3,608)	662,652
Net income (loss)	632,625	(124,868)
Series A preferred stock dividends	—	(5,920)
Net income (loss) applicable to common stock	$ 632,625	$ (130,788)

Revenues

	For the Three Months Ended September 30,		
	2018	2017	% Change
Revenues:			
Projects	$ 4,731,106	$ 561,022	743%
Maintenance and technical support	371,110	288,137	29%
IT asset management services	—	196,576	-100%
Total revenue	$ 5,102,216	$ 1,045,735	388%

The significant increase in overall revenues is driven by the current strength of the projects portion of our business currently being undertaken. The Company's stable capital structure enables us to more aggressively pursue large projects requiring the ability to deploy major resources. The significant increase in project revenues was also accompanied by an increase in maintenance and technical support as the result of a onetime customer change order offset by a decreasing revenue contribution from one legacy customer. The underlying reduction in maintenance and technical support reflects the shift away from some older legacy systems and a shift to the next generation of technology systems which are currently being installed. The Company expects to replace the declining revenues from this one customer with new, long term recurring revenue from new customers which will be coming on-line in the next several months. The maintenance and technical support revenues are driven by successful completion on projects and represent services and support for those installations. The expectation is that revenues from this area will be flat for the rest of this year and then begin to grow based on the success of installations in 2018.

The ITAM division recorded no revenues in the fiscal quarter ended September 30, 2018. The reduction in ITAM services is due to the conclusion of a large project late in 2017 and delays in starting a new project that was anticipated to begin earlier in the year. The ITAM division released a new version of its software which is anticipated to broaden market acceptance of its offerings and we anticipate a positive impact on revenues anticipated in 2019.

Cost of Revenues

	For the Three Months Ended September 30,		
	2018	2017	% Change
Cost of revenues:			
Projects	$ 2,684,785	$ 458,337	486%
Maintenance and technical support	89,077	131,363	-32%
IT asset management services	—	68,691	-100%
Total cost of revenues	$ 2,773,862	$ 658,391	321%

Cost of revenues on projects increased in line with the large increase in revenues. The overall gross margin was positively impacted during the period compared to the equivalent period in 2017 due to tighter cost controls on production of systems and the efficiencies gained through the implementation of projects at the Operations and Engineering Center prior to customer deployment. Cost of Revenues decreased on maintenance and technical support representing a shift in the customer base. The Company also completed certain field work at the request of two major clients which increased revenue but at a margin that is less than in the normal course of business. The effect of this is anticipated to be minimal in the future.

Gross Profit

	For the Three Months Ended September 30,		
	2018	2017	% Change
Revenues	$ 5,102,216	$ 1,045,735	388%
Cost of revenues	2,773,862	658,391	321%
Gross profit	$ 2,328,354	$ 387,344	501%

Gross Profit was $2,328,354 or 46% of revenues compared to $387,344 or 37% of revenues for the three months ended September 30, 2018 and 2017, respectively. The overall increase in gross profit of 501% was mainly the result of the increase in project revenues and the positive effect of revenue increases from new projects. As previously discussed, the implementation of ASC 606 covering revenue from contracts with customers, had a temporary impact on overall gross margin during previous reporting periods as certain costs were recognized ahead of revenues. During the period, certain project revenue related to the management of construction requested by two customers were treated as a pass through and have between a 10% and a 25% gross margin. This has a negative overall effect on the typical project gross margin of at least 50% gross margin. Management anticipates the overall gross margins for the business to be close to historical norms for the full year excluding the impact of "one-off" lower margin revenues related to field construction work requested by the customer and not in the ordinary course of business.

Operating Expenses

	For the Three Months Ended September 30,		
	2018	2017	% Change
Operating expenses:			
Selling and marketing expenses	$ 73,468	$ 27,104	171%
Salaries, wages and contract labor	1,072,029	784,012	37%
Research and development	122,755	65,984	86%
Professional fees	63,878	87,366	-27%
General and administration	359,991	210,398	71%
Total operating expense	$ 1,692,121	$ 1,174,864	44%

Operating expenses were higher by 44% for the equivalent period in 2017 reflecting the increase in resources related to the significant increase in revenues for the period. Selling and marketing expenses and research and development both increased in line with the Company's investment in resources to grow the business. The 4% increase in salaries, wages and contract labor is higher during the period due to an increase number of employees and additional contract expenses related to an overall significant increase in revenues. Professional fees were lower due to a reduction in expenses related to legal fees. Other G&A costs were in line with the additional staff expenses and the growth of the Company. It is anticipated that operating expenses will grow at a slower rate than the revenue increases.

Income (Loss) Before Other Expense

The income from operations for the three months ended September 30, 2018 was $636,233 and the loss from operations for the same period in 2017 was $787,520. The 181% increase in income from operations was mostly due to the overall increase in revenue for the period along with an increase in gross margin and a lower overall rate of increase in operating expenses.

Interest Expense

Interest expense for the three months ended September 30, 2018 and 2017 was $4,589 and $1,525,894 respectively. The almost 100% decrease in interest expense in 2018 was entirely due to the elimination of non-cash charges incurred during 2017 in connection with debt discount and warrant amortization expense related to debt financing in 2016 that was subsequently repaid in late 2017.

Other Income

Other income for the three months ended September 30, 2018 and 2017 was $981 and zero, respectively. The increase in other income is interest income earned on the money market banking account established in December 2017.

Net Income (Loss)

The net income for the three months ended September 30, 2018 was $632,625 and a net loss for the same period in 2017 was $124,868, a 607% increase. The $757,493 increase in net income is primarily attributable to the increase in project revenue. The 2017 net loss was reduced by the $2,188,546 warrant derivative gain on debt related to debt financing and offset by the non-cash charges of $1,525,894 in debt discount expense. The loss applicable to common stock in the third quarter of 2017 reflected a charge for preferred stock dividends of $5,920. Net income (loss) per common share was $0.03 and $(0.07) for the three months ended September 30, 2018 and 2017, respectively. The net income per common share was $0.02 on a dilutive basis.

Comparison for the Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

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

	For the Nine Months Ended September 30,	
	2018	2017
Revenue	$ 9,490,202	$ 3,243,969
Cost of revenue	5,428,037	1,875,280
Gross profit	4,062,165	1,368,689
Operating expenses	4,795,994	3,792,617
Loss from operations	(733,829)	(2,423,928)
Other expense	(11,013)	(1,314,031)
Net loss	(744,842)	(3,737,959)
Series A preferred stock dividends	—	(17,760)
Net loss applicable to common stock	$ (744,842)	$ (3,755,719)

Revenues

	For the Nine Months Ended September 30,		
	2018	2017	% Change
Revenues:			
Projects	$ 8,516,812	$ 1,512,628	463%
Maintenance and technical support	881,004	914,438	-4%
IT asset management services	92,386	816,903	-89%
Total revenues	$ 9,490,202	$ 3,243,969	193%

The significant increase in overall revenues is being driven by the current strength in the projects business. The overall improvement in project revenues was offset during the period by reductions in both the maintenance and technical support and ITAM services revenues. As previously described, the maintenance and technical support revenues are driven by successful completion on projects and represent services and support for those installations. The reduction reflects the shift away from some legacy systems and shift to the next generation of systems which are currently being installed. The expectation is that revenues from this area will be flat for the rest of this year and then begin to grow based on the success of installations in 2018.

The reduction in ITAM services is due to the conclusion of a large project late in 2017 and delays in starting a new project that was anticipated to begin earlier in the year. The ITAM division released a new version of its software which is anticipated to broaden market acceptance of its offerings and we anticipate a positive impact on revenues in 2019.

Cost of Revenues

	For the Nine Months Ended September 30,		
	2018	2017	% Change
Cost of revenues:			
Projects	$ 5,079,455	$ 1,180,193	330%
Maintenance and technical support	300,593	366,357	-18%
IT asset management services	47,989	328,730	-85%
Total cost of revenues	$ 5,428,037	$ 1,875,280	189%

The cost of revenues on projects increased along with the increase in revenues but at a slower overall rate which is a positive trend. The overall gross margin slightly increased compared to the equivalent period in 2017. During the period, certain project revenue related to the management of construction requested by two customers were treated as a pass through and have between a 10% and a 25% gross margin. This has a negative overall effect on the typical project gross margin of at least 50% gross margin that the Company is currently executing. ITAM cost of revenues were significantly lower in line with lower revenues during the period. ITAM costs are directly variable to the revenues due to the nature of this type of work and the extensive use of specialized contractors for implementation.

Gross Profit

	For the Nine Months Ended September 30,		
	2018	2017	% Change
Revenues	$ 9,490,202	$ 3,243,969	193%
Cost of revenues	5,428,037	1,875,280	189%
Gross profit	$ 4,062,165	$ 1,368,689	197%

Gross Profit was $4,062,165, a 197% increase compared to $1,368,689 for the nine months ended September 30, 2018 and 2017, respectively. As previously discussed, the implementation of ASC 606 covering revenue from contracts with customers, had a temporary impact on overall gross margin during previous reporting periods as certain costs were recognized ahead of revenues. During the period, certain project revenue related to one-off construction costs requested by two customers were treated as a pass through and have between a 10% and a 25% gross margin. Management anticipates the overall gross margins for the business to be close to historical norms for the full year.

Operating Expenses

	For the Nine Months Ended September 30,		
	2018	2017	% Change
Operating expenses:			
Selling and marketing expenses	$ 189,092	$ 146,031	29%
Salaries, wages and contract labor	3,153,138	2,359,899	34%
Research and development	401,116	225,982	77%
Professional fees	187,679	292,099	-36%
General and administration	864,969	768,606	13%
Total operating expense	$ 4,795,994	$ 3,792,617	26%

Operating expenses were higher by 26% for the nine months ended September 30, 2018 than for the equivalent period in 2017. Research and development expenses increased in line with the Company's investment in resources to grow the business. The 34% increase in salaries, wages and contract labor is higher during the period due to increases in staff during the third quarter of 2018, in addition to a certain non-cash charge taken for the employee stock option plan in the second quarter of 2018. The total amount for this grant was $403,070, which was non-cash in nature. Excluding this item, salaries and wages grew by 16% over the equivalent period one year before. Professional fees are 36% lower due to lower expenses related to legal fees. Other G&A costs were slightly higher than the equivalent quarter in 2017. Overall, considering the non-cash stock options grant, overall expenses were up only 16% for the period and significantly below the rate of increase in revenues even if the non-cash compensation is included in this measurement. This is a positive indicator as the Company moves to reduces its historical losses and move towards operational breakeven.

Loss Before Other Income (Expense)

The loss from operations for the nine months ended September 30, 2018 and 2017 was $733,829 and $2,423,928, respectively. The 70% decrease in loss from operations was mostly due to the overall increase in revenue for the period, offset by the lower margin generated on some one-time construction work on behalf of two large customers as a part of projects implemented in 2018. The improvement in overall operating margins is expected to continue through the rest of 2018 as projects are completed.

Interest Expense

Interest expense for the nine months ended September 30, 2018 and 2017 was $14,755 and $3,279,898 respectively. The 100% decrease in interest expense in 2018 was almost entirely due to the elimination of non-cash charges incurred during 2017 in connection with debt discount and warrant amortization expense related to debt financing in 2016 that was subsequently repaid in late 2017.

Other Income

Other income for the nine months ended September 30, 2018 and 2017 was $3,742 and $1, respectively. The increase in other income is interest income earned on the money market banking account established in December 2017.

Net Loss

The net loss for the nine months ended September 30, 2018 and 2017 was $744,842 and $3,737,959, respectively, an 80% decrease. The $2,993,117 decrease in net loss is primarily attributable to the non-cash charges in 2017 of $3,279,898 in debt discount expense offset with $1,901,219 warrant derivative gain on debt related to debt financing in addition to a gain on settlement of debt in the amount of $64,647. Net loss applicable to common stock was $744,842 in 2018 versus $3,755,719 in 2017, a decrease of $3,010,877. The loss applicable to common stock through the third quarter of 2017 reflected a charge for preferred stock dividends of $17,760. The Company's Series A Preferred stock was retired in full at the end of 2017. Net loss per common share was $(0.04) and $(1.98) for the nine months ended September 30, 2018 and 2017, respectively.

Liquidity and Capital Resources

As of September 30, 2018, the Company has a working capital of $286,144, including $1,572,051 of cash. We have incurred net loss of $744,842 for the nine months ended September 30, 2018.

Cash Flows

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

	September 30, 2018	September 30, 2017
Net cash used in operating activities	$ (92,459)	$ (1,046,108)
Net cash used in investing activities	(223,304)	(22,549)
Net cash (used in) provided by financing activities	(54,004)	894,531
Net decrease in cash	$ (369,767)	$ (174,126)

Net cash used in operating activities for the nine months ended September 30, 2018 was $92,459 and net cash used during the same period of 2017 was $1,046,108. The decrease in net cash used in operations for the nine months ended September 30, 2018 was almost exclusively due to a more than $1.03 million increase in contract liabilities most of which will be eliminated by year end by contract completions.

Net cash used in investing activities for the nine months ended September 30, 2018 and 2017 were $223,304 and $22,549, respectively representing an increase in investments in software development and lab equipment during the nine months of 2018.

Net cash used in financing activities for the nine months ended September 30, 2018 was $54,004 and cash flows provided in the same period 2017 was $894,531. Cash flows used in financing activities during 2018 were primarily attributable to repayments of existing notes and short-term credit facilities. Cash flows provided by financing activities during 2017 were primarily attributable to proceeds from the draws on notes payable, partially offset by repayments of existing notes and short-term credit facilities.

Previously, we have funded our operations primarily through the sale of our equity (or equity linked) and debt securities. During 2018, we have funded our operations through revenues generated and cash received from ongoing project execution and associated maintenance revenues. As of January 16, 2019, we had cash on hand of approximately $1.1 million. We have approximately $135,000 in monthly lease and other mandatory payments, not including payroll and ordinary expenses which are due monthly.

On a long-term basis, our liquidity is dependent on continuation and expansion of operations and receipt of revenues. Our current capital and revenues are sufficient to fund such expansion although we are dependent on timely payments by our customers for projects and work in process.

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 may be adversely affected by our competitors and prolonged recession periods although these are not considered to be a factor at present.

Going Concern and Liquidity

Under Accounting Standards Update, or ASU, 2014-15, 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 condensed unaudited consolidated financial statements, the Company had a positive working capital of $286,144 and an accumulated deficit of $29,433,788 at September 30, 2018. During the same period in 2017, the Company had a negative working capital of $7,577,344 and an accumulated deficit of $27,274,428. In addition, the Company had a loss from operations of $744,842 and cash used in operating activities of $92,459 for the nine months ended September 30, 2018.

The Company's condensed unaudited consolidated financial statements are prepared assuming the Company can continue as a going concern, which contemplates continuity of operations through realization of assets, and the settling of liabilities in the normal course of business. Our auditor has expressed substantial doubt regarding our ability to continue as a going concern. Our plan regarding these matters is to use the funds from our most recent raise to allow us the ability to cover our current cash flow requirements and meet our obligations as they become due. If this is insufficient due to unforeseen circumstances, there can be no assurances that financing will be available or if available, that such financing will be available under favorable terms.

Management believes that the Company has reached the point where anticipated profitable operations from current backlog in the final quarter of the year will allow continuation as a going concern for a period of at least twelve months from the date these financial statements have been issued. The ability to recognize revenue and ultimately cash receipts is contingent upon, but not limited to, acceptable performance of the delivered services. If the Company is unable to complete on some of its revenue producing opportunities in the near term, the ability to continue as a going concern may be materially impacted.

Reverse Split

Effective April 26, 2017, the Company filed an Articles of Amendment to the Articles of Incorporation of the Company (the "Amendment") to effectuate a reverse split of the Company's issued and outstanding common stock at a ratio of 1-for-35 (the "Reverse Split"). As a result of the Reverse Split, every thirty-five (35) shares of the Company's issued and outstanding common stock were consolidated into one (1) share of issued and outstanding common stock. The number of authorized shares remained unchanged. No fractional shares were issued in connection with the Reverse Split. Any fractional shares of common stock resulting from the Reverse Split were rounded up to the nearest whole share.

On April 28, 2017, the Company received notice from Financial Industry Regulatory Authority that the Reverse Split was approved and took effect at the opening of trading on May 22, 2017.

The Reverse Split has no impact on shareholders' proportionate equity interests or voting rights in the Company or the par value of the Company's common stock, which remains unchanged.

Off Balance Sheet Arrangements

We have no-off balance sheet contractual arrangements, as that term is defined in Item 303(a)(4) of Regulation S-K.

Critical Accounting Estimates

We have identified the accounting policies below as critical to our business operations and the understanding of our results of operations.

Accounts Receivable

Accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for uncollectible accounts. 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.

Share-Based Compensation

The Company accounts for 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 employee stock options, restricted stock units, and employee stock purchases based on estimated fair values.

The Company accounts for non-employee stock-based compensation in accordance with ASC 505-50-25, "*Equity Based Payments to Non-Employees*," which requires the measurement and recognition of compensation expense for all share-based payment awards made to non-employees based on estimated fair values.

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 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 unaudited consolidated financial statements include the allowance on accounts receivable, valuation of deferred tax assets, valuation of assets acquired and liabilities assumed in business combinations, valuation of intangible and other long-lived assets, estimates of net contract revenues and the total estimated costs to determine progress towards contract completion, valuation of derivatives, valuation of warrants issued with debt, valuation of beneficial conversion features in convertible debt, valuation of stock-based awards and valuation of loss contingencies. 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.

BUSINESS

Our Corporate History

We were incorporated on May 31, 1994 in the State of Florida as Information Systems Associates, Inc. (the "Company", "we", "us", "our"). Initially, our business operations consisted of consulting services for asset management of large corporate data centers and development and licensing of Information Technology (IT) asset management software. On April 1, 2015, we completed a reverse triangular merger, pursuant to an Agreement and Plan of Merger (the "Merger Agreement") among Duos Technologies, Inc., a Florida corporation ("DTI"), the Company, and Duos Acquisition Corporation, a Florida corporation and wholly owned subsidiary of the Company ("Merger Sub"). Under the terms of the Merger Agreement, the Merger Sub merged with and into DTI, whereby DTI remained as the surviving corporation and a wholly-owned subsidiary of the Company (the "Merger"). On the same date, TrueVue 360, Inc., a Delaware corporation, became a wholly owned subsidiary of the Company. In connection with the Merger, on July 10, 2015, the Company effected a name change to Duos Technologies Group, Inc.

Overview

The Company, through its wholly owned subsidiary DTI, focuses on the design, development and turnkey delivery of proprietary "intelligent technologies" that enable our customers to derive measurable increases in return on investment for their business. Our technologies integrate with our customer's existing business process and create actionable information to streamline mission critical operations. Our target market is the largest transportation, industrial and retail corporations representing over $100 billion in total available market. Our technologies have been verified by multiple government and private organizations including Johns Hopkins University Applied Physics Laboratory (JHU/APL), the Department of Homeland Security (DHS) and the Transportation Technology Center, Inc., a wholly owned subsidiary of the Association of American Railroads, and a transportation research and testing organization (TTCI). The Company has worked with these organizations over the past several years where we have supplied funded prototypes of our technologies to verify technology and operating parameters.

The Company provides a broad range of sophisticated intelligent technology solutions with an emphasis on security, inspection and operations for critical infrastructure within a variety of industries including transportation, healthcare, retail, law enforcement, oil, gas and utilities sectors. Our business operations are in two business units: intelligent technologies and IT asset management. Our proprietary applications, specific to critical infrastructure, include but are not limited to:

Intelligent Rail Inspection Portal

- A suite of sub-systems for the automated inspection of freight or transit railcars while in motion. The objective is to automatically detect anomalies such as open or missing hatches, open cargo doors, illegal riders hiding in cargo wells, and an expanding number of mechanical defects, all while the train is traveling through various strategic areas (i.e. border crossings or inspection areas). The anomalies are detected through a combination of visual inspections, utilizing the Company's proprietary remote user interface which displays ultra-high definition images of a 360-degree view of each rail car, and by a growing number of the Company's proprietary artificial intelligence (AI) based algorithms. The inspection portal is typically installed between two rail yards and the inspection takes place while the trains are at speed of up to 140 MPH. Detections are reported to the respective rail yards well ahead of the train arrival at the yard.

Tunnel and Bridge Security

- A suite of artificial intelligence-based homeland security applications for the security of critical tunnels and bridges.

Virtual Security Shield

- A suite of artificial intelligence-based homeland security applications for the security of critical areas and buffer zones. This application includes intrusion detection zone, Radio Frequency Identification (RFID) tracking and discriminating "Friend or Foe" modules (Friend or Foe refers to a Radio Frequency - based tagging system that validates individuals authorized to be in a specific area).

Facility Safety and Security

- A suite of artificial intelligence-based homeland security applications for the “hardening” or safety and resilience of facilities against natural or man originated threats for the protection of critical facilities (energy, water, chemical facilities). The Company and all its’ staff are CFATS (Chemical Facility Anti-Terrorism Standards) certified.

Remote Bridge Operation

- Proprietary system for remote control of draw bridges.

Pantograph Inspection System

- A system designed to inspect pantographs (structure connecting transit locomotives to high voltage power lines) for the detection of excessive depletion of carbon liners, which may cause power line ruptures.

Vehicle Undercarriage Examiner

- A system that inspects the undercarriage of railcars (both freight and transit rail) traveling at speeds of up to 140 miles per hour. The original maximum speed of 70MPH has been superseded by further development work which was completed recently. The addition of algorithms for an increasing number of automated detection of anomalies is a continuing development, which once completed and successfully tested, may have a significant impact on our revenues. The next version upgrade is scheduled to be completed by the end of the third quarter of 2018.

Thermal Undercarriage Examiner

- Under a development award from the TTCI (the technology evaluation arm of the American Association of Railroads (“AAR”)), the Company recently developed and deployed a prototype thermal undercarriage examiner which uses high-speed thermal imaging technology to inspect the thermal signature of undercarriage components. Thermal monitoring of component heat signatures while underway will provide indications of the overall operating health of the locomotive that are not possible to observe during static inspections. The system is undergoing calibration and sensitivity adjustments and is expected to be completed by the end of the second quarter of 2018. This system is considered a breakthrough in detection technologies as it is capable of detecting anomalies of trains at speed which are not detectable with currently available technologies.

Multi-Layered Enterprise Command and Control Interface (centraco®)

- Aggregator and central point for information consolidation, systems management and communications of our proprietary systems and third-party applications.

Several significant new programs and technologies are currently under development and in various stages of maturity. Some of the more significant developments are:

Neural Network Modeling for detection algorithms

- A neural network is a powerful computational data model, able to capture and represent complex input/output relationships. The neural network includes the development of an artificial system that could perform "intelligent" tasks like those performed by the human brain, including the acquisition of knowledge through deep learning, which is stored within inter-neuron connection strengths known as synaptic weights.

Automated Retail Facility Logistics

- We are currently in the final stage of developing a comprehensive system to automate facility security gate operations, leveraging our proprietary Multi-Layered Enterprise Command and Control Interface (centraco®). The automation of gatehouse operations should provide significant improvements to efficiency of distribution center traffic flow, resulting in significant ROI to the customer.

Transit Rail Platform Analytics

- We have been selected by the New York City Transit Authority ("NYCT") to provide a pilot (proof of concept) of our Platform Analytics Technology concept. The technology is designed to automatically detect objects falling on tracks adjacent to transit passenger platforms and to alert incoming rail traffic to that effect. Field installation of the prototype has been completed and field testing by the NYCT technology team is expected to be completed during the 2018 fiscal year.

Our Customers

DTI, our wholly owned subsidiary, operates our Intelligent Technologies Division which develops and implements an array of sophisticated, proprietary technology applications and turnkey engineered systems. Initially developed and deployed for homeland and border security, these applications are used by major freight rail operators (also known as Class-1, such as Union Pacific, CSX, BNFS and KCS). After achieving initial success in the transportation industry, the Company broadened its market reach, adapting its proprietary technologies to a suite of applications. This suite of applications now services the commercial, industrial, utilities and government sectors. Our current major customers include Amtrak, Burlington Northern (BNSF), Concho Oil, Conrail, CSX, Chicago Metra, Metrolink, Kansas City Southern de Mexico (KCSM), Ferromex, Kohl's, Olin Chemical, TTCI and Union Pacific.

Additionally, DTI operates our IT Asset Management ("ITAM") division which provides infrastructure and device audit services for large data centers. The Company markets its ITAM services through strategic partners.

Our goal is to provide our end users with improved situational awareness and overall efficiencies in operations by leveraging "smart" technology as a force multiplier. Our current core technology solutions are industry agnostic and suitable for adaptation to a wide range of applications and industries.

Market

At this time, we primarily target the $60B North American Rail market, the $2B video analytics market and the $53B enterprise information systems market. We implement our products in railcar security inspection with a focus on providing our customers with the capability of performing mission critical security inspections of inbound trains crossing US borders from a centralized, remote location. The U.S. Customs and Border Protection ("CBP") agency uses our systems at U.S./Mexican border rail crossings. Additionally, opportunities exist within the entire operating environment with initial emphasis on freight carriers by providing mechanical inspection portals for the remote inspection of railcars while traveling at high speeds. Unlike trucks, barges and airlines; freight railroads operate almost exclusively on infrastructure that they own, build and maintain. According to the AAR article on Freight Railroad Capacity and Investment dated April 2016, from 1980 to 2015 freight railroads alone reinvested approximately $600 billion of their own funds in capital expenditures and maintenance projects related to locomotives, freight cars, tracks, bridges, tunnels and other infrastructure related equipment. The AAR further reports that more than 40 cents out of every revenue dollar is reinvested into a rail network.

According to AAR's statistical railroad report, there are approximately 1.56 million freight cars and 26,574 locomotives in service operated on approximately 250,000 miles of active rail tracks throughout North America. Rail tracks are predominantly owned by the Class-I railroad industry which include:

Class-I Railroads	Tracks Owned in:		
	Canada	USA	Mexico
BNSF Railway	✓	✓	x
Canadian National Railway (CN)	✓	✓	x
Canadian Pacific	✓	✓	x
CSX Transportation	✓	✓	x
Ferrocarril Mexicano (Ferromex)	x	x	✓
Kansas City Southern Railway	x	✓	✓
Norfolk Southern	✓	✓	x
Union Pacific Railroad	x	✓	x

The report further elaborates that profitability of rail operators is measured by their operating ratio, which is the rail operator's operating expenses as a percentage of revenue. According to AAR's Annual Spending Data report, the labor cost to run and maintain trains represent a significant portion of their total operating expenses. Revenue is mostly affected by the average "velocity" of its rolling stock, which determines how much freight or how many passengers a rail operator can transport between destinations and the average speeds. Railroads implement their own speed limits within Federal Railroad Administration (FRA) guidelines. Average speed is impacted by many factors including, but not limited to:

- Track curvatures and condition, signaling, and stoppages for inspections (security and mechanical);
- Grade crossings; and
- Physical condition of locomotives and railcars

Freight trains are considered massive in size and weight. Thus, worn or broken parts can have a significantly negative impact on operations. Quicker detection can prevent costly car and track repairs, and derailments. Early detection has the potential to dramatically increase velocity and direct profitability.

Examples include inspections at rail border crossings by CBP agents, which can often lead to significant delays and mandated mechanical inspections. Under FRA regulations, each time a railcar departs a yard, terminal or industrial facility, it is required to be inspected by either a qualified mechanical inspector or a train crew member for specific defects that would adversely affect the safe operation of the train. There are currently over 70 mechanical and safety inspection criteria, therefore the inspection process typically takes between two and three hours (dwell time) during which each train is "grounded" in a maintenance yard. In addition, the current railcar inspection process is tedious, labor intensive, dangerous and in general, lacks the level of efficiency and objectivity that may be achievable using technology.

In order to effectively detect structural or mechanical defects, railcar inspectors today need to walk around the car and under current practice, they are unable to inspect undercarriage components. Because this process is so lengthy and hazardous, it is only utilized for pre-departure mechanical inspections. Otherwise, cars are only inspected with this level of scrutiny in shops before undergoing major repairs. In addition to the inherent safety and efficiency challenges of manual inspections, records of these inspections are generally not retained unless a billed repair is performed. Thus, the maintenance of railcar structural components is almost entirely reactive rather than predictive, making repairs and maintenance less efficient.

For many years, the rail industry, through the AAR and its subsidiary TTCI, has been evaluating the feasibility of using technology, and has most recently focused on the objective of performing remote mechanical inspections prior to a train arriving at a rail yard. In the first phase, car inspectors would remotely perform visual inspections of multiple train "consists", a group of rail vehicles which are permanently or semi-permanently coupled together to form a unified set of equipment, from a regional inspection station and generate work orders for detected anomalies. These anomalies will be distributed to the respective yards prior to a train arriving at the yard facility. The time-consuming process of physical inspection would be significantly reduced, leading to a significant increase in average velocity and decreased labor cost. We believe this lends itself to the natural progression of automating the inspection process, taking inspectors from the physical inspection to the required actions for diagnosing and resolving issues.

We are currently in the process of converting the inspection process to a complete automated system that will inspect the entire car via an "intelligent system". This would implement a wayside inspection portal employing a combination of sensors capturing live images and sensor data, of each side, top and undercarriage. Software algorithms interpret the data to identify defects or anomalies. This inspection technology increases average speed and consequently overall return on investment of our customers due to the following:

1. The safety risks associated with manual car inspection will be minimized through reduced exposure to potential yard hazards; and
2. Reducing inspection time will increase yard efficiency and improve overall network capacity by also reducing the time needed to process inbound and outbound trains.

