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

FORM 10-Q

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

For the quarterly period ended September 30, 2020

OR

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

For the transition period from _______________ to _______________

Commission file number 000-55497

Duos Technologies Group, Inc.

(Exact name of registrant as specified in its charter)

Florida	**65-0493217**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*

6622 Southpoint Drive South, Suite 310,
Jacksonville, Florida, 32216
(Address of principal executive offices)

(904) 652-1616
(Registrant's telephone number, including area code)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See 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 checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 9, 2020, Duos Technologies Group, Inc. had outstanding 3,534,015 shares of common stock, par value $0.001 per share.

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PART I – FINANCIAL INFORMATION

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash	$ 4,116,582	$ 56,249
Accounts receivable, net	1,339,786	2,611,608
Contract assets	184,235	1,375,920
Prepaid expenses and other current assets	618,492	716,598
Total Current Assets	6,259,095	4,760,375
Property and equipment, net	336,486	260,181
Operating lease right of use asset	257,367	430,146
OTHER ASSETS:		
Software Development Costs, net	5,000	20,000
Patents and trademarks, net	65,757	61,598
Total Other Assets	70,757	81,598
TOTAL ASSETS	$ 6,923,705	$ 5,532,300

(Continued)

See accompanying condensed notes to the unaudited consolidated financial statements.

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

	September 30, 2020 (Unaudited)	December 31, 2019
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 702,611	$ 2,641,437
Accounts payable - related parties	7,950	12,791
Notes payable - financing agreements	70,991	42,299
Notes payable - related parties, net of discounts	—	905,373
Line of credit	—	27,615
Payroll taxes payable	3,146	115,111
Accrued expenses	989,397	393,272
Current portion - financing lease agreements	87,091	45,072
Current portion-operating lease obligations	247,182	239,688
Current portion-SBA loan	863,845	—
Contract liabilities	332,751	8,661
Deferred revenue	707,244	936,428
Total Current Liabilities	4,012,208	5,367,747
Finance lease payable	126,597	89,026
Operating lease obligations	18,958	202,797
SBA loan	546,425	—
Total Liabilities	4,704,188	5,659,570
Commitments and Contingencies (Note 6)		
STOCKHOLDERS' EQUITY (DEFICIT):		
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, 2020 and December 31, 2019, 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; 1,705 and 1,705 issued and outstanding at September 30, 2020 and December 31, 2019, convertible into common stock at $7 per share	1,705,000	1,705,000
Common stock: $0.001 par value; 500,000,000 shares authorized, 3,535,339 and 1,982,039 shares issued, 3,534,015 and 1,980,715 shares outstanding at September 30, 2020 and December 31, 2019, respectively	3,536	1,982
Additional paid-in capital	39,730,665	31,063,915
Total stock & paid-in-capital	41,439,201	32,770,897
Accumulated deficit	(39,062,232)	(32,740,715)
Sub-total	2,376,969	30,182
Less: Treasury stock (1,324 shares of common stock at September 30, 2020 and December 31, 2019)	(157,452)	(157,452)
Total Stockholders' Equity (Deficit)	2,219,517	(127,270)
Total Liabilities and Stockholders' Equity (Deficit)	$ 6,923,705	$ 5,532,300

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,	
	2020	2019	2020	2019
REVENUES:				
Technology systems	$ 672,951	$ 1,921,306	$ 2,606,034	$ 6,954,062
Technical support	502,502	229,008	1,229,813	701,552
Consulting services	50,216	48,087	184,685	240,673
AI technologies	56,280	—	234,504	—
Total Revenues	1,281,949	2,198,401	4,255,036	7,896,287
COST OF REVENUES:				
Technology systems	601,814	984,805	2,080,872	4,045,448
Technical support	333,721	158,785	802,751	420,451
Consulting services	12,301	29,352	84,561	99,686
AI technologies	39,182	—	149,681	—
Total Cost of Revenues	987,018	1,172,942	3,117,865	4,565,585
GROSS PROFIT	294,931	1,025,459	1,137,171	3,330,702
OPERATING EXPENSES:				
Sales & marketing	173,197	214,979	435,522	735,599
Engineering	280,897	339,282	946,303	963,831
Research and development	215,831	273,555	771,789	1,144,715
Administration	1,991,408	852,584	4,030,906	2,660,227
AI technologies	340,441	476,960	1,174,465	860,947
Total Operating Expenses	3,001,774	2,157,360	7,358,985	6,365,319
LOSS FROM OPERATIONS	(2,706,843)	(1,131,901)	(6,221,814)	(3,034,617)
OTHER INCOME (EXPENSES):				
Interest Expense	(6,260)	(12,783)	(133,435)	(19,095)
Other income, net	4,524	615	33,732	4,021
Total Other Income (Expense)	(1,736)	(12,168)	(99,703)	(15,074)
NET LOSS	$ (2,708,579)	$ (1,144,069)	$ (6,321,517)	$ (3,049,691)
Basic & Diluted Net Loss Per Share	$ (0.77)	$ (0.63)	$ (1.95)	$ (1.78)
Weighted Average Shares-Basic & Diluted	3,528,128	1,817,289	3,247,954	1,715,480

See accompanying condensed notes to the unaudited consolidated financial statements.

DUOS TECHNOLOGIES GROUP, INC. SUBSIDIARIES
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Three Months and Nine Months ended September 30, 2020 and 2019
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in-Capital	Accumulated Deficit	Treasury Stock	Total
	# of Shares	Amount	# of Shares	Amount				
Balance December 31, 2019	1,705	$ 1,705,000	1,982,039	$ 1,982	$ 31,063,915	$(32,740,715)	$ (157,452)	$ (127,270)
Common stock issued	—	—	1,542,188	1,542	9,251,586	—	—	9,253,128
Stock options granted to employees	—	—	—	—	8,100	—	—	8,100
Stock issuance cost	—	—	—	—	(1,001,885)	—	—	(1,001,885)
Common stock issued for services	—	—	1,611	2	7,498	—	—	7,500
Net loss for the three months ended March 31, 2020	—	—	—	—	—	(2,147,049)	—	(2,147,049)
Balance March 31, 2020	1,705	1,705,000	3,525,838	3,526	39,329,214	(34,887,764)	(157,452)	5,992,524
Modification of employee stock options	—	—	—	—	102,800	—	—	102,800
Stock options granted to employees	—	—	—	—	88,170	—	—	88,170
Common stock issued for services	—	—	1,632	2	7,498	—	—	7,500
Net loss for the three months ended June 30, 2020	—	—	—	—	—	(1,465,889)	—	(1,465,889)
Balance June 30, 2020	1,705	1,705,000	3,527,470	3,528	39,527,682	(36,353,653)	(157,452)	4,725,105
Stock options granted to employees	—	—	—	—	165,491	—	—	165,491
Common stock issued for services	—	—	7,869	8	37,492	—	—	37,500
Net loss for the three months ended September 30, 2020	—	—	—	—	—	(2,708,579)	—	(2,708,579)
Balance September 30, 2020	1,705	$ 1,705,000	3,535,339	$ 3,536	$ 39,730,665	$(39,062,232)	$ (157,452)	$ 2,219,517

(Continued)

See accompanying condensed notes to the unaudited consolidated financial statements.

DUOS TECHNOLOGIES GROUP, INC. SUBSIDIARIES
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)
For the Three Months and Nine Months ended September 30, 2020 and 2019
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in-Capital	Accumulated Deficit	Treasury Stock	Total
	# of Shares	Amount	# of Shares	Amount				
Balance December 31, 2018	2,830	$ 2,830,000	1,505,883	$ 1,505	$ 27,416,802	$(30,269,833)	$ (149,459)	$ (170,985)
Commons stock issued for warrants exercised	—	—	214,286	214	1,649,786	—	—	1,650,000
Stock options granted to employees	—	—	—	—	21,892	—	—	21,892
Net Income for the three months ended March 31, 2019	—	—	—	—	—	44,169	—	44,169
Balance March 31, 2019	2,830	2,830,000	1,720,169	1,719	29,088,480	(30,225,664)	(149,459)	1,545,076
Commons stock issued for warrants exercised	—	—	76,634	77	513,943	—	—	514,020
Stock repurchase	—	—	—	—	—	—	(1,151)	(1,151)
Stock options granted to employees	—	—	—	—	6,241	—	—	6,241
Stock issuance cost	—	—	—	—	(10,000)	—	—	(10,000)
Net loss for the three months ended June 30, 2019	—	—	—	—	—	(1,949,791)	—	(1,949,791)
Balance June 30, 2019	2,830	2,830,000	1,796,803	1,796	29,598,664	(32,175,455)	(150,610)	104,395
Commons stock issued for warrants exercised	—	—	19,642	20	151,230	—	—	151,250
Series B preferred converted to common stock	(750)	(750,000)	107,143	107	749,893	—	—	—
Stock options granted to employees	—	—	—	—	6,884	—	—	6,884
Common stock issued for services	—	—	2,483	2	19,164	—	—	19,166
Debt discount from warrants issued with promissory note	—	—	—	—	146,779	—	—	146,779
Stock Repurchase	—	—	—	—	—	—	(6,842)	(6,842)
Net loss for the three months ended September 30, 2019	—	—	—	—	—	(1,144,069)	—	(1,144,069)
Balance September 30, 2019	2,080	$ 2,080,000	1,926,071	$ 1,925	$ 30,672,614	$(33,319,524)	$ (157,452)	$ (722,437)

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, 2020	2019
Cash from operating activities:		
Net loss	$ (6,321,517)	$ (3,049,691)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	159,121	136,108
Stock based compensation	261,761	35,017
Modification of employee stock options	102,800	—
Interest expense related to debt discounts	94,627	9,401
Changes in assets and liabilities:		
Accounts receivable	1,271,822	124,810
Contract assets	1,191,685	379,136
Prepaid expenses and other current assets	331,456	(562,263)
Operating lease right of use asset	172,778	(509,958)
Accounts payable	(1,938,824)	461,701
Related payable-related party	(4,841)	(682)
Payroll taxes payable	(111,965)	(195,120)
Accrued expenses	648,625	27,804
Operating lease obligation	(176,345)	534,415
Contract liabilities	324,090	(1,141,088)
Deferred revenue	(229,184)	126,534
Net cash used in operating activities	(4,223,911)	(3,623,876)
Cash flows from investing activities:		
Purchase of patents/trademarks	(8,185)	(11,595)
Purchase of fixed assets	(216,401)	(133,039)
Net cash used in investing activities	(224,586)	(144,634)
Cash flows from financing activities:		
Repurchase of common stock	—	(7,993)
Repayments of line of credit	(27,615)	(2,689)
Repayments of related party notes	—	(80,000)
Issuance cost	(1,001,885)	(10,000)
Repayments of notes payable	(1,000,000)	—
Repayments of insurance and equipment financing	(204,659)	(207,187)
Repayment of finance lease	(42,046)	(10,851)
Proceeds from SBA loan	1,410,270	—
Proceeds from notes payable-related parties	—	1,080,000
Proceeds from notes payable	—	250,000
Proceeds from equipment leasing	121,637	—
Proceeds from common stock issued	9,253,128	—
Proceeds from warrants exercised	—	2,315,268
Net cash provided by financing activities	8,508,830	3,326,548
Net increase (decrease) in cash	4,060,333	(441,962)
Cash, beginning of period	56,249	1,209,301
Cash, end of period	$ 4,116,582	$ 767,339

(Continued)

See accompanying condensed notes to the unaudited consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2020	**2019**
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 32,768	$ 5,728
Supplemental Non-Cash Investing and Financing Activities:		
Common stock issued for accrued BOD fees	$ 52,500	$ 19,166
Lease right of use asset and liability	$ 644,245	$ —
Note issued for financing of insurance premiums	$ 233,350	$ 217,804
Debt discount on Notes issued	$ —	$ 12,500
Note issued for equipment financing lease	$ —	$ 102,928

See accompanying condensed notes to the unaudited consolidated financial statements.

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

Nature of Operations

Duos Technologies Group, Inc. (the "duostech Group"), through its operating subsidiaries, Duos Technologies, Inc. ("duostech") and TrueVue360, Inc ("TrueVue360", duostech Group and duostech, collectively the "Company") develops and deploys cutting-edge technologies that will help to transform precision railroading, logistics and inter-modal transportation operations. Additionally, these unique patented solutions can be employed into many other industries.

The Company has developed the Railcar Inspection Portal (RIP) that provides both freight and transit railroad customers and select government agencies the ability to conduct fully remote railcar inspections of trains while they are in transit. The system, which incorporates a variety of sophisticated optical technologies, illumination and other sensors, scans each passing railcar to create an extremely high-resolution image set from a variety of angles including the undercarriage. These images are then processed through various methods of artificial intelligence algorithms to identify specific defects and/or areas of interest on each railcar. This is all accomplished within seconds of a railcar passing through our portal. This solution has the potential to transform the railroad industry immediately increasing safety, improving efficiency and reducing costs. The Company has successfully deployed this system with several Class 1 railroad customers and anticipates an increased demand in the future. Government agencies can conduct digital inspections combined with the incorporated AI to improve rail traffic flow across borders which also directly benefits the Class 1 railroads through increasing their velocity.

The Company has also developed the Automated Logistics Information System (ALIS) which automates and reduces/removes personnel from gatehouses where trucks enter and exit large logistics and intermodal facilities. This solution also incorporates sensors and data points as necessary for each operation and directly interconnects with backend logistics databases and processes to streamline operations, significantly improve operations, security and importantly dramatically improves the vehicle throughput on each lane the technology is deployed.

The Company has built a portfolio of IP and patented solutions that creates "actionable intelligence" using two (2) core native platforms called centraco® and praesidium®. All solutions provided include a variant of both applications. Centraco is designed primarily as the user interface to all our systems as well as the backend connection to 3rd party applications and databases through both Application Programming Interfaces (APIs) and Software Development Kits (SDKs). This interface is browser based and hosted within each one of our systems and solutions. It is typically also customized for each unique customer and application. Praesidium typically resides as middleware in our systems and manages the various image capture devices and some sensors for input into the Centraco software.

The Company also developed a proprietary Artificial Intelligence (AI) software platform, truevue360™ with the objective of focusing the Company's advanced intelligent technologies in the areas of AI, deep machine learning and advanced multi-layered algorithms to further support our solutions.

The Company also provides professional and consulting services for large data centers and has been developing a system for the automation of asset information marketed as dcVue™. The Company is now deploying its dcVue software. This software is used by Duos' consulting auditing teams. dcVue is based upon the Company's OSPI patent which was awarded in 2010. The Company offers dcVue available for license to our customers as a licensed software product.

The Company's strategy is to deliver operational and technical excellence to our customers; expand our RIP and ALIS solutions into current and new customers focused in the Rail, Logistics and U.S. Government Sectors; offer both CAPEX and OPEX pricing models to customers that increases recurring revenue, backlog and improves profitability; responsibly grow the business both organically and through selective acquisitions; and finally promote a performance-based work force where employees enjoy their work and incentivized to excel and remain with the Company.

Basis of Presentation

The accompanying unaudited 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, 2020 are not indicative of the results that may be expected for the year ending December 31, 2020 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, 2019 filed with the Securities and Exchange Commission (the "SEC") on March 30, 2020.

Reverse Stock-Split

All share and per share amounts have been presented to give retroactive effect to a 1 for 14 reverse stock-split that occurred in January 2020.

Reclassifications

The Company reclassified certain operating expenses for the three and nine months ended September 30, 2019 to conform to 2020 classification. There was no net effect on the total operating expenses of such reclassification.

The following table reflects the reclassification adjustment effect in the three and nine months ended September 30, 2019:

	Before Reclassification For the Three Months Ended September 30, 2019		After Reclassification For the Three Months Ended September 30, 2019
OPERATING EXPENSES:			
Selling and marketing expenses	$ 98,311	Sales and marketing	$ 214,979
Salaries, wages and contract labor	1,438,608	Engineering	339,282
Research and development	97,273	Research and development	273,555
Professional fees	43,903	AI technologies	476,960
General and administrative expenses	479,265	Administration	852,584
Total Operating Expenses	$ 2,157,360		$ 2,157,360

	Before Reclassification For the Nine Months Ended September 30, 2019		After Reclassification For the Nine Months Ended September 30, 2019
OPERATING EXPENSES:			
Selling and marketing expenses	$ 336,433	Sales and marketing	$ 735,599
Salaries, wages and contract labor	4,045,689	Engineering	963,831
Research and development	328,403	Research and development	1,144,715
Professional fees	188,876	AI technologies	860,947
General and administrative expenses	1,465,918	Administration	2,660,227
Total Operating Expenses	$ 6,365,319		$ 6,365,319

Principles of Consolidation

The unaudited consolidated financial statements include duostech Group and its wholly owned subsidiaries, Duos Technologies, Inc. and TrueVue360, 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 unaudited 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, estimates of the valuation of right of use assets and corresponding lease liabilities 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, 2020, balance in one financial institution exceeded federally insured limits by approximately $3,660,890.

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, 2020, three customers accounted for 42% ("Customer 1"), 20% ("Customer 2") and 11% ("Customer 3") of revenues. For the nine months ended September 30, 2019, two customers accounted for 66% and 14% of revenues. In all cases, there are no minimum contract values stated. Each contract covers an agreement to deliver a rail inspection portal which, once accepted, must be paid in full with 30% or more being due and payable prior to delivery. The balances of the contracts are for service and maintenance which is paid annually in advance with revenues recorded ratably over the contract period. Each of the customers referenced has the following termination provisions:

- For Customer 1, termination can be made, prior to delivery of products or services, in the case where either party breach any of its obligations under the agreement with the Company. The other party may terminate the agreement effective fifteen (15) Business Days following notice from the non-defaulting party, if the non-performance has not been cured within such period, and without prejudice to damages that could be claimed by the non-defaulting party. Either party may terminate the agreement if the other party becomes unable to pay its debts in the ordinary course of business; goes into liquidation (other than for the purpose of a genuine amalgamation or restructuring); has a receiver appointed over all or part of its assets; enters into a composition or voluntary arrangement with its creditors; or any similar event occurs in any jurisdiction, all to the extent permitted by law.

- For Customer 2, prior to delivery of products or services, either party may terminate the agreement with the Company upon the other party's material breach of a representation, warranty, term, covenant or undertaking in the agreement if, within thirty (30) days following the delivery of a written notice to the defaulting party setting forth in reasonable detail the basis of such default, the defaulting party has not rectified such default to the reasonable satisfaction of the non-defaulting party. Failure to perform due to a force majeure condition shall not be considered a material default under the agreement. Either party may terminate the agreement upon the other party's material breach of a representation, warranty, term, covenant or undertaking in the agreement if, within thirty (30) days following the delivery of a written notice to the defaulting party setting forth in reasonable detail the basis of such default, the defaulting party has not rectified such default to the reasonable satisfaction of the non-defaulting party. Failure to perform due to a force majeure condition shall not be considered a material default under the agreement.

- For Customer 3, prior to delivery of products or services if the customer terminates the statement of work for convenience, no refund, of any advance payments, will be due to Customer 3. ln the event of a material breach by the Company, which breach is not cured, or cure has not begun within 30 days of written notice to the Company by Customer 3, Customer 3 may terminate this statement of work for cause. In the event of termination by Customer 3 for cause, the Company shall reimburse Customer 3 any unused prepaid fees on a pro rata basis.

At September 30, 2020, three customers accounted for 58%, 13% and 11% of accounts receivable. At December 31, 2019,two customers accounted for 68% and 10% of accounts receivable. Much of the credit risk is mitigated since all of the customers listed here are Class 1 railroads with a history of timely payments to us.

Geographic Concentration

Approximately 30% of revenue is generated from two customers outside of the United States. These customers are Canadian and Mexican, both of which are Class 1 railroads operating in the United States.

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, 2020, there was an aggregate of 1,587,553 outstanding warrants to purchase shares of common stock. At September 30, 2020, there was an aggregate of 411,898 shares of employee stock options to purchase shares of common stock. Also, at September 30, 2020, 243,571 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.

Revenue Recognition

As of January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2014-09, 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 are 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. (see Note 8)

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.

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

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

In August 2020, the Financial Accounting Standards Board ("FASB") issued an accounting pronouncement (ASU 2020-06) related to the measurement and disclosure requirements for convertible instruments and contracts in an entity's own equity. The pronouncement simplifies and adds disclosure requirements for the accounting and measurement of convertible instruments and the settlement assessment for contracts in an entity's own equity. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2021. We plan to adopt this pronouncement for our fiscal year beginning January 1, 2022, and we do not expect it to have a material effect on our consolidated financial statements.

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

NOTE 2 – LIQUIDITY

As reflected in the accompanying unaudited consolidated financial statements, the Company had a net loss of $6,321,517 for the nine months ended September 30, 2020. During the same period, net cash used in operating activities was $4,223,911. The working capital surplus and accumulated deficit as of September 30, 2020 were $2,246,887 and $39,062,232 respectively. In previous financial reports, the Company had raised substantial doubt about continuing as a going concern. This was principally due to a lack of working capital prior to an underwritten offering which was completed during the first quarter of 2020 (the "2020 Offering").