We believe that the evolution of automating the inspection processes is broadly advocated throughout the industry. In our experience, the freight rail companies are constantly seeking out innovative ways to increase capacity and improve efficiencies while increasing safety and security standards. A recently launched aggressive plan to automate the mechanical inspection process is at the core of our market opportunity.

Our Products and Systems - Technology Platforms

The Company's solution is comprised of two core technology platforms: praesidium® and centraco®.

These in-house developed software suites are distributed as licensed software suites and form the centerpiece of our engineered turnkey systems. Each integrated system encompasses three major components:

1. The data collectors, including specialized cameras integrated by the Company and other sensors that are specific to the customers' requirements (third party supplied or pre-existing);
2. praesidium®, the analytics software suite which performs real-time analysis of the data generated by the Company; and
3. centraco®, the multi-layered presentation interface which graphically depicts the data analyzed and identifies anomalies and provides actionable intelligence.

Since 2002, we have developed and patented key software components that provide a significant competitive advantage in specialized solutions for our target markets. We believe an important factor in this development is that the Company's intellectual property is "industry agnostic" and can be deployed to many different industries. The following technical descriptions of praesidium® and centraco® provide further insight.

praesidium® Intelligent Analytics Suite

praesidium® is an integrated suite of analytics applications which processes and analyzes data streams from a virtually unlimited number of conventional or specialized sensors and/or data points. Our algorithms compare analyzed data against user-defined criteria and rules in real time and automatically reports any exceptions, deviations and/or anomalies. This application suite also includes a broad range of conventional operational system components and sub-systems, including an embedded feature-rich video management engine and a proprietary Alarm Management Service ("AMS"). The AMS provides continuous monitoring of all connected devices, processes, equipment and sub-systems, and automatically communicates to centraco®, the Company's enterprise information management suite if and when an issue, event or performance anomaly is detected. The processed information is instantly distributed simultaneously to an unlimited number of users in a visualized and correlated user interface using the centraco® command and control platform.

Our core modules are tailored to specific industry applications and the analytics engine(s) process any type of conventional sensor outputs, also adding "intelligence" to any third-party sensor technology. A key benefit is that the customer may often retain existing systems and we would integrate these into an overall solution.

Key praesidium® Modules (1):

Module Name	Description
Adm	Tracks objects and filters images.
BoatTrackandDetect	Detects the movement of a boat using a fixed camera then uses a Pan-Tilt-Zoom (“PTZ”) camera to follow it.
C3 / C2 (CII.dll)	Human tracking module.
FodDraw -Legacy	Draws ellipses around points identified by the Foreign Object Detection (“FOD”) engine.
GFAG	The Automated Pantograph Inspection System (APiS™) incorporating praesidium® intelligent video analytics automatically captures, inspects and processes real time images from trains passing one of three inspection points. Cameras mounted above the track capture high-resolution digital images of all pantographs. At the same time, an RFID reader captures the unique car number from the passing railcar by reading an RFID tag mounted on the top of each car. Each pantograph image and corresponding car number are bundled, transmitted to the RVSPRO™ digital server, and stored in the provided SQL database as a single record. The captured images are sorted automatically to show the most recent pantographs for each car and potential defects for each pantograph.
Gudm – Legacy	Encompasses the various detection modules.
IpPTZ	Current PTZ control module – controls both serial and IP PTZ cameras.
LaserCapture	Sub component of the Rail Inspection Portal (rip™) module – captures video frame for open door and hatch as directed by lasertech.
LaserTech	rip™ module – orchestrates open door, open hatch detections, car separations. Interface for the lasers, AEI reader and the VIEW/Gatekeeper system.
LiveStitch	rip™ module – creates panorama tiles for side and top view.
PTZ	Legacy PTZ control.
Stitcher	rip™ module – legacy – similar to LiveStitch.
Stitcher2	rip™ module – legacy – similar to LiveStitch.
TrainDetection	The role of the train detection module is to detect the presence/absence of a train within a predefined zone.
TRIDS	rip™ module – train rider detection.
VideoCheck	Checks the integrity of a video feed. It checks for FPS.
WrongWay	Detects the direction of a train/human and alarms if the direction is opposite of the allowed direction.
WWII	Legacy – WrongWay detection.
ZoneOccup	Detects the presence/absence of an object within a predefined zone.
AMS.exe	This module receives input from multiple sensors and detection modules. The sensors range from emergency communication (“EMCOM”) buttons, fire alarm panels, Ethertrak devices, power distribution units (“PDU”s), web relays and video analytics modules attached to praesidium®. AMS is also used as a distributed alarm manager, aggregating detection signals from multiple servers and reporting them to v centraco®. Alarms and detections can be suppressed or enabled by a scheduling system that is controlled via AMS. A portion of centraco®’s auto check functionality is provided by AMS in that it has a built-in data server that gathers statistics on the operation / status of itself and praesidium®.
TrainInspect.exe	This module is integral to the rip™ back end processing. This module orchestrates the conversion of images from the vue™/Gatekeeper systems, imports train information into the MySQL database and locates the appropriate reference image for the current railcar for the FOD engine (Foreign Object Detection).
FODEngine.exe	This module works in concert with the TrainInspect.exe to calculate the difference between the current and reference images for railcars.
GIGEApp.exe	High speed machine vision camera control module. This module is a device driver level module that captures high shutter speed / high frame rate camera images. The frame rates range from 112fps to 380fps for some camera models.
VueLiveStitch.exe	High speed stitching module. Works with the output of the GIGEApp.exe to produce panorama images for the Vehicle Undercarriage Examiner (vue™) system.
P2 Engine	New generation of praesidium® core engine designed to increase stability and efficiency by sandboxing each module in its own process. P2 comes in 32 and 64-bit versions and it is completely backwards compatible with legacy praesidium® modules.

P2 SDK	Development toolkit for P2 engine enabling effortless creation of new modules within the framework.

(1) Not a complete representation of the praesidium® modules.

As listed on the Safetyact.gov website, the praesidium® video analytics technology has received “Safety Act” designation from the US Department of Homeland Security. We are one of only ten companies to have received this designation for video related solutions and praesidium® is the only video analytics application with this designation.

Over the years, our proprietary analytics suite has been expanded to meet a significant number of security objectives and environments, adaptable to a broad range of critical infrastructure target verticals, including but not limited to, commercial transportation (rail, air and seaports), retail, healthcare, utilities, oil, gas, chemical and government.

centraco® Enterprise Command and Control Suite

centraco® is an Enterprise Information Management (EIM) system. It was designed as a multi-layered command and control interface and to function as the central point and aggregator for information consolidation, connectivity and communications. The platform is browser based and completely agnostic to the interconnected sub-systems. It provides full LDAP (Lightweight Directory Access Protocol, also known as Active Directory) integration for seamless user credentialing and performs the following major functions:

- **Collection**: Device management independently collects data from any number of disparate devices or sub-systems.
- **Analysis**: Correlates and analyzes data, events and alarms to identify real-time situations and their priorities for response measures and end-user’s Concept of Operations (“CONOPS”).
- **Verification**: The contextual layer represents relevant information in a quick and easily interpreted format which provides operators optimal situational awareness.
- **Resolution**: Event-specific presentation of user-defined Standard Operating Procedures (“SOPs”), that includes step-by-step instructions on how to resolve situations.
- **Reporting**: Tracking of data and events for statistical, pattern and/or forensic analysis.
- **Auditing**: Device-level drill down that records each operator’s login interaction with the system and tracks manual changes including calculations of operator alertness and reaction time for each event.

Engineered Solutions

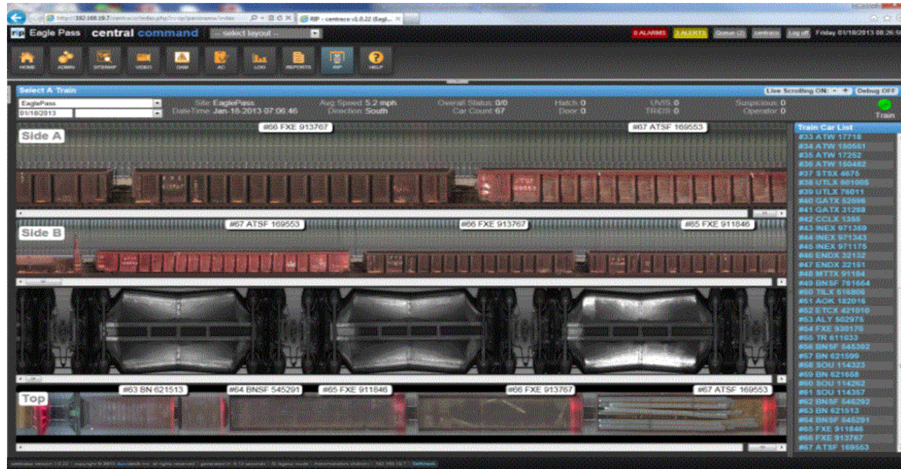
The Company has always delivered engineered solutions which translate into the ability to implement a practical solution to specific customer requirements. Often, software is developed where implementation is the responsibility of the customer. We believe that delivering and supporting turnkey working systems that provide measurable end solutions are the preferred business model for our customers. We also believe that any implementation must co-exist in an already functioning operation and that any solution must work within existing business practices. Due to this philosophy, over time, our code base has been expanded to integrate a myriad of third-party sensor technologies thereby creating complete engineered solutions that dovetail into existing environments and thus not forcing our customers to replace working legacy systems. These engineered solutions usually address more complex end-user requirements and are typically designed, developed, deployed and maintained by the Company in a direct relationship with the end-user on a turnkey basis.

The combination of our two platforms (praesidium® and centraco®), with its many variants, has and continues to deliver comprehensive “end-to-end” solutions, some of which already play a significant role in pro-active homeland security including cross border commercial rail transport.

More recently, we created several proprietary, turnkey systems and applications for commercial railways, the most significant being the following:

Intelligent Rail Inspection Portal (rip™). This turnkey system was originally designed for rail security and inspection at rail border crossings. Under a Union Pacific (UP) funded pilot program the Company designed, developed and deployed an intelligent inspection portal to provide the CBP a tool that aids customs officers in the inspection of inbound and outbound railcars. The rip™ system uses multiple proprietary technologies and sub-systems to remotely scan all railcars passing through the inspection portal, then displays stitched 360-degree views of the entire rail “consist”.

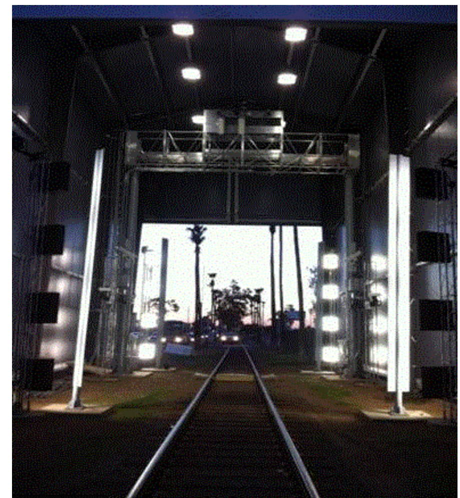
Users conduct a quick review of the pre-screened imagery and decide whether to refer specific areas of interest to field personnel for further (physical) inspection.



Panoramic View of Stitched Train Consists – Security Application

Using sensors and analytical algorithms, we pre-screen railcars and automatically detect and report anomalies and deviations from established norms. After successfully passing rigorous testing this system has now been adopted into the CBP standard concept of operation for southwestern rail border crossings and has been deployed at southwestern border locations, with a few remaining locations currently under negotiation. Similar systems have been deployed to two (undisclosed) locations in Mexico and are currently monitored by the Mexican subsidiary of Kansas City Southern (KCS).

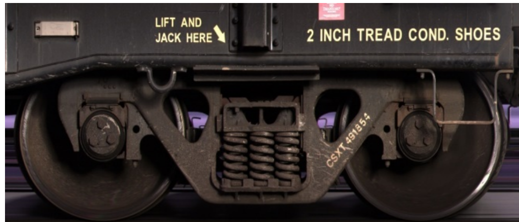
Subsequent to the completion of this security-centric application, we recently completed our next generation system expansion which addresses automation of the mechanical inspection for rolling stock, capable of adjusting to variable speeds of up to 70 MPH. Our comprehensive Intelligent Rail Inspection Portal incorporates our proprietary Vehicle Undercarriage Examiner (vue™), in addition to other technologies, and is considered to be a "game changer" for the rail industry. Utilizing centraco® as the system interface, the user accesses a variety of features enabling remote inspection, analysis and detection from the safety of remote command centers. Images containing detailed views of areas of concern, determined to be "potentially suspicious", are automatically presented to a human operator for further inspection.



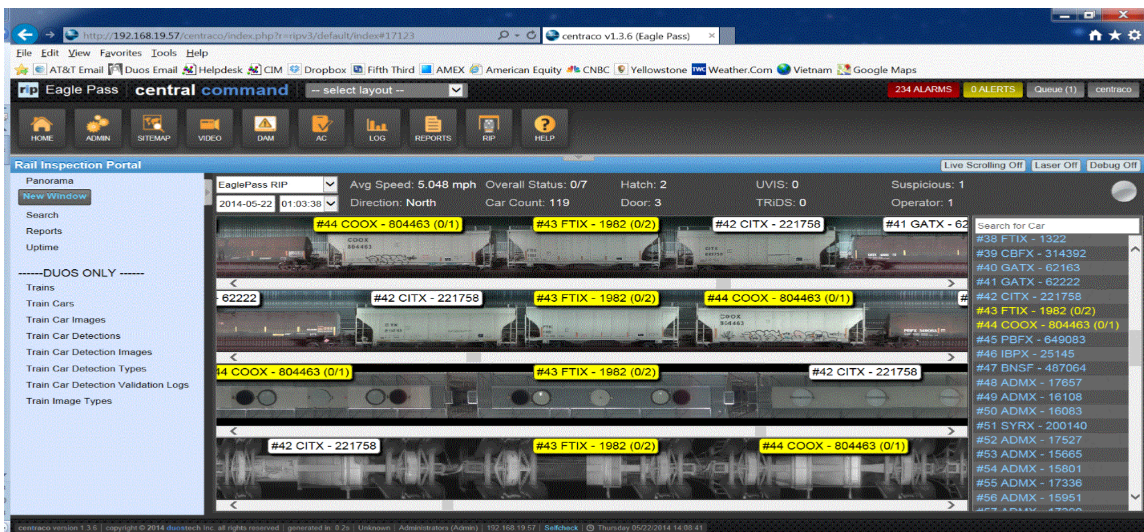
Rail Inspection Portal

Ultra-High Definition Undercarriage Image at 46 MPH

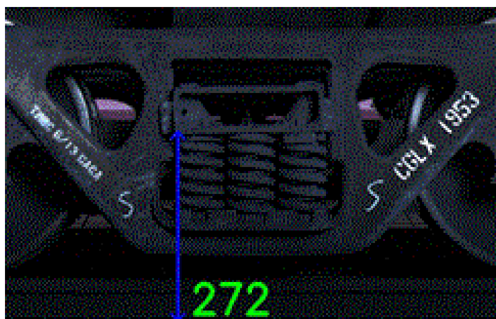
Illegal Riders Hiding in a Rail Hopper Car. Detected Automatically at Speed of 46 MPH

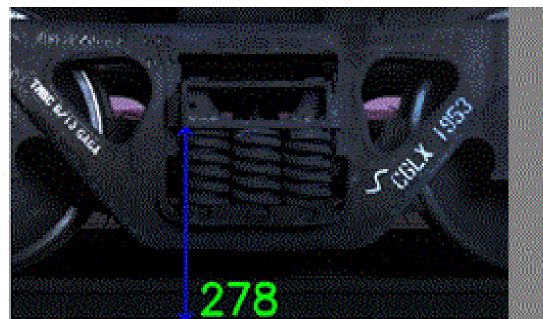


Rail Car Truck-Live Image Taken at High Speed

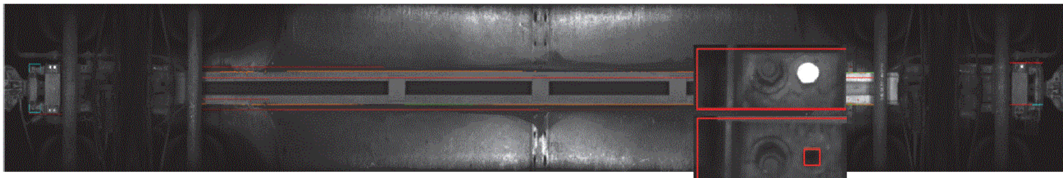


Modified Application for Remote Mechanical Inspection at High Speed





Truck Springs Geometry – Simultaneously Measured on Opposing Sides of Car at High Speed



Automatic Detection of Missing Bolt at High Speed

The development and field-testing of the core application was completed successfully during the third quarter of the 2016 fiscal year. After an extensive Request for Proposal ("RFP") process, we received a contract award in early 2016 to deploy our technology at a live site from CSX Transportation, one of North America's Class I railroads. The award is considered to be a "real-time test run" in anticipation of adapting our technology as a process standard. We received a similar award from Ferromex, Mexico's largest rail operator mid-year 2016. Both systems have recently been completed, delivered, and are currently undergoing live testing.

At the present time, our rip™ application provides the following modules for automated analysis, detection and inspection:

- Linear Panorama Generator;
- Automated Detection of Open Doors;
- Automated Detection of Open/Missing Hatches;
- Train Rider Detection System (trids™);
- Under Vehicle Inspection with Foreign Object Detection (vue™);
- Gondola Car Inspection System;
- Pantograph Inspection System (apis™); and
- 3D modeling using LIDAR technology for Transit platform intrusion detection (under development).

Utilizing the centraco® command and control platform as the system interface, the user accesses a variety of features enabling remote inspection, analysis and detection from the safety of remote command centers. Images containing detailed views of areas of concern, determined to be "potentially suspicious", are automatically presented to a human operator for further inspection. Users conduct a quick review of the pre-screened imagery and decide whether to refer specific areas of interest to field personnel for further (physical) inspection and/or repair.

The system also resolves the particularly difficult process of inspecting railcar undercarriages by providing high resolution images of the entire undercarriage. The system is designed to help streamline the physical inspection process by narrowing the number of inspection targets down to cars with "potential" anomalies. Consequently, the detection sensitivity is intentionally set to err on the safe side to avoid false negatives. Our customers are in the process of awarding the development of a significant number of detection algorithms, which combined with our Inspection Portal technology, will eventually facilitate full automation of the mechanical inspection process. We believe to be well positioned to capture a significant portion of this phase of the automation process.

We are currently in the process of adapting our inspection portal technology to the retail industry and have recently deployed a prototype for Kohl's to automate in and outbound traffic controls at their distribution centers. A respective pilot project was completed in early 2018.

We recently received an award from the NYCT to develop a pilot system using our intelligent technology to automatically detect intrusions to their passenger platform tracks. NYCT plans to deploy technology to their 470+ transit stations to minimize derailments caused by objects falling onto their tracks. We are in the process of developing and testing a multi-layered detection system with the initial test completed in 3rd quarter of 2018. The system has undergone some technical revisions since the initial test and further testing is ongoing and will continue through 2019.

IT Asset Management

Our IT Asset Management (ITAM) division is dedicated to the mission of developing, marketing and delivering software and professional services to the world's largest data centers. The focus of its technology and knowledgebase evolved out of our core strength in collecting and analyzing data on assets resident within these large data centers. Over the next three years, the Company plans to further develop its software and service offerings, and market these solutions for the growing ITAM market place either as a standalone asset management solution or in conjunction with a comprehensive Datacenter Infrastructure Management (DCIM) solution from other vendors.

Using proprietary patented methodology, the Company surveys and audits large data centers by physically identifying each piece of equipment and its location. By scanning all devices into our proprietary system and providing the client with a report detailing type, quantity and location of its IT assets, (racks, servers, network cards, power supplies, etc.), this system/service provides our clients with the ability to verify their own internal records.

In line with the Company's philosophy of integration with existing systems, the design of our process methodology and related software mean that we are able to work with almost any other DCIM provider. Specifically, the Company will focus on the asset management requirements of our clients and partners within specific geographic locations that will allow the Company to balance its investment requirements with income potential to develop a sustainable business in this division. The Company has selected this specific application of its technology to seek revenue opportunities that are readily available in an identified market. We generate profits from this division by maintaining a low level of "bench" staff and hire independent consultants as we are awarded business opportunities. The Company is currently developing a new ITAM system which is was released in the second quarter of 2018. We expect that this will generate revenues from software sales and maintenance starting in 2019.

Specific Areas Of Competition

Since inception, we have implemented a strategy of diversification to mitigate the potential vulnerabilities experienced by companies with a narrow business scope. We believe many public companies in the micro- and nano-cap ecosystem suffer major challenges due to their lack of diversification, and their single product strategy has made many of these companies irrelevant in the market place.

During the past several years, we have made considerable investments in, and have successfully developed, our two core technology platforms, praesidium® and centraco®.

praesidium® is an open architecture, modular engine that manages an unlimited number of "back end" process and analytics frameworks. In addition to driving our own proprietary sensor and data analytics, this core technology also allows for the integration of an unlimited number of third-party technologies, systems and sub-systems. Third-party industry or task-specific processes are modularized and embedded into the praesidium® engine, thereby substantially expanding the functionality of such third-party system. While we believe most companies tailor their products and services to a specific industry, this core platform is "industry agnostic" which we believe will allow us to penetrate multiple industries. Our past and current concentration on specific target markets such as rail, retail, healthcare, utilities, chemical, gas, oil and government has enabled us to test the markets with our innovative technology solutions. Our praesidium® platform competes currently with the following sector specific companies:

Intelligent Video Analytics
Security
Agent Video Intelligence Ltd. Agent VI (Israel)
Robert Bosch GmbH, Germany
SightLogix, Inc.
IntelliVision Technologies Corp (USA)
Avigilon Corporation (Video IQ)

Rail Inspection Portal	
Mechanical	**Security**
Trimble Inc. (Acquired Beena Vision Systems Inc.)	No direct competition at this time (1)
Lynx Engineering Consultants Pty Ltd (LYNXRAIL) - Australia (Tracks, wheels and wayside only)	Beena Vision (development stage, just entering the market place)
KLD Labs Inc. (Tracks, wheels and wayside only)	
MERMEC S.p.A - Italy Tracks, wheels and wayside only)	

(1) We believe we are the first to develop the concept of an intelligent rail inspection portal used for comprehensive inspection of security threads and at this time we are unaware of any competitor in this sector. Recently, the AAR, through its technology research subsidiary TTCI, has engaged us to adapt our security portal technology to an automated mechanical inspection system. We are currently in stage 2 of 3 of this development. We believe our potential competitors in this area are currently focusing chiefly on the inspection of wheels, bearings, breaks and track alignment. We expect that any competitor interested in expanding their inspection technologies to the ones we have developed over the past four years would require at least 2-3 years of research and development before being able to produce similar systems for real time testing. We believe the testing cycle will take at least an additional 1-2 years for potential competition. The AAR/TTCI is currently conducting beta testing only with our systems. Similarly, the CBP (US Customs and Border Protection) and Union Pacific Railroad are using our systems as their only security inspection infrastructure at the US border.

centraco® is an open architecture aggregator and "fusion" engine which functions as a comprehensive "front end" user interface. This framework combines our proprietary modules with an unlimited number of 3d-party technologies. In addition to a wide range of proprietary embedded features, such as video management (VMS), alarm management (AMS), LDAP network access credentialing and many more, centraco® intelligently manages unlimited types of data sources and allows control and monitoring of this wide array of sensors and data from a single unified interface. This platform includes both the traditional Physical Security Information Management (PSIM) systems, as well as, a full-scale Enterprise Information Management System (EIMS). We believe we are at an advantage because none of our competitors' product offerings include both PSIM and EIMS, nor do any of the competing products allow for the integration of embedded engineered solutions. Our competitors in this area include:

PSIM	
· Qognify (Formerly NICE)	· CNL
· VidSys	· Proximex
· IDV/Everbridge	· Axxon

We believe the PSIM market is rapidly expanding and we expect that capability requirements will substantially increase. Companies increasingly require expanded capabilities to justify the investment in their digital infrastructure for use by multiple corporate disciplines (security, building management, IT and network access control management).

Our Growth Strategy

Our strategy is to grow our business through a combination of organic growth of our applications and technology solutions, both within our existing geographic reach and through geographic expansion, as well as expansion through strategic acquisitions.

Organic Growth

Our organic growth strategy is to increase our market share through the expansion of our business development team and our research and development talent pool, which will enable us to significantly expand our current solution offerings with feature rich applications, and the development of new and enhanced technology solutions. We plan to augment such growth with strategic relationships both in the business development and research development arenas, reducing time to market with additional industry applications, expansion of existing offerings to meet customer requirements, as well as, potential geographical expansion into international territories.

Strategic Acquisitions

Planned acquisition targets include sector specific technology companies with the objective of augmenting our current capabilities with feature-rich (third-party) solutions. The decision-making process includes, but is not limited to, weighing time, effort and approximate cost to develop certain technologies in-house, versus acquiring or merging with one or more entities that we believe have a proven record of successfully developing a technology sub-component. Additional criteria include evaluating the potential acquisition target's customer base, stage of technology and merger or acquisition cost as compared to market conditions.

Manufacturing and Assembly

The Company streamlines its manufacturing by outsourcing component manufacturing to qualified fabricators. On-site installations are performed using a combination of in-house project managers/engineers and specialist sub-contractors as necessary. We maintain responsibility for the system implementation, servicing and tech support for our solutions. Our internal manufacturing operations consist primarily of materials procurement, assembly, testing and quality control of our engineers. If not manufactured internally, we generally rely on third party manufacturing partners to produce our hardware related components and hardware products and we may involve our internal manufacturing operations in the final assembly, testing and quality control processes for these components and products. We distribute most of our hardware products either from our facilities or partner facilities. 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 or such sources are readily available.

Research and Development

The Company's research and development team designs and develops all its systems and software applications. We develop the majority of our products internally. Internal development allows us to maintain technical control over the design and development of our products. We have several United States and foreign patents and patent-pending applications that relate to various aspects of our products and technology. 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 significant resources to research and development efforts, including software development, to maintain and improve our current product and services offerings.

Government Regulations

The Company has been working with various agencies of the federal government for more than 10-years including the Department of Homeland Security ("DHS"). Our video analytics are DHS Safety Act certified, and our staff is Chemical Facility Anti-Terrorism Standards (CFATS) certified. The Company's Homeland Security solutions include sophisticated remote systems that combine and synchronize a myriad of sensing technologies, wireless communications, and innovative intelligent sensor applications.

Intellectual Property

Our business is significantly based on the creation, acquisition, use and protection of intellectual property. Some of this intellectual property is in the form of software code, patented technology and trade secrets that we use to develop our technologies, solutions and products. We have developed a broad portfolio of intellectual property that covers our application software as well as the sensor and data acquisition process of our security and inspection analytics platforms. As of December 31, 2017, we have 9 patents and 20 trademarks issued or registered by the United States Patent and Trademark Office (USPTO) and we have 2 pending patent applications with the USPTO.

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 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.

In addition to these contractual arrangements, we also rely on a combination of trade secret, copyright, trademark, trade dress, domain name and patents to protect our products and other intellectual property. We typically own the copyright to our software code, as well as the brand or title name trademark under which our products are marketed. We pursue the registration of our domain names, trademarks, and service marks in the United States and in locations outside the United States.

As discussed in the risk factors section herein, we may face allegations by third parties, including our competitors and non-practicing entities, that we have infringed their trademarks, copyrights, patents and other intellectual property rights.

Properties

At this time, we do not own any real property. The Company has an operating lease agreement for office space of approximately 8,308 square feet located in Jacksonville, Florida. On March 8, 2016, the current lease was amended commencing on May 1, 2016 and ending on October 31, 2021. Rental expense for the months of March 2016 through May 2016 were $0, followed by monthly rent of $14,816 (including operating cost and taxes) effective the month of June 2016. The rent is subject to an annual escalation of 3%, beginning May 1, 2017.

On June 1, 2018, opened its new engineering and operations center. The facility will house the Company's rapidly growing engineering and operations teams and will be used predominantly for testing Duos' proprietary intelligent technologies and sub-systems. The facility will contain both offices and an assembly area for the pre-staging of projects designed for clients prior to field deployment.

Rental expense for the office lease during 2017 and 2016 was $174,878 and $171,513, respectively.

Our leased space is utilized for office purposes and it us our belief that the space is adequate for our immediate needs. Additional space may be required as we expand our business activities. We do not foresee any significant difficulties in obtaining additional facilities if deemed necessary.

Legal Proceedings

On July 12, 2018 the Company filed an action against one of the Company's vendors (the "Vendor"). The Vendor supplied a component that was subsequently determined by the Company's engineering staff to not meet the stated criteria for implementation and did not meet the Vendor's own stated technical specifications. Attempts to resolve the situation with the Vendor directly were not successful. On January 15, 2019, the Company elected to not pursue the case further due to cost of legal proceedings versus the likely recovery. Both companies have dismissed the claims against each other and the matter is now closed.

Other than the matter described above, to the best of management knowledge, there is no other action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Employees

We have a current staff of 50 employees, none of which are subject to a collective bargaining agreement.

DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES

The following is a list of our executive officers and directors. All directors serve one-year terms or until each of their successors are duly qualified and elected or his earlier resignation, removal or disqualification. The officers of the Company are elected by the Board.