Upon completion of the 2020 Offering, management raised sufficient working capital to meet its needs for the next 12-months without the need to raise further capital. Since the advent of the Covid-19 pandemic, the Company has experienced a significant slowdown in closing new projects due to cautious actions by current and potential clients. We continue to be successful in identifying new business opportunities and are focused on re-establishing a backlog of projects. Most importantly, the Company's success in increasing its working capital surplus after receiving proceeds from the 2020 Offering of more than $8.1 million has given us the runway required to maintain our business strategy overall. In addition, the Company was successful in securing a loan of $1.4M during the second quarter from the Small Business Administration via the PPP/CARES Act program which further bolstered the Company's cash reserves. Management has been and continues to take actions including, but not limited to, elimination of certain costs that did not contribute to short term revenue, re-aligning management with a focus on improving certain skill sets necessary to build growth and profitability and focusing product strategy on opportunities that are likely to bear results in the relatively short term. During the current quarter, management has taken further significant actions including reorganizing senior management and selectively improving organizational efficiency to effectively grow the business as the expected order flow resumes later in the year and in 2021.

Management believes that, at this time, we have eliminated the substantial doubt for the Company to continue as a going concern. We are executing the plan to grow our business and achieve profitability without the requirement to raise additional capital for existing operations. However, if we experience a significant increase in business in 2021 beyond current forecasts, we may require an increase in working capital next year. The Company has already identified a source for increased investment through existing shareholders although such investment is not assured the Company is comfortable that it would be able to raise sufficient capital to support expanded operations based on this increase in business activity. In the long run, the continuation of the Company as a going concern is dependent upon the ability of the Company to continue executing the plan described above, generate sufficient revenue and to attain consistently profitable operations. Although the current global pandemic related to the Novel Coronavirus (Covid-19) has affected our operations, and we do believe this is expected to be a long-term issue, the Company cannot currently quantify the uncertainty related to the recent pandemic and its effects on our customers in the coming quarters. We have analyzed our cash flow under "stress test" conditions and have determined that we have sufficient liquid assets on hand to maintain operations for at least 12 months from the date of this report. As further support for this position, we have experienced an increase in new contracts during the quarter.

NOTE 3 – SOFTWARE DEVELOPMENT COSTS

In 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, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Software Development Costs	$ 60,000	$ 60,000
Less: Accumulated amortization	(55,000)	(40,000)
Total	$ 5,000	$ 20,000

Amortization expense of software development costs for the nine months ended September 30, 2020 and 2019, was $15,000 and $15,000, 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, 2020		December 31, 2019	
Notes Payable	**Principal**	**Interest**	**Principal**	**Interest**
Third Party - Insurance Note 1	$ 2,129	7.31%	$ 28,500	7.31%
Third Party - Insurance Note 2	25,970	5.26%	—	6.36%
Third Party - Insurance Note 3	15,437	—%	13,799	—
Third Party - Insurance Note 4	27,455	—	—	6.36%
Total	$ 70,991		$ 42,299	

The Company entered into an agreement on December 23, 2019 with its insurance provider by issuing a $28,500 note payable (Insurance Note 1) for the purchase of an insurance policy, secured by that policy with an annual interest rate of 7.31% payable in monthly installments of principal and interest totaling $2,218 through October 23, 2020. The balance of Insurance Note 1 as of September 30, 2020 and December 31, 2019 was $2,129 and $28,500, respectively.

The Company entered into an agreement on April 15, 2019 in the amount of $51,940 with an annual interest rate of 6.36% payable (Insurance Note 2) with monthly installments of principal and interest totaling $5,326 through December 15, 2019 and the Company renewed the policy on April 15, 2020 in the amount of $51,379 with an annual interest rate of 5.26% payable in monthly installments of principal and interest totaling $5,263 through December 15, 2020. At September 30, 2020 and December 31, 2019, the balance of Insurance Note 2 was $25,970 and zero, respectively.

The Company entered into an agreement on September 15, 2019 in the amount of $13,799 with its insurance provider by issuing a note payable (Insurance Note 3) for the purchase of an insurance policy, secured by 5 installment payments. The Company renewed the policy on September 15, 2020, secured by 12 monthly installments. At September 30, 2020 and December 31, 2019, the balance of Insurance Note 3 was $15,437 and $13,799, respectively.

The Company entered into an agreement on February 3, 2019 in the amount of $141,058 with an annual interest rate of 6.36% payable in monthly installments of principal and interest totaling $14,520 (Insurance Note 4) through December 3, 2019. The policy renewed on February 3, 2020 in the amount of $165,375 with seven monthly installments of $13,726. At September 30, 2020 and December 31, 2019, the balance of Insurance Note 4 was $27,455 and zero, respectively.

Finance Lease

The Company entered into an agreement on August 26, 2019 with an equipment leasing provider by issuing a $147,810 equipment finance lease payable, secured by a note, with an annual interest rate of 12.72% payable in monthly installments of principal and interest totaling $4,963 through August 1, 2022. The Company entered into an additional agreement on May 22, 2020 with same equipment leasing provider by issuing a $121,637 equipment finance lease payable, secured by a note, with an annual interest rate of 9.90% payable in monthly installments of principal and interest totaling $3,919 through June 1, 2023. At September 30, 2020 and December 31, 2019, the balance of the notes was $213,688 and $134,098 respectively.

At September 30, 2020, future minimum lease payments due under Finance Lease is as follows:

As of December 31,	Amount
2020	$ 26,647
2021	106,588
2022	86,735
2023	23,515
Total minimum financial lease payments	$ 243,485
Less: interest	(29,797)
Total lease liability at September 30, 2020	$ 213,688
Less: current portion of Finance Lease	(87,091)
Long Term portion of Finance Lease	$ 126,597

Notes Payable – Related Parties

	September 30, 2020		December 31, 2019	
Payable To	Principal	Interest	Principal	Interest
Related party	$ —	3%	$ 267,000	3%
Related party	—	3%	733,000	3%
Total	—		1,000,000	
Less unamortized discounts	—		(94,627)	
Total, net	$ —		$ 905,373	

The Company entered into an agreement with a related party on September 25, 2019 whereby the related party loaned the Company the aggregate principal amount of $267,000, pursuant to a note, repayable on June 25, 2020. The note carries an annual interest rate of 3%. In addition, the Company issued warrants permitting the related party to purchase for cash 11,920 shares of the Company's common stock at a price of $7.70 per share. On June 22, 2020 the Company repaid this short-term note in the amount of $267,000. The balance of this note as of September 30, 2020 was zero.

The Company entered into an agreement with a related party on September 25, 2019 whereby the related party loaned the Company the principal aggregate in the amount of $733,000, pursuant to a note, repayable on June 25, 2020. The note carries an annual interest rate of 3% per annum. In addition, the Company issued warrants permitting the related party to purchase for cash 32,724 shares of the Company's common stock at a price of $7.70 per share. On June 22, 2020 the Company repaid this short-term note in the amount of $733,000. The balance of this note as of September 30, 2020 was zero.

The Company determined the relative fair value between the notes and the warrants on the issue date utilizing the Bi-nominal Lattice Pricing Model for the warrants. As a result, the Company allocated $146,779 to the warrants and was recorded as a debt discount with an offset to additional paid in capital in the accompanying unaudited consolidated financial statements. The fair value pricing model used the following assumptions: stock price $7.00, warrant exercise price $7.70, expected term of 5 years, expected volatility of 86% and discount rate of 1.609%.

For the nine months ended September 30, 2020, the Company recorded $94,627 for amortization of the debt discount discussed above to interest expense in the accompanying unaudited consolidated financial statements.

Notes Payable

The Company entered into an agreement on August 12, 2019 with a shareholder by executing a short-term $262,500 note repayable on November 11, 2019. This note was issued with a 5% original issue discount and the Company received a net amount of $250,000. No other consideration was given. On November 12, 2019, the Company repaid this short-term note in the amount of $262,500. The original issue discount of $12,500 was fully amortized in 2019.

Notes Payable – SBA Loan

	September 30, 2020		December 31, 2019	
Payable To	**Principal**	**Interest**	**Principal**	**Interest***
SBA loan	$ 1,410,270	1%	$ —	
Total	1,410,270		—	
Less current portion	(863,845)		—	
Long term portion	$ 546,425		$ —	

On April 23, 2020, the Company entered into a promissory note (the "Note") with BBVA USA, which provides for a loan in the amount of $1,410,270 (the "Loan") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The Loan has a two-year term and bears interest at a rate of 1.00% per annum (APR 1.014%). Monthly principal and interest payments are deferred for nine months after the date of disbursement. The Loan may be prepaid at any time prior to maturity with no prepayment penalties. The Company will apply for the PPP loan forgiveness as soon as the application is available.

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. The balance as of September 30, 2020 and December 31, 2019, was zero and $27,615, respectively, including accrued interest. This line of credit has been paid in full as of May 5, 2020.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Delinquent Payroll Taxes Payable

As of the date hereof, the Company has paid its delinquent payroll taxes and late fees in full. At September 30, 2020 and December 31, 2019, the payroll taxes payable balance of $3,146 and $115,111 includes accrued late fees in the amount of zero and $37,210, respectively.

Operating Lease Obligations

The Company has an operating lease agreement for office space of approximately 8,308 square feet that was amended on May 1, 2016 and again on April 1, 2019, increasing the office space to approximately 10,203 square feet, with the lease ending on October 31, 2021. The rent is subject to an annual escalation of 3%, beginning May 1, 2017.

The Company entered a new lease agreement of office and warehouse combination space of approximately 4,400 square feet on June 1, 2018 and ending May 31, 2021. This additional space allows for resource growth and engineering efforts for operations before deploying to the field. The rent is subject to an annual escalation of 3%.

The Company now has a total of office and warehouse space of approximately 14,603 square feet.

At September 30, 2020, future minimum lease payments due under Operating Leases are as follows:

As of December 31,	Amount
2020	$ 70,698
2021	213,568
Total minimum financial lease payments	$ 284,266
Less: interest	(18,126)
Total lease liability at September 30, 2020	$ 266,140
Less: current portion of Operating lease obligations	(247,182)
Long Term portion of Operating lease obligations	$ 18,958

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)* ("ASU 2016-02"), which requires all leases with a term greater than 12 months to be recognized on the balance sheet, while lease expenses would continue to be recognized in the statement of operations in a manner similar to current accounting guidance. We adopted ASU 2016-02 effective January 1, 2019, on a modified retrospective basis, without adjusting comparative periods presented. Effective January 1, 2019, the Company established a right-of-use model (ROU) asset and operating lease liability in the amount of $644,245. The right of use asset balance at September 30, 2020 was $257,367, the operating lease liability – current portion was $247,182 and the operating lease liability – long term portion was $18,958. This is the Company's only lease whose term is greater than 12 months. The adoption of ASU 2016-02 did not materially affect our unaudited consolidated statement of operations or our unaudited consolidated statements of cash flows. We made an accounting policy election to keep leases with an initial term of 12 months or less off the balance sheet and to recognize all lease payments for leases with a term greater than 12 months on a straight-line basis over the lease term in our unaudited consolidated statements of operations.