Name	Age	Position
Gianni B. Arcaini	69	Chairman, Chief Executive Officer, President
Adrian G. Goldfarb	60	Chief Financial Officer, Executive Vice President, Director
Connie L. Weeks	60	Chief Accounting Officer, Executive Vice President
Alfred J. (Fred) Mulder[1]	74	Director
Blair M. Fonda[2]	52	Director

(1) Chairman of the Compensation Committee and member of the Audit Committee.
(2) Chairman of the Audit Committee and member of the Compensation Committee

Gianni B. Arcaini, Chairman, Chief Executive Officer and President

Mr. Arcaini, has been the Chairman of the Board, Chief Executive Officer and President since April 1, 2015, and held the same positions with our subsidiary, Duos Technologies, Inc. since 2002. Prior to his involvement with Environmental Capital Holdings, Inc., a predecessor of the Company, Mr. Arcaini spent over 10 years in various executive capacities with Robex International, a joint venture of Royal Volker Stevin, Royal Bijenkorf and the Westland Utrecht Bank, ultimately acquiring the Robex International in a management buyout after having expanded its operations into the United States.

Mr. Arcaini completed his early education at a Jesuit Boarding school in Austria and Germany, and graduated from a state business school in Frankfurt, Germany. He is fluent in German, Dutch, Italian, Spanish and English.

The Board believes Mr. Arcaini has significant experience in the Company's industry, a deep knowledge of our business and customers and contributes a perspective based on his many years of involvement with our company which will be of great value to the Company as it grows. Mr. Arcaini is also the visionary leader of the Company and is personally involved in creating the initial design of our technologies prior to implementation by our research and development teams.

Adrian G. Goldfarb, Chief Financial Officer, Executive Vice President and Director

Mr. Goldfarb has served as a Director since April 2010. Effective July 1, 2012, he was appointed as President and Chief Financial Officer of Information Systems Associates, Inc., which merged with Duos Technologies, Inc in April 2015 upon which he agreed to continue serving the merged company, Duos Technologies Group, Inc., as Chief Financial Officer and Director. Mr. Goldfarb also currently serves as a non-Executive Chairman of Gelstat Corporation, a public company engaged in the development, manufacturing and marketing of homeopathic and natural supplements. Mr. Goldfarb is a 35-year technology industry veteran including more than 25 years in information technology. Mr. Goldfarb graduated "cum laude" with a business degree specializing in Finance from Rutgers University, Newark, NJ.

The Board believes Mr. Goldfarb's significant experience in financial stewardship of small public companies will be of great value to the Company as it grows.

Connie L. Weeks, Chief Accounting Officer, Executive Vice President

Ms. Weeks has over 35 years of accounting experience and is responsible for all aspects of financial reporting, internal controls, and cash management. She has been a key member of the Company for over 30 years and now serves as Chief Accounting Officer, Executive Vice President.

Noel Heiks

President, Chief Operating Officer | Operating Subsidiary

Ms. Heiks is a technology entrepreneur and a C-Level executive with a career spanning over twenty years in both operational and business development roles. Her science, technology and engineering backgrounds are a valuable combination to effectively lead our business development, engineering and operations teams. She has worked within government and commercial organizations and is proficient in driving business growth through direct customer relations with large organizations. She has a Bachelors degree in Physics, and a Masters in Electrical Engineering from Virginia Tech and authored a thesis in Computer Vision.

David Ponevac, Senior Vice President, Chief Technology Officer of Operating Subsidiary Duos Technologies, Inc.

Mr. Ponevac brings 14 years of software engineering experience, concentrating on web and mobile environments, where he has leveraged his considerable expertise in Objective-C, Java, C#, PHP and many other scripting languages. Mr. Ponevac began his tenure at DTI as the Director of Front-end Application Development, where his successes led to being appointed Chief Architect of centraco®, the Company's flagship customer facing software suite.

Alfred J. (Fred) Mulder, Director

Mr. Mulder was appointed as a Director on April 1, 2015 and serves as both the Chairman of the Compensation Committee and member of the Audit Committee. From June 2006 to April 2015, he served as a Director with our subsidiary Duos Inc. He is an independent consultant (M&A / Corporate Finance) and investor in various companies in the USA and Europe, including DTI. Between 2001 and 2013, Mr. Mulder served as Executive Chairman of the Board of LBI International N.V. and from 2009 until 2014 as non-executive member of the board of W.P. Stewart in New York. He also serves as Chairman of the Investment Committee of Nethave N.V. (ICT Technology), Berghave N.V. (Turnaround/reshaping funding) and the Pension Fund of Radio Holland N.V. In 1993, Mr. Mulder was co-founder and became Chairman and Managing Director of Greenfield Capital Partners N.V., an independent private equity and corporate finance group headquartered in The Netherlands. From 1981 to 1993, he held positions of Managing Director, Chief Executive Officer of Transmark Holding B.V. and Managing Director of Pon Holdings B.V. and subsequently was a non-executive board member of companies such as HAL Investments N.V. (the holding company of Holland America Line), Pon Holdings B.V., and Transmark Holding B.V., Meulenhoff en Co N.V., SAIT Radio Holland SA, Lacis Communication N.V., Meijn Processing Industrie B.V., and CapCorp Investments N.V.

Mr. Mulder obtained his PMD in 1973 from the Harvard Business School, with special emphasis on Marketing and Corporate Strategy.

The Board believes Mr. Mulder's extensive background in international business will allow him to assist the Company as it grows. Mr. Mulder serves as a liaison with the Company's European based shareholders.

Blair M. Fonda, Director

Mr. Fonda was appointed as a Director on May 3, 2017 and serves as Chairman of the Audit Committee and a member of the Compensation Committee. Since 2013, Mr. Blair Fonda has served as the Chief Financial Officer of Emergent Financial Partners ("EFP"). EFP is an accounting and consulting services firm which offers financial consulting services to businesses and organizations throughout the United States and the Caribbean Islands. From 2013 to 2016, Mr. Fonda was contracted through EFP to serve as the outside Chief Financial Officer of Mountainstar Capital Engagement, a private equity and commercial real estate company. From 2007 to 2013, Mr. Fonda served as the Vice President and Controller of the Hospitality Division of Gate Petroleum, an owner and operator of convenience stores, resorts, construction and real estate operations throughout the United States. Mr. Fonda has previously served as Controller for Enterprise Rent-a-Car. Mr. Fonda is a Certified Public Accountant (CPA).

The Board believes that Mr. Fonda's education and background qualify him as a financial expert. He has extensive and directly applicable accounting experience qualifying him to serve as Chairman of the Audit Committee.

Family Relationships

There are no family relationships among any of our directors or executive officers.

Board Committees

We have established an audit committee and a compensation committee. Each committee has its own charter. Each of the board committees has the composition and responsibilities described below.

Audit Committee

Our Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act of 1934, as amended (the "Exchange Act"). Blair M. Fonda is a member of the Audit Committee and serves as its Chairman. Alfred J. (Fred) Mulder is a member of the Audit Committee. Both Mr. Fonda and Mr. Mulder are "independent" within the meaning of Rule 10A-3 under the Exchange Act and the NASDAQ Stock Market Rules. Our board has determined Mr. Fonda is an "audit committee financial expert", as such term is defined in Item 407(d)(5) of Regulation S-K.

The Audit Committee oversees our accounting and financial reporting processes and oversee the audit of our financial statements and the effectiveness of our internal control over financial reporting. The specific functions of this Committee include, but are not limited to:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of reports from such firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;
- discussing our risk management policies;
- establishing policies regarding hiring employees from the independent registered public accounting firm and procedures for the receipt and retention of accounting related complaints and concerns;
- meeting independently with our independent registered public accounting firm and management;
- reviewing and approving or ratifying any related person transactions; and
- preparing the audit committee report required by SEC rules.

Compensation Committee

Alfred J. (Fred) Mulder is a member of the Compensation Committee and serves as Chairman. Mr. Mulder is "independent" within the meaning of the NASDAQ Stock Market Rules. Mr. Mulder qualifies as a "non-employee director" under Rule 16b-3 of the Exchange Act. Our Compensation Committee assists the board of directors in the discharge of its responsibilities relating to the compensation of the board of directors and our executive officers. Mr. Fonda also serves as a member of the Compensation Committee.

The Committee's compensation-related responsibilities include, but are not limited to:

- reviewing and approving on an annual basis the corporate goals and objectives with respect to compensation for our Chief Executive Officer;
- reviewing, approving and recommending to our board of directors on an annual basis the evaluation process and compensation structure for our other executive officers;
- determining the need for and the appropriateness of employment agreements and change in control agreements for each of our executive officers and any other officers recommended by the Chief Executive Officer or board of directors;
- providing oversight of management's decisions concerning the performance and compensation of other company officers, employees, consultants and advisors;
- reviewing our incentive compensation and other equity-based plans and recommending changes in such plans to our board of directors as needed, and exercising all the authority of our board of directors with respect to the administration of such plans;
- reviewing and recommending to our board of directors the compensation of independent directors, including incentive and equity-based compensation; and
- selecting, retaining and terminating such compensation consultants, outside counsel or other advisors as it deems necessary or appropriate.

Nominating and Corporate Governance Committee

We do not currently have a standing Nominating and Corporate Governance Committee. The Board intends to form a Nominating and Corporate Governance Committee in the near future. Each such member of the committee will be "independent" within the meaning of the NASDAQ Stock Market Rules. The purpose of the Nominating and Corporate Governance Committee will be to recommend to the board nominees for election as directors and persons to be elected to fill any vacancies on the board, develop and recommend a set of corporate governance principles and oversee the performance of the Board.

It is anticipated that the Committee's responsibilities include:

- recommending to the board of director's nominees for election as directors at any meeting of stockholders and nominees to fill vacancies on the board;
- considering candidates proposed by stockholders in accordance with the requirements in the Committee charter;
- overseeing the administration of the Company's Code of Ethics;
- reviewing with the entire board of directors, on an annual basis, the requisite skills and criteria for board candidates and the composition of the board as a whole;
- the authority to retain search firms to assist in identifying board candidates, approve the terms of the search firm's engagement, and cause the Company to pay the engaged search firm's engagement fee;
- recommending to the board of directors on an annual basis the directors to be appointed to each committee of the board of directors;
- overseeing an annual self-evaluation of the board of directors and its committees to determine whether it and its committees are functioning effectively; and
- developing and recommending to the board a set of corporate governance guidelines applicable to the Company.

EXECUTIVE COMPENSATION

The following table sets forth the total compensation received for services rendered in all capacities to our Company for the last two fiscal years, which was awarded to, earned by, or paid to our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer (the "Named Executive Officers").

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock ($)	Other Comp. ($)	Total ($)
Gianni B. Arcaini, Chairman of the Board, Chief Executive Officer, President, Director	2017 2016	226,600 226,600	38,846(1) 61,000(1)		26,895(2) 26,895(2)	292,341 314,495
Adrian G. Goldfarb, Chief Financial Officer, EVP, Director	2017 2016	152,083 142,500	—	—	—	152,083 142,500
Connie L. Weeks, Chief Accounting Officer, EVP	2017 2016	120,000 115,000	—	—	—	120,000 115,000

(1) Represents an amount equal to 1% of annual revenues to which Mr. Arcaini is entitled under the terms of his employment, which was deferred until the company had sufficient working capital to pay this amount. Since 2008, in an effort to conserve cash flow, all amounts payable to Mr. Arcaini in respect of this entry were deferred and as of July 17, 2017, the aggregate deferred amount owed was $700,543 including accrued interest. In connection with the Company's financing on November 24, 2017, the lead investor required that Mr. Arcaini forego this amount and receive restricted stock under the deal valued at $350,272. The equity is subject to a one-year restriction on re-sale pursuant to a lock-up agreement.

(2) Comprised of $18,000 per annum car allowance, $2,741 and $6,154 in Company paid membership dues and subscriptions, respectively.

Outstanding Equity Awards at December 31, 2017

There were no outstanding equity awards to any of our Named Executive Officers during the year ended December 31, 2017.

2016 Equity Plan

On March 11, 2016, the Board adopted, subject to the receipt of stockholder approval which was received on April 21, 2016, the 2016 Equity Incentive Plan (the "2016 Plan") providing for the issuance of up to 228.572 shares of our common stock. The plan was subsequently modified with shareholder approval on January 18, 2018 to increase the total maximum amount issuable under the plan to 2,500,000. The purpose of the 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 stockholders. As of March 8, 2018, 2,443,333 have been approved for issuance under the 2016 Plan. In April of 2018, the Company issued 2,242,000 stock options to Employees and Directors.

Administration

The 2016 Plan is administered by the Compensation Committee of the Board, which currently consists of two 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 2016 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 2016 Plan. Notwithstanding the foregoing, the compensation committee does not have any authority to grant or modify an award under the 2016 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 2016 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 have reserved a total of 228,572 shares of common stock for issuance as or under awards to be made under the 2016 Plan. 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 2016 Plan.

Currently, there are sixteen identified employees (including three executive officers and directors), three non-employee directors, and up to twenty other current or future staff members who would be entitled to receive stock options and/or shares of restricted stock under the 2016 Plan. Future new hires and additional non-employee directors and/or consultants would be eligible to participate in the 2016 Plan as well. On March 8, 2018, 2,443,333 options were granted. (see Note 18)

Stock Options

The 2016 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”); the stockholders approved the 2016 Plan at the annual meeting as previously described. 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 our company or a parent or subsidiary of our 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

A 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 2016 Plan. A 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 a 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. A SAR that is not granted in tandem with a stock option is exercisable at such times as the compensation committee may specify.

Performance Shares 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 2016 Plan, and amend, suspend or terminate the 2016 Plan, but no such amendment or termination will be made that materially and adversely impairs the rights of any participant with respect to any award received thereby under the 2016 Plan without the participant's consent, other than amendments that are necessary to permit the granting of awards in compliance with applicable laws. We have attempted to structure the 2016 Plan so that remuneration attributable to stock options and other awards will not be subject to the deduction limitation contained in Code Section 162(m).

Director Compensation

Each independent director is entitled to receive $15,000 per annum for service on our Board in 2017. In addition, Chairmen of committees are awarded an additional $5,000 per annum in compensation in connection with their service in such capacity.

The following table summarizes data concerning the compensation of our non-employee directors for the year ended December 31, 2017.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Blair Fonda (1)	12,917	—	—	—	—	—	12,917
John Giles (2)	0	—	—	—	—	—	0
Joseph Glodek (3)	0	—	—	—	—	—	0
Alfred J. (Fred) Mulder (4)	17,500	—	—	—	—	—	17,500

(1) Blair Fonda was appointed to the board on May 3, 2017 and currently serves as Chairman of the Audit Committee.
(2) John E. Giles was appointed to the board on May 3, 2017. He resigned from his positions on November 28, 2017 and was not awarded any compensation due to serving less than one full year.
(3) Joseph Glodek resigned as a director on January 19, 2017.
(4) Fred Mulder serves as a director and was appointed as Chairman of the Compensation Committee upon the resignation of John Giles.

Employment Agreement with Gianni B. Arcaini

Prior to the effectiveness of the Merger, DTI and Gianni B. Arcaini entered into an employment agreement (the "Arcaini Employment Agreement") dated May 1, 2003, as subsequently amended on February 10, 2004 and February 12, 2007, pursuant to which Mr. Arcaini served as Chief Executive Officer, President and Chairman of DTI. The Arcaini Employment Agreement has continued in effect following the Merger. Under the agreement, Mr. Arcaini is paid an annual salary of $226,600 and a car allowance of $18,000 per annum. In addition, as incentive-based compensation, Mr. Arcaini is entitled to 1% of annual gross revenues of DTI. However, in order to conserve cash flow, since January 2008, Mr. Arcaini has been deferring a part of his compensation and, as of December 31, 2017, such deferred amount including accrued interest totaled an aggregate of $28,669 after foregoing $700,543 in deferred compensation. The Arcaini Employment Agreement had an initial term that extended through April 30, 2006, subject to renewal for successive one-year terms unless either party gives notice of that party's election to not renew to the other at least 60 days prior to the expiration of the then-current term. The Arcaini Employment Agreement remains in effect through December 31, 2019. The Arcaini Employment Agreement contains certain provisions for early termination, which may result in a severance payment equal to one year of base salary then in effect. It is anticipated that Mr. Arcaini's compensation terms will be revisited in the future by the Compensation Committee of the Company's Board.

Potential Payments upon Change of Control or Termination following a Change of Control

Our employment agreement with Mr. Arcaini, our Chief Executive Officer, provides incremental compensation in the event of termination, as described herein. Generally, we currently do not provide any severance specifically upon a change in control nor do we provide for accelerated vesting upon change in control.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of January 17, 2019, our authorized capitalization was 500,000,000 shares of common stock $0.001 par value per share. As of the same date, there are 21,047,734 shares of our common stock issued and outstanding. Our common stock entitles its holder to one vote on each matter submitted to the stockholders.

The following table sets forth, as of January 17, 2019, the number of shares of our common stock owned by (i) each person who is known by us to own of record or beneficially five percent (5%) or more of our outstanding shares, (ii) each of our directors, (iii) each of our executive officers and (iv) all of our directors and executive officers as a group. Unless otherwise indicated, each of the persons listed below has sole voting and investment power with respect to the shares of our common stock beneficially owned. The address of our directors and officers is c/o Duos Technology Group, Inc., at 6622 Southpoint Drive S., Suite 310, Jacksonville, Florida 32216.

Name and Address of Beneficial Owner (1)	Outstanding Common Stock(2)	Percentage of Ownership of Common Stock(3)
5% Beneficial Shareholders		
First Eagle Investment Management (4)	2,930,930	13.95%
Alpha Capital Anstalt	2,063,071	9.62%
Justin W. Keener(5)	2,050,526	9.76%
Orin Hirschman(6)	1,693,779	8.06%
5% Beneficial Shareholders as a Group	**8,738,306**	**41.60%**
Officers and Directors		
Gianni B. Arcaini(7)	2,478,559	10.5%
Adrian G. Goldfarb(8)	337,262	1.6%
Alfred J. (Fred) Mulder(9)	130,892	*%
Blair M. Fonda(10)	126,459	*%
Officers and Directors as a Group (4 persons)	**3,073,172**	**13.3%**

*Denotes less than 1%

(1) Beneficial ownership is determined in accordance with Rule 13D-3(a) of the Exchange Act and generally includes voting or investment power with respect to securities.

(2) The shares in the table have been listed in accordance with 13-G filings made by the individual investors.

(3) The percentages in the table have been calculated based on treating as outstanding for a particular person, all shares of our common stock outstanding on that date and all shares of our common stock issuable to that holder in the event of exercise of outstanding options, warrants, rights or conversion privileges owned by that person at that date which are exercisable within 60 days of that date. Except as otherwise indicated, the persons listed below have sole voting and investment power with respect to all shares of our common stock owned by them, except to the extent that power may be shared with a spouse.

(4) To the best of our knowledge, the organization who hold voting and dispositive control over the shares beneficially owned by First Eagle Investment Management is 21 April Fund, LLC.

(5) Mr. Justin Keener beneficially holds 9.93% of the Company's issued and outstanding Common Stock In addition, to the best of our knowledge, Mr. Keener now also holds (i) warrants to purchase 6,210,526 shares of Common Stock and (ii) 1,125 shares of Series B Convertible Preferred Stock, par value $0.001 per share, convertible into 2,250,000 shares of Common Stock. However, the aggregate number of shares of Common Stock into which the warrants are exercisable and which Mr. Keener has the right to acquire beneficial ownership, and the number of shares of Common Stock into which the Preferred Stock is convertible and which Mr. Keener has the right to acquire beneficial ownership, is limited to the number of shares of Common Stock that, together with all other shares of Common Stock beneficially owned by Mr. Keener, does not exceed 9.99% of the total outstanding shares of Common Stock.

(6) Mr. Orin Hirschman is the managing member of AIGH LP's General Partner and president of AIGH LLC. These 1,693,779 shares beneficially owned by Mr. Hirschman excludes warrants to purchase 2,000,000 shares of common stock not exercisable because the reporting person's beneficial ownership is above 4.99%.

(7) Mr. Arcaini has voting and investment control of the following shares: 700,543 shares of Common Stock, 700,543 warrants to purchase shares of Common Stock with an exercise price of $1.00 per share which are currently exercisable and 705,000 options to purchase Common Stock with an exercise price of $1.00 per share which are currently exercisable; 134,251 shares of Common Stock held in the name of Robex International, Inc., a Florida corporation in which Mr. Arcaini owns 95% and has sole dispositive voting power over such shares; 118,875 shares of Common Stock and 118,875 warrants to purchase Common Stock with an exercise price of $1.00 per share which are currently exercisable; and 300 shares of Common Stock currently held in his wife's name.

(8) Includes 38,542 shares of Common Stock, 34,020 warrants to purchase shares of Common Stock with an exercise price of $1.00 per share which are currently exercisable and 265,000 options to purchase Common Stock with an exercise price of $1.00 per share which are currently exercisable.

(9) Includes 38,142 shares of Common Stock.

(10) Blair Fonda is a Director and serves as Audit Committee Chairman. Includes 6,459 shares of Common Stock and options to purchase 60,000 shares of Common Stock with an exercise price of $1.00 per share which are currently exercisable.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

On August 1, 2012 the Company entered into independent contractor master services agreement (the "Services Agreement") with Luceon, LLC, a Florida company, owned by our Chief Technology Officer, David Ponevac. The Services Agreement provides that Luceon will provide support services including management, coordination or software development services and related services to Duos from time to time.

On January 24, 2016, the wife of the CEO loaned the Company an additional $20,000 at an annual percentage rate of 8% and repayable by the Company when sufficient funds are available. The Company made payment in full on November 27, 2017. The total principal due at December 31, 2017 and 2016 was zero and $56,500, respectively.

On January 28, 2016, the CFO loaned the Company $30,000, accruing interest at 8% per annum which is repayable by the Company when sufficient funds are available. On November 24, 2017, the Company and CFO agreed to convert $30,000 plus the accrued interest balance of $4,020 for 34,020 shares of common stock. At December 31, 2017 and 2016, the outstanding loan balance was zero and $31,973, respectively.

On July 19, 2016, the Company received a $60,000 loan less fees of $75 for a related party loan with proceeds of $59,925 from the Company's CEO. The promissory note carries an annual interest rate of 7.99% with a monthly installment payment of $1,052 through July 19, 2022. As of December 31, 2017 and 2016, the outstanding balance was $48,215 and $56,613, respectively.

In connection with the closing of the Company's Private Offering of common stock and warrants to purchase shares of the Company's common stock on November 24, 2017, (i) Gianni B. Arcaini, the Chief Executive Officer, converted $700,543 of accrued salary into 700,543 shares of the Company's common stock at $1.00 per share and was issued 700,543 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the grant date; and (ii) Adrian G. Goldfarb, the Chief Financial Officer of the Company, converted $34,020 of liabilities into 34,020 shares of the Company's common stock at $1.00 per share and was issued 34,020 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the grant date.

Policy on Future Related Party Transactions

The Company requires that any related party transactions must be approved by a majority of the Company's independent directors.

DESCRIPTION OF CAPITAL STOCK

In the discussion that follows, we have summarized selected provisions of our certificate of incorporation, bylaws and the Florida Business Corporation Act relating to our capital stock. This summary is not complete. This discussion is subject to the relevant provisions of Florida law and is qualified by reference to our certificate of incorporation and our bylaws. You should read the provisions of our certificate of incorporation and our bylaws as currently in effect for provisions that may be important to you.

General

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.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of blank check preferred stock, $0.001 par value per share. The Company has one class of preferred stock currently authorized for issuance.

Series A Convertible Preferred Stock

Effective November 24, 2017, pursuant to the Letter Agreements as discussed in the Recent Developments section herein all shares of Series A Convertible Preferred Stock were redeemed by the Company in connection with the Private Offering. As of the date hereof, there are 0 shares of Series A Convertible Preferred Stock issued and outstanding.

Series B Convertible Preferred Stock

The following summary of certain terms and provisions of our Series B Convertible Preferred Stock (the "Series B Preferred") 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 Preferred Certificate of Designation") filed herewith.

General. Our certificate of incorporation authorizes our board of directors to issue up to 10,000,000 shares of our preferred stock, par value $0.001 per share.

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 has designated 15,000 of the 10,000,000 authorized shares of preferred stock as Series B Convertible Preferred Stock. When issued, the shares of Series B Convertible Preferred Stock will be validly issued, fully paid and non-assessable.

Rank. The Series B Convertible Preferred Stock will rank senior to our common stock to the extent of its liquidation preference of $1,000 per share (the "Stated Value").

Conversion. Each share of the Series B Preferred is convertible into shares of our common stock (subject to adjustment as provided in the related certificate of designation of preferences) at any time at the option of the holder, into that number of shares of common stock determined by dividing the sum of (i) the Stated Value of such shares of Series A Preferred and (ii) the accrued and unpaid dividends per share by the conversion price of $0.50 (the "Conversion Price").

Liquidation Preference. In the event of our liquidation, dissolution or winding up, whether voluntary or involuntary (the "Liquidation Event"), holders of the Series B Preferred then outstanding shall 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 Corporation to the holders of the Common Stock.

Voting Rights. Holders of Series B Preferred will vote on an as converted basis on all matters on which the holders of common stock are entitled to vote. In addition, as long as the Series B Preferred remains outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the then outstanding shares of the Series B Preferred (i) alter or change adversely the powers, preferences or rights given to the Series B Preferred (ii) authorize or create any class of stock ranking as to dividends, redemption or distribution of assets upon a Liquidation Event senior to, or otherwise pari passu with, the Series B Preferred (iii) amend its Articles of Incorporation or other charter documents in any way that may adversely affect any rights of Series A Preferred, (iv) increase the authorized shares of Series B Preferred or (v) enter into any agreement with respect to the foregoing.

Dividends. Each share of Series B Convertible Preferred Stock shall be entitled to receive, except for stock dividends or distributions for which adjustments are to be made pursuant to Section 7 of the Series B Preferred Certificate of Designation, holders of the Series B Preferred shall be entitled to receive, and the Corporation shall pay, dividends on shares of Series B Preferred Stock equal (on an as-if-converted-to-Common-Stock basis (without giving effect to the Beneficial Ownership Limitation)) to and in the same form as dividends actually paid on shares of the Common Stock when, as and if such dividends are paid on shares of the Common Stock. Other than as set forth in the previous sentence, no other dividends shall be paid on shares of Series B Preferred Stock, and the Corporation shall pay no dividends (other than dividends in the form of Common Stock) on shares of the Common Stock unless it simultaneously complies with the previous sentence.

Certain Adjustments. The conversion price of the Series B Convertible Preferred Stock is subject to adjustment upon the occurrence of specific events, including stock dividends, stock splits, combinations and reclassifications of our common stock. Additionally, if the Company sells or issues any shares of Common Stock or Common Stock Equivalents at a price per share less than the Conversion price (a "Lower-Price Issuance") in connection with a financing where one of the purposes is to permit the Company's Common Stock being accepted for listing on a National Securities Exchange, then for a period of 30 days after the Common Stock begins to trade on a National Securities Exchange the Conversion Price shall be reduced to the Lower Price Issuance. After the 30-day period has expired, the Conversion Price shall increase to the level immediately prior to commencement of the 30-day period.

Redemption. The holder has the right to request redemption of the Series A Preferred Stock after a period of 3 years in an amount equal to the Stated Value plus accrued and unpaid dividends.

In connection with this offering, the Company issued 2,830 shares of Series B Convertible Preferred Stock and currently we have 2,830 shares issued and outstanding.

Common Stock

The Company is authorized to issue 500,000,000 shares of common stock, $0.001 par value per share. As of January 17, 2019, the Company has 20,951,371 shares of common stock issued and outstanding.

Each share of common stock shall have one (1) vote per share for all purpose. Our common stock does not provide a preemptive, subscription or conversion rights and there is no redemption or sinking fund provisions or rights. Our common stock holders are not entitled to cumulative voting for purposes of electing members to our board of directors.

Dividends

We have not paid any cash dividends to our shareholders. The declaration of any future cash dividends is at the discretion of our board of directors and depends upon our earnings, if any, our capital requirements and financial position, our general economic conditions, and other pertinent conditions. It is our present intention not to pay any cash dividends in the foreseeable future, but rather to reinvest earnings, if any, in our business operations.

Warrants

As of January 17, 2019, there are warrants outstanding to purchase 25,532,551 shares of our common stock of which no warrants are subject to full ratchet price protection on the exercise price potentially increasing the total number of common shares issuable upon exercise. The warrants are exercisable for a term of five years with an exercise price range of $0.65-$14.00.

Transfer Agent

The transfer agent and registrar for our Common Stock is Continental Stock Transfer & Trust, 1 State Street, 30th Floor, New York, NY 10004-1561.

Florida Anti-Takeover Law and Certain Charter and Bylaw Provisions

Certain provisions of Florida law and our Charter and bylaws could make it more difficult to acquire us by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, may discourage certain types of takeover practices and takeover bids, and encourage persons seeking to acquire control of our company to first negotiate with us. We believe that the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging such proposals because, among other things, negotiation of such proposals could result in an improvement of their terms.

Florida Law

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 FBCA, a publicly held Florida corporation 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), unless:

The transaction is approved by a majority of disinterested directors before the shareholder becomes an interested shareholder;

The interested shareholder has owned at least 80% of the corporation's outstanding voting shares for at least five years preceding the announcement date of any such business combination;

The interested shareholder is the beneficial owner of at least 90% of the outstanding voting shares of the corporation, exclusive of shares acquired directly from the corporation in a transaction not approved by a majority of the disinterested directors; or

The consideration paid to the holders of the corporation's voting stock is at least equal to certain fair price criteria.

An interested shareholder is defined as a person who, together with affiliates and associates, beneficially owns more than 10% 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 FBCA 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.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with accountants on accounting or financial disclosure matters.

INCORPORATION BY REFERENCE

We incorporate by reference all documents subsequently filed by us with the SEC pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934 until all of the securities that may be offered by this prospectus are sold. We are not, however, incorporating by reference any documents or portions thereof, whether specifically listed above or filed in the future, that are not deemed "filed" with the SEC. Any statements contained in this prospectus, in an amendment hereto or in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any subsequently filed document that is also incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We will provide without charge to each person to whom this prospectus is delivered, including any beneficial owner, upon written or oral request of such person, a copy of any or all of the documents that have been or that may be incorporated by reference in this prospectus. Exhibits to the filings will not be sent, however, unless those exhibits have been specifically incorporated by reference in this prospectus.

INTERESTS OF NAMED EXPERTS AND COUNSEL

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the Common Stock was employed on a contingency basis, or had, or is to receive, in connection with the offering, a substantial interest, direct or indirect, in the registrant or any of its parents or subsidiaries. Nor was any such person connected with the registrant or any of its parents or subsidiaries as a promoter, managing or principal underwriter, voting trustee, director, officer, or employee.

Our consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2017 have been audited by Salberg & Company, P.A., an independent registered public accounting firm, as set forth in its report appearing herein and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The validity of the issuance of the Common Stock hereby will be passed upon for us by Lucosky Brookman LLP.

WHERE YOU CAN FIND MORE INFORMATION

We are a reporting company and file annual, quarterly and special reports, and other information with the Securities and Exchange Commission. Copies of the reports and other information may be read and copied at the SEC's Public Reference Room at 100 F Street NE, Washington, D.C. 20549. You can request copies of such documents by writing to the SEC and paying a fee for the copying cost. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site a t *http://*www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

This prospectus is part of a registration statement on Form S-1 that we filed with the SEC. Certain information in the registration statement has been omitted from this prospectus in accordance with the rules and regulations of the SEC. We have also filed exhibits and schedules with the registration statement that are excluded from this prospectus. For further information you may:

- read a copy of the registration statement, including the exhibits and schedules, without charge at the SEC's Public Reference Room; or
- obtain a copy from the SEC upon payment of the fees prescribed by the SEC.

DUOS TECHNOLOGIES GROUP, INC.
INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2017 and 2016	F-3
Consolidated Statements of Operations for the Years Ended December 31, 2017 and 2016	F-5
Consolidated Statements of Changes in Stockholders’ Equity (Deficit) for the Years Ended December 31, 2017 and 2016	F-6
Consolidated Statements of Cash Flows for the Years Ended December 31, 2017 and 2016	F-7
Notes to Consolidated Financial Statements, December 31, 2017 and 2016	F-9
Consolidated Balance Sheets as of September 30, 2018 (Unaudited) and December 31, 2017	F-39
Consolidated Statements of Operations for the Nine Months Ended September 30, 2018 and 2017 (Unaudited)	F-41
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017 (Unaudited)	F-42
Condensed Notes to Consolidated Financial Statements, September 30, 2018 (Unaudited)	F-43

SALBERG & COMPANY, P.A.
Certified Public Accountants and Consultants

Report of Independent Registered Public Accounting Firm

To the Shareholders 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, 2017 and 2016, the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for each of the two years in the period ended December 31, 2017 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, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has a net loss and cash used in operations of $5,152,477 and $3,562,306 respectively in 2017 and has an accumulated deficit of $28,688,946 at December 31, 2017. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's Plan in regards to these matters is also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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.

/s/ Salberg & Company, P.A.

SALBERG & COMPANY, P.A.

We have served as the Company's auditor since 2013
Boca Raton, Florida
April 2, 2018

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DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,941,818	$ 174,376
Accounts receivable	298,304	256,989
Costs and estimated earnings in excess of billings on uncompleted contracts	423,793	476,673
Prepaid expenses and other current assets	90,923	135,964
Total Current Assets	2,754,838	1,044,002
Property and equipment, net	65,362	66,491
OTHER ASSETS:		
Patents and trademarks, net	45,978	51,423
Total Other Assets	45,978	51,423
TOTAL ASSETS	$ 2,866,178	$ 1,161,916

(Continued)

See accompanying notes to the consolidated financial statements.

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

	December 31, 2017	December 31, 2016
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 812,618	$ 842,787
Accounts payable - related parties	12,598	40,136
Notes payable – financing agreements	49,657	46,368
Notes payable - related parties	9,078	529,485
Notes payable, net of discounts	—	87,210
Convertible notes payable, including premiums	—	193,950
Warrant derivative liability	—	793,099
Line of credit	34,513	38,019
Payroll taxes payable	149,448	444,476
Accrued expenses	497,277	1,218,105
Billings in excess of costs and estimated earnings on uncompleted contracts	200,410	219,625
Deferred revenue	438,907	675,171
Total Current Liabilities	2,204,506	5,128,431
Notes payable - related party	39,137	48,231
Notes payable, net of discounts	—	1,206,522
Total Liabilities	2,243,643	6,383,184
Series A redeemable convertible cumulative preferred stock, $10 stated value per share, 500,000 shares authorized;0 and 29,600 shares issued and outstanding at December 31, 2017 and December 31, 2016 ($0.00 and $301,920 liquidation value at December 31, 2017 and December 31, 2016, respectively)	—	301,920
Commitments and Contingencies (Note 10)		
STOCKHOLDERS' EQUITY (DEFICIT):		
Series B convertible cumulative preferred stock, $1,000 stated value per share, 15,000 shares authorized: 2,830 and 0 shares issued and outstanding at December 31, 2017 and December 31, 2016, convertible into Duos Common stock at stated value divided by $0.50 per share	2,830,000	—
Preferred stock, $0.001 par value, 10,000,000 authorized, 9,485,000 available to be issued	—	—
Common stock: $0.001 par value; 500,000,000 shares authorized 20,657,850 and 1,892,020 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	20,658	1,892
Additional paid-in capital	26,608,823	18,141,629
Total stock & paid-in-capital	26,629,481	18,143,521
Accumulated deficit	(28,688,946)	(23,518,709)
Sub-total	(2,059,465)	(5,375,188)
Less: Treasury stock (3,280 shares of common stock)	(148,000)	(148,000)
Total Stockholders' Equity (Deficit)	622,535	(5,523,188)
Total Liabilities and Stockholders' Equity (Deficit)	$ 2,866,178	$ 1,161,916

See accompanying notes to the consolidated financial statements.

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

	For the Years Ended December 31,	
	2017	2016
REVENUES:		
Project	$ 1,884,079	$ 3,200,182
Maintenance and technical support	1,127,932	2,230,633
IT asset management services	872,577	674,078
Total Revenues	3,884,588	6,104,893
COST OF REVENUES:		
Project	1,487,516	1,580,665
Maintenance and technical support	458,960	785,872
IT asset management services	348,076	365,914
Total Cost of Revenues	2,294,552	2,732,451
GROSS PROFIT	1,590,036	3,372,442
OPERATING EXPENSES:		
Selling and marketing expenses	179,318	278,264
Salaries, wages and contract labor	3,098,782	3,370,191
Research and development	310,099	271,950
Professional fees	393,531	306,458
General and administrative expenses	1,051,799	889,685
Total Operating Expenses	5,033,529	5,116,548
LOSS FROM OPERATIONS	(3,443,494)	(1,744,106)
OTHER INCOME (EXPENSES):		
Interest Expense	(4,519,035)	(561,174)
Gain on settlement of debt	64,647	—
Warrant derivative gain (loss)	2,743,686	(264,099)
Other income, net	1,719	7,766
Total Other Income (Expense)	(1,708,983)	(817,507)
NET LOSS	(5,152,477)	(2,561,613)
Series A preferred stock dividends	(17,760)	(5,920)
Net loss applicable to common stock	$ (5,170,237)	$ (2,567,533)
NET LOSS APPLICABLE TO COMMON STOCK PER COMMON SHARE:		
Basic & Diluted	$ (1.43)	$ (1.36)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic & Diluted	3,606,401	1,883,598

See accompanying notes to the consolidated financial statements.

DUOS TECHNOLOGIES GROUP, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
For the Years Ended December 31, 2017 and 2016

	Preferred Stock		Common Stock		Additional Paid-in- Capital	Accumulated Deficit	Treasury Stock	Total
	# of Shares	Amount	# of Shares	Amount				
Balance December 31, 2015	—	$ —	1,850,789	$ 1,851	$ 17,127,675	$ (20,951,176)	$ —	$ (3,758,723)
Common stock issued for services	—	—	41,171	41	349,659	—	—	351,100
Exchange of warrants for common stock	—	—	60	—	628	—	—	630
Warrants issued for services	—	—	—	—	90,036	—	—	90,036
Warrants issued with debt	—	—	—	—	509,303	—	—	509,303
Common stock repurchased	—	—	—	—	—	—	(148,000)	(148,000)
Series A preferred stock dividends						(5,920)		(5,920)
Net Loss for the year ended December 31, 2016	—	—	—	—	—	(2,561,613)	—	(2,561,613)
Balance December 31, 2016	—	—	1,892,020	1,892	18,141,629	(23,518,709)	(148,000)	(5,523,188)
Common stock issued for settlement of accounts payable	—	—	359,650	360	214,640	—	—	215,000
Promissory notes settled by issuance of common stock	—	—	1,741,637	1,742	945,524	—	—	947,266
Issuance of origination shares (JMJ)	—	—	1,500,000	1,500	748,500			750,000
Officer salary settled for common stock	—	—	700,543	701	699,842			700,543
Series A preferred stock dividends						(17,760)		(17,760)
Issuance of common stock	—	—	14,464,000	14,464	7,217,536			7,232,000
Warrant liability extinguished					95,760			95,760
Stock issuance costs					(1,454,610)			(1,454,610)
Series B convertible preferred stock issued for cash	1,000	1,000,000						1,000,000
Series B convertible preferred stock issued for debt conversion	1,830	1,830,000						1,830,000
Net Loss for the year ended December 31, 2017	—	—	—	—	—	(5,152,477)		(5,152,477)
Balance December 31, 2017	2,830	$ 2,830,000	20,657,850	$ 20,658	$ 26,608,823	$ (28,688,946)	$ (148,000)	$ 622,535

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,	
	2017	2016
Cash from operating activities:		
Net loss	$ (5,152,477)	$ (2,561,613)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	48,283	47,051
Gain on settlement of debt	(64,647)	—
Stock and warrants issued for services	—	90,036
Stock issued per origination	750,000	—
Amortization of debt discounts	2,724,389	243,427
Amortization of stock based prepaid consulting fees	—	351,100
Loss related to warrants exchanged for stock	—	630
Initial fair value of warrant liability	735,347	—
Warrant derivative gain/loss	(2,743,686)	264,099
Changes in assets and liabilities:		
Accounts receivable	(41,315)	195,246
Costs and estimated earnings on uncompleted contracts	52,880	(55,557)
Prepaid expenses and other current assets	263,827	252,282
Accounts payable	184,829	(221,379)
Accounts payable-related party	(27,538)	10,066
Payroll taxes payable	(295,028)	148,261
Accrued expenses	258,307	262,535
Contingent lawsuit liability	—	(550,000)
Billings in excess of costs and earnings on uncompleted contracts	(19,215)	(83,439)
Deferred revenue	(236,262)	(233,035)
Net cash used in operating activities	(3,562,306)	(1,840,290)
Cash flows from investing activities:		
Purchase of patents/trademarks	—	(70)
Purchase of fixed assets	(41,709)	(35,345)
Net cash used in investing activities	(41,709)	(35,415)
Cash flows from financing activities:		
Proceeds from issuance of series A preferred stock	—	296,000
Proceeds of advance payments-stock repurchase	—	(148,000)
Proceeds from related party notes	—	221,570
Proceeds from note payable	1,333,500	—
Proceeds from series B convertible preferred stock	1,000,000	—
Proceeds from common stock, net	5,777,390	—
Repayments of financing agreements	(217,470)	—
Repayments of line of credit	(3,506)	—
Repayments of related party notes	(432,527)	(130,818)
Repayments of insurance and equipment financing	—	(220,800)
Repayments of notes payable	(1,766,250)	(155,000)
Redemption of series A convertible stock and payment of accrued dividends	(319,680)	—
Proceeds of notes payable, net of $358,263 cash fees	—	2,047,000
Net cash provided by financing activities	5,371,457	1,909,952
Net increase in cash	1,767,442	34,247
Cash, beginning of period	174,376	140,129
Cash, end of period	1,941,818	174,376

(Continued)

See accompanying notes to the consolidated financial statements.

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

	For the Years Ended December 31,	
	2017	2016
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 126,975	$ 245,134
Taxes paid	$ —	$ 10,149
Supplemental Non-Cash Investing and Financing Activities:		
Common stock issued for prepaid consulting services	$ —	$ 351,100
Common stock issued for accounts payable	$ 215,000	—
Common stock issued for related party notes payable	$ 95,000	—
Common stock issued for loans and convertible notes	$ 2,424,371	—
Common stock issued for accrued interest and penalties	$ 257,895	—
Common stock issued for accrued officer salary	$ 700,543	—
Increase in debt discount and paid-in capital for warrants issued with debt	$ —	$ 791,303
Accrued interest forgiven related to note payable settlement	$ 20,697	$ —
Debt discount related to notes payable	$ 1,571,250	$ —
Note issued for financing of insurance premiums	$ 220,760	$ 223,154
Accrued dividends	$ 17,760	$ 5,920

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. (“Company”), through its operating subsidiary “Duos Technologies, Inc. (“duostech”) is primarily engaged in the design and deployment of state-of-the-art, artificial intelligence driven intelligent technologies systems. duostech converges traditional security measures with information technologies to create “actionable intelligence.” duostech’s IP is built upon two of its core technology platforms (praesidium® and centraco®), both distributed as licensed software suites, and natively embedded within engineered turnkey systems. praesidium® is a modular suite of analytics applications which process and simultaneously analyze data streams from a virtually unlimited number of conventional sensors and/or data points. Native algorithms compare analyzed data against user-defined criteria and rules in real time and automatically report any exceptions, deviations and/or anomalies. This application suite also includes a broad range of conventional operational system components and sub-systems, including an embedded feature-rich video management engine and a proprietary Alarm Management Service (AMS). This unique service provides continuous monitoring of all connected devices, processes, equipment and sub-systems, and automatically communicates to the front end-user interface, if and when an issue, event or performance anomalies are detected. centraco® is a comprehensive user interface that includes the functionalities of a Physical Security Information Management (PSIM) system as well as those of an Enterprise Information System (EIS). This multi-layered interface can be securely installed as a stand-alone application suite inside a local area network or pushed outside a wide area network using the same browser-based interface. It leverages industry standards for data security, access, and encryption as appropriate. The platform also operates as a cloud-hosted solution.

The Company’s strategy includes expansion of its technology base through organic development efforts, strategic partnerships, and growth through strategic acquisitions. duostech’s primary target industry sectors include transportation, with emphasis on freight and transit railroad owners/operators, petro-chemical, utilities and healthcare.

As reported previously, Duos Technologies Group, Inc. is the result of the reverse merger between duostech and a wholly owned subsidiary of Information Systems Associates, Inc., a Florida corporation (“ISA”), which became effective as of April 1, 2015 and as a result of which duostech became a wholly owned subsidiary of the merged entity. The merger was followed by a corporate name change to Duos Technologies Group, Inc., a symbol change from IOSA to DUOT and up-listing from OTC Pink to OTCQB.

ISA’s original business of IT Asset Management (ITAM) services for large data centers is now operated as a division of the Company that continues its sales efforts through large strategic partners. ISA developed a methodology for the efficient data collection of assets contained within large data centers and was awarded a patent in 2010 for specific methods to collect and audit data.

Reclassification

Certain amounts in the 2016 balance sheet have been reclassified from notes payable related parties - current to notes payable related parties - long-term to conform to the 2017 presentation. This reclassification caused notes payable related parties – long-term in 2016 to be increased by $48,231 and notes payable related parties – current to be decreased by the same amount.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

All share and per share amounts have been presented to give retroactive effect to a 1 for 35 reverse stock split that occurred in May 2017.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, duostech and TrueVue 360, Inc. 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 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 consolidated financial statements include the allowance on accounts receivable, valuation of deferred tax assets, valuation of intangible and other long-lived assets, estimates of percentage completion on projects and related revenues, valuation of stock-based compensation, valuation of derivatives, valuation of warrants issued with debt, valuation of beneficial conversion features in convertible debt, and valuation of stock-based awards. 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.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Company considers liquid investments with an original maturity of three months or less to be a cash equivalent. There were no cash equivalents at December 31, 2017 or 2016.

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, 2017, balance in one financial institution exceeded federally insured limits by $1,724,594. There were no amounts on deposit in excess of federally insured limits at December 31, 2016.

Significant Customers and Concentration of Credit Risk

Major Customers and Accounts Receivable

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, 2017, three customers accounted for 22%, 20% and 18% of revenues. For the year ended December 31, 2016, four customers accounted for 21%, 19%, 16% and 11% of revenues.

At December 31, 2017, four customers accounted for 42%, 17%, 13% and 11% of accounts receivable. At December 31, 2016, three customers accounted for 50%, 26% and 14% of accounts receivable.

Geographic Concentration

Approximately 4.35% and 20.89% of revenue in 2017 and 2016, respectively, is generated from customers outside of the United States.

Accounting for Derivatives

The Company evaluates its convertible instruments, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under ASC Topic 815, "Derivatives and Hedging." The result of this accounting treatment is that the fair value of the derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income (expense). Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liabilities at the fair value of the instrument on the reclassification date.

Fair Value of Financial Instruments and Fair Value Measurements

We measure our financial assets and liabilities in accordance with generally accepted accounting principles. For certain of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their short maturities. Amounts recorded for notes payable, net of discount, and loans payable also approximate fair value because current interest rates available to us for debt with similar terms and maturities are substantially the same.

We follow accounting guidance for financial assets and liabilities. This standard defines fair value, provides guidance for measuring fair value and requires certain disclosures. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. This guidance does not apply to measurements related to share-based payments. This guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost).

The guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs, other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which little or no market data exists, therefore developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

Accounts Receivable

Accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for uncollectible accounts. 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.

Property and Equipment

Property and equipment is 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

The Company accounts for costs incurred to develop or purchase computer software for internal use in accordance with FASB ASC 350-40 “Internal-Use Software” or ASC 350-50 "Website Costs". Costs incurred during the preliminary project stage along with post-implementation stages of internal use computer software are expensed as incurred. Costs incurred to maintain existing product offerings are expensed as incurred.

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 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 the net book value 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.

Accrual of Legal Costs Associated with Loss Contingencies

The Company expenses legal costs associated with loss contingencies, as incurred.

Product Warranties

The Company has a 90 day warranty period for materials and labor after final acceptance of all projects. If any parts are defective they are replaced under our vendor warranty which is usually 12-36 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, 2017 and 2016, management considers all final acceptance terms have been met; therefore no accrual of warranty reserves 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 Liabilities

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

Revenue Recognition

Project Revenue

The Company constructs intelligent technology systems consisting of materials and labor under customer contracts. Revenues and related costs on project revenue are recognized using the "percentage of completion method" of accounting in accordance with ASC 606-10-55-20, "Construction-Type and Production-Type Contracts". Under this method, contract revenues are recognized over the performance period of the contract in direct proportion to the costs incurred as a percentage of total estimated costs for the entirety of the contract. 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 "costs and estimated earnings in excess of billings on uncompleted contracts". Any billings of customers in excess of recognized revenues are recorded as a liability in "billings in excess of costs and estimated earnings on uncompleted contracts". However, in the event a loss on a contract is foreseen, the Company will recognize the loss when such loss is determined.

A contract is considered complete when all costs except insignificant items have been incurred and the installation is operating according to specifications or has been accepted by the customer.

The Company has contracts in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. Costs estimates are reviewed periodically on a contract-by-contract basis throughout the life of the contract such that adjustments to the profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated costs to complete projects, must be made and used in connection with the revenue recognized in the accounting period. Current estimates may be revised as additional information becomes available.

Maintenance and Technical Support

Maintenance and 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 as the services are provided. Revenue for maintenance and technical support provided on an extended-term basis is recognized ratably over the term of the contract.

For sales arrangements that do not involve multiple elements such as professional services, which are of short-term duration, revenues are recognized when services are completed.

IT Asset Management Services

The Company recognizes revenue from its IT asset management business in accordance with the Securities and Exchange Commission (the "SEC") Staff Accounting Bulletin No. 104, "Revenue Recognition" and Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 985-605-25 which addresses Revenue Recognition for the software industry. The general criteria for revenue recognition under ASC 985-605 for our Company, which sells software licenses, which do not require any significant modification or customization, is that revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

The Company's IT asset management business generates revenues from three sources: (1) Professional Services (consulting and auditing); (2) Software licensing with optional hardware sales and (3) Customer Service (training and maintenance support).

For sales arrangements that do not involve multiple elements:

(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 Elements

Arrangements with customers may involve multiple elements including project revenue and maintenance services in our Intelligent 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 IT Asset Management business, multiple elements 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 multiple element arrangement is as follows:

Each element is accounted for separately when each element has value to the customer on a standalone basis and there is Company specific objective evidence of 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 element is recognized using the applicable criteria under GAAP as discussed above for elements sold in non-multiple element 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 multiple element 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 element arrangements with Company customers qualify as separate units of account for revenue recognition purposes.

Deferred Revenue

Deferred revenues represent billings or cash received in excess of revenue recognizable on service agreements that are not accounted for under the percentage of completion method.

Advertising

The Company expenses the cost of advertising. During the years ended December 31, 2017 and 2016, there were no advertising costs.

Share-Based Compensation

Stock-based compensation is accounted for in accordance with the Share-Based Payment Topic of ASC 718 which requires recognition in the financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the shorter of the period the employee or director is required to perform the services in exchange for the award or the vesting period. The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third-parties, compensation expense is determined at the "measurement date". The expense is recognized over the service period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date.

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, 2017, 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 2015, 2016 and 2017 remain open for potential audit.

Earnings (Loss) Per Share

Basic earnings per share (EPS) are computed by dividing 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 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, 2017 and 2016, there were an aggregate of 25,216,332 and 710,238 outstanding warrants to purchase shares of common stock respectively; 0 and 122,707 shares of common stock issuable upon conversion of convertible debt respectively; and at December 31, 2017, 5,660,000 common shares were issuable upon conversion of Series B convertible preferred stock, all of which were excluded from the computation of dilutive earnings per share because their inclusion would have been anti-dilutive.

Segment Information

The Company operates in one reportable segment.

Recent Issued Accounting Standards

In August 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-14 Revenue from Contracts with Customers. The ASU defers the effective date of previously issued ASU 2014-09 (the new revenue recognition standard) by one year for both public and private companies. The ASU requires public entities to apply the new revenue recognition guidance for annual reporting periods beginning after December 15, 2017, and interim reporting periods within annual reporting periods beginning after December 15, 2017. Both public and nonpublic entities will be permitted to apply the new revenue recognition standard as of the original effective date for public entities (annual periods beginning after December 15, 2016). The Company has adopted to this standard for their fiscal year beginning January 1, 2018 and it will not have a material impact on its consolidated financial statements.

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02: "Leases (Topic 842)" whereby lessees will need to recognize almost all leases on their balance sheet as a right of use asset and a lease liability. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018. The Company does not expect this ASU to have a material impact on its consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09: *"Compensation – Stock Compensation (Topic 718)-I*mprovements to Employee Share-Based Payment Accounting" which includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016. There was no material impact to the consolidated financial statements as a result of implementing this ASU.

NOTE 2 – GOING CONCERN

As reflected in the accompanying consolidated financial statements, the Company had a net loss of $5,152,477 in 2017. During the same period, cash used in operating activities was $3,562,306. The accumulated deficit as of December 31, 2017 was $28,688,946. Some of these matters raise substantial doubt about the Company's ability to continue as a going concern for a period of twelve months from the issuance date of this report.

The ability of the Company to continue as a going concern is dependent on the Company's ability to further implement its business plan, drive significant additional revenue and become profitable.

On November 24, 2017, the Company entered into a Securities Purchase Agreement and Registration Rights Agreement in the aggregate principal amount of $11,031,371. This amount was in the form of both cash and debt conversions. Part of the cash amount was used to retire long-term debt and payables including full payment to the Internal Revenue Service, excluding accrued late fees in the amount of $108,262, in which the Company has requested a waiver of the late fees. These actions leave the Company both debt free and current with all previous outstanding obligations. There remaining approximately $2 million will be used primarily as working capital to fund additional resources to support the anticipated growth in revenues for 2018.

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 without the requirement to raise additional capital for existing operations. Ultimately the continuation of the Company as a going concern is dependent upon the ability of the Company to execute the plan described above, generate sufficient revenue and to attain profitable operations. 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, 2017 and 2016:

	2017	2016
Accounts receivable	$ 298,304	$ 256,989
Allowance for doubtful accounts	—	—
	$ 298,304	$ 256,989

There was bad debt expense related to accounts receivable of $0 and $70,248 in 2017 and 2016, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

The major classes of property and equipment are as follow at December 31, 2017 and 2016:

	2017	2016
Furniture, fixtures and equipment	$ 862,582	$ 1,136,003
Less: Accumulated depreciation	(797,220)	(1,069,512)
	$ 65,362	$ 66,491

During 2017, the Company recorded the disposal of $315,129 of fixed assets with no salvage value and no longer in service, to furniture, fixtures and equipment and to accumulated depreciation. Total depreciation in 2017 and 2016 was $42,838 and $41,398, respectively.

NOTE 5 – PATENTS AND TRADEMARKS

	2017	2016
Patents and trademarks	$ 267,205	$ 267,205
Less: Accumulated amortization	(221,227)	(215,782)
	$ 45,978	$ 51,423

Total amortization of patents in 2017 and 2016 was $5,445 and $5,653 respectively.

NOTE 6 – DEBT

Notes Payable - Financing Agreements

The Company's notes payable relating to financing agreements classified as current liabilities consist of the following as of December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
Notes Payable	**Principal**	**Interest**	**Principal**	**Interest**
Third Party - Insurance Note 1	$ 25,075	10.30%	$ 25,075	9.75%
Third Party - Insurance Note 2	11,679	10.00%	9,861	10.00%
Third Party - Insurance Note 3	—	8.05%	—	8.05%
Third Party - Insurance Note 4	12,903	9.24%	11,432	9.24%
Total	$ 49,657		$ 46,368	

The Company entered into an agreement on December 23, 2016 with its insurance provider by executing an $25,075 note payable (Insurance Note 1) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 9.75% payable in monthly installments of principal and interest totaling $2,234 through October 23, 2017. The policy was renewed December 23, 2017 with a $25,075 note payable with an annual interest rate of 10.30%.

The Company entered into an agreement on September 15, 2016 with its insurance provider by executing a $19,065 note payable (Insurance Note 2) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 10% payable in monthly installments of principal and interest totaling $1,702 through June 30, 2017. The policy was renewed September 15, 2017 with an $19,065 note payable and annual interest rate of 10% payable in monthly installments of principal and interest totaling $1,581 through June 30, 2018. At December 31, 2017 and 2016, the note payable balance was $11,679 and $9,861, respectively.

The Company entered into an agreement on February 3, 2016 with its insurance provider by executing an $123,571 note payable (Insurance Note 3) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 8.05% payable in monthly installments of principal and interest totaling $12,818 through December 3, 2017. The note was renewed on February 3, 2017 in the amount of $127,620 with an annual interest rate of 8.05% payable in monthly installments of principal and interest totaling $13,252. At December 31, 2017 and 2016, the note payable balance was zero.

The Company entered into an agreement on April 1, 2016 with its insurance provider by executing a $65,000 note payable (Insurance Note 4) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 9.24% payable in monthly installments of principal and interest totaling $5,782 through February 1, 2017. The note was renewed on April 15, 2017 in the amount of $49,000 payable in monthly installments of principal and interest totaling $4,373 through February 15, 2018. At December 31, 2017 and 2016, the note payable balance was $12,903 and $11,432, respectively.

Notes Payable - Related Parties

The Company's notes payable to related parties classified as current liabilities consist of the following as of December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
Notes Payable	**Principal**	**Interest**	**Principal**	**Interest**
Shareholder	$ —	9%	$ 65,000	9%
Related party	—	8%	13,369	8%
Related party	—	—	10,504	—
Related party	—	8%	56,500	8%
Related Party	—	—	3,170	—
Related Party	—	8%	8,431	8%
CFO	—	8%	31,973	—
Shareholder	—	6%	226,936	6%
CEO	9,078	8%	8,383	—
Shareholder	—	8%	105,219	—
Sub-total current portion	9,078		529,485	
Add long-term portion-CEO	39,137		48,231	
Total	$ 48,215		$ 577,716	

On May 28, 2008, a shareholder who is indirectly invested in the Company with the Chief Executive Officer (CEO) through another entity, loaned the Company the sum of $65,000 accruing interest at 9% per annum. There was an accrued interest balance of $49,231 and $43,381 as of December 31, 2016 and December 31, 2015, respectively. The note was repayable on or before September 15, 2008 although no demand for repayment has been received from the holder. There is no formal written agreement and the terms are documented on a letter from a former Chief Financial Officer (CFO) of the Company. On November 24, 2017, as part of the Private Offering Closing, the principal amount of $65,000 and accrued interest balance of $53,875 for a total of $118,875 was converted for 118,875 shares of common stock. (see Note 14)

Upon the consummation of the merger on April 1, 2015, the Company assumed an Original Issue Discount (OID) promissory note with a remaining principal balance of $15,000 accruing interest at 18% per annum. On November 30, 2015 there was an outstanding principal balance of $15,000 and an accrued interest balance of $2,651 in which the promissory note was restructured into a note due on or before December 15, 2016 for a total of $17,651 principal balance, accruing interest at 8% per annum and monthly payments of $1,535 commencing January 15, 2016. The Company made payments during the first quarter of 2016 in the amount of $4,282. As of December 31, 2016, the loan had an outstanding amount of $13,369 and there was an accrued interest balance of $802. On November 24, 2017, as part of the Private Offering Closing, the principal balance of $13,369 and accrued interest balance of $1,817 for a total of $15,186 was paid in full.