Executive Severance Agreement

On July 10, 2020, Duos Technologies Group, Inc. (the "Company") announced that the Chief Executive Officer and President of the Company (the "former CEO") would retire from these positions, effective as of September 1, 2020 (the "CEO Transition"). In order to facilitate a transition of his duties, the Company and the former CEO entered into a separation agreement which became effective as of July 10, 2020 (the "Separation Agreement"). Pursuant to the Separation Agreement, the former CEO's employment with the Company ended on September 1, 2020 and will receive separation payments over a 36-month period equal to his base salary plus $75,000 as well as certain limited health and life insurance benefits. The Separation Agreement also contains confidentiality, non-disparagement and non-solicitation covenants and a release of claims by the former CEO who continues to serve as Chairman of the Board of Directors of the Company. The Separation Agreement resulted in a one-time charge of approximately $885,000 which will be amortized in equal amounts over the 36-month term of the agreement.

In accordance with the agreement the Company will pay to the Executive the total sum of approximately $885,000, to be paid by the Company in biweekly installments over the thirty-six (36) month period beginning on the first regular Company pay period after September 1, 2020. Notwithstanding the foregoing, the status of the Executive as a "Specified Employee" as defined in Internal Revenue Code Section 409A has the effect of delaying any payments to Executive hereunder for six (6) months after the Separation Date. The Company will pay to the Executive on March 1, 2021, a lump sum amount equal to the first six (6) months of payments of approximately $148,000 owed to the Executive then continue to pay Executive in bi-weekly installments for thirty (30) months thereafter, as contemplated in the Employment Agreement. In addition, the Company will pay one-half of the Executive's current life insurance premiums for thirty-six (36) months of approximately $1,200 and provide and pay for the Executive's health insurance for eighteen (18) months following the Separation of approximately $1,700. Unvested options in the amount of 50,358 became exercisable and vested in their entirety on the Separation Date ($95,127). The Company made payment of his attorneys' fees for legal work associated with the negotiation and drafting of this Agreement of approximately $17,000.

The entire Separation Agreement is filed as an exhibit in this report.

NOTE 7 – STOCKHOLDERS' EQUITY

Common stock issued

On February 12, 2020, Duos Technologies Group, Inc., a Florida corporation (the "Company") entered into an underwriting agreement (the "Underwriting Agreement") with ThinkEquity, a division of Fordham Financial Management, Inc. ("ThinkEquity"), as representative of the underwriters listed therein (the "Underwriters"), pursuant to which the Company agreed to sell to the Underwriters in a firm commitment underwritten public offering (the "Offering") an aggregate of 1,350,000 shares of the Company's common stock, par value $0.001 per share (the "Common Stock"), at a public offering price of $6.00 per share. In addition, the Underwriters were granted an over-allotment option (the "Over-allotment Option") for a period of 45 days to purchase up to an additional 202,500 shares of Common Stock. The Offering closed on February 18, 2020. The Common Stock began trading on the Nasdaq Capital Market under the symbol DUOT on February 13, 2020.

On February 20, 2020, pursuant to and in compliance with the terms and conditions of the aforementioned Underwriting Agreement and the Offering, the Underwriters provided notice that they would partially exercise the Over-allotment Option to purchase 192,188 shares of Common Stock at $6.00 per share (the “Over-Allotment Exercise”). The sale of the Over-Allotment Exercise to purchase 192,188 shares of Common Stock closed on February 21, 2020.

In total, the Company issued 1,542,188 shares of common stock in connection with these underwritten public offerings and up listing to the Nasdaq Capital Market national exchange. The securities were issued pursuant to a Registration Statement on Form S-1 (File No. 333- 235455), as amended, which was declared effective by the United States Securities and Exchange Commission on February 12, 2020 (the “Registration Statement”). The Company received gross proceeds of approximately $9.25 million for the Offering to date, including the exercise of the Over-Allotment Exercise, prior to deducting underwriting discounts and commissions and offering expenses payable by the Company.

Stock-Based Compensation

Stock-based compensation expense recognized under ASC 718-10 for the nine months ended September 30, 2020 and 2019, was $364,561 and $35,017, respectively, 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, 2020, the total compensation cost for stock options not yet recognized was $310,040. This cost will be recognized over the remaining vesting term of the options of approximately one year.

Employee Stock Options

A maximum of 178,572 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 maximum number of shares was increased by shareholder approval to 321,429. 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, 2020, and December 31, 2019, options to purchase 411,898 shares of common stock and 163,010 shares of common stock were outstanding under the 2016 Plan, respectively. On April 1, 2020 the Board of Directors cancelled 161,402 options previously granted to existing employees and granted 310,290 options, of which 160,866 were replaced with new options carrying a $6.00 exercise price, 536 options were forfeited and a further 149,424 options were issued to existing employees, officers and directors carrying a $4.74 strike price with a vesting period ranging from 9 months to 21 months. The new stock options issued have a fair value of $370,312. The options that were cancelled and replaced were accounted for by valuing the original options on the day before they were cancelled and valuing the new options on the day of issuance. The inputs used were a stock price of $4.74 on the day of cancellation and $4.70 on the day of issuance, expected term of 2.5 years, expected volatility of 81%, no anticipated dividend and an interest rate of $0.255%. The difference between the valuations were recorded as one-time option expense given that options cancelled were already vested and the replacement options were immediately vested. The one-time expense for this cancellation and issuance was $102,800. The strike price of the cancelled options was $14.00.

During the current quarter, the Company’s Board of Directors granted 100,000 new stock options with a strike price of $4.18 per share to its new Chief Executive Officer. These options were awarded as a one-time award as a hiring incentive and have a fair value of $193,388. The issuance of these options generated with stock option compensation expense this quarter in the amount of $11,921 and a balance of unamortized stock option compensation expense of $181,467, that will be expensed over the next 1.75 years. In addition, 50,358 options previously issued to the Company’s former CEO became fully vested during the quarter and generated a stock option compensation expense in the amount of $95,127.

The Company has no expired employee stock options under the 2016 Plan at September 30, 2020 and 2019.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2018	160,143	$ 14.00	4.4	—
Granted	8,572	$ 14.00	5.0	—
Forfeited	(14,286)	$ 14.00	—	—
Outstanding at September 30, 2019	154,429	$ 14.00	3.4	—
Exercisable at September 30, 2019	145,857	$ 14.00	3.4	—
Outstanding at December 31, 2019	163,010	$ 14.00	3.4	—
Granted	410,290	$ 5.08	4.6	—
Cancelled/forfeited	(161,402)	$ 14.00	—	—
Outstanding at September 30, 2020	411,898	$ 5.13	4.6	—
Exercisable at September 30, 2020	212,832	$ 5.76	4.5	—

Warrants

The following is a summary of activity for warrants to purchase common stock for the nine months ended September 30, 2020:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2018	1,815,182	$ 9.52	3.9	—
Warrants expired, forfeited, cancelled or exercised	(327,612)			
Outstanding at September 30, 2019	1,487,570	$ 8.78	2.8	—
Exercisable at September 30, 2019	1,487,570	$ 8.78	2.8	—
Outstanding at December 31, 2019	1,521,250	$ 8.78	3.0	—
Warrants expired, forfeited, cancelled or exercised	(10,647)			
Warrants issued	76,950	$ 9.00	2.6	—
Outstanding at September 30, 2020	1,587,553	$ 8.69	2.2	—
Exercisable at September 30, 2020	1,587,553	$ 8.69	2.2	—

Warrants issued were for the underwriters of the registered direct offering completed in the first quarter of 2020. They carry a strike price of $9.00 representing 150% of the offering price of $6.00 per share and vest 6 months after completion of the offering. In the current quarter, 10,647 warrants were cancelled of which 9,450 were exchanged for new warrants with the same terms and 1,197 expired.

NOTE 8 - REVENUE

Revenue Recognition and Contract Accounting

The Company generates revenue from four sources: (1) Technology Systems; (2) Technical Support; (3) Consulting Services and (4) AI Technology.

The Company constructs intelligent technology systems consisting of materials and labor under customer contracts. Revenues and related costs on technology systems 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.

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, 2020 and December 31, 2019, contract assets on uncompleted contracts consisted of the following:

	September 30, 2020	December 31. 2019
Costs and estimated earnings recognized	$ 4,138,001	$ 3,700,124
Less: Billings or cash received	(3,953,766)	(2,324,204)
Contract assets	$ 184,235	$ 1,375,920

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, 2020 and December 31, 2019, contract liabilities on uncompleted contracts consisted of the following:

	September 30, 2020	December 31. 2019
Billings and/or cash receipts on uncompleted contracts	$ 662,426	$ 35,665
Less: Costs and estimated earnings recognized	(329,675)	(27,004)
Contract liabilities	$ 332,751	$ 8,661

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.

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.

Consulting Services

The Company's consulting services 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.

Artificial Intelligence

The Company has begun to derive revenue from applications that incorporate artificial intelligence (AI) in the form of predetermined algorithms to provide important operating information to the users of our systems. The revenue generated from these applications of AI consists of an annual application maintenance fee which will be recognized ratably over the year, plus fees for the design, development, testing and incorporation of new algorithms into the system which will be recognized upon completion of each deliverable.