Upon the consummation of the merger on April 1, 2015, the Company assumed two promissory notes due to an entity which had previously extended credit on a revolving basis for working capital. The total principal balance was $212,693 at the time of the merger and carried total interest and extension fees of 30% per annum. On September 30, 2015, the note and accrued interest for a total of $275,660 was exchanged for 1,002,401 common shares. The Company recorded a loss on settlement in the amount of $115,139. The same lender had extended further credit to the Company's TrueVue360 subsidiary which on September 30, 2015 had a principal balance of $28,040 and accrued interest balance of $9,777 totaling $37,817. The note can be extended each time for a further 30 days on payment of a 1% extension fee in addition to the 1.5% interest cost which can be accrued. The Company agreed to convert this note to an 18-month term loan with 0% interest and monthly payments of $2,100 starting November 1, 2015. The Company also issued 501,201 five-year warrants with a strike price of $0.28 as consideration for the conversion of the larger note and the zero-interest feature of the extended payment plan. The note was paid in full during 2017 and as of December 31, 2017 and 2016, the balance was zero and $10,504, respectively.

On December 12, 2013, the wife of the CEO loaned the Company the sum of $10,000 at an annual percentage rate of 8%. On January 29, 2015, March 3, 2015 and September 30, 2015 the wife of the CEO loaned the Company an additional $12,000, $5,000 and $9,500 respectively. On January 24, 2016, an additional $20,000 was loaned to the Company. The principal balance of $56,500 and accrued interest balance of $11,575 for a total of $68,075 was paid in full on November 27, 2017. The total principal due at December 31, 2017 and 2016 was zero and $56,500, respectively. There was accrued interest balance of zero and $7,474 as of December 31, 2017 and 2016, respectively.

Upon the consummation of the merger on April 1, 2015, the Company assumed a promissory note with a remaining principal balance of $30,378 due to the former CEO of ISA. These amounts are non-interest bearing and are due on demand. The Company made final payment during the first quarter of 2017. At December 31, 2017 and 2016, the loan had an outstanding balance of zero and $3,170, respectively.

Upon the consummation of the merger on April 1, 2015, the Company assumed an OID promissory note with a remaining principal and accrued interest balance of $10,593. During the third quarter of 2015, interest payments of $1,500 were paid. At November 30, 2015 the principal balance of the note was $10,000, and an accrued interest balance of $1,131 at a rate of 30% per annum was restructured into a note due on or before December 15, 2016 for a total of $11,131 principal balance, accruing interest at 8% per annum and monthly payments of $968 commencing January 15, 2016. The Company made payments during the first quarter of 2016 in the amount of $2,700. As of December 31, 2016, the loan had an outstanding amount of $8,431 and there was an accrued interest balance of $506. On November 24, 2017, as part of the Private Offering Closing, the principal balance of $8,431 and accrued interest balance of $1,145 for a total of $9,576 was paid in full.

Upon the consummation of the merger on April 1, 2015, the Company assumed two promissory notes with a total principal balance of $8,783 due to the Company's CFO. During the second quarter of 2015, the CFO loaned the Company an additional $365 and the Company made payments to the CFO during the same period in the amount of $1,307. These advances do not incur any interest and will be paid by the Company when sufficient funds are available. On January 28, 2016, the CFO loaned the Company $30,000, accruing interest at 8% per annum which is repayable by the Company when sufficient funds are available. The Company and CFO agreed to convert the loan balance of $30,000 in addition to the accrued interest balance of $4,020 for a total of $34,040 for 34,040 shares of common stock. The balance amount of $1,973 was applied to a travel advance with an outstanding balance due of zero and $31,973 at December 31, 2017 and 2016, respectively.

On April 8, 2015, the Company received a $310,000 loan from a related party principal shareholder. The note accrues interest at the rate of 6% per annum and was repayable on or before October 31, 2015. There was accrued interest balance of $8,616 as of September 30, 2015. The Company and shareholder have agreed to replace the note with a new note in the amount of $320,166, which includes principal and accrued interest through October 31, 2015. Repayment shall occur with eleven monthly payments of $27,750 plus one final payment of $27,007 (including interest of 6%) beginning on or before December 31, 2015. On November 27, 2017, the Company paid the principal balance of $226,936 and the accrued interest balance of $12,684 for a total of $239,620. As of December 31, 2017 and 2016, the outstanding balance was zero and $226,936, respectively.

On July 19, 2016, the Company received a $60,000 loan less fees of $75 for a related party loan with proceeds of $59,925 from the Company's CEO. The promissory note carries an annual interest rate of 7.99% with a monthly installment payment of $1,052 through July 19, 2022. As of December 31, 2017 and 2016, the outstanding balance was $48,215 and $56,614, respectively. (see Note 18)

On August 11, 2016, the Company received an $111,645 loan from a related party principal shareholder. The note accrues interest at the rate of 8% per annum and is repayable on or before February 11, 2017. On November 27, 2017, the principal amount of $105,219 and the accrued interest balance of $11,608 for a total of $116,827 was paid in full. As of December 31, 2017 and 2016, the outstanding balance was zero and $105,219, respectively.

Notes Payable

	December 31, 2017		December 31, 2016	
Payable To	**Principal**	**Interest**	**Principal**	**Interest**
Shareholder	$ —	—	$ 19,108	—
Vendor	—	—	22,500	—
Total	$ —		$ 41,608	

Upon the consummation of the merger on April 1, 2015, the Company assumed a promissory note with a remaining principal balance of $19,108 due to an unrelated party investor and shareholder of the Company. The $19,108 is non-interest bearing. The Company and shareholder agreed to convert the note amount of $19,108 to common stock effective November 24, 2017 for 38,216 shares of common stock at $0.50 per share.

On August 10, 2015, the Company entered into an agreement with FacilityTeam of Ontario, Canada to settle a dispute that had arisen concerning payments for software development services. The Company agreed to pay to FacilityTeam $2,500 per month starting October 1, 2015 for 24 months and, pursuant thereto, took a charge in the third quarter of 2015 for the settlement amount of $60,000. At December 31, 2017 and 2016, the outstanding balance was zero and $22,500, respectively.
(see Note 10)

Convertible Notes, Including Premiums

	December 31, 2017			December 31, 2016		
Payable To	**Principal**	**Premium**	**Principal, Including Premium**	**Principal**	**Premium**	**Principal, Including Premium**
Vendor	$ —	$ —	$ —	$ 50,000	$ 50,000	$ 100,000
Vendor	—	—	—	46,975	46,975	93,950
Total	$ —	$ —	$ —	$ 96,975	$ 96,975	$ 193,950

Upon the consummation of the merger on April 1, 2015, the Company assumed a convertible promissory note of $50,000 due to a vendor of the Company which included a premium of $50,000 relating to its treatment as stock settled debt under ASC 480. The $50,000 convertible note accrues interest at 1% per month and is convertible into the Company's common stock at a 50% discount to the average closing bid prices for the company's common stock for the five days immediately preceding the conversion date. An interest payment was made on January 11, 2016 in the amount of $3,230. The outstanding note balance at December 31, 2016 and 2015 was $50,000 and $50,000, respectively and accrued interest on December 31, 2016 and 2015 was $7,511 and $4,723, respectively. As previously disclosed, on May 23, 2016, the Company filed a lawsuit against, the holder of this note and another convertible note described below. The Company owes the principal and interest due under the notes and has sought to pay principal and interest of the note which first came due, however, its offer was rejected. On January 19, 2017, the Company executed a settlement agreement with this vendor resolving the pending lawsuit concerning the two convertible notes. The settlement called for payment of $150,000 due within 45 days of execution thereof and resolves all outstanding obligations. Payment was made on March 7, 2017 and a gain on settlement of $64,647 was recorded by the Company.

Upon the consummation of the merger on April 1, 2015, the Company assumed a promissory note with a remaining principal balance of $44,325 bearing interest at 1.5% per month. The note holder gave 30-day notice to the Company on May 1, 2015 for the note to be repaid in full plus any interest due. On June 30, 2015, an Addendum to Promissory Note was executed providing that the payment of $46,975, $44,325 plus accrued interest of $2,650, in connection with the Debt Purchase Agreement represents the total settlement of the Note. Also, on June 30, 2015 a current shareholder and services provider agreed to assume the new $46,975 note with the existing terms and conditions and an addendum was signed for the assumption and making the note convertible into the Company's common stock at a 50% discount to the average price of the Company's common stock for the five trading days preceding conversion and the new Note is non-interest bearing. The addendum was treated as a debt extinguishment. The Company recorded a premium of $46,975 since the note was convertible at a fixed rate to a fixed monetary amount equal to $93,950 pursuant to ASC 480. On each of December 31, 2016 and 2015, the outstanding balance on the note was $93,950 which includes the $46,975 premium and there was accrued interest on December 31, 2016 and 2015 of $12,682 and $4,228, respectively. During the previous quarter, the new holder attempted a conversion into stock of a portion of the note. The Company determined that the conversion notice was invalid in several respects and rejected the conversion. As previously disclosed, on May 23, 2016, the Company filed a lawsuit against, the holder of this note and another convertible note described above. The Company owes the principal and interest due under the notes and has sought to pay principal and interest of the note which first came due but its offer was rejected. On January 19, 2017, the Company executed a settlement agreement with this vendor resolving the pending lawsuit concerning the two convertible notes. The settlement called for payment of $150,000 due within 45 days of execution thereof and resolves all outstanding obligations. Payment was made on March 7, 2017.

Notes Payable – Third Parties

	December 31, 2017			December 31, 2016		
Payable To	**Principal**	**Less Unamortized Discounts**	**Principal, Less Unamortized Discounts**	**Principal**	**Less Unamortized Discounts**	**Principal, Less Unamortized Discounts**
Note 1-non-current	$ —	$ —	$ —	$ 1,800,000	$ 593,478	$ 1,206,522
Note 2-current	—	—	—	605,263	559,661	45,602
Total	$ —	$ —	$ —	$ 2,405,263	$ 1,153,139	$ 1,252,124

Note 1

On March 31, 2016, the Company entered into a Securities Purchase Agreement with an institutional investor, which, together with the transaction documents referenced therein, provides for the terms in the following paragraph. The Company closed the transaction on April 1, 2016.

The transaction amount was $1,800,000 less a 5% original issue discount. The note is a senior debt obligation secured by substantially all assets of the Company and shares of all current and future subsidiaries as well as being guaranteed by each subsidiary but is not convertible into the Company's stock. The senior secured note also contains certain default provisions and is subject to standard covenants such as restrictions on issuing new debt. In conjunction with the note, the Company issued a warrant exercisable for 71,249 shares of common stock exercisable for five years at an exercise price of $12.25 per share. The warrants also contain certain anti-dilution provisions that apply in connection with any stock split, stock dividend, stock combination, recapitalization or similar transactions as well as a potential adjustment to the exercise price based on certain events. The relative fair value of the warrants of $466,031 was recorded as a debt discount and is being amortized to interest expense over the term of the debt. The note will mature three years from the closing date and will accrue interest at the rate of 14% per annum, payable monthly. The note will accrue additional interest at the rate of 2% per annum, compounding monthly, payable annually in arrears. The Company may choose to begin amortizing the principal at any time subject to prepayment premiums. Also, the Company agreed to an amended placement agent's fee with respect to the placement of such loan which differed from the original terms agreed with the Placement Agent as that agreement had expired. The amendment included (a) postponement of payment of the cash fee of $5,000 to 15 days after execution of the term sheet, (b) the closing fee was fixed to $137,000 (based on a $1.8 million debt funding) and three-year warrants for 5,715 shares at an exercise price of $14 per share and valued at their fair value of $43,272. Other closing expenses totaled $40,000 plus another $10,000 of legal fees previously paid. Total cash issue costs of $192,000, the original issue discount of $90,000, the warrant relative fair value of $466,031 and warrant fair value of $43,272 were recorded as debt discounts to be amortized over the three-year term of the debt. Net proceeds were $1,518,000 after all issue costs. Additionally, at closing, certain previously recorded obligations of the Company totaling $690,110, as discussed below, were paid directly from the lender reducing the actual proceeds to the Company.

On April 1, 2016, in conjunction with the closing of the aforementioned Securities Purchase Agreement, the sum of $558,032 was remitted out of the proceeds in final settlement of the litigation with CW Electric. This amount consisted of $550,000 of the agreed settlement, which was previously accrued as of December 31, 2015, plus $8,032 of accrued interest. This represents full and final settlement of this matter, which is now closed.

On April 1, 2016, the Company directed the sum of $132,078 to be paid out of proceeds of the Securities Purchase agreement to a shareholder who held a note secured against part of the Company's assets. The payment of $125,000 in principal and $7,078 of accrued interest represents full payment of the note and the noteholder no longer holds any security against the assets.

On April 1, 2016, the Company made a payment of $142,000 (part of the $192,000 discussed above) to a placement agent as compensation for arrangement of financing through the aforementioned Securities Purchase Agreement. The payment was deducted from proceeds of that agreement. As discussed above, the Company also issued 5,715 three-year warrants with an exercise price of $14 to the agent as additional compensation. These amounts are broadly in line with the anticipated compensation agreed within the original placement agency agreement which was terminated in December 2015.

GPB Debt Holdings II, LLC Letter Agreement

On August 1, 2017, the Company entered into a letter agreement with GPB Debt Holdings II LLC ("GPB"), whereby GPB agreed to convert $212,077 due and owing to it under that certain senior secured note issued by the Company on April 1, 2016 ("GPB Debt Obligation") into common stock of the Company, contingent upon the completion of the Initial Offering (the "GPB Letter Agreement"). Pursuant to the GPB Letter Agreement, the GPB Debt Obligation will automatically convert upon consummation of the Initial Offering into such number of restricted shares of the Company's common stock calculated by dividing the GPB Debt Obligation by the price per share of common stock paid by the investors in the Initial Offering. GPB has agreed to enter into a lock-up agreement prohibiting the sale or other transfer of all securities of the Company owned by him for a period of 6 months.

Pursuant to the terms and conditions of the Note, the Company was to continue to make its monthly interest payments beginning on September 1, 2017 with a payment of $63,633 representing July 2017, August 2017 and September 2017 interest payments and payments thereafter until the Maturity Date. On the Maturity Date (as defined in the Note), GPB shall have the right, but not the obligation, to "put" to the Company any Conversion Shares issued to GPB pursuant to the Automatic Conversion that have not been sold for redemption in cash, in the amount equal to the number of such put Conversion Shares multiplied by the Conversion Price, payable within five days of the Company's receipt of written notice indicating such election by GPB. Additionally, GPB will also be issued warrants, on the same terms and in substantially the same form offered to investors in the Initial Offering (the "Warrants"), except that such Warrants will be restricted securities, and will not trade on the OTC Markets OTCQB. On August 16, 2017, the company withdrew its registration statement and this letter agreement is no longer in effect. The Company has made no further interest payments on the note and has entered into a forbearance agreement with the lender.

In connection with the conversion and redemption portion of the Private Offering, on the Effective Date, the Company entered into that certain Agreement to Convert Promissory Note (the "GPB Letter Agreement") with GPB, whereby they agreed to convert $500,000 of liabilities 1,000,000 shares of common stock of the Company at a conversion price equal to $0.50 per share. Additionally, GPB was issued warrants to purchase 1,000,000 shares of the Company's common stock at an exercise price equal to $0.65 per share, expiring five years from the Initial Exercise Date. Commencing on the Effective Date, GPB entered into a Lock-Up Agreement for a period of 365 days prohibiting the sale or other transfer of all securities of the Company owned by GPB.

<u>Note 2</u>

On December 20, 2016, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with JMJ Financial, ("JMJ," and together with the Company, the "Parties") and borrowed an initial principal amount of $605,263 from the total available as discussed below. Pursuant to the Purchase Agreement, JMJ purchased from the Company (i) a Promissory Note in the aggregate principal amount of up to $2,500,000 (the "Note") for consideration of up to $2,350,000 net of an original issue discount of 5%, due and payable on the earlier of May 15, 2017 or the third business day after the closing of the Initial Offering (as defined therein), and (ii) a Common Stock Purchase Warrant (the "Warrant") to purchase 115,289 shares of the Company's common stock ("Common Stock") at an exercise price per share equal to the lesser of (i) 80% of the per share price of the Common Stock in the Company's contemplated Initial Offering of securities (the "Initial Offering"), (ii) $5.25 per share, (iii) the lowest daily closing price of the Common Stock during the ten days prior to the Initial Offering (subject to adjustment), (iv) the lowest daily closing price of the Common Stock during the ten days prior to the Maturity Date (subject to adjustment), (v) 80% of the unit price in the Initial Offering (if applicable), or (vi) 80% of the exercise price of any warrants issued in the Initial Offering. Additionally, pursuant to the Purchase Agreement, the Company will issue JMJ shares of Common Stock equal to 30% of the principal sum of the Note ("Origination Shares") on the 5th trading day after the pricing of the Initial Offering, but in no event later than May 30, 2017. The number of Origination Shares will equal the principal sum of the Note divided by the lowest of (i) the lowest daily closing price of the Common Stock during the ten days prior to delivery of the Origination Shares or during the ten days prior to the date of the Initial Offering (in each case subject to adjustment for stock splits), (ii) 80% of the common stock offering price of the Initial Offering, (iii) 80% of the unit price offering price of the Initial Offering (if applicable), or (iv) 80% of the exercise price of any warrants issued in the Initial Offering. Cash closing expenses totaled $46,000 to the private placement agent. The Company also issued warrants for 9,224 common stock to the placement agent with the same terms as the lender warrants. Total cash issue costs of $46,000, the original issue discount of $30,263 and a discount relating to the warrants of $529,000 were recorded as debt discounts to be amortized over the 146-day term of the debt. Net proceeds were $529,000 after all issue costs. The Company previously paid and expensed legal fees of $28,750 and paid an advance retainer of $50,000 to a law firm for future work relating to the planned Initial Offering which is recorded as a prepaid asset at December 31, 2016. The Company recorded expenses in the amount of $30,000 during the first quarter of 2017 and $20,000 during the third quarter of 2017. At December 31, 2017, the prepaid balance was fully expensed.

On January 25, 2017, the Company borrowed an additional $157,895 and received a net amount of $130,500 representing the second draw against the Securities Purchase agreement with JMJ Financial. The total cash issue costs of $12,000, the original issue discount of $7,895, legal fees of $7,500 and a discount relating to the warrants of $138,000 were recorded as debt discounts and have been fully amortized as of December 31, 2017. Warrants in the amount of 30,075 were issued as per the agreement.

On February 8, 2017, the Company borrowed an additional $105,263 and received a net amount of $87,000 representing the third draw against the Securities Purchase agreement with JMJ Financial. The total cash issue costs of $8,000, the original issue discount of $5,263, legal fees of $5,000 and a discount relating to the warrants of $92,000 were recorded as debt discounts and have been fully amortized as of December 31, 2017. Warrants in the amount of 20,050 were issued as per the agreement.

On February 27, 2017, the Company borrowed an additional $263,158 and received a net amount of $217,500 representing the fourth draw against the Securities Purchase agreement with JMJ Financial. The total cash issue costs of $20,000, the original issue discount of $13,158, legal fees of $12,500 and a discount relating to the warrants of $230,000 were recorded as debt discounts and have been fully amortized as of December 31, 2017. Warrants in the amount of 50,138 were issued as per the agreement.

On March 6, 2017, the Company borrowed an additional $157,895 and received a net amount of $130,500 representing the fifth draw against the Securities Purchase agreement with JMJ Financial. The total cash issue costs of $12,000, the original issue discount of $7,895, legal fees of $7,500 and a discount relating to the warrants of $138,000 were recorded as debt discounts and have been fully amortized as of December 31, 2017. Warrants in the amount of 30,075 were issued as per the agreement.

On March 14, 2017, the Company borrowed an additional $263,158 and received a net amount of $217,500 representing the sixth draw against the Securities Purchase agreement with JMJ Financial. The total cash issue costs of $20,000, the original issue discount of $13,158, legal fees of $12,500 and a discount relating to the warrants of $230,000 were recorded as debt discounts and have been fully amortized as of December 31, 2017. Warrants in the amount of 50,138 were issued as per the agreement.

On April 25, 2017, the Company borrowed an additional $78,947 and received a net amount of $65,250 representing the seventh draw against the Securities Purchase agreement with JMJ Financial. The total cash issue costs of $6,000, the original issue discount of $3,947, legal fees of $3,750 and a discount relating to the warrants of $69,000 were recorded as debt discounts and have been fully amortized as of December 31, 2017. Warrants in the amount of 15,038 were issued as per the agreement.

On June 1, 2017, the Company borrowed an additional $105,263 and received a net amount of $87,000 representing the eighth draw against the Securities Purchase agreement with JMJ Financial. The total cash issue costs of $8,000, the original issue discount of $5,263, legal fees of $5,000 and a discount relating to the warrants of $92,000 were recorded as debt discounts and have been fully amortized as of December 31, 2017. Warrants in the amount of 20,050 were issued as per the agreement.

On June 27, 2017, the Company borrowed an additional $105,263 and received a net amount of $87,000 representing the ninth draw against the Securities Purchase agreement with JMJ Financial. The total cash issue costs of $8,000, the original issue discount of $5,263, legal fees of $5,000 and a discount relating to the warrants of $92,000 were recorded as debt discounts and have been fully amortized as of December 31, 2017. Warrants in the amount of 20,050 were issued as per the agreement.

On August 22, 2017, the Company borrowed an additional $263,158 and received a net amount of $217,500 representing the tenth draw against the Securities Purchase agreement with JMJ Financial. The total cash issue costs of $20,000, the original issue discount of $13,158, legal fees of $12,500 and a discount relating to the warrants of $230,000 were recorded as debt discounts and have been fully amortized as of December 31, 2017. Warrants in the amount of 50,125 were issued as per the agreement.

Amendment to $2,500,000 Promissory Note

On May 15, 2017, the Company was obligated to repay the principal due to a lender on a bridge loan totaling $1,627,632. On May 22, 2017, the Company obtained an amendment #1 to the Securities Purchase Agreement ("SPA") and the $2,500,000 Promissory Note ("Note"). This amendment extended the original Maturity Date for the Promissory Note from May 15, 2017 to June 15, 2017 ("Extended Maturity Date") and extended the Origination Shares issuance date in the Stock Purchase Agreement from May 30, 2017 to June 15, 2017.

On July 12, 2017, the Company was obligated to repay the principal due to a lender on a bridge loan totaling $1,842,105. The Company obtained a second amendment (#2) to the Securities Purchase Agreement ("SPA") and the $2,500,000 Promissory Note ("Note"). This amendment extended the original Maturity Date for the Promissory Note from June 15, 2017 to July 31, 2017 ("Extended Maturity Date") and extended the Origination Shares issuance date in the Stock Purchase Agreement from May 30, 2017 to July 31, 2017.

On August 14, 2017, the Company obtained a further amendment #3 to the Securities Purchase Agreement ("SPA") and the $2,500,000 Promissory Note ("Note"). This amendment extended the original Maturity Date for the Promissory Note from July 31, 2017 to August 31, 2017 ("Extended Maturity Date") and extended the Origination Shares issuance date in the Stock Purchase Agreement from May 30, 2017 to August 31, 2017.

On August 16, 2017, the Company withdrew its registration statement for the Initial Offering that was a condition of this bridge loan and the amounts advanced under the loan agreement. The lender continued to work with the Company by granting extensions to the note.

On November 14, 2017, the Company obtained a further amendment #4 to the Securities Purchase Agreement ("SPA") and the $2,500,000 Promissory Note ("Note"). This amendment extended the original Maturity Date for the Promissory Note from August 31, 2017 to November 16, 2017 ("Extended Maturity Date") and extended the Origination Shares issuance date in the Stock Purchase Agreement from August 31, 2017 to November 16, 2017.

On November 16, 2017, the Company obtained a further amendment #5 to the Securities Purchase Agreement ("SPA") and the $2,500,000 Promissory Note ("Note"). This amendment extended the original Maturity Date for the Promissory Note from November 16, 2017 to November 18, 2017 ("Extended Maturity Date") and extended the Origination Shares issuance date in the Stock Purchase Agreement from November 16, 2017 to November 18, 2017.

On November 20, 2017, the Company obtained a further amendment #6 to the Securities Purchase Agreement ("SPA") and the $2,500,000 Promissory Note ("Note"). This amendment extended the original Maturity Date for the Promissory Note from November 18, 2017 to November 22, 2017 ("Extended Maturity Date") and extended the Origination Shares issuance date in the Stock Purchase Agreement from November 18, 2017 to November 22, 2017.

The Investor conditionally waived the defaults for the Company's failure to meet the original Maturity Date of the Note and delivery date for the Origination Shares. The Investor waived any damages, fees, penalties, liquidated damages, or other amounts or remedies otherwise resulting from such defaults through the Extended Maturity Date, and such conditional waiver is conditioned on the Issuer's not being in default of and not breaching any term of the Note or the SPA or any other Transaction Document at any time subsequent to the date of the Amendment. The investor subsequently agreed to convert all of the note without penalties or fees and also agreed to cancel all of the warrants issued in connection with the note in exchange for 1.5 million restricted shares which were issued concurrently with the participation in the private offering.

In connection with the conversion and redemption portion of the Private Offering, on the Effective Date, the Company entered into that certain Agreement to Convert Promissory Note (the "JMJ Letter Agreement") with JMJ Financial, a sole proprietorship ("JMJ"), whereby JMJ agreed to convert $2,105,263 of liabilities and their additional investment of $1,000,000, into 550,526 shares of common stock of the Company at a conversion price equal to $0.50 per share and 2,830 shares of Series B convertible preferred stock at a stated price to $1,000 per share. Additionally, JMJ was issued warrants to purchase 6,210,526 shares of the Company's common stock at an exercise price equal to $0.65 per share, expiring five years from the Initial Exercise Date. Commencing on the Effective Date, JMJ entered into a Lock-Up Agreement for a period of 365 days prohibiting the sale or other transfer of all securities of the Company owned by JMJ.

NOTE 7 – LINE OF CREDIT

The Company assumed a line of credit with Wells Fargo Bank upon merger with ISA on April 1, 2015. The line of credit provided for borrowings up to $40,000, but is now closed to future borrowing. The balance as of December 31, 2017 and 2016, was $34,513 and $38,019, respectively, including accrued interest. This line of credit has no maturity date. The annual interest rate is the Prime Rate plus 8% (11% at December 31, 2017). The former CEO of ISA is the personal guarantor.

NOTE 8 – CONTRACT ACCOUNTING

Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts

Costs and estimated earnings in excess of billings on uncompleted contracts represents costs and estimated earnings in excess of billings and/or cash received on uncompleted contracts accounted for under the percentage of completion contract method.

At December 31, 2017 and 2016, costs and estimated earnings in excess of billings on uncompleted contracts consisted of the following:

	2017	2016
Costs and estimated earnings recognized	$ 1,613,731	$ 2,631,315
Less: Billings or cash received	(1,189,938)	(2,154,642)
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 423,793	$ 476,673

Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts

Billings in excess of costs and estimated earnings on uncompleted contracts represents billings and/or cash received that exceed accumulated revenues recognized on uncompleted contracts accounted for under the percentage of completion contract method.

At December 31, 2017 and 2016, billings in excess of costs and estimated earnings on uncompleted contracts consisted of the following:

	2017	2016
Billings and/or cash receipts on uncompleted contracts	$ 573,847	$ 396,609
Less: Costs and estimated earnings recognized	(373,437)	(176,984)
Billings in excess of costs and estimated earnings on uncompleted contracts	$ 200,410	$ 219,625

NOTE 9 – DEFERRED COMPENSATION

As of December 31, 2017 and 2016, the Company has accrued $304,203 and $894,217, respectively, of deferred compensation relating to the individual agreements, which are included in the accompanying consolidated balance sheet in accrued expenses. The above referenced deferred compensation agreements are un-funded.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company has several non-cancelable operating leases, primarily for equipment, that expire over the next year. Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease. Rental expense for operating leases during 2017 and 2016 was $12,320 and $12,457, respectively.

	Year Ended December 31,	
	2017	2016
Purchase Power	$ 369	$ 588
Coffee Perks/A. Antique Coffee Services	382	300
Canon	11,569	11,569
Total Operating Leases rent expense	$ 12,320	$ 12,457

The Company has an operating lease agreement, through the former parent, for office space located in Jacksonville, Florida that expired on April 30, 2016. On March 8, 2016, the former parent executed an amendment to the current lease with a start date of May 1, 2016 and ending on October 31, 2021. Rental expense for the months of March 2016 through May 2016 will be $0, followed by a monthly rent of $14,816 (including operating cost and taxes) commencing with the month of June 2016. The rent is subject to an annual escalation of 3%, beginning May 1, 2017.

Minimum rent payments under this lease are recognized on a straight-line basis over the term of the lease. The current monthly lease payment is $15,260. Rental expense for the office lease during 2017 and 2016 was $174,878 and $171,513, respectively.

The following is a schedule of future minimum lease payments for non-cancelable operating leases are as follows:

2018	174,568
2019	179,805
2020	185,199
2021	155,846
Total	$ 695,418

Placement Agency Agreement

On January 6, 2016, the Company entered into an agreement with an investment banker to provide general financial advisory and investment banking services. Services included, but not limited to in the agreement are to provide a valuation analysis of the Company, assist management and advise the Company with respect to its strategic planning process and business plans including an analysis of markets, positioning, financial models, organizational structure, potential strategic alliances, capital requirements, potential national listing and working closely with the Company's management team to develop a set of long and short-term goals with special focus on enhancing corporate and shareholder value. The Agreement is for an initial term of six months. The Company shall pay a non-refundable fee accruing at the rate of $10,000 per month, for the term of the agreement. These advisory fee payments will be accrued and deferred for payment until the earlier of 1) closing of a financing described in the agreement, 2) a closing of interim funding at which point fifty percent (50%) of the outstanding monthly advisory fee will be payable on the last day of the month following closing of the interim financing or 3) the termination of the agreement. The Company issued to the investment banker 912,000 vested shares of the Company's common stock as of the execution date of this agreement. In addition, the Company issued warrants for the purchase of 302,000 shares of the Company's common stock. The warrants shall have a five-year term and an exercise price of $0.30. (see Notes 14 and 15)

On January 27, 2016, the Company entered into an agreement with a consultant to provide advisory services for an initial period of six months. The consultant will assist the Company with its objective of evaluating financing and other strategic options in connection with operational expansion and respond to any opportunities that arise in regard to strategic partnerships/acquisition/joint ventures or other business relationships that may advance revenue growth and enterprise value. Upon a qualified financing of at least $1,500,000 through a party introduced by the consultant, the Company agreed to issue up to $90,000 in equity or cash at the same rate and terms as the basis of the financing. In consideration for development services thirty days from the execution of this agreement, 20,000 shares of restricted common stock of the Company will be granted to the consultant or assigns and be issued within fifteen days of the grant. Also, 30,000 additional shares shall be granted to the consultant or assigns on completion of any transactions with a potential participant. In consideration for advisory services, the non-refundable sum of $5,000 was payable upon execution of the agreement with a further $5,000 to be deferred and paid upon the completion of any transaction with a potential participant. On May 5, 2016, the Company cancelled the agreement due to lack of performance with the consultant who was to provide advisory services for an initial period of six months. The Company paid an initial amount of $2,500 and no further compensation will be paid. No shares of common stock were issued in connection with this agreement.

On May 13, 2016, the Company entered into an agreement with a consultant in the business of providing services for management consulting, business advisory, shareholder information and public relations for a period of three months. During the Term of this Agreement, the Company will pay to the Consultant the sum of $3,000 per month. The Company may accrue monthly fees without payment to the consultant until the company closes a qualified financing other than the first month's retainer. Upon signing, the Company issued to the Consultant 125,000 shares of the Company's restricted common stock for a total purchase price of $100 and recorded $27,400 as a prepaid asset to be amortized over the three-month term. The Company amortized $27,400 to expense as of December 31, 2016. As of August 14, 2016, the agreement had expired and was not renewed in writing by the parties as called for in the agreement. The Company continues to work with the Principal on certain potential funding arrangements that were started (but not consummated) during the period in which the contract was in effect.

On September 1, 2016, the Company entered into an agreement with a registered investment broker, for the purposes of securing interim and long-term funding for the Company. During the ninety-day term of this agreement, the Company was to pay the broker $50,000, certain travel expenses, plus 7% cash fee of the aggregate principle amount raised on a qualified financing. The Company has paid an initial amount of $6,500 to the broker and the broker sent materials to qualified investors. The Company has cancelled the agreement effective December 27, 2016 and the initial fee of $6,500 was refunded to the Company on February 1, 2017.

Litigation

FacilityTeam Lawsuit

On August 10, 2015, the Company entered into an agreement with FacilityTeam of Ontario, Canada to settle a dispute that had arisen concerning payments for software development services. The Company strongly believed that FacilityTeam did not deliver the products promised and felt that we would prevail in arbitration called for by the contract between the parties. Ultimately, the Company opted to settle the matter for the cost of the litigation which was estimated be at least $60,000; rather than spend further resources on defending the claim and pursuing the counterclaim against FacilityTeam. The Company agreed to pay to FacilityTeam $2,500 per month starting October 1, 2015 for 24 months and taking a charge in the third quarter of 2015 for the settlement amount of $60,000. On December 12, 2016, the Company was notified that it was in breach of settlement with a previous vendor, FacilityTeam based in Ontario, Canada alleging failure to make certain payments in accordance with such settlement. On December 28, 2016, the Company agreed to a modified payment schedule as part of a post judgement settlement for the amounts due and owing. On March 7, 2017, the final settlement payment was made by the Company to FacilityTeam.

Greentree Financial Group, Inc. Lawsuit

On May 12, 2016, a complaint was filed against the Company in the Circuit Court for the Seventeenth Judicial Circuit in and for Broward Country, Florida (the "Circuit Court") by Greentree Financial Group, Inc. as plaintiff ("Greentree"). Greentree, the holder of two convertible promissory notes in the principal amount of $50,000 and $46,975 (the "Notes"), alleged that the Company was in default for failure to make scheduled principal and interest payments and failing to convert a portion of the Notes into the Company's common stock. On May 23, 2016, we filed a counterclaim in the Circuit Court against Greentree alleging, amongst other claims, that the officers and directors of Greentree failed to disclose certain facts with respect to their past conduct, which, had the Company known, would have made it unlikely that the Company would have entered into the debt financing transaction issuing the Notes. On January 23, 2017, the Company executed a settlement agreement with Greentree resolving the pending lawsuit with respect to the Notes (the "Settlement Agreement"). The terms of the Settlement Agreement include payment by the Company to Greentree in the amount of $150,000 due within 45 days of execution thereof and resolves all outstanding obligations related to the Notes (the "Payment"). The Payment was made by the Company to Greentree on March 7, 2017. On March 24, 2017, the Company received an Agreed Final Order of Dismissal from the Court dismissing the Greentree Matter with prejudice.

Dispute with Former Employee

On or about February 15, 2017, the Company received a Notice of Filing of Complaint of Discrimination filed by a former employee of the Company that had been terminated for insubordination. The Company received notice in late April 2017 from the Florida Commission on Human Relations with a determination of no reasonable cause exists to believe that an unlawful practice occurred.

Except as disclosed above, 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 of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Delinquent Payroll Taxes Payable

As reported previously, the Company had a delinquent payroll tax payable at September 30, 2017 and December 31, 2016 in the amount of $1,149,189 and $400,076, respectively. As of the date hereof, the Company has paid its payroll taxes in full and the Company has appealed the IRS penalty payments for a reduction which is currently under review. In the event the Company loses its appeal for a reduction in the penalties in connection with the delinquent payroll taxes the Company would be required to pay such penalties in full. At December 31, 2017, the payroll taxes payable balance of $149,448 includes accrued late fees in the amount of $108,262.

NOTE 11 – 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 at December 31, 2017 and 2016 consist of net operating loss carryforwards and differences in the book basis and tax basis of intangible assets.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (the "Act"), a tax reform bill which, among other items, reduces the current federal income tax rate to 21% from 34%. The rate reduction is effective January 1, 2018 and is permanent.

The Act has caused the Company's deferred income taxes to be revalued. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through income tax expense. Pursuant to the guidance within SEC Staff Accounting Bulletin No. 118 ("SAB 118"), as of December 31, 2017, the Company recognized the provisional effects of the enactment of the Act for which measurement could be reasonably estimated. Since the Company has provided a full valuation allowance against its deferred tax assets, the revaluation of the deferred tax assets did not have a material impact on any period presented. The ultimate impact of the Act may differ from these estimates due to the Company's continued analysis or further regulatory guidance that may be issued as a result of the Act.

As a result of the reduction of the federal corporate income tax rate, the Company reduced the value of its net deferred tax asset by $2,354,257 which was recorded as a corresponding reduction to the valuation allowance during the fourth quarter of 2017.

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, 2017 and 2016 were as follows:

	Years Ended December 31,	
	2017	2016
Income tax benefit at U.S. statutory rate of 34%	$ (1,751,842)	$ (870,948)
State income taxes	(185,489)	(92,218)
Non-deductible expenses	551,235	356,674
Effect of change in federal statutory rate to 21%	490,618	—
Change in valuation allowance	895,478	606,492
Total provision for income tax	$ —	$ —

The Company's approximate net deferred tax assets as of December 31, 2017 and 2016 were as follows:

	December 31,	
	2017	2016
Deferred Tax Assets:		
Net operating loss carryforward	$ 4,357,876	$ 5,241,802
Intangible assets	97,103	181,338
	4,454,979	5,423,140
Valuation allowance	(4,454,979)	(5,423,140)
Net deferred tax assets	$ —	$ —

The net operating loss carryforward was approximately $17,715,000 and $13,941,000 at December 31, 2017 and 2016, respectively. The Company provided a valuation allowance equal to the deferred income tax assets for the years ended December 31, 2017 and 2016 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 $895,478 in 2017.

The potential tax benefit arising from the loss carryforward will expire in years through 2037. Additionally, the future utilization of the net operating loss carryforward to offset future taxable income may be subject to an annual limitation as a result of ownership changes that could occur in the future in accordance with Section 382 of the Internal Revenue Code. If necessary, the deferred tax assets will be reduced by any carryforward that expires prior to utilization as a result of such limitations, with a corresponding reduction of the valuation allowance. The Company believes its tax positions are all highly certain of being upheld upon examination. The Company's 2017, 2016 and 2015 Corporate Income Tax Returns are subject to Internal Revenue Service examination.

The Company does not have any uncertain tax positions or events leading to uncertainty in a tax position.

NOTE 12 – RELATED PARTIES

Letter Agreements

On June 9, 2017, the Company entered into a letter agreement with Mr. Gianni Arcaini, the Chief Executive Officer and a Director of the Company (the "Arcaini Letter Agreement"), whereby Mr. Arcaini agreed to convert all deferred compensation owed to him under his Employment Agreement ("Arcaini Debt Obligation") into common stock of the Company, contingent upon the completion of the Initial Offering. The aggregate amount of $700,543 ("Arcaini Obligation") will be owed to Mr. Arcaini under the Arcaini Debt Obligation including interest through June 30, 2017. Pursuant to the Arcaini Letter Agreement, the Arcaini Debt Obligation will automatically convert upon consummation of the Initial Offering into such number of restricted shares of the Company's common stock calculated by dividing the Arcaini Debt Obligation by $5.00 or 140,109 shares. The Company anticipates amending the Arcaini Letter Agreement to issue Mr. Arcaini 140,109 warrants upon the consummation of the Initial Offering. Mr. Arcaini has agreed to enter into a lock-up agreement prohibiting the sale or other transfer of all securities of the Company owned by him for a period of 6 months.

On August 16, 2017, the Company withdrew its registration statement on Form S-1 for the Initial Offering. Upon such withdrawal, the Arcaini Letter Agreement was terminated in accordance with the terms and conditions therein.

On June 9, 2017, the Company entered into a letter agreement with Mr. Adrian Goldfarb, the Chief Financial Officer of the Company (the "Goldfarb Letter Agreement"), whereby Mr. Goldfarb agreed to convert all amounts due and owing to him under that certain promissory note issued by the Company ("Goldfarb Debt Obligation") into common stock of the Company, contingent upon the completion of the Initial Offering. The aggregate amount of $33,620 ("Goldfarb Obligation") will be owed to Mr. Goldfarb under the Goldfarb Debt Obligation including interest through June 30, 2017. Pursuant to the Goldfarb Letter Agreement, the Goldfarb Debt Obligation would have automatically converted upon consummation of the Initial Offering into such number of restricted shares of the Company's common stock calculated by dividing the Goldfarb Debt Obligation by $5.00 or 6,724 shares. Mr. Goldfarb had agreed to enter into a lock-up agreement prohibiting the sale or other transfer of all securities of the Company owned by him for a period of 6 months.

On August 16, 2017, the Company withdrew its registration statement on Form S-1 for the Initial Offering. Upon such withdrawal, the Goldfarb Letter Agreement was terminated in accordance with the terms and conditions therein.

With the closing of the Private Offering, (i) Gianni B. Arcaini, the Chief Executive Officer, converted $700,543 of accrued salary into 700,543 shares of the Company's common stock at a $1.00 per share and 700,543 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the Initial Grant Date, (ii) Adrian G. Goldfarb, the Chief Financial Officer of the Company, converted $34,020 of liabilities into 34,020 shares of the Company's common stock at a $1.00 per share and 34,020 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the Initial Grant Date.

Notes, Loans and Accounts Payable

As of December 31, 2017 and 2016, there were various notes and loans payable to related parties totaling $48,215 and $577,715, respectively. The Company also has accounts payable-related parties due to an officer for expense reimbursement and due to an affiliate for services in the total amount of $12,598 and $40,136 at December 31, 2017 and 2016, respectively. (see Note 18)

NOTE 13 – SERIES A REDEEMABLE CONVERTIBLE CUMLATIVE 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. In September through October 2016, the Company sold 29,600 shares of Series A Convertible Preferred Stock for cash proceeds equal to the stated value of $296,000. Accrued cumulative dividends during 2017 was $17,760 and $5,920 during 2016. The total redeemed on November 24, 2017 was for a total of $319,680.

Rank. The Series A Convertible Preferred Stock will rank senior to our common stock to the extent of its liquidation preference of $10 per share (the "Stated Value").

Conversion. Each share of the Series A Preferred is convertible into shares of our common stock at any time at the option of the holder, into that number of shares of common stock determined by dividing the sum of (i) the Stated Value of such shares of Series A Preferred and (ii) the accrued and unpaid dividends per share by the conversion price of $0.18 (the "Conversion Price"). In the event the Company undertakes a registered offering; the holder may elect to convert at the terms of that offering for a period of 30 days after the offering is closed after which only the conversion terms described above will be available. In all cases, any conversion rights will always be tied to the price of the Company's stock. (see "Certain Adjustments" below).

Liquidation Preference. In the event of our liquidation, dissolution or winding up, whether voluntary or involuntary (the "Liquidation Event"), holders of the Series A Preferred then outstanding shall be entitled to receive, out of assets of the Company available for distribution to its stockholders, an amount equal to the Stated Value plus any accrued and unpaid dividends as of the date of such Liquidation Event.

Voting Rights. Holders of Series A Preferred will vote on an as converted basis on all matters on which the holders of common stock are entitled to vote. In addition, as long as the Series A Preferred remains outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the then outstanding shares of the Series A Preferred (i) alter or change adversely the powers, preferences or rights given to the Series A Preferred (ii) authorize or create any class of stock ranking as to dividends, redemption or distribution of assets upon a Liquidation Event senior to, or otherwise pari passu with, the Series A Preferred (iii) amend its Articles of Incorporation or other charter documents in any way that may adversely affect any rights of Series A Preferred, (iv) increase the authorized shares of Series A Preferred or (v) enter into any agreement with respect to the foregoing.

Dividends. Each share of Series A Convertible Preferred Stock shall be entitled to receive, an annual 8% dividend. Such dividend will be accrued and be paid either as part of conversion to common stock where such dividend will be converted at the same rate or on redemption at the end of three years. The holders of shares of the Series A shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefore, cumulative cash dividends at an annual rate of eight percent (8%) of the Stated Value (the "Dividend Rate"). Such dividends on shares of Series A shall be cumulative from the date such shares are issued, whether or not in any period there shall be funds of the Company legally available for the payment of such dividends and whether or not such dividends are declared, and shall be payable quarterly, when as, and if declared by the Board of Directors, on April 10, July 10, October 10, and January 10 in each year (each a "Dividend Payment Date"_ to holders of record as of March 31, June 30, September 30 and December 31 in each year (the "Record Date"). Cumulative dividends shall always accrue a compounded rate equal to the Dividend Rate and shall accrue from and including the date of issuance of such shares to and including a Dividend Payment Date. Such dividends shall accrue whether or not there shall be (at the time such dividend becomes payable or at any other time) profits, surplus or other funds of the Company legally available for the payment of dividends.

Certain Adjustments. The conversion price of the Series A Convertible Preferred Stock is subject to adjustment upon the occurrence of specific events, including stock dividends, stock splits, combinations and reclassifications of our common stock. Additionally, if the Company sells or issues any shares of Common Stock or Common Stock Equivalents at a price per share less than the Conversion price (a "Lower-Price Issuance") in connection with a financing where one of the purposes is to permit the Company's Common Stock being accepted for listing on a National Securities Exchange, then for a period of 30 days after the Common Stock begins to trade on a National Securities Exchange the Conversion Price shall be reduced to the Lower Price Issuance. After the 30-day period has expired, the Conversion Price shall increase to the level immediately prior to commencement of the 30-day period.

Redemption. The holder has the right to request redemption of the Series A Preferred Stock after a period of three years in an amount equal to the Stated Value plus accrued and unpaid dividends.

The Series A convertible preferred stock has been reflected as temporary equity at its redemption value on the accompanying consolidated balance sheet because of its redemption feature.

Additionally, in connection with the conversion and redemption portion of the Private Offering, the Company entered into Letter Agreements (the "Preferred Stock Letter Agreements") with holders of the Company's Series A Preferred Stock (the "Preferred Holders") for repayment of an aggregate amount of $319,680. All Series A holders were repaid in full and no stock or warrants were issued.

NOTE 14 – STOCKHOLDERS' EQUITY (DEFICIT)

2016 Equity Plan

On March 11, 2016, the Board adopted the plan and the shareholders approved the plan during the annual shareholders meeting on April 21, 2016. On May 27, 2016, the Company filed a registration statement for the securities planned to be issued under the plan which became effective at that date.

The 2016 Equity Incentive Plan (the "2016 Plan") provides for the issuance of up to 228,571 shares of our common stock. The purpose of the 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 stockholders. (see Note 18)

Administration

The 2016 Plan is administered by the Compensation Committee of the Board, which currently consists of two 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 2016 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 2016 Plan. Notwithstanding the foregoing, the compensation committee does not have any authority to grant or modify an award under the 2016 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 2016 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 have reserved a total of 8 million shares of common stock for issuance as or under awards to be made under the 2016 Plan. 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 2016 Plan.

Currently, there are eleven identified employees (including two executive officers and directors), three non-employee directors, and up to thirty other current or future staff members who would be entitled to receive stock options and/or shares of restricted stock under the 2016 Plan. Future new hires and additional non-employee directors and/or consultants would be eligible to participate in the 2016 Plan as well.

Stock Options

The 2016 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"); the stockholders approved the 2016 Plan at the annual meeting as previously described. 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 our company or a parent or subsidiary of our 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

A 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 2016 Plan. A 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 a 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. A SAR that is not granted in tandem with a stock option is exercisable at such times as the compensation committee may specify.

Performance Shares 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 2016 Plan, and amend, suspend or terminate the 2016 Plan, but no such amendment or termination will be made that materially and adversely impairs the rights of any participant with respect to any award received thereby under the 2016 Plan without the participant's consent, other than amendments that are necessary to permit the granting of awards in compliance with applicable laws. We have attempted to structure the 2016 Plan so that remuneration attributable to stock options and other awards will not be subject to the deduction limitation contained in Code Section 162(m).

Series B Convertible Preferred Stock

The following summary of certain terms and provisions of our Series B Convertible Preferred Stock (the "Series B Preferred") 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 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 has designated 15,000 of the 10,000,000 authorized shares of preferred stock as Series B Convertible Preferred Stock. When issued, the shares of Series B Convertible Preferred Stock will be validly issued, fully paid and non-assessable.

Each share of Series B Convertible Preferred Stock is 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 $0.50 per share. Notwithstanding the foregoing, we shall 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 exercise. Effective November 24, 2017 (the "Effective Date"), the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") and a Registration Rights Agreement (the "Registration Rights Agreement") which included the issuance of 2,830 shares of Series B Convertible Preferred Stock worth $2,830,000 (including the conversion of liabilities at a price of $1,000 per Class B Unit. As of the date hereof, there are 2,830 shares of Series B Convertible Preferred Stock issued and outstanding.

Common stock issued

Effective November 24, 2017 (the "Effective Date"), the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") and a Registration Rights Agreement (the "Registration Rights Agreement") with 57 investors (the "Purchasers"). Pursuant to the Securities Purchase Agreement, the Purchasers purchased 16,402,742 shares of common stock, 22,062,742 purchaser warrants (the "Purchaser Warrants"), and 2,830 shares of Series B Convertible Preferred Stock (collectively, the "SPA Securities") worth $11,031,371 (including the conversion of liabilities and redemptions of shares of Series A Preferred Stock) at a price of $0.50 per Class A Unit (as defined in the Securities Purchase Agreement) and $1,000 per Class B Unit (as defined in the Securities Purchase Agreement) (the "Private Offering"). The Purchaser Warrants have a strike price of $0.65, expiring five years from the Initial Exercise Date (as defined in the Purchaser Warrants). The Securities Purchase Agreement contains customary representations, warranties, agreements and conditions to completing future sale transactions, indemnification rights and obligations of the parties. Additionally, the Purchasers may participate in a subsequent offering of the Company's securities in an aggregate amount of up to 35% of the subsequent offering on the twenty-fourth (24th) month anniversary of the Private Offering. In connection with the Private Offering, as of the date hereof, there are 18,756,180 shares of common stock issued and outstanding, 2,830 shares of Series B Convertible Preferred Stock issued and outstanding and 25,532,551 common stock purchase warrants issued and outstanding.

Common stock issued for services and settlements

On January 6, 2016, the Company entered into an agreement with an investment banker to provide general financial advisory and investment banking services. Services included, but not limited to in the agreement are to provide a valuation analysis of the Company, assist management and advise the Company with respect to its strategic planning process and business plans including an analysis of markets, positioning, financial models, organizational structure, potential strategic alliances, capital requirements, potential national listing and working closely with the Company's management team to develop a set of long and short-term goals with special focus on enhancing corporate and shareholder value. The Agreement is for an initial term of six months. The Company shall pay a non-refundable fee accruing at the rate of $10,000 per month, for the term of the agreement. These advisory fee payments will be accrued and deferred for payment until the earlier of 1) closing of the financing described in the agreement, 2) a closing of interim funding at which point fifty percent (50%) of the outstanding monthly advisory fee will be payable on the last day of the month following closing of the interim financing or 3) the termination of the agreement. The Company has issued to the investment banker 912,000 vested shares of the Company's common stock valued at $273,600 based on the quoted trading price of $0.30 per share as of the execution date of this agreement. In addition, the Company has issued warrants for the purchase of 302,000 shares of the Company's common stock. The warrants have a five-year term and an exercise price of $0.30. The Company had accrued $60,000 during 2016 which was unpaid and was recorded in accrued expenses on the Company's consolidated balance sheet. In December 2016, the Company terminated the agreement and the accrued expenses of $60,000 was reversed and the 302,000 warrants were cancelled. As these warrants were fully vested at the date of grant, the Company has charged $90,036 to consulting expense.

On January 22, 2016, Warrant Holders were granted 2,100 shares of common stock in exchange for existing 5,250 warrants resulting in a loss on settlement of $630 charged to operating expense.

The Company issued 403,977 shares of common stock for consulting services rendered valued at the quoted trading price on the respective grant dates resulting in consulting expense of $50,000 in the year ended December 31, 2016.

On May 13, 2016, the Company issued 125,000 shares of common stock for consulting services valued at the quoted trading price on the grant date resulting in prepaid consulting expense of $27,400 and was amortized over the three-month agreement term.

During the first quarter of 2017, the Company issued 2,903 shares of common stock for services valued at the quoted trading price on respective grant dates resulting in a consulting expense of $15,000.

The Company issued 6,747 shares of common stock during the third quarter of 2017 for services valued at the quoted trading price on respective grant dates resulting in a consulting expense of $25,000. These shares were issued in November 2017.

The Company issued 350,000 shares of common stock on November 24, 2017 for legal fees in the amount of $175,000.

Treasury Stock

In August 2016, the Company's Board of Directors approved a new class of Preferred Stock, "Series A" (see Note 13). 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. As of December 31, 2017, and 2016, four of the company's shareholders sold 114,793 of their common shares back to the Company in exchange for Series A preferred stock valued at $148,000.

Stock Issuance Costs

In November 2017, the Company recorded the placement agents closing fees in addition to legal costs associated with the capital raise in the amount of $1,454,610.

Conversion of Debt

In connection with the conversion and redemption portion of the Private Offering, on the Effective Date, the Company entered into that certain Agreement to Convert Promissory Note (the "JMJ Letter Agreement") with JMJ Financial, a sole proprietorship ("JMJ"), whereby JMJ agreed to convert $2,105,263 of liabilities and their additional investment of $1,000,000, into 2,830 Series B Convertible Preferred Shares and 550,526 shares of Common Stock for a total equivalent of 6,210,526 shares of common stock of the Company at a conversion price equal to $0.50 per share. Additionally, JMJ was issued warrants to purchase 6,210,526 shares of the Company's common stock at an exercise price equal to $0.65 per share, expiring five years from the Initial Exercise Date. Commencing on the Effective Date, JMJ entered into a Lock-Up Agreement for a period of 365 days prohibiting the sale or other transfer of all securities of the Company owned by JMJ.

Additionally, in connection with the conversion and redemption portion of the Private Offering, the Company entered into Letter Agreements (the "Debt Letter Agreements") with certain debt holders (the "Debt Holders") for conversion of an additional aggregate amount of $945,524. The debt holders were converted into 1,741,637 shares of common stock of the Company at a conversion price equal to $0.50 per share. Additionally, the debt holders, which were converted, were issued warrants to purchase 1,741,637 shares of the Company's common stock at an exercise price equal to $0.65 per share, expiring five years from the Initial Exercise Date.

Simultaneously with the closing of the Private Offering, (i) Gianni B. Arcaini, the Chief Executive Officer, converted $700,543 of accrued salary into 700,543 shares of the Company's common stock at a $1.00 per share and 700,543 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the Initial Exercise Date, (ii) Adrian G. Goldfarb, the Chief Financial Officer of the Company, converted $34,020 of liabilities into 34,020 shares of the Company's common stock at a $1.00 per share and 34,020 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the Initial Exercise Date, (iii) a shareholder who is indirectly invested in the Company with the CEO through another entity, converted $118,875 of liabilities into 118,875 shares of the Company's common stock at a $1.00 per share and 118,875 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the Initial Exercise Date. These shares were valued at $0.50 per share based on the recent sales of common stock from a Private Offering, generating a $426,719 gain on extinguishment of debt, however, as these are considered related parties, the gain is recorded to APIC.

NOTE 15 – COMMON STOCK PURCHASE WARRANTS

Warrants

2017

During the first quarter of 2017, 194,888 warrants were issued with the Securities Purchase Agreement and the amended Placement Agent Agreement. During the same period, 375 warrants expired.

During the second quarter of 2017, 59,548 warrants were issued with the Securities Purchase Agreement and the amended Placement Agent Agreement.

During the third quarter of 2017, 54,122 warrants were issued with the Securities Purchase Agreement and the amended Placement Agent Agreement.

During the fourth quarter of 2017, 14,464,000 warrants were issued with the Securities Purchase Agreement and the amended Placement Agent Agreement, 8,452,180 warrants were issued for debt/services and 2,206,274 warrants were issued to the Placement Agent. During the same period, 433,069 warrants were cancelled.

2016

On April 1, 2016, the Company issued a warrant exercisable into 2.5 million shares with a term of five years and exercise price of $0.35 per share in conjunction with a Securities Purchase Agreement. The Warrants also contain certain anti-dilution provisions that apply in connection with any stock split, stock dividend, stock combination, recapitalization or similar transactions as well as a potential adjustment to the exercise price based on certain events. The relative fair value of the warrants of $466,031 was recorded as a debt discount and additional paid in capital and will be amortized to interest expense over the term of the debt.

On April 1, 2016, the Company issued three-year warrants for 200,000 common shares with an exercise price of $0.40 to the placement agent as additional compensation for arrangement of financing through the Securities Purchase Agreement. The fair value of the warrants of $43,272 was recorded as a discount and will be amortized to interest expense over the term of the debt.

In the first quarter of 2016, 5,250 warrants were exchanged for 2,100 common shares resulting in a loss on exchange of $630 charged to operations. During the same period, 1,500 warrants expired.

In the second quarter of 2016, 3,750 warrants expired.

During 2016, an additional 4,659,893 warrants were issued with the Securities Purchase Agreements and the amended Placement Agent Agreements. In December of 2016, 302,000 warrants were cancelled.