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 consulting services 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 four distinct revenue sources:
    a. Turnkey, engineered projects;
    b. Associated maintenance and support services;
    c. Licensing and professional services related to auditing of data center assets:
    d. Predetermined algorithms to provide important operating information to the users of our systems.
2. We currently operate in North America including the USA, Mexico and Canada.
3. Our customers include rail transportation, 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 two to three 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, 2020

Segments	Rail	Commercial	Petrochemical	Government	Banking	IT Suppliers	Artificial Intelligence	Total
Primary Geographical Markets								
North America	$ 994,370	$ 109,611	$ 23,020	$ 26,107	$ 22,345	$ 50,216	$ 56,280	$ 1,281,949
Major Goods and Service Lines								
Turnkey Projects	$ 587,865	$ 49,595	$ 23,020	$ 5,886	$ 6,585	$ —	$ 56,280	$ 729,231
Maintenance & Support	406,505	60,016	—	20,221	15,760	—	—	502,502
Data Center Auditing Services	—	—	—	—	—	47,831	—	47,831
Software License	—	—	—	—	—	2,385	—	2,385
	$ 994,370	$ 109,611	$ 23,020	$ 26,107	$ 22,345	$ 50,216	$ 56,280	$ 1,281,949
Timing of Revenue Recognition								
Goods transferred over time	$ 587,865	$ 49,595	$ 23,020	$ 5,886	$ 6,585	$ 50,216	$ 56,280	$ 779,447
Services transferred over time	406,505	60,016	—	20,221	15,760	—	—	502,502
	$ 994,370	$ 109,611	$ 23,020	$ 26,107	$ 22,345	$ 50,216	$ 56,280	$ 1,281,949

For the Three Months Ended September 30, 2019

Segments	Rail	Commercial	Petrochemical	Government	Banking	IT Suppliers	Total
Primary Geographical Markets							
North America	$ 1,562,792	$ 128,291	$ 21,613	$ 49,943	$ 387,675	$ 48,087	$ 2,198,401
Major Goods and Service Lines							
Turnkey Projects	$ 1,361,811	$ 128,291	$ 13,807	$ 29,722	$ 387,675	$ —	$ 1,921,306
Maintenance & Support	200,981	—	7,806	20,221	—	—	229,008
Data Center Auditing Services	—	—	—	—	—	48,087	48,087
Software License	—	—	—	—	—	—	—
	$ 1,562,792	$ 128,291	$ 21,613	$ 49,943	$ 387,675	$ 48,087	$ 2,198,401
Timing of Revenue Recognition							
Goods transferred over time	$ 1,361,811	$ 128,291	$ 13,807	$ 29,722	$ 387,675	$ 48,087	$ 1,969,393
Services transferred over time	200,981	—	7,806	20,221	—	—	229,008
	$ 1,562,792	$ 128,291	$ 21,613	$ 49,943	$ 387,675	$ 48,087	$ 2,198,401

For the Nine Months Ended September 30, 2020

Segments	Rail	Commercial	Petrochemical	Government	Banking	IT Suppliers	Artificial Intelligence	Total
Primary Geographical Markets								
North America	$ 3,339,519	$ 236,498	$ 23,020	$ 73,477	$ 163,333	$ 184,685	$ 234,504	$ 4,255,036
Major Goods and Service Lines								
Turnkey Projects	$ 2,401,552	$ 55,797	$ 23,020	$ 5,886	$ 119,779	$ —	$ 234,504	$ 2,840,538
Maintenance & Support	937,967	180,701	—	67,591	43,554	—	—	1,229,813
Data Center Auditing Services	—	—	—	—	—	177,530	—	177,530
Software License	—	—	—	—	—	7,155	—	7,155
	$ 3,339,519	$ 236,498	$ 23,020	$ 73,477	$ 163,333	$ 184,685	$ 234,504	$ 4,255,036
Timing of Revenue Recognition								
Goods transferred over time	$ 2,401,552	$ 55,797	$ 23,020	$ 5,886	$ 119,779	$ 184,685	$ 234,504	$ 3,025,223
Services transferred over time	937,967	180,701	—	67,591	43,554	—	—	1,229,813
	$ 3,339,519	$ 236,498	$ 23,020	$ 73,477	$ 163,333	$ 184,685	$ 234,504	$ 4,255,036

For the Nine Months Ended September 30, 2019

Segments	Rail	Commercial	Petrochemical	Government	Banking	IT Suppliers	Total
Primary Geographical Markets							
North America	$ 6,039,521	$ 317,222	$ 76,586	$ 147,011	$ 1,075,274	$ 240,673	$ 7,896,287
Major Goods and Service Lines							
Turnkey Projects	$ 5,433,356	$ 315,025	$ 53,169	$ 86,348	$ 1,066,164	$ —	$ 6,954,062
Maintenance & Support	606,165	2,197	23,417	60,663	9,110	—	701,552
Data Center Auditing Services	—	—	—	—	—	198,838	198,838
Software License	—	—	—	—	—	41,835	41,835
	$ 6,039,521	$ 317,222	$ 76,586	$ 147,011	$ 1,075,274	$ 240,673	$ 7,896,287
Timing of Revenue Recognition							
Goods transferred over time	$ 5,433,356	$ 315,025	$ 53,169	$ 86,348	$ 1,066,164	$ 240,673	$ 7,194,735
Services transferred over time	606,165	2,197	23,417	60,663	9,110	—	701,552
	$ 6,039,521	$ 317,222	$ 76,586	$ 147,011	$ 1,075,274	$ 240,673	$ 7,896,287

NOTE 9 – SUBSEQUENT EVENTS

On October 12, 2020, the Company hired a new Chief Operating Officer for its wholly owned subsidiary, Duos Technologies, Inc. As an incentive to join the Company, the Company awarded 20,000, 5-Year stock options with a strike price of $4.18 and a fair value of $44,425 expensed over 24 months.

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

This quarterly report on Form 10-Q and other reports filed by Duos Technologies Group, Inc. (the "duostech Group"), through its operating subsidiaries, Duos Technologies, Inc. ("duostech") and TrueVue360, Inc ("TrueVue360", duostech Group and duostech, collectively the "Company" "we", "our", and "us") from time to time with the U.S. Securities and Exchange Commission (the "SEC") contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, the Company's management as well as estimates and assumptions made by Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," or the negative of these terms and similar expressions as they relate to the Company or the Company's management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including the risks contained in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, relating to the Company's industry, the Company's operations and results of operations, and any businesses that the Company may acquire. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

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

Overview

Duos Technologies Group, Inc. (the "Company") was incorporated in Florida on May 31, 1994 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. ("duostech"), for the purposes of executing a reverse triangular merger. This transaction was completed on April 1, 2015, whereby duostech became a wholly owned subsidiary of the Company. duostech 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 53 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 has developed the Railcar Inspection Portal (RIP) that provides both freight and transit railroad customers and select government agencies the ability to conduct fully remote railcar inspections of trains while they are in transit. The system, which incorporates a variety of sophisticated optical technologies, illumination and other sensors, scans each passing railcar to create an extremely high-resolution image set from a variety of angles including the undercarriage. These images are then processed through various methods of artificial intelligence algorithms to identify specific defects and/or areas of interest on each railcar. This is all accomplished within seconds of a railcar passing through our portal. This solution has the potential to transform the railroad industry immediately increasing safety, improving efficiency and reducing costs. The Company has successfully deployed this system with several Class 1 railroad customers and anticipates an increased demand in the future. Government agencies can conduct digital inspections combined with the incorporated AI to improve rail traffic flow across borders which also directly benefits the Class 1 railroads through increasing their velocity.

The Company has also developed the Automated Logistics Information System (ALIS) which automates and reduces/removes personnel from gatehouses where trucks enter and exit large logistics and intermodal facilities. This solution also incorporates sensors and data points as necessary for each operation and directly interconnects with backend logistics databases and processes to streamline operations, significantly improve operations, security and importantly dramatically improves the vehicle throughput on each lane the technology is deployed.

The Company has built a portfolio of IP and patented solutions that creates "actionable intelligence" using two (2) core native platforms called centraco® and praesidium®. All solutions provided include a variant of both applications. Centraco is designed primarily as the user interface to all our systems as well as the backend connection to 3rd party applications and databases through both Application Programming Interfaces (APIs) and Software Development Kits (SDKs). This interface is browser based and hosted within each one of our systems and solutions. It is typically also customized for each unique customer and application. Praesidium typically resides as middleware in our systems and manages the various image capture devices and some sensors for input into the Centraco software.

The Company also developed a proprietary Artificial Intelligence (AI) software platform, truevue360™ with the objective of focusing the Company's advanced intelligent technologies in the areas of AI, deep machine learning and advanced multi-layered algorithms to further support our solutions.

The Company also provides professional and consulting services for large data centers and has been developing a system for the automation of asset information marketed as dcVue™. The Company is now deploying its dcVue software. This software is used by Duos' consulting auditing teams. dcVue is based upon the Company's OSPI patent which was awarded in 2010. The Company offers dcVue available for license to our customers as a licensed software product.

The Company's strategy is to deliver operational and technical excellence to our customers; expand our RIP and ALIS solutions into current and new customers focused in the Rail, Logistics and U.S. Government Sectors; offer both CAPEX and OPEX pricing models to customers that increases recurring revenue, backlog and improves profitability; responsibly grow the business both organically and through selective acquisitions; and finally promote a performance-based work force where employees enjoy their work and incentivized to excel and remain with the Company.

Prospects and Outlook

The Company has made significant changes in the senior management team to include a new Chief Executive Officer with a wealth of experience successfully leading start-up and turn-around companies. In addition, the former divisional COO who has 20 years of experience with the Company delivering technology into rail, logistics, intermodal, and other industries, has been promoted to Chief Commercial Officer (CCO) of our wholly owned subsidiary, duostech. The duostech has also hired a divisional Chief Operating Officer (COO) with a strong background in operations in multiple former assignments. The Company's CFO will continue in the same role providing continuity and multiple years of public company experience. The Company's Board of Directors is being strengthened with the nomination of a retired Chief Operating Officer for a Class 1 railroad with more than 50 years of experience in the rail industry. The shareholders are currently voting on this appointment and the appointment of our CEO to the Board of Directors.

The new leadership team's focus is to improve operational and technical execution which will in turn enable the commercial side of the business to expand RIP and ALIS delivery into existing customers. Even though COVID-19 is expected to still be an issue during 2021, the Company's primary customers have indicated readiness to order more equipment and services based upon the Company's current performance.

Additionally, the new CEO has directed that the Company make engineering and software upgrades to the RIP to meet anticipated Federal Railroad Association (FRA) and Association of American Railroad (AAR) standards. Similar upgrades are also being developed to improve the ALIS system. These upgrades are anticipated to be released in the first and second quarters of 2021 and are expected to drive additional sales.

Lastly, the Company is increasing its focus in the rail industry to encompass passenger transportation and is currently in competition for a large, multi-year contract with a national rail carrier. If successful, the Company would deliver at least two RIP solutions along with a long-term services agreement in 2021.

Although the Company prospects and outlook is favorable for 2021 investing in our securities involves risk and careful consideration should be made before deciding to purchase our securities. There are many risks that affect our business and results of operations, some of which are beyond our control.

Results of Operation

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, 2020 Compared to Three Months Ended September 30, 2019

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,	
	2020	2019
Revenue	$ 1,281,949	$ 2,198,401
Cost of revenue	987,018	1,172,942
Gross profit	294,931	1,025,459
Operating expenses	3,001,774	2,157,360
Loss from operations	(2,706,843)	(1,131,901)
Other income (expense)	(1,736)	(12,168)
Net loss	$ (2,708,579)	$ (1,144,069)

Revenues

	For the Three Months Ended September 30,		
	2020	2019	% Change
Revenues:			
Technology systems	$ 672,951	$ 1,921,306	-65%
Technical support	502,502	229,008	119%
Consulting services	50,216	48,087	4%
AI technologies	56,280	—	—
Total revenue	$ 1,281,949	$ 2,198,401	-42%

Overall revenues declined by 42% in the third quarter of 2020, solely due to a decline in technology systems revenues compared to the same quarter in 2019. The decrease in technology system revenues is due to a delay in receiving an order for a large project which was initially planned for execution during the third quarter of 2020, but which will now be substantially completed in the fourth quarter. Technical support revenues were higher in the quarter as the result of new service support. This is part of a major focus by the Company towards sustainable recurring revenues and this substantial increase is expected to continue going forward as more large projects complete installation. The maintenance and technical support revenues are driven by successful completion on projects and represent services and support for those installations. The Company expects to continue growth with new, long term recurring revenue from new customers which will be coming on-line in the next several months.

We recorded a small increase in consulting services recorded in revenue for the third quarter of 2020. The current pandemic related to the Novel Coronavirus (COVID-19) has impacted both expected receipt of awards and delays in execution due to travel and other restrictions. These delays will continue to impact the consulting services revenue portion of our business, but although the impact for the full year is uncertain at this time, it appears as if certain clients will be opening their facilities which should have a further positive impact on revenue going forward.

The AI technologies recorded their first quarter of revenue during the second quarter of 2020 and recorded additional revenues in the current quarter. The Company received a large ($2+ million) contract for AI related development from a large client which is expected to add revenues in the following quarters. The Company expects to continue the growth with new revenue from other existing customers which also will be coming on-line in the next several months.

Cost of Revenues

	For the Three Months Ended September 30,		
	2020	2019	% Change
Cost of revenues:			
Technology systems	$ 601,814	$ 984,805	-39%
Technical support	333,721	158,785	110%
Consulting services	12,301	29,352	-58%
AI technologies	39,182	—	—
Total cost of revenues	$ 987,018	$ 1,172,942	-16%

Cost of revenues on technology systems decreased during the period compared to the equivalent period in 2019, although at a slower rate than the decline in revenues. This is due to higher staffing costs related to project implementation which were put in place earlier in the year, prior to the impact from COVID-19. There is a continued focus on build costs and savings through efficiency, but the Company has elected to maintain key employees in anticipation of expected sales of such systems through the end of this year and in 2021. Cost of revenues increased on technical support at a lower rate than the increase in revenue for technical support which is a positive trend going forward as more of the Company's revenue comes from this recurring revenue business.

The consulting services recorded a substantial decrease in cost of revenues in the quarter reflecting the improvements in execution efficiency put in place from the Company's new dcVue™ software. This trend is expected to continue as additional revenue from license sales of this software are recognized later this year and in 2021. The current pandemic related to the Novel Coronavirus (COVID-19) has impacted both expected receipt of awards and delays in execution due to travel and other restrictions. These delays will impact the consulting services revenue portion of our business at this time.

The AI technologies recorded their second quarter of cost of revenue during the current quarter. The Company expects to continue the growth with new revenue from existing customers which will be coming on-line in the next several months.

Gross Profit

	For the Three Months Ended September 30,		
	2020	2019	% Change
Revenues	$ 1,281,949	$ 2,198,401	-42%
Cost of revenues	987,018	1,172,942	-16%
Gross profit	$ 294,931	$ 1,025,459	-71%

Overall Gross Profit was $294,931 or 23% of revenues compared to $1,025,459 or 47% of revenues for the three months ended September 30, 2020 and 2019, respectively. The 71% decrease in Gross Margin is due to the higher overall cost of sales recorded during the quarter largely as a result of lower recorded revenues during the quarter due to implementation delays. The Company is maintaining enough key staff in Engineering, Software support and Project management in anticipation of an increase in revenues expected in the next several quarters in order that we may execute in a timely fashion against those orders. We anticipate an improvement in the overall gross margin for the full year reporting in 2020.

Operating Expenses

	For the Three Months Ended September 30,		
	2020	2019	% Change
Operating expenses:			
Sales and marketing	$ 173,197	$ 214,979	-19%
Engineering	280,897	339,282	-17%
Research and development	215,831	273,555	-21%
Administration	1,991,408	852,584	134%
AI technologies	340,441	476,960	-29%
Total operating expense	$ 3,001,774	$ 2,157,360	39%

Operating expenses were higher by 39% than the equivalent period in 2019 largely as the result of a one-time charge for severance payment due to the retirement of the Company's former CEO in the amount of approximately $885,000. Excluding this amount, expenses for continuing operations would have decreased overall by 2%. The Company implemented some staff cuts in the quarter but maintained key personnel reflecting necessary resources related to the Company's anticipated growth. Research and development and AI development expenses decreased due to the completion of the TrueVue360 platform and a focus shift to executing machine learning algorithms for current contracts that are expected to be complete by year end. The decrease in engineering expenses is largely due to no recruiting fees being incurred during this period. Sales and marketing expense also decreased due to fluctuations in staffing. Administration expenses increased significantly as discussed above relating largely to a one-time charge for severance costs and increased legal and hiring costs for the new CEO. These costs were offset by lower overall expenses in the other functional areas.

Loss from Operations

The loss from operations for the three months ended September 30, 2020 was $2,706,843 compared to a $1,131,901 loss from operations for the same period in 2019. The significant increase in losses from operations during the quarter are the result of lower revenues and gross margins for the period together with a large increase in operating expenses adversely impacted by one-time expenses for the replacement of the Company's former CEO. The larger losses are an anomaly and expected to be temporary. The Company expects to return to sustainable operating costs, but with the uncertainty of the current Novel Coronavirus (Covid-19) crisis, they are unlikely to be offset for the full year. This is due to the anticipated growth in business from new contracts being delayed through most of this year. We are seeing an uptick in new contracts which will manifest itself in the fourth quarter and for 2021.

Other Income/Expense

Interest expense for the three months ended September 30, 2020 was $6,260 versus interest expense of $12,783 in the equivalent period in 2019. The decrease is due to a reduction in interest bearing debt that was repaid in second quarter. Interest income has been declining significantly due to the large decrease in interest rates over the past two quarters. Interest income from cash on deposit was $4,524 for the quarter ended September 30, 2020 versus $615 in the same period of 2019.

Net Loss

The net loss for the three months ended September 30, 2020 and 2019 was $2,708,579 and $1,144,069, respectively. The 137% decrease in net loss was mostly attributed to the increase in Administration expenses as a result of one-time expenses related to the former CEO severance. Net loss per common share was $0.77 and $0.63 for the three months ended September 30, 2020 and 2019, respectively.

Comparison for the Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

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, 2020	For the Nine Months Ended September 30, 2019
Revenue	$ 4,255,036	$ 7,896,287
Cost of revenue	3,117,865	4,565,585
Gross profit	1,137,171	3,330,702
Operating expenses	7,358,985	6,365,319
Loss from operations	(6,221,814)	(3,034,617)
Other income (expense)	(99,703)	(15,074)
Net loss	$ (6,321,517)	$ (3,049,691)

Revenues

	For the Nine Months Ended September 30,		
	2020	2019	% Change
Revenues:			
Technology Systems	$ 2,606,034	$ 6,954,062	-63%
Technical support	1,229,813	701,552	75%
Consulting services	184,685	240,673	-23%
AI technologies	234,504	—	—
Total revenue	$ 4,255,036	$ 7,896,287	-46%

Most of the decrease in overall revenues for the nine months year to date is due to slower than anticipated contract awards by one customer pending resolution of certain terms and conditions. Both contracts have now been received and publicly announced. In addition, the current pandemic related to the Novel Coronavirus (COVID-19) impacted both expected receipt of awards and delays in execution due to travel and other restrictions. These delays have impacted the technology systems revenue portion of our business. The Company continues to make improvements in our project build and delivery process largely as a result of the investment in additional skills and management. The new management in place have been tasked with moving the Company from a single project focus, to develop capabilities for the delivery of multiple systems to multiple clients with reduced field time required for installation and fixes.

Technical support revenues were significantly higher in the nine-month period as the result of new service agreements starting with current customers. The renewals of existing contracts earlier this year have also contributed to the revenue growth and while we expect this growth to continue, it will be at slower rate in the near future as some older systems are taken offline and service contracts not renewed. Anticipated new deployments will offset this impact and we believe that a shift to the next generation of technology systems which are currently being installed will continue to have an overall positive impact going forward. The technical support revenues are driven by successful completion on projects and represent services and support for those installations. The Company expects to continue the growth with new, long term recurring revenue from new customers which will be coming on-line in the next several months.

The consulting services recorded a decrease in revenue in the nine months ended September 30, 2020. The decrease in consulting is related to the Novel Coronavirus (COVID-19) which has impacted both expected receipt of awards and delays in execution due to travel and other restrictions. This is expected to be resolved in the fourth quarter and 2021.

Cost of Revenues

	For the Nine Months Ended September 30,		
	2020	2019	% Change
Cost of revenues:			
Technology Systems	$ 2,080,872	$ 4,045,448	-49%
Technical support	802,751	420,451	91%
Consulting services	84,561	99,686	-15%
AI technologies	149,681	—	—
Total cost of revenues	$ 3,117,865	$ 4,565,585	-32%

Cost of revenues on projects decreased with the decrease in revenues but the overall improvement in costs in revenues was muted by some cost increases related to additional work required on existing installations and delays related to COVID-19. This negative trend is not expected to continue as the Company continues its focus on reducing the costs of delivery and streamlining execution. Cost of revenues increased on technical support as a result of increase of staff to support the growth. The consulting services costs of revenue were reduced as a percentage of the revenue due to the proportion of the revenue from licensing of the associated software. The AI technologies recorded costs for two out of the three quarters for the nine-month period.

Gross Profit

	For the Nine Months Ended September 30,		
	2020	2019	% Change
Revenues	$ 4,255,036	$ 7,896,287	-46%
Cost of revenues	3,117,865	4,565,585	-32%
Gross profit	$ 1,137,171	$ 3,330,702	-66%

Gross Profit was $1,137,171 or 27% of revenues compared to $3,330,702 or 42% of revenues for the nine months ended September 30, 2020 and 2019, respectively. The overall gross margin was much lower during the period compared to the equivalent period in 2019 due to the fixed costs related to maintaining a minimum staff to begin execution once orders were received, that were not offset by sufficient revenues as had been anticipated earlier in the year. The Company continues to focus on build costs and savings through efficiency which mitigated the overall impact of the foregoing. We previously reported significant increase in personnel in anticipation of increased execution and support requirements for the second half of 2020 and management will continue to review pending orders to ensure appropriate staffing.