	Number of Warrants	Weighted Avg. Exercise Price	Remaining Contractual Life (Years)
Outstanding at December 31, 2015	17,410	$ 18.90	4.5
Warrants expired, forfeited or cancelled	(8,779)	14.35	
Warrants issued with debt, debt modifications or services	210,283	8.05	4.6
Warrants exchanged for common stock	(150)	233.45	
Outstanding at December 31, 2016	218,764	8.4	4.6
Warrants expired, forfeited or cancelled	(433,444)	233.45	
Warrants issued with debt, debt modifications or services	10,967,012	.65	4.6
Warrants issued for common stock	14,464,000		
Outstanding at December 31, 2017	25,216,332	.65	4.9
Exercisable at end of period	25,216,332	$ .65	4.9

NOTE 16 – DERIVATIVE FINANCIAL INSTRUMENTS

The Company applies the provisions of ASC Topic 815-40, Contracts in Entity's Own Equity ("ASC Topic 815-40"), under which convertible instruments and warrants, which contain terms that protect holders from declines in the stock price (reset provisions), may not be exempt from derivative accounting treatment. As a result, the warrants are initially recorded as a liability at fair value and are revalued at fair value at each reporting date in 2017, including the period ending December 31, 2016. As of November 2017, the company issued 433,069 warrants in connection with a debt financing of $2,105,263. The warrants were for a five-year term and were exercisable initially at $5.25 per share and carried a re-pricing feature in the event that the stock price declined prior to repayment of the underlying debt instrument. These warrants were cancelled as agreed with the investor as part of the Private Offering.

The Company calculated the estimated fair values of the liabilities for warrant derivative instruments at December 31, 2016 and at the warrant issuance date of December 20, 2016 with the Black Scholes Pricing Model ("BSM") option pricing model and Monte Carlo simulations using the closing price of the Company's common stock of $0.038 and the ranges for volatility, expected term and risk-free interest indicated below that follows (BSM inputs only). The Monte Carlo simulations were used to determine a range of expected volatilities and the implied volatility used was determined with a correlation to the highest probability results from that simulation. Thus, for the year ended December 31, 2016, the Company recognized a loss from the change in derivative liability of $264,099 in warrant derivative gain (loss) related to the warrant derivative instruments.

The Company calculated the estimated fair values of the liabilities for warrant derivative instruments at March 31, June 30 , September 30 and November 24, 2017 and at the warrant issuance dates of January 25, 2017 through August 22, 2017 with the Black Scholes Pricing Model ("BSM") option pricing model and Monte Carlo simulations using the closing prices of the Company's common stock of from $1.05 to $8.75 and the ranges for volatility, expected term and risk-free interest indicated below that follows (BSM inputs only). The Monte Carlo simulations were used to determine a range of expected volatilities and the implied volatility used was determined with a correlation to the highest probability results from that simulation. Thus, for the year ended December 31, 2017, the Company recognized a gain from the change in derivative liability of $2,743,686 included in the statement of operations under Other Income (Expense), Warrant Derivative Gain related to these warrant derivative instruments.

Warrants	BSM Inputs	
	During the period ending December 31, 2017	During the period ending December 31, 2016
Expected Volatility	37% to 144%	144%
Expected Remaining Term	4.07 years to 5.00 years	4.97 years
Risk Free Interest Rate	1.80% to 2.13%	2.04%

NOTE 17 – FAIR VALUE MEASUREMENTS

We currently measure and report at fair value the liability for warrant derivative instruments. The fair value liabilities for price adjustable warrants have been recorded as determined utilizing the BSM option pricing model and Monte Carlo simulations. The following tables summarize our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016:

	Balance at December 31, 2016	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
Liabilities:				
Fair value of liability for warrant derivative instruments	$ 793,099	$ —	$ —	$ 793,099

	Balance at December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Fair value of liability for warrant derivative instruments	$ —	$ —	$ —	$ —

The following is a roll forward through December 31, 2017 of the fair value liability of warrant derivative instruments:

	Fair Value of Liability for Warrant Derivative Instruments
Balance at December 31, 2015	$ —
Initial fair value of warrant liability included in expense ($217,980) and debt discount ($529,000)	746,980
Change in fair value included in other (income) expense	46,119
Balance at December 31, 2016	793,099
Initial fair value of warrant liability	2,046,347
Gain on change in fair value included in Other Income and Expense	(2,743,686)
Balance at final valuation and written off to Additional Paid In Capital	(95,760)
Balance at December 31, 2017	$ —

NOTE 18 – SUBSEQUENT EVENTS

On January 5, 2018, the Company made final payment in the amount of $48,215 to repay the related party note to the Company's CEO. (see Note 12)

On January 18, 2018, the Company held an annual shareholders meeting where the shareholders approved the number of authorized shares pursuant to the Company's 2016 Equity Incentive Plan in the amount of 2,500,000 (the "Plan").

On March 8, the Board of Directors approved the issuance of 2,443,333 stock options with a strike price of $1 per share to management and certain employees.

Effective April 1, 2018, the Company re-approved the Incentive Stock Option Plan ("ISO") and has been adjusted to reflect the reverse split and the current equity raise. (see Note 14)

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,572,051	$ 1,941,818
Accounts receivable, net	1,391,447	298,304
Contract assets	347,565	423,793
Prepaid expenses and other current assets	249,162	90,923
Total Current Assets	3,560,225	2,754,838
Property and equipment, net	170,899	65,362
OTHER ASSETS:		
Software Development Costs, net	45,000	—
Patents and trademarks, net	47,428	45,978
Total Other Assets	92,428	45,978
TOTAL ASSETS	$ 3,823,552	$ 2,866,178

(Continued)

See accompanying condensed notes to the unaudited consolidated financial statements.

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

	September 30, 2018 (Unaudited)	December 31, 2017
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 981,310	$ 812,618
Accounts payable - related parties	13,473	12,598
Notes payable - financing agreements	69,038	49,657
Notes payable - related parties	—	9,078
Line of credit	31,516	34,513
Payroll taxes payable	200,119	149,448
Accrued expenses	441,091	497,277
Contract liabilities	1,258,159	200,410
Deferred revenue	279,375	438,907
Total Current Liabilities	3,274,081	2,204,506
Notes payable - related party	—	39,137
Total Liabilities	3,274,081	2,243,643
Commitments and Contingencies (Note 6)		
STOCKHOLDERS' EQUITY:		
Preferred stock: $0.001 par value, 10,000,000 authorized, 9,485,000 shares available to be designated		
Series A redeemable convertible cumulative preferred stock, $10 stated value per share,500,000 shares designated; 0 issued and outstanding at September 30, 2018 and December 31, 2017, convertible into common stock at $6.30 per share	—	—
Series B convertible cumulative preferred stock, $1,000 stated value per share, 15,000 shares designated; 2,830 issued and outstanding at September 30, 2018 and December 31, 2017, convertible into common stock at $0.50 per share	2,830,000	2,830,000
Common stock: $0.001 par value; 500,000,000 shares authorized, 21,010,437 and 20,657,850 shares issued, 21,007,157 and 20,654,570 shares outstanding at September 30, 2018 and December 31, 2017, respectively	21,010	20,658
Additional paid-in capital	27,280,249	26,608,823
Total stock & paid-in-capital	30,131,259	29,459,481
Accumulated deficit	(29,433,788)	(28,688,946)
Sub-total	697,471	770,535
Less: Treasury stock (3,280 shares of common stock)	(148,000)	(148,000)
Total Stockholders' Equity	549,471	622,535
Total Liabilities and Stockholders' Equity	$ 3,823,552	$ 2,866,178

See accompanying condensed notes to the unaudited consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
REVENUES:				
Project	$ 4,731,106	$ 561,022	$ 8,516,812	$ 1,512,628
Maintenance and technical support	371,110	288,137	881,004	914,438
IT asset management services	—	196,576	92,386	816,903
Total Revenues	5,102,216	1,045,735	9,490,202	3,243,969
COST OF REVENUES:				
Project	2,684,785	458,337	5,079,455	1,180,193
Maintenance and technical support	89,077	131,363	300,593	366,357
IT asset management services	—	68,691	47,989	328,730
Total Cost of Revenues	2,773,862	658,391	5,428,037	1,875,280
GROSS PROFIT	2,328,354	387,344	4,062,165	1,368,689
OPERATING EXPENSES:				
Selling and marketing expenses	73,468	27,104	189,092	146,031
Salaries, wages and contract labor	1,072,029	784,012	3,153,138	2,359,899
Research and development	122,755	65,984	401,116	225,982
Professional fees	63,878	87,366	187,679	292,099
General and administrative expenses	359,991	210,398	864,969	768,606
Total Operating Expenses	1,692,121	1,174,864	4,795,994	3,792,617
INCOME (LOSS) FROM OPERATIONS	636,233	(787,520)	(733,829)	(2,423,928)
OTHER INCOME (EXPENSES):				
Interest Expense	(4,589)	(1,525,894)	(14,755)	(3,279,898)
Gain on settlement of debt	—	—	—	64,647
Warrant derivative gain	—	2,188,546	—	1,901,219
Other income, net	981	—	3,742	1
Total Other Income (Expense)	(3,608)	662,652	(11,013)	(1,314,031)
NET INCOME (LOSS)	632,625	(124,868)	(744,842)	(3,737,959)
Series A preferred stock dividends	—	(5,920)	—	(17,760)
Net income (loss) applicable to common stock	$ 632,625	$ (130,788)	$ (744,842)	$ (3,755,719)
Basic Net Income (Loss) Per Share	$ 0.03	$ (0.07)	$ (0.04)	$ (1.98)
Diluted Net Income (Loss) Per Share	$ 0.02	$ (0.07)	$ (0.04)	$ (1.98)
Weighted Average Shares-Basic	20,752,450	1,899,716	20,724,153	1,896,578
Weighted Average Shares-Diluted	26,412,450	1,899,716	20,724,153	1,896,578

See accompanying condensed notes to the unaudited consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2018	2017
Cash from operating activities:		
Net loss	$ (744,842)	$ (3,737,959)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	71,318	36,519
Gain on settlement of debt	—	(64,647)
Stock based compensation	403,070	—
Stock issued for services	—	40,000
Interest expense related to debt discounts of notes payable	—	3,064,086
Warrant derivative gain	—	(1,901,219)
Changes in assets and liabilities:		
Accounts receivable	(1,093,143)	(326,160)
Contract assets	76,228	131,587
Prepaid expenses and other current assets	58,934	207,936
Accounts payable	168,692	622,946
Accounts payable-related party	875	1,238
Payroll taxes payable	50,671	734,190
Accrued expenses	17,523	455,780
Contract liabilities	1,057,747	23,221
Deferred revenue	(159,532)	(333,626)
Net cash used in operating activities	(92,459)	(1,046,108)
Cash flows from investing activities:		
Software development costs	(60,000)	—
Purchase of patents/trademarks	(5,500)	—
Purchase of fixed assets	(157,804)	(22,549)
Net cash used in investing activities	(223,304)	(22,549)
Cash flows from financing activities:		
Bank overdraft		688
Repayments of line of credit	(2,997)	—
Repayments of related party notes	(48,215)	(19,911)
Repayments of insurance and equipment financing	(197,792)	(153,496)
Repayments of notes payable	—	(172,500)
Proceeds from warrants exercised	195,000	—
Proceeds of notes payable, net of 185,250 cash fees	—	1,239,750
Net cash (used in) provided by financing activities	(54,004)	894,531
Net decrease in cash	(369,767)	(174,126)
Cash, beginning of period	1,941,818	174,376
Cash, end of period	1,572,051	250
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 7,411	$ 110,919
Supplemental Non-Cash Investing and Financing Activities:		
Common stock issued for accrued BOD fees	$ 73,708	$ —
Accrued interest forgiven related to note payable settlement	$ —	$ 20,697
Debt discount related to notes payable	$ —	$ 1,571,250
Note issued for financing of insurance premiums	$ 217,173	$ 208,201

See accompanying condensed notes to the unaudited consolidated financial statements.

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018
(Unaudited)

NOTE 1 – NATURE OF OPERATIONS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Duos Technologies Group, Inc. (the "Company"), through its operating subsidiary Duos Technologies, Inc. ("duostech") is primarily engaged in the design and deployment of state-of-the-art, artificial intelligence driven intelligent technologies systems. duostech converges traditional security measures with information technologies to create "actionable intelligence." duostech's IP is built upon two of its core technology platforms (praesidium**®** and centraco®), both distributed as licensed software suites, and natively embedded within engineered turnkey systems. praesidium**®** is a modular suite of analytics applications which process and simultaneously analyze data streams from a virtually unlimited number of conventional sensors and/or data points. Native algorithms compare analyzed data against user-defined criteria and rules in real time and automatically report any exceptions, deviations and/or anomalies. This application suite also includes a broad range of conventional operational system components and sub-systems, including an embedded feature-rich video management engine and a proprietary Alarm Management Service (AMS). This unique service provides continuous monitoring of all connected devices, processes, equipment and sub-systems, and automatically communicates to the front end-user interface, if and when an issue, event or performance anomalies are detected. centraco® is a comprehensive user interface that includes the functionalities of a Physical Security Information Management (PSIM) system as well as those of an Enterprise Information System (EIS). This multi-layered interface can be securely installed as a stand-alone application suite inside a local area network or pushed outside a wide area network using the same browser-based interface. It leverages industry standards for data security, access, and encryption as appropriate. The platform also operates as a cloud-hosted solution.

The Company's strategy includes expansion of its technology base through organic development efforts, strategic partnerships, and growth through strategic acquisitions. The Company provides its broad range of technology solutions with an emphasis on mission critical security, inspection and operations within the rail transportation, commercial, petrochemical, government, and banking sectors. The Company also offers professional and consulting services for large data centers.

As reported previously, The Company previously conducted a reverse merger between duostech and a wholly owned subsidiary of Information Systems Associates, Inc., a Florida corporation ("ISA"), which became effective as of April 1, 2015 resulting in duostech becoming a wholly owned subsidiary of the merged entity. The merger was followed by a corporate name change to Duos Technologies Group, Inc., a symbol change from IOSA to DUOT and up-listing from OTC Pink to OTCQB.

ISA's original business of IT Asset Management (ITAM) services for large data centers is now operated as a division of the Company that continues its sales efforts through strategic partners. ISA developed a methodology for the efficient data collection of assets contained within large data centers and was awarded a patent in 2010 for specific methods to collect and audit data.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (all of which are of a normal recurring nature) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2018 are not indicative of the results that may be expected for the year ending December 31, 2018 or for any other future period. These unaudited consolidated financial statements and the unaudited condensed notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission (the "SEC") on April 2, 2018.

All share and per share amounts have been presented to give retroactive effect to a 1-for-35 reverse-stock split that occurred in May 2017.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company including its wholly-owned subsidiaries, Duos Technologies, Inc. and TrueVue 360, Inc. 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 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 consolidated financial statements include the allowance on accounts receivable, valuation of deferred tax assets, valuation of intangible and other long-lived assets, estimates of net contract revenues and the total estimated costs to determine progress towards contract completion, valuation of derivatives, valuation of warrants issued with debt, valuation of beneficial conversion features in convertible debt, and valuation of stock-based awards. 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 September 30, 2018, balance in one financial institution exceeded federally insured limits by approximately $1,656,500.

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 nine months ended September 30, 2018, two customers accounted for 47% and 36% of revenues, respectively. For the nine months ended September 30, 2017, three customers accounted for 25%, 19% and 19% of revenues, respectively.

At September 30, 2018, four customers accounted for 30%, 22%, 12%, and 10% of accounts receivable. At December 31, 2017, four customers accounted for 42%, 17%, 13% and 11% of accounts receivable, respectively.

Geographic Concentration

Approximately 49% of revenue is generated from three customers outside of the United States.

Accounting for Derivatives

The Company evaluates its convertible instruments, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under ASC Topic 815, "Derivatives and Hedging." The result of this accounting treatment is that the fair value of the derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income (expense). Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liabilities at the fair value of the instrument on the reclassification date.

Fair Value of Financial Instruments and Fair Value Measurements

We measure our financial assets and liabilities in accordance with generally accepted accounting principles. For certain of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their short maturities. Amounts recorded for notes payable, net of discount, and loans payable also approximate fair value because current interest rates available to us for debt with similar terms and maturities are substantially the same.

We follow accounting guidance for financial assets and liabilities. This standard defines fair value, provides guidance for measuring fair value and requires certain disclosures. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. This guidance does not apply to measurements related to share-based payments. This guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost).

The guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs, other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which little or no market data exists, therefore developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

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.

Earnings (Loss) Per Share

Basic earnings per share (EPS) are computed by dividing 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 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 September 30, 2018, there was an aggregate of 24,916,332 outstanding warrants to purchase shares of common stock. At September 30, 2018, there was an aggregate of 2,242,000 shares of employee stock options to purchase shares of common stock of which 406,000 are currently unvested. All warrants and options were excluded from the calculation of dilutive earnings per share because none of them were in the money at September 30, 2018. However, at September 30, 2018, 5,660,000 common shares issuable upon conversion of Series B convertible preferred stock, were included in the computation of dilutive earnings per share.

Revenue Recognition

As of January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2014-89, 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 unrecognized 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 for sales of systems and services over time using cost-based input methods, in which significant judgement is required to evaluate assumptions including the amount of net contract revenues and the total estimated costs to determine our progress towards contract completion and to calculate the corresponding amount of revenue to recognize.

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 obligations is satisfied.

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.

Segment Information

The Company operates in one reportable segment.

Stock Based Compensation

The Company accounts for 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 employee stock options, restricted stock units, and employee stock purchases based on estimated fair values.

The Company accounts for non-employee stock-based compensation in accordance with ASC 505-50-25, "*Equity Based Payments to Non-Employees,*" which requires the measurement and recognition of compensation expense for all share-based payment awards made to non-employees based on estimated fair values.

Determining Fair Value Under ASC 718-10

The Company estimates the fair value of stock options granted using the Black-Scholes option-pricing formula. This fair value is then amortized on a straight-line basis 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 the number of highly subjective variables.

The Company estimates volatility based upon the historical stock price of the Company and estimates the expected term for employee 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.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flow (Topic 230). This update is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The update provides new guidance regarding the classification of debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies including bank-owned life insurance policies, distributions received from equity method investments, beneficial interests in securitized transactions, and separately identifiable cash flows and application of the predominance principle. This standard is effective for financial statements issued by public companies for the annual and interim periods beginning after December 15, 2017. Early adoption of the standard is permitted. The standard will be applied in a retrospective approach for each period presented. We have completed an initial evaluation of this standard, which requires cash payments for debt prepayment or debt extinguishment costs should be classified as cash outflows for financing activities. We have determined that there were no cash payments involved in debt extinguishment during the nine months ended September 30, 2018, hence there will be no potential impact on our financial statements due to this update. We will continue to evaluate the potential impact of this guidance on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 “Leases (Topic 842)” (“ASU 2016-02”). The FASB issued ASU 2016-02 to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. The amendments of this ASU are effective for reporting periods beginning after December 15, 2018, with early adoption permitted. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Management currently does not plan to early adopt this guidance and is evaluating the potential impact of this guidance on the consolidated financial statements as well as transition methods.

In June 2018, the FASB issued ASU 2018-07, Compensation – Stock Compensation (Topic 718). This update is intended to reduce cost and complexity and to improve financial reporting for share-based payments issued to non-employees (for example, service providers, external legal counsel, suppliers, etc.). The ASU expands the scope of Topic 718, Compensation—Stock Compensation, which currently only includes share-based payments issued to employees, to also include share-based payments issued to non-employees for goods and services. Consequently, the accounting for share-based payments to non-employees and employees will be substantially aligned. This standard will be effective for financial statements issued by public companies for the annual and interim periods beginning after December 15, 2018. Early adoption of the standard is permitted. The standard will be applied in a retrospective approach for each period presented. Management currently does not plan to early adopt this guidance and is evaluating the potential impact of this guidance on the consolidated financial statements as well as transition methods.

NOTE 2 – GOING CONCERN

As reflected in the accompanying unaudited consolidated financial statements, the Company had a net loss of $744,842 for the nine months ended September 30, 2018. During the same period, cash used in operating activities was $92,459. The working capital and accumulated deficit as of September 30, 2018 were $286,144 and $29,433,788. It is management’s opinion that these matters raise substantial doubt about the Company’s ability to continue as a going concern for a period of twelve months from the issuance date of this report.

While the company attained profitability in the three-month period ending September 30, 2018, the ability of the Company to continue as a going concern is dependent on the Company’s ability to further implement its business plan, drive significant additional revenue and achieve profitability on a sustained basis.

Effective November 24, 2017, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") and a Registration Rights Agreement (the "Registration Rights Agreement") with accredited investors (the "Purchasers"). Pursuant to the Securities Purchase Agreement, the Purchasers purchased 16,402,742 shares of common stock, 22,068,742 purchaser warrants (the "Offering Warrants"), and 2,830 shares of Series B Preferred Stock (collectively, the "SPA Securities") worth $11,031,371 (including the conversion of liabilities and redemptions of shares of the Company's Series A Preferred Stock) (the "Private Offering"). Part of the cash received was used to retire long-term debt and payables including full payment to the Internal Revenue Service, excluding accrued late fees in the amount of $108,262, in which the Company is making monthly payments in the amount of $15,000 which began in July 2018 to pay down the accrued late fees. The remaining cash and near-term receivables and anticipated billings of approximately $2.1 million will be used to support operations for signed and anticipated contracts which are expected to generate revenues throughout 2018, as well as a growth plan implemented throughout 2018.

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 without the requirement to raise additional capital for existing operations. Ultimately the continuation of the Company as a going concern is dependent upon the ability of the Company to execute the plan described above, generate sufficient revenue and to attain consistently profitable operations. These unaudited 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 – SOFTWARE DEVELOPMENT COSTS

At September 30, 2018, the Company capitalized $60,000, relating to the development of new software products. These software products were developed by a third-party and had passed the preliminary project stage prior to capitalization.

Software development costs consisted of the following at September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Software Development Costs	$ 60,000	$ —
Less: Accumulated amortization	(15,000)	—
Total	$ 45,000	$ —

Amortization expense of software development costs for the nine months ended September 30, 2018 and September 30, 2017 was $15,000 and zero, respectively.

NOTE 4 – DEBT

Notes Payable - Financing Agreements

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

	September 30, 2018		December 31, 2017	
Notes Payable	**Principal**	**Interest**	**Principal**	**Interest**
Third Party - Insurance Note 1	$ 2,219	10.30%	$ 25,075	10.30%
Third Party - Insurance Note 2	19,804	10.00%	11,679	10.00%
Third Party - Insurance Note 3	25,818	8.80%	—	
Third Party - Insurance Note 4	21,197	10.25%	12,903	9.24%
Total	$ 69,038		$ 49,657	

The Company entered into an agreement on December 23, 2017 with its insurance provider by executing a $25,075 note payable (Insurance Note 1) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 10.30% payable in monthly installments of principal and interest totaling $2,234 through October 23, 2018. The balance of Insurance Note 1 as of September 30, 2018 and December 31, 2017 was $2,219 and $25,075, respectively.

The Company entered into an agreement on September 15, 2018 renewing with its insurance provider by executing a $15,810 note payable (Insurance Note 2), secured by that policy, with an annual interest rate of 10.75% payable in monthly installments of principal and interest totaling $1,660 through July 15, 2019. At September 30, 2018 and December 31, 2017, the balance of Insurance Note 2 was $19,804 and $11,679, respectively.

The Company entered into an agreement on February 3, 2018 with its insurance provider by executing a $127,561 note payable (Insurance Note 3) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 8.80% payable in monthly installments of principal and interest totaling $13,276 through November 3, 2018. At September 30, 2018 and December 31, 2017, the balance of Insurance Note 3 was $25,818 and zero, respectively.

The Company entered into an agreement on April 15, 2017 with its insurance provider by executing a $49,000 note payable (Insurance Note 4) issued to purchase an insurance policy, secured by that policy with an annual interest rate of 9.24% payable in monthly installments of principal and interest totaling $4,373 through February 15, 2018. The policy renewed on April 15, 2018 in the amount of $49,000 with an annual interest rate of 10.25% payable in monthly installments of principal and interest totaling $4,378. At September 30, 2018 and December 31, 2017, the balance of Insurance Note 4 was $21,197 and $12,903, respectively.

Notes Payable - Related Parties

The Company’s notes payable to related parties classified as current liabilities consist of the following as of:

	September 30, 2018		December 31, 2017	
Notes Payable	**Principal**	**Interest**	**Principal**	**Interest**
CEO	$ —	8%	$ 9,078	8%
Sub-total current portion	—		9,078	
Add long-term portion-CEO	—		39,137	
Total	$ —		$ 48,215	

On July 19, 2016, the Company received a $60,000 loan less fees of $75 for a related party loan with proceeds of $59,925 from the Company’s CEO. The promissory note carries an annual interest rate of 7.99% with a monthly installment payment of $1,052 through July 19, 2022. On January 5, 2018, the Company repaid the loan in full from the funds received in November 2017 as a result of that capital raise. As of September 30, 2018, and December 31, 2017, the outstanding balance was zero and $48,215, respectively.

NOTE 5 – LINE OF CREDIT

The Company assumed a line of credit with Wells Fargo Bank upon merger with ISA on April 1, 2015. The line of credit provided for borrowings up to $40,000 but is now closed to future borrowing. The balance as of September 30, 2018 and December 31, 2017, was $31,516 and $34,513, respectively, including accrued interest. This line of credit has no maturity date. The annual interest rate is 11.5% at September 30, 2018. The former CEO of ISA is the personal guarantor.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Delinquent Payroll Taxes Payable

As of the date hereof, the Company has paid its payroll taxes in full and the Company had appealed the IRS penalty payments for a reduction which was under review. The IRS has since responded, and the Company will be required to repay the penalties in connection with the delinquent payroll taxes. At September 30, 2018, the payroll taxes payable balance of $200,119 includes accrued late fees in the amount of $138,572. The Company has started making monthly payments in the amount of $15,000 starting in July 2018 to pay down the accrued late fees.

Licensing Agreement

The Company has entered into a new software license and configuration services agreement with a third-party vendor. The annual support and maintenance fees of approximately $300,000 include support and updates to the vendor's Gateway software and customer access to their services (including web application, mobile application, and associated APIs) for gateway configuration, gateway monitoring and management, application configuration, application management, and automatic model updates.

The Company has also entered into a SaaS Agreement with the same vendor that is an Amazon AWS-hosted software service enabling the automation of visual observation tasks using deep convolutional neural networks and other computer vision techniques. It consists of a public API, web application, iPhone application, and associated backend services. The system supports the labeling of example image data, the automatic building of classification, detection, localization, measuring and counting applications based on the labeled example data, and the run-time deployment of the trained application models.

NOTE 7 – RELATED PARTIES

Letter Agreements

In connection with the closing of the Company's Private Offering of common stock and warrants to purchase shares of the Company's common stock on November 24, 2017, (i) Gianni B. Arcaini, the Chief Executive Officer, converted $700,543 of accrued salary into 700,543 shares of the Company's common stock at $1.00 per share and was issued 700,543 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the grant date; and (ii) Adrian G. Goldfarb, the Chief Financial Officer of the Company, converted $34,020 of liabilities into 34,020 shares of the Company's common stock at $1.00 per share and was issued 34,020 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the grant date.

As of September 30, 2018, and December 31, 2017, there was one note payable to the CEO, totaling zero and $48,215, respectively. (see Note 4)

NOTE 8 – STOCKHOLDERS' EQUITY

Common stock issued for board of director fees

During the first quarter of 2018, the Company issued 52,209 shares of common stock totaling $73,708 for partial consideration in lieu of cash owed to independent members of the board of directors for their service in such capacity. These shares were valued at $26,105 or $0.50 based on a recent private investor offering, with a gain on settlement for $26,103 charged to additional paid in capital.

Common stock issued for exercise of warrants

During the third quarter of 2018, an existing shareholder who participated in the Private Offering elected to exercise certain Offering Warrants that were granted as a result of that investment. The Warrants are covered by a Registration Statement that became effective on December 29, 2017. The shareholder tendered $195,000 to the Company and the Company issued 300,000 shares of common stock in exchange. The shares are immediately available for sale.

Stock-Based Compensation

Stock-based compensation expense recognized under ASC 718-10 for the nine months ended September 30, 2018, was $403,070 for stock options granted to employees and directors. This expense is included in selling, general and administrative expenses in the unaudited consolidated statements of operations. Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. At September 30, 2018, the total compensation cost for stock options not yet recognized was approximately $67,407. This cost will be recognized over the remaining vesting term of the options of approximately 2½ years.

Employee Stock Options

A maximum of 2,500,000 shares were made available for grant under the 2016 Plan, as amended, and all outstanding options under the Plan provide a cashless exercise feature. The identification of individuals entitled to receive awards, the terms of the awards, and the number of shares subject to individual awards, are determined by our Board of Directors or the Compensation Committee, at their sole discretion. The aggregate number of shares with respect to which options or stock awards may be granted under the 2016 Plan and the purchase price per share, if applicable, shall be adjusted for any increase or decrease in the number of issued shares resulting from a stock dividend, stock split, reverse stock split, recapitalization or similar event. As of September 30, 2018, and December 31, 2017, options to purchase 2,242,000 and zero shares of common stock were outstanding under the 2016 Plan, respectively.

The Company has no expired employee stock options at September 30, 2018.

	September 30, 2018	
	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	—	$ —
Granted	2,242,000	$ 1.00
Exercised	—	$ —
Forfeited	—	$ —
Expired	—	$ —
Outstanding at September 30, 2018	2,242,000	$ 1.00
Exercisable at September 30, 2018	1,836,000	$ 1.00
Outstanding		
Weighted average remaining contractual term		4.75
Aggregate intrinsic value		$ —
Weighted average grant date fair value (per share)		$ 0.21
Exercisable		
Weighted average remaining contractual term		4.75
Aggregate intrinsic value		—

Warrants

The following is a summary of activity for warrants to purchase common stock for the nine months ended September 30, 2018:

	September 30, 2018		
	Number of Warrants	Weighted Avg. Exercise Price	Remaining Contractual Life (Years)
Outstanding at the beginning of the year	25,216,332	$ .65	4.9
Warrants expired	—		
Warrants issued	—		
Warrants cancelled/exercised	(300,000)		
Outstanding at end of period	24,916,332	.65	4.1
Exercisable at end of period	24,916,332	$ .65	4.1

During the third quarter of 2018, the Company received $195,000 for 300,000 shares of common stock as a result of the exercise of Offering Warrants.