Operating Expenses

	For the Nine Months Ended September 30,		
	2020	2019	% Change
Operating expenses:			
Sales and marketing	$ 435,522	$ 735,599	-41%
Engineering	946,303	963,831	-2%
Research and development	771,789	1,144,715	-33%
Administration	4,030,906	2,660,227	52%
AI technologies	1,174,465	860,947	36%
Total operating expense	$ 7,358,985	$ 6,365,319	16%

Operating expenses were 16% higher than the equivalent period in 2019 largely as a result of the one-time cost related to the separation agreement for the former Chief Executive Officer. Excluding these one-time charges, overall operating expenses were increased by 2% reflecting the increase in resources related to the Company's anticipated growth. Sales and marketing expense decreased due to fluctuation in personnel in addition to travel restrictions due to the Novel Coronavirus (COVID-19). Research and development expenses decreased due to personnel expenses transferred to the AI department. The decrease in engineering expenses during the period is a result of improved resourcing and tools necessary for increased efficiencies that was undertaken earlier in the period. Administration expenses, beyond the one-time charge related to the separation agreement for the former Chief Executive Officer, were increased mostly due to one-time expenses related to the equity fundraising and to the Company's listing on the Nasdaq during the first quarter. AI technologies costs were higher as the result of additional growth in this area and resources allocated from the research and development department. This trend will be reversed going forward as the Company has now completed the development work for its AI development platform.

Loss from Operations

The loss from operations for the nine months ended September 30, 2020 was $6,221,814 and the loss from operations for the same period in 2019 was $3,034,617. The 105% increase in loss from operations was mostly due to the overall decrease in revenue for the period, lower than usual gross margin for the nine-month period ending September 30, 2020 and one-time costs related to related to the separation agreement for the former Chief Executive Officer.

Interest Expense

Interest expense for the nine months ended September 30, 2020 was $133,435 most of which was incurred during the first six months and the interest expense for same period in 2019 was $19,095. The increase is mainly due to costs related to short-term debt funding, all of which has been repaid.

Other Income

Other income for the nine months ended September 30, 2020 and 2019 was $33,732 and $4,021, respectively. The increase in other income is due to a higher balance in the money market banking account for the nine-month period in 2020.

Net Loss

The net loss for the nine months ended September 30, 2020 and 2019 was $6,321,517 and $3,049,691, respectively. The increase in net loss is mostly attributed to the overall decrease in revenue for the period, lower than usual gross margin for the nine-month period ending September 30, 2020 and certain one-time charges related to personnel actions including the replacement of the former Chief Executive Officer. Net loss per common share was $1.95 and $1.78 for the nine months ended September 30, 2020 and 2019, respectively.

Liquidity and Capital Resources

As of September 30, 2020, the Company has a working capital of $2,246,887 and a net loss of $6,321,517 for the nine months ended September 30, 2020.

Cash Flows

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

	September 30, 2020	September 30, 2019
Net cash used in operating activities	$ (4,223,911)	$ (3,623,876)
Net cash used in investing activities	(224,586)	(144,634)
Net cash provided by financing activities	8,508,830	3,326,548
Net increase (decrease) in cash	$ 4,060,333	$ (441,962)

Net cash used in operating activities for the nine months ended September 30, 2020 was $4,223,911 and net cash used during the same period of 2019 was $3,623,876. The increase in net cash used in operations for the nine months ended September 30, 2020 was the result of higher expenditures related to current and future project execution in anticipation of new projects. In addition, there are several changes in assets and liabilities compared to the previous period that added to the use of cash in operations. Notable changes were a significant increase in accounts receivable and contract assets and a decrease in accounts payable reflecting better availability of working capital as a result of the recent capital raise. In addition, cash that was being used to further development activities for our AI platform is significantly reduced as well as the product generating revenues during this period.

Net cash used in investing activities for the nine months ended September 30, 2020 and 2019 were $224,586 and $144,634, respectively, representing an increase in investments in various fixed assets during the nine months of 2020 related to new technology offerings.

Net cash provided in financing activities for the nine months ended September 30, 2020 was $8,508,830 and for the same period of 2019 was $3,326,548. Cash flows provided in financing activities during the nine-month period in 2020 were primarily attributable to a significant capital raise undertaken during the period in conjunction with listing on the Nasdaq Capital Market. Cash flows from financing activities during 2019 were primarily attributable to support of operations and repayment of one short term note and short-term credit facilities offset by proceeds from a warrant exercise from which the Company derived cash proceeds.

Previously, we have funded our operations primarily through the sale of our equity (or equity linked) and debt securities. During 2020, we have funded our operations through a combination of a recent capital raise, revenues generated, and cash received from ongoing project execution and associated maintenance revenues. As of November 9, 2020, we had cash on hand of approximately $3,816,000. 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 enough to fund operations for at least the next 12 months. However, the Company cannot currently quantify the uncertainty related to the recent pandemic and its effects on the business in the coming quarters.

Demand for the products and services will be dependent on, among other things, continuing market acceptance of our products and services, the technology market in general, and general economic conditions, which are cyclical in nature and are currently impacted by the Novel Coronavirus (Covid-19). 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 this situation and potential for a prolonged recession period and are considered to be a factor at present.

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 accompanying unaudited consolidated financial statements, the Company had a net loss of $6,321,517 for the nine months ended September 30, 2020. During the same period, net cash used in operating activities was $4,223,911. The working capital surplus and accumulated deficit as of September 30, 2020 were $2,246,887 and $39,062,232 respectively. In previous financial reports, the Company had raised substantial doubt about continuing as a going concern. This was principally due to a lack of working capital prior to an underwritten offering which was completed during the first quarter of 2020 (the "2020 Offering").

Upon completion of the 2020 Offering, management raised sufficient working capital to meet its needs for the next 12-months without the need to raise further capital. Since the advent of the Covid-19 pandemic, the Company has experienced a significant slowdown in closing new projects due to cautious actions by current and potential clients. We continue to be successful in identifying new business opportunities and are focused on re-establishing a backlog of projects. Most importantly, the Company's success in increasing its working capital surplus after receiving proceeds from the 2020 Offering of more than $8.1 million has given us the runway required to maintain our business strategy overall. In addition, the Company was successful in securing a loan of $1.4M during the second quarter from the Small Business Administration via the PPP/CARES Act program which further bolstered the Company's cash reserves. Management has been and continues to take actions including, but not limited to, elimination of certain costs that did not contribute to short term revenue, re-aligning management with a focus on improving certain skill sets necessary to build growth and profitability and focusing product strategy on opportunities that are likely to bear results in the relatively short term. During the current quarter, management has taken further significant actions including reorganizing senior management and selectively improving organizational efficiency to effectively grow the business as the expected order flow resumes later in the year and in 2021.

Management believes that, at this time, we have eliminated the substantial doubt for the Company to continue as a going concern. We are executing the plan to grow our business and achieve profitability without the requirement to raise additional capital for existing operations. However, if we experience a significant increase in business in 2021 beyond current forecasts, we may require an increase in working capital next year. The Company has already identified a source for increased investment through existing shareholders and although such investment is not assured, the Company is comfortable that it would be able to raise sufficient capital to support expanded operations based on this increase in business activity. In the long run, the continuation of the Company as a going concern is dependent upon the ability of the Company to continue executing the plan described above, generate enough revenue and to attain consistently profitable operations. Although the current global pandemic related to the Novel Coronavirus (Covid-19) has affected our operations, and we do believe this is expected to be a long-term issue, the Company cannot currently quantify the uncertainty related to the recent pandemic and its effects on our customers in the coming quarters. We have analyzed our cash flow under "stress test" conditions and have determined that we have sufficient liquid assets on hand to maintain operations for at least 12 months from the date of this report. As further support for this position, we have experienced an increase in contracts during the quarter.

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 Policies and 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.

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. Management implemented on January 1, 2019. The standard was applied in a retrospective approach for each period presented.

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 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, estimates of the valuation of right of use assets and corresponding lease liabilities 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the third quarter ended September 30, 2020 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

We believe there are no changes that constitute material changes from the risk factors previously disclosed in our Annual Report on Form 10-K, filed with the U.S Securities and Exchange Commission on April 15, 2020.

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

The Company issued 7,869 shares of common stock for services to the members of the board during the third quarter of 2020.

The above securities were issued in reliance on the exemption under Section 4(a)(2) of the Securities Act. These securities qualified for exemption under Section 4(a)(2) since the issuance by us did not involve a public offering. 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, we have met the requirements to qualify for exemption under Section 4(a)(2) of the Securities Act for these transactions.

Item 3. Defaults Upon Senior Securities.

There has been no default in the payment of principal, interest, sinking or purchase fund installment, or any other material default, with respect to any indebtedness of the Company.

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

None

Item 6. Exhibits.

Exhibit No.	Description
10.1*	Separation Agreement, dated July 10, 2020, by and between Duos Technologies Group, Inc. and Gianni B. Arcaini.
31.1*	Certification by the Principal Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
31.2*	Certification by the Principal Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
32.1**	Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification by the Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith
** Furnished herewith

SIGNATURES

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

DUOS TECHNOLOGIES GROUP, INC.

Date: November 12, 2020	By:	/s/ Charles P. Ferry Charles P. Ferry Chief Executive Officer
Date: November 12, 2020	By:	/s/ Adrian G. Goldfarb Adrian G. Goldfarb Chief Financial Officer

EXHIBIT 10.1

DUOS TECHNOLOGIES GROUP INC

EXECUTIVE SEPARATION AGREEMENT

This **EXECUTIVE SEPARATION AGREEMENT** (this "Agreement") is entered into as of the date indicated on the signature page hereto by and between Duos Technologies Group, Inc., a Florida corporation (the "Company"), and Gianni Arcaini, an individual ("Executive" and together with the Company, the "Parties" and each, a "Party").

WHEREAS, Executive is employed by the Company as its Chief Executive Officer and President pursuant to the terms of that certain Employment Agreement by and between the Company and Executive, dated April 1, 2018 (the "Employment Agreement"); and

WHEREAS, Executive and the Company have come to a mutual agreement regarding the Executive's and the Company's desire for the Executive to retire from his position as Chief Executive Officer and President of the Company (the "Separation"); and

WHEREAS, the Executive shall remain with the Company as Chief Executive Officer and President until September 1, 2020.