NOTE 9 - REVENUE

Revenue Recognition and Contract Accounting

The Company generates revenue from three sources: (1) Project Revenue; (2) Maintenance and Technical Support and (3) IT Asset Management (consulting and auditing).

The Company constructs intelligent technology systems consisting of materials and labor under customer contracts. Revenues and related costs on project revenue are recognized based 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.

NOTE 10 - NET INCOME (LOSS) PER SHARE

The Company has 27,158,332 outstanding options and warrants to acquire common stock as of September 30, 2018. They are not included in the computation of net loss per common share for the nine months ended September 30, 2018 because the effects of inclusion would be anti-dilutive.

For the three months ended September 30, 2018, basic net income (loss) per common share applicable to common stockholders was computed based on the weighted average number of common shares outstanding during the period. Diluted net loss per common share applicable to common stockholders was computed based on the weighted average number of common shares and dilutive securities outstanding. Dilutive securities having an anti-dilutive effect on diluted net loss per common share were excluded from the calculation. There were 27,158,332 out-of-the-money stock options and warrants excluded from the computation of diluted earnings per share for the three months ended September 30, 2018.

Basic and diluted net income per share, for the three months ended September 30, 2018, were calculated as follows:

	Basic	Diluted
Numerator		
Net income applicable to common stock	$ 632,625	$ 632,625
	$ 632,625	$ 632,625
Denominator		
Weighted average common shares outstanding	20,752,450	20,752,450
Preferred Stock	—	5,660,000
Warrants and options	—	—
	20,752,450	26,412,450
Net income per share	$ 0.03	$ 0.02

NOTE 11 – CONTRACT ACCOUNTING

Contract Assets

Contract assets on uncompleted contracts represents costs and estimated earnings in excess of billings and/or cash received on uncompleted contracts accounted for under the input method, which recognizes revenue only to the extent of the cost incurred.

At September 30, 2018 and December 31, 2017, contract assets on uncompleted contracts consisted of the following:

	September 30, 2018	December 31. 2017
Costs and estimated earnings recognized	$ 1,026,938	$ 1,613,731
Less: Billings or cash received	(679,373)	(1,189,938)
Contract assets	$ 347,565	$ 423,793

Contract Liabilities

Contract liabilities on uncompleted contracts represents billings and/or cash received that exceed accumulated revenues recognized on uncompleted contracts accounted for under the input method, which recognizes revenue only to the extent of the cost incurred.

At September 30, 2018 and December 31, 2017, contract liabilities on uncompleted contracts consisted of the following:

	September 30, 2018	December 31. 2017
Billings and/or cash receipts on uncompleted contracts	$ 8,446,856	$ 573,847
Less: Costs and estimated earnings recognized	(7,188,697)	(373,437)
Contract liabilities	$ 1,258,159	$ 200,410

A contract is considered complete when all costs except insignificant items have been incurred and the installation is operating according to specifications or has been accepted by the customer.

The Company has contracts in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. Costs estimates are reviewed periodically on a contract-by-contract basis throughout the life of the contract such that adjustments to the profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated costs to complete projects, must be made and used in connection with the revenue recognized in the accounting period. Current estimates may be revised as additional information becomes available.

Maintenance and Technical Support

Maintenance and 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 as the services are provided. Revenue for maintenance and technical support provided on an extended-term basis is recognized ratably over the term of the contract.

For sales arrangements that do not involve multiple elements such as professional services, which are of short-term duration, revenues are recognized when services are completed.

IT Asset Management Services ("ITAM")

The Company's ITAM business generates revenues under contract with customers from three sources: (1) Professional Services (consulting and auditing); (2) Software licensing with optional hardware sales; and (3) Customer Service (training and maintenance support).

For sales arrangements that do not involve performance obligations:

(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 Elements

Arrangements with customers may involve multiple elements including project revenue and maintenance services in our Intelligent 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 ITAM business, multiple elements 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 multiple element arrangement is as follows:

Each element is accounted for separately when each element has value to the customer on a standalone basis and there is Company specific objective evidence of 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 element is recognized using the applicable criteria under GAAP as discussed above for elements sold in non-multiple element 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 multiple element 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 element arrangements with Company customers qualify as separate units of account for revenue recognition purposes.

Deferred Revenue

Deferred revenues represent billings or cash received in excess of revenue recognizable on service agreements that are not accounted for under the percentage of completion method.

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 three distinct revenue sources:
   a. Turnkey, engineered projects;
   b. Associated maintenance and support services; and
   c. Professional services related to auditing of data center assets.
2. We currently operate in North America including the USA, Mexico and Canada.
3. Our customers include rail transportation, commercial, petrochemical, government, banking and IT suppliers.
4. Our contracts are fixed-price and fall into two duration types:
   a. Turnkey engineered projects and professional service contracts that are less than 1 year in duration and are typically three to nine months in length; and
   b. Maintenance and support contracts ranging from one to five years in length.
5. Transfer of goods and services are over time.

Quantitative:

For the Three Months Ended September 30, 2018

Segments	Rail	Commercial	Petrochemical	Government	Banking	IT Suppliers	Total
Primary Geographical Markets							
North America	$ 4,045,590	$ 1,013,796	$ 33,481	$ 9,349	$ —	$ —	$ 5,102,216
Major Goods and Service Lines							
Turnkey Projects	$ 3,712,399	$ 1,013,796	$ 15,783	$ (10,872)	$ —	$ —	$ 4,731,106
Maintenance & Support	333,191	—	17,698	20,221	—	—	371,110
Data Center Auditing Services	—	—	—	—	—	—	—
	$ 4,045,590	$ 1,013,796	$ 33,481	$ 9,349	$ —	$ —	$ 5,102,216
Timing of Revenue Recognition							
Goods transferred over time	$ 3,712,399	$ 1,013,796	$ 15,783	$ (10,872)	$ —	$ —	$ 4,731,106
Services transferred over time	333,191	—	17,698	20,221	—	—	371,110
	$ 4,045,590	$ 1,013,796	$ 33,481	$ 9,349	$ —	$ —	$ 5,102,216

NOTE 12 – SUBSEQUENT EVENTS

On October 10, 2018, the Company's Board of Directors approved the issuance of an aggregate of 496,215 five-year warrants with an exercise price of $0.65 to six investors.

On October 10, 2018, the Company's Board of Directors approved the issuance of up to 92,033 shares in exchange for $92,033 of accrued salary owed to a former officer of the Company.

On October 24, 2018 the Company was notified by counsel handling a claim by the Company against a vendor that the vendor's motion for dismissal on certain part of the Company's claim was denied by the Court. Although the claim by the Company is valued currently at less than $50,000, the denial by the Court bolsters the Company's claim against the vendor. The Company is continuing to pursue the claim unless an acceptable settlement can be reached in this matter.

17,902,742 Shares of Common Stock

5,660,000 Shares of Common Stock issuable upon Conversion of Series B Convertible Preferred Stock

22,062,742 Shares of Common Stock Issuable upon Exercise of Warrants

duostech

PROSPECTUS

_____________, 2018

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, to be paid by the Registrant in connection with the issuance and distribution of the securities being registered. All amounts other than the SEC registration fees and FINRA fees are estimates.

SEC Registration Fee	$	5,035**
FINRA Filing Fee	$	0
Printing Fees and Expenses	$	500*
Accounting Fees and Expenses	$	50,000
Legal Fees and Expenses	$	50,000
Transfer Agent and Registrar Fees	$	5,000
Miscellaneous Fees and Expenses	$	2,200
Total*	$	112,735

* Estimated expenses.
** Previously paid.

Item 14. Indemnification of Directors and Officers

Florida law permits, under certain circumstances, the indemnification of any person with respect to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, to which such person was or is a party or is threatened to be made a party, by reason of his or her being an officer, director, employee or agent of the corporation or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against liability incurred in connection with such proceeding, including appeals thereof; provided, however, that the officer, director, employee or agent acted in good faith and in a manner that he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any such third-party action by judgment, order, settlement, or conviction or upon a plea of nolo contendere or its equivalent does not, of itself, create a presumption that the person (i) did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interests of the corporation or (ii) with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful. In the case of proceedings by or in the right of the corporation, Florida law permits indemnification of any person by reason of the fact that such person is or was a director, officer, employee or agent of the corporation or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against liability incurred in connection with such proceeding, including appeals thereof; provided, however, that the officer, director, employee or agent acted in good faith and in a manner that he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, except that no indemnification is made where such person is adjudged liable, unless a court of competent jurisdiction determines that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

To the extent that such person is successful on the merits or otherwise in defending against any such proceeding, Florida law provides that he or she shall be indemnified against expenses actually and reasonably incurred by him or her in connection therewith.

Also, under Florida law, expenses incurred by an officer or director in defending a civil or criminal proceeding may be paid by the corporation in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if he or she is ultimately found not to be entitled to indemnification by the corporation pursuant to this section. Expenses incurred by other employees and agents may be paid in advance upon such terms or conditions that the Board of Directors deems appropriate.

Our Bylaws provides that we shall indemnify our officers, directors, and employees, and agents unless specifically approved in writing by the Board of Directors, to the fullest extent authorized by Section 607.0850 of the Florida Business Corporation Act, or the FBCA, as it existed when the Bylaws were adopted or as it may hereafter be amended, but, in the case of any such amendment, only to the extent that such amendment permits us to provide broader indemnification rights than were permitted prior to such amendment. Such indemnification shall continue as to a person who has ceased to be a director, officer, employee, or agent; provided, however, that we shall indemnify any such person seeking indemnity in connection with an action, suit, or proceeding (or part thereof) initiated by such person only if such action, suit, or proceeding (or part thereof) was authorized by our Board of Directors.

The Bylaws also provide that such rights of indemnification shall be a contract right and shall include the right to be paid by us for all reasonable expenses incurred in defending any such proceeding in advance of final disposition; provided, however, that the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer in advance of the final disposition of such proceeding shall be made only upon delivery to us of an undertaking, by or on behalf of such director or officer, to repay amounts so advanced if it should be determined ultimately that such director or officer is not entitled to be indemnified under the Bylaws or otherwise.

In addition to the authority granted to us by Florida law to indemnify our directors, certain other provisions of the FDCA have the effect of further limiting the personal liability of our directors. Pursuant to Florida law, a director of a Florida corporation cannot be held personally liable for monetary damages to the corporation or any other person for any act or failure to act regarding corporate management or policy except in the case of certain qualifying breaches of the director's duties.

Insofar as indemnification for liabilities arising under the Securities Act, as amended, may be permitted to our directors and officers, or to persons controlling us, pursuant to our charter documents and Florida law, we have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended and is therefore unenforceable

Item 15. Recent Sales of Unregistered Securities

On March 31, 2015, the Company issued 1,430 shares of restricted common stock to Luceon LLC, a vendor to the Company, as consideration for a $20,000 partial settlement of an outstanding payable.

On April 1, 2015, the Company issued 554 shares of restricted common stock to holders of Warrants in conjunction with and subsequent to the merger agreement, in exchange for 964 existing warrants.

On May 20, 2015, the Company issued 2,857 shares of restricted common stock to Educational Group LLC as consideration for third party for consulting services.

On May 27, 2015, the Company issued 1,179 shares to Hayden IR as consideration for a $33,000 in outstanding invoices.

On June 30, 2015, the Company issued 4,034 shares of restricted common stock to the Company's CFO as consideration for $56,482 of accrued salary.

On July 1, 2015, the Company issued 4,286 shares of restricted common stock to an accredited investor as consideration for the principal balance of a promissory note of $50,000.

On August 27, 2015, the Company issued 1,429 shares of restricted common stock to Caro Capital LLC in connection with a consulting agreement in exchange for $100.

On September 21, 2015, the Company issued 14,469 shares of common stock to an accredited investor and lender in exchange for an $81,250 portion of an outstanding convertible note.

On September 30, 2015, the Company issued 1,315 shares to Hayden IR as consideration for a $15,000 in outstanding invoices.

On September 30 2015, the Company issued 28,640 shares of common stock and 14,320 five year warrants to Sandbank Halpert LLC in exchange for a promissory note and accrued interest totaling $275,660 and as consideration for an extension of a $37,817 note.

On October 26, 2015, the Company issued 1,949 shares of restricted common stock to an accredited investor for conversion of a note valued at $20,467.

On October 26, 2015, the Company issued 3,914 shares of restricted common stock to an accredited investor for conversion of a note valued at $41,906.

On October 27, 2015, the Company issued 14,266 shares of restricted common stock to an accredited investor for conversion of a note valued at $149,792.

On October 28, 2015, the Company issued 10,250 shares of restricted common stock to an accredited investor for conversion of a note valued at $107,627.

On December 16, 2015, the Company issued 6,548 shares of restricted common stock to an accredited investor for conversion of a note valued at $68,750.

On December 30, 2015, the Company issued 4,762 shares of restricted common stock to an accredited investor for conversion of a note valued at $50,000.

On January 1, 2016, the Company issued 714 shares of common stock valued at $5,000 to a consultant for services rendered to the Company.

On January 6, 2016, the Company issued 26,057 shares of the Company's restricted common stock valued at $273,600 to Maxim LLC as consideration for general financial advisory and investment banking services.

On January 22, 2016, the company issued 60 shares of restricted common stock to an existing shareholder in exchange for existing 150 warrants.

On April 1, 2016, the Company issued a warrant exercisable into 71,429 million shares of common stock at an exercise price of $12.25 per share to GPB Capital Holdings in conjunction with and as further consideration for a Securities Purchase Agreement in the amount of $1,800,000. The warrants contain anti-dilution protection on the exercise price including potential adjustment to the exercise price based on certain future events.

On April 1, 2016, the Company issued 4,714 three-year warrants with an exercise price of $14 per share to the placement agent, Aegis Corp, as additional compensation for arrangement of financing through the Securities Purchase Agreement with GPB Capital Holdings.

On April 1, 2016, the Company issued 649 shares of common stock valued at $5,000 to a consultant for services rendered to the Company.

On May 1, 2016, the Company issued 1,190 shares of common stock valued at $5,000 to a consultant for services rendered to the Company.

On May 13, 2016, the Company issued 3,571 shares of restricted common stock to Regal Venture Capital Partners in connection with a consulting agreement in exchange for $125.

On June 1, 2016, the Company issued 1,429 shares of common stock valued at $5,000 to a consultant for services rendered to the Company.

On July 1, 2016, the Company issued 953 shares of common stock valued at $5,000 to a consultant for services rendered to the Company.

On August 1, 2016, the Company issued 893 shares of common stock valued at $5,000 to a consultant for services rendered to the Company.

On September 1, 2016, the Company issued 1,429 shares of common stock valued at $5,000 to a consultant for services rendered to the Company.

On October 1, 2016, the Company issued 1,429 shares of common stock valued at $5,000 to a consultant for services rendered to the Company.

On October 31, 2016, the Company issued 29,600 shares of Series A Convertible Preferred Stock to four existing shareholders in exchange for an aggregate of $148,000 in cash and the repurchase of 3,280 common shares from those shareholders at their original aggregate purchase price of $148,000 or $45.15 per share. The shares of Series A Convertible Preferred Stock are valued at $296,000 or $10 per share par value. The offer ended on December 31, 2016.

On November 1, 2016, the Company issued 1,429 shares of common stock valued at $5,000 to a consultant for services rendered to the Company.

On December 1, 2016, the Company issued 1,429 shares of common stock valued at $5,000 to a consultant for services rendered to the Company.

On December 20, 2016, the Company issued common stock purchase warrants to an investor in connection with a debt financing transaction (the "Financing Warrants"). The Financing Warrants are exercisable into 115,288 shares of the Company's common stock at an aggregate exercise amount of $605,263. On the same date, the Company issued additional common stock purchase warrants to a placement agent for fees in connection with the debt financing transaction (the "Additional Financing Warrants"). The Additional Financing Warrants are exercisable into 9,223 shares of the Company's common stock at an aggregate exercise amount of $48,421. The per unit and aggregate exercise price is subject to change based on certain future events as set forth in the Financing Warrants and the Additional Financing Warrants.

On May 8, 2017, the Company issued 4,287 shares valued at $15,000 to a consultant for services rendered to the Company.

Effective November 24, 2017 (the "Effective Date"), the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") and a Registration Rights Agreement (the "Registration Rights Agreement") with 57 investors (the "Purchasers"). Pursuant to the Securities Purchase Agreement, the Purchasers purchased 16,402,742 shares of common stock, 22,062,742 purchaser warrants (the "Purchaser Warrants"), and 2,830 shares of Series B Preferred Stock (collectively, the "SPA Securities") worth $11,031,371 (including the conversion of liabilities and redemptions of shares of Series A Preferred Stock) at a price of $0.50 per Class A Unit (as defined in the Securities Purchase Agreement) and $1,000 per Class B Unit (as defined in the Securities Purchase Agreement) (the "Private Offering"). The Purchaser Warrants have a strike price of $0.65, expiring five years from the Initial Exercise Date (as defined in the Purchaser Warrants). The Securities Purchase Agreement contains customary representations, warranties, agreements and conditions to completing future sale transactions, indemnification rights and obligations of the parties. Additionally, the Purchasers may participate in a subsequent offering of the Company's securities in an aggregate amount of up to 35% of the subsequent offering on the twenty-four (24) month anniversary of the Private Offering. In connection with the Private Offering, as of the date hereof there are 20,651,371 shares of common stock issued and outstanding, 2,830 shares of Series B Preferred Stock issued and outstanding, and 25,532,551 common stock purchase warrants issued and outstanding.

Additionally, in connection with the Private Offering, the Company issued to Joseph Gunnar & Co., LLC (Placement Agent) in the Private Offering 2,206,274 Placement Agent Warrants with a strike price of $0.65 expiring five years from the Initial Exercise Date.

In connection with the conversion and redemption portion of the Private Offering, on the Effective Date, the Company entered into that certain Agreement to Convert Promissory Note (the "JMJ Letter Agreement") with JMJ Financial, a sole proprietorship ("JMJ"), whereby JMJ agreed to convert $2,105,263 of liabilities and their additional investment of $1,000,000, into 6,210,526 shares of common stock of the Company at a conversion price equal to $0.50 per share. Additionally, JMJ was issued warrants to purchase 6,210,526 shares of the Company's common stock at an exercise price equal to $0.65 per share, expiring five years from the Initial Exercise Date. Commencing on the Effective Date, JMJ entered into a Lock-Up Agreement for a period of 365 days prohibiting the sale or other transfer of all securities of the Company owned by JMJ.

Additionally, in connection with the conversion and redemption portion of the Private Offering, the Company entered into Letter Agreements (the "Debt and Preferred Stock Letter Agreements") with certain debt holders and holders of the Company's Series A Preferred Stock (the "Debt and Preferred Holders") for conversion or repayment of an additional aggregate amount of $1,013,788 including certain trade payables. All Series A holders were repaid in full and no stock or warrants were issued. The remaining debt holders and trade payables were converted into 1,388,216 shares of common stock of the Company at a conversion price equal to $0.50 per share. Additionally, the debt holders and certain trade payables which were converted, were issued warrants to purchase 1,388,216 shares of the Company's common stock at an exercise price equal to $0.65 per share, expiring five years from the Initial Exercise Date.

Simultaneously with the closing of the Private Offering, (i) Gianni B. Arcaini, the Chief Executive Officer, converted $700,543 of accrued salary into 700,543 shares of the Company's common stock at a $1.00 per share and 700,543 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the Initial Exercise Date, (ii) Adrian G. Goldfarb, the Chief Financial Officer of the Company, converted $34,020 of liabilities into 34,020 shares of the Company's common stock at a $1.00 per share and 34,020 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the Initial Exercise Date, (iii) a non-related entity converted $118,875 of liabilities into 118,875 shares of the Company's common stock at a $1.00 per share and 118,875 warrants to purchase shares of common stock of the Company at an exercise price of $1.00 per share, expiring five years from the Initial Exercise Date.

On January 1, 2018, the Company issued 52,209 restricted shares of common stock to current and past members of the Company's Board of Directors for the conversion of a portion of accrued board of director fees at a price valued at $1.00 per share. These 52,209 shares were issued under the 2016 Equity Compensation plan.

During the three months ended June 30, 2018, the Company issued 2,242,000 options to purchase shares of the Company's common stock exercisable immediately and over a 5-year period at an exercise price of $1.00 per share granted to employees and directors.

During the three months ended September 30, 2018, the Company issued 300,000 shares of common stock in the amount of $195,000 upon the exercise of certain warrants.

On October 10, 2018, the Company's Board of Directors approved the issuance of an aggregate of 496,215 five-year warrants with an exercise price of $0.65 to six investors.

On October 10, 2018, the Company's Board of Directors approved the issuance of up to 92,033 shares in exchange for $92,033 of accrued salary owed to a former officer of the Company.

The securities issued pursuant to the above offerings were not registered under the Securities Act of 1933, as amended (the "Securities Act"), but qualified for exemption under Section 4(a)(2) of the Securities Act and/or Regulation D. The securities were exempt from registration under Section 4(a)(2) of the Securities Act because the issuance of such securities by the Company did not involve a "public offering," as defined in Section 4(a)(2) of the Securities Act, due to the insubstantial number of persons involved in the transaction, size of the offering, manner of the offering and number of securities offered. The Company did not undertake an offering in which it sold a high number of securities to a high number of investors. In addition, these shareholders had the necessary investment intent as required by Section 4(a)(2) of the Securities Act since they agreed to, and received, share certificates bearing a legend stating that such securities are restricted pursuant to Rule 144 of the Securities Act. This restriction ensures that these securities would not be immediately redistributed into the market and therefore not be part of a "public offering." Based on an analysis of the above factors, the Company has met the requirements to qualify for exemption under Section 4(a)(2) of the Securities Act. The sales were exempt under 4(a)(2) of the S-A and Rule 506 thereunder. Each investor acquired the securities for investment and without a view to distribution.

Item 16. Exhibits and Financial Statement Schedules

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 (incorporated herein by reference to the Registration of Securities on Form 8-A/12G/A filed on August 14, 2015)
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 U.S. 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 U.S. Securities and Exchange Commission on November 29, 2017)
4.1	Senior Secured Note, 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 4.1 on April 6, 2016)
4.2	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)
4.3	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)
4.4	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)
5.1*	Opinion of Lucosky Brookman LLP
10.1	Employment Agreement, dated May 1, 2003, with Chief Executive Officer (incorporated herein by reference to the Annual Report on Form 10-K filed as Exhibit 10.1 on April 17, 2015)
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)
10.12	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 U.S. Securities and Exchange Commission on August 15, 2017)
10.13	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 U.S. Securities and Exchange Commission on August 15, 2017)

10.14	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 U.S. Securities and Exchange Commission on August 15, 2017)
10.15	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)
10.16	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)
10.17	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)
10.18	Forbearance Agreement, dated May 12, 2017, by and among Duos Technology 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)
10.19	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 U.S. Securities and Exchange Commission on June 15, 2017)
10.20	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 U.S. Securities and Exchange Commission on June 15, 2017)
10.21	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 U.S. Securities and Exchange Commission on June 15, 2017)
10.22	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 U.S. Securities and Exchange Commission on August 15, 2017)
10.23	Form of Conversion Letter (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.5 with the U.S. Securities and Exchange Commission on November 29, 2017)
10.24	Form of Redemption Letter (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.4 with the U.S. Securities and Exchange Commission on November 29, 2017)
10.25	Form of Pay-off Letter (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 10.3 with the U.S. Securities and Exchange Commission on November 29, 2017)
10.26	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 22, 2017).
17.1	Letter of Resignation from John E. Giles to the Company dated November 28, 2017 (incorporated herein by reference to the Registration Statement on Form S-1 filed as Exhibit 17.1 with the U.S. Securities and Exchange Commission on December 21, 2017)
17.2	Letter of Resignation from Joseph Glodek to the Company dated January 19, 2017 (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 17.1 with the U.S. Securities and Exchange Commission on January 24, 2017)
17.3	Letter of Resignation from Gijs van Thiel to the Company dated December 30, 2016 (incorporated herein by reference to the Current Report on Form 8-K filed as Exhibit 17.1 with the U.S. Securities and Exchange Commission on January 5, 2017)
21	List of Subsidiaries (incorporated by reference to the Company's Form 10-K filed on April 1, 2016)
23.1*	Consent of Salberg & Company, P.A.
23.2*	Consent of Lucosky Brookman LLP (included in Exhibit 5.1)

* filed herewith

Item 17. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That for the purpose of determining any liability under the Securities Act of 1933 each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(6) The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(7) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 14 above, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(8) The undersigned Registrant hereby undertakes:

(1) That for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) That for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and this offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Jacksonville, Florida, on January 17, 2019.

Duos Technologies Group, Inc.

By: /s/ *Gianni B. Arcaini*
Name: Gianni B. Arcaini
Title: Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY: KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints Gianni B. Arcaini, his true and lawful attorneys-in-fact and agents with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to sign any registration statement for the same offering covered by the Registration Statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done or by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Gianni B. Arcaini Gianni B. Arcaini	Chief Executive Officer (Principal Executive Officer), President, Chairman of the Board	January 17, 2019
/s/ Adrian G. Goldfarb Adrian G. Goldfarb	Chief Financial Officer (Principal Financial Officer), Executive Vice President, Director	January 17, 2019
/s/ Alfred J. (Fred) Mulder Alfred J. (Fred) Mulder	Director	January 17, 2019
/s/ Blair Fonda Blair Fonda	Director	January 17, 2019

EXHIBIT 5.1

LUCOSKY BROOKMAN LLP
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45 Rockefeller Plaza
Suite 2000
New York, NY 10111

January 17, 2019

Duos Technologies Group Inc.
6622 Southpoint Drive S., Suite 310
Jacksonville, Florida 32216

Re: Shares to be registered on Form S-1

Ladies and Gentlemen:

We have acted as counsel to you, Duos Technologies Group Inc., a Florida corporation, (the "Company") in connection with the Company's Post-Effective Amendment to the Registration Statement No. 333-222206 on Form S-1 (the "Registration Statement") filed with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Securities Act") with respect to 45,625,484 shares of the Company's common stock, par value $0.001 per share (the "Common Stock") consisting of 17,902,742 shares of issued Common Stock (the "Common Shares"), 5,660,000 shares of Common Stock issuable upon conversion of the Company's Series B Convertible Preferred Stock (the "Series B Preferred Shares"), and up to 22,062,742 shares of Common Stock issuable upon exercise of warrants (the "Warrants") that may be sold from time to time (the "Warrant Shares"). This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act.

In connection with this opinion, we have examined the originals or copies certified or otherwise identified to our satisfaction of the following: (a) Certificate of Incorporation of the Company, as amended to date, (b) By-laws of the Company, as amended to date, and (c) the Registration Statement and all exhibits thereto. In addition to the foregoing, we also have relied as to matters of fact upon the representations made by the Company and its representatives and we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity to original documents of all documents submitted to us certified or photostatic copies.

Based upon the foregoing and in reliance thereon, and subject to the qualifications, limitations, exceptions and assumptions set forth herein, we are of the opinion that (i) the Common Shares, having been issued and sold in exchange for payment in full to the Company of all consideration required therefor as applicable, and as described in the Registration Statement, are validly issued, fully paid and non-assessable, (ii) the Series B Preferred Shares, when issued upon exercise of the Series B Convertible Preferred Stock against payment therefor as set forth in the Registration

Statement, will be validly issued, fully paid and non-assessable, and (iii) the Warrant Shares, when issued upon exercise of the Warrants against payment therefore as set forth in the Registration Statement, will be validly issued, fully paid and non-assessable.

The opinion expressed herein is limited to the laws of the State of Florida, including the Constitution of the State of Florida, all applicable provisions of the statutory provisions, and reported judicial decisions interpreting those laws. This opinion is limited to the laws in effect as of the date the Registration Statement is declared effective by the Commission and is provided exclusively in connection with the public offering contemplated by the Registration Statement.

This opinion letter speaks only as of the date hereof and we assume no obligation to update or supplement this opinion letter if any applicable laws change after the date of this opinion letter or if we become aware after the date of this opinion letter of any facts, whether existing before or arising after the date hereof, that might change the opinions expressed above.

This opinion letter is furnished in connection with the filing of the Registration Statement and may not be relied upon for any other purpose without our prior written consent in each instance. Further, no portion of this letter may be quoted, circulated or referred to in any other document for any other purpose without our prior written consent.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement and to the use of our name as it appears in the Prospectus included in the Registration Statement. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder. This opinion is expressed as of the date hereof unless otherwise expressly stated, and we disclaim any undertaking to advise you of any subsequent changes in the facts stated or assumed herein or of any subsequent changes in applicable laws.

Very Truly Yours,

/s/ Lucosky Brookman LLP
Lucosky Brookman LLP

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the use of our report dated April 2, 2018, on the consolidated financial statements of Duos Technologies Group, Inc. for the years ended December 31, 2017 and 2016, included herein on the registration statement of Duos Technologies Group, Inc. on Post-Effective Amendment No. 1 to Amendment No. 2 to Form S-1 (Registration Statement No. 333-222206), and to the reference to our firm under the heading “Experts” in the prospectus.

/s/ Salberg & Company, P.A.

SALBERG & COMPANY, P.A.
Boca Raton, Florida
January 16, 2019