NOW THEREFORE, the Parties, who have had the opportunity to receive independent legal advice in this matter, in consideration of the mutual covenants and agreements set forth hereinafter, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. **Executive's Separation.**

a) Executive's employment with the Company and any subsidiaries and affiliated entities will be irrevocably terminated on September 1, 2020 (the "Separation Date"). As of the Separation Date, Executive shall no longer be an officer or employee of the Company, or an officer, employee, or member of the board of directors of any subsidiary or affiliated entity of the Company, and Executive agrees he shall execute any and all documents necessary or advisable, as reasonably requested by the Company, to effect Executive's Separation as an officer or employee of the Company, or an officer, employee, or member of the board of directors of any subsidiary or affiliated entity of the Company. The Executive shall remain Chairman of the Board of Directors of the Company until the next regularly scheduled annual Shareholders Meeting. The Company shall pay to the Executive his current salary in accordance with the Employment Agreement, and in accordance with the Company's current payroll practices and standards, including the selected deductions and withholdings, including all W-2 tax withholdings, until September 1, 2020.

b) Executive shall take any and all actions as reasonably requested by the Company in order to immediately and efficiently effect the Separation contemplated hereby, including, but not limited to, returning to the Company any and all files, records, credit cards, keys, equipment, and any and all other Company property or documents maintained by Executive, by no later than the Separation Date (subject to Section 4 hereof).

2. **Consideration**. In consideration of Executive's execution of this Agreement, the Company agrees that it shall:

a) Pay to the Executive the total sum of Eight Hundred Twenty-Two Thousand Seven Hundred Eighty Dollars ($822,780), said sum to be paid by the Company in biweekly installments over the thirty-six (36) month period beginning on the first regular Company pay period after September 1, 2020. Notwithstanding the foregoing, the status of the Executive as a "Specified Employee" as defined in Internal Revenue Code Section 409A has the effect of delaying any payments to Executive hereunder for six (6) months after the Separation Date. Therefore, the Company shall pay to the Executive on March 1, 2021, a lump sum amount equal to the first six (6) months of payments owed to the Executive under this paragraph, and shall then continue to pay Executive in bi-weekly installments for thirty (30) months thereafter, as contemplated in the Employment Agreement. Payments under this paragraph shall be made in accordance with the Company's standard payroll practices, and all previously selected deductions will be made, and the Company shall withhold all applicable and proper local, state, and federal taxes and provide Executive with all applicable W-2s. In the event the Executive should die during the term of payment, and subject to Section 13 hereof, any remaining amounts due shall be paid to the Executive's last named beneficiary as filed with the Company for this purpose, or, in the absence of any named beneficiary, to the Executive's estate in the same manner and amounts that would be paid the Executive, provided, however, said amounts shall be reported to them on Form 1099-R as required by the Code.

b) Pay one-half of the Executive's current life insurance premiums for thirty-six (36) months following the Separation Date, beginning on September 1, 2020;

c) Provide and pay for the Executive's health insurance for eighteen (18) months following the Separation Date via COBRA and an additional eighteen (18) months via a direct cash payment to the Executive in an amount equal to the same payments made for COBRA (ii through vi collectively the "Separation Payment"), at the level of Executive's current healthcare selections as of the Separation Date; and

d) All outstanding stock and warrant options held by the Executive and/or Robex International, Inc. ("Robex") and/or offered to Executive and/or Robex by the Company which are or were not then exercisable or vested, shall become exercisable and vested in their entirety on the Separation Date. Executive and/or Robex shall retain all stocks and warrants currently held as of the Separation Date that previously vested.

e) The Company and Executive will cooperate in the preparation of any public disclosure by the Company related to the existence or the terms and conditions of the Employment Agreement, or the termination of the Employment Agreement in connection with the Separation, the content of which shall be subject to the review and comment of Executive, which shall not be unreasonably withheld, conditioned or delayed. In no event shall Executive's rights under this subsection prevent the Company from fulfilling its obligations under applicable securities laws and regulations. In addition to the public disclosures required by applicable securities laws and regulations, the Company and the Executive shall cooperate and agree upon a mutual statement to be issued as a press release. This statement shall indicate that Executive is retiring as an executive and officer of the Company, but not the Board of Directors of the Company. Prior to the release of this press release, the Company and Executive shall meet to agree on an internal communication to be delivered to the Company's executives, directors, officers, and employees announcing Executive's retirement from the Company, except the Board of Directors.

f) Upon receipt of the final bill from Executive, the Company shall provide to Executive payment of his actual reasonable attorneys' fees for legal work associated with the negotiation and drafting of this Agreement and other documents and matters relating hereto, which is currently estimated to be Five Thousand Dollars ($5,000.00).

g) It is expressly acknowledged and agreed that the consideration provided in this Section shall constitute the full consideration to be paid in connection with this Agreement, the Employment Agreement or any other agreement, document, written or verbal understanding or otherwise. It is further understood that the amounts being paid are solely for Executive's performance of his roles as Chief Executive Officer and President and in no way relate to his service as a member of the Board of Directors. No additional consideration (including, but not limited to, cash, common or preferred stock or and equity-linked securities for consideration), unless otherwise required by the Employment Agreement, whatsoever shall be owing by the Company or any subsidiaries or affiliated entities of the Company to the Executive by virtue of severance, salary, credit earned for vacation, or any other reason. In addition, Executive shall have the right to payment of any compensation or other benefits provided or offered to the members of the Company's Board of Directors while Executive is on the Board of Directors of the Company. This Agreement is a full and complete settlement of any and all amounts claimed to be due and owing by the Company and any subsidiaries or affiliated entities of the Company to the Executive. The Company shall promptly provide Executive, via U.S. mail to 7889 Hunters Grove Rd. Jacksonville, Florida 32256 and via email to gba@arcaini.com, with all payroll and tax documents related to the consideration set forth in this Section, including, but not limited to, W-2s, 1099s and payroll slips for the applicable time periods.

3. **<u>Representations</u>.** Executive and the Company make the following representations, each of which is an important consideration to the other party's willingness to enter into this Agreement:

a) Executive understands and agrees that he has been advised to consult with an attorney of his choice concerning the legal consequences of this Agreement. Executive hereby acknowledges that prior to signing this Agreement, he had the opportunity to consult, and did consult, with an attorney of his choosing regarding the effect of each and every provision of this Agreement.

b) Executive acknowledges and agrees that he knowingly and voluntarily entered into this Agreement with complete understanding of all relevant facts, and that he was neither fraudulently induced nor coerced to enter into this Agreement.

c) Each of the Parties represent and warrant to the other that they have the capacity and authority to enter into this Agreement and be bound by its terms and that, when executed, this Agreement will constitute a valid and binding agreement of such Party enforceable against such Party in accordance with its terms.

d) The Company has sufficient reserves for the payment of its obligations under this Agreement, and the Company shall make such payments as agreed herein.

4. **Covenants of Confidentiality, Nondisclosure, Non-solicitation and Non-competition.**

a) Executive acknowledges that, as a result of Executive's past association with the Company, Executive has confidential or proprietary information of special value to the Company. Subject to Section 4(d), Executive covenants and agrees that he shall not, directly or indirectly, disclose, reveal, divulge or communicate to any person other than authorized officers, directors, employees, and professional advisors of the Company, or use or otherwise exploit for Executive's own benefit or for the benefit of anyone other than the Company, any Confidential Information. Executive shall not have any obligation to keep confidential any Confidential Information if and to the extent disclosure thereof is specifically required by applicable law; provided, however, that in the event disclosure is required by applicable law, Executive shall, to the extent reasonably possible and legally permissible, provide the Company with prompt notice of such requirement prior to making any disclosure so that the Company may seek an appropriate protective order, at the Company's sole cost and expense. "Confidential Information" means any confidential information with respect to the Company, including, without limitation, methods of operation, customer lists, products, prices, fees, costs, technology, formulas, inventions, trade secrets, know-how, proprietary software, marketing methods, plans, suppliers, competitors, markets or other specialized information or proprietary matters that is not otherwise in the public domain or available to the public upon request or through publicly available research and discovery.

b) The negotiations in connection with this Agreement were and are intended by the Executive and the Company to be confidential. Neither the Company nor the Executive shall disclose or make any statements regarding such negotiations or the circumstances surrounding this Agreement, or the terms and conditions hereof;

provided, however, that the Parties agree and acknowledge that the Company may, in its sole discretion, file this Agreement with the U.S. Securities and Exchange Commission and that any legally required disclosure with respect to information contained in this Agreement shall be permissible.

c) Executive agrees that he will use his best efforts to do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the Company may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement, including with respect to agreements, certificates, instruments and documents that Executive was required to deliver prior to, or in connection with, the closing of the Transaction in his capacity as an officer or director of the Company or any of its subsidiaries as of such date. However, the Company agrees that Executive shall have the opportunity to consult with counsel prior to signing any instrument or document or other deliverable contemplated in this paragraph.

d) As a separate and independent covenant, Executive further agrees that, for a period of one (1) year after the Separation Date, Executive shall not (i) cause, solicit, induce or encourage any employees of the Company (or former employees who had been employed by the Company within a six (6) month period prior to any such solicitation or hiring) to leave such employment or hire, employ or otherwise engage any such individual; (ii) cause, induce or encourage any customer, supplier, or licensor of the Company that was a current customer, supplier, or licensor of the Company at the time of the Separation Date to terminate or modify any such relationship as it relates to the Company's business; or (iii) cause, induce or encourage any Prospective Customer of the Company not to do business with the Company. "Prospective Customer" means any person or entity which has evidenced an intention to order products or services from the Company or with whom the Company has had material contact and discussions regarding the ordering of products or services from the Company, in each case on or before the Separation Date.

e) Executive agrees to comply with the one (1) year 750-mile post-separation non-competition provision set forth in Executive's current Employment Agreement. In addition, for thirty-six (36) months after the Separation Date, Executive agrees not to compete directly with the Company relating to any products or systems that are offered by the Company as of his Separation Date.

5. **Release of Claims.**

a) Executive agrees that the foregoing consideration represents settlement in full of all outstanding obligations, unless otherwise provided for herein, owed to Executive by the Company and its current and former officers, directors, executives, agents, investors, attorneys, shareholders, administrators, affiliates, and subsidiaries, and predecessor and successor corporations and assigns (collectively, the "Releasees"). Executive, on his own behalf and on behalf of his respective heirs, family members, executors, agents, and assigns, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, demand, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Executive may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Release Effective Date of this Agreement, including, without limitation:

i. any and all claims relating to or arising from Executive's employment relationship with the Company and the termination of that relationship, except the obligations provided for in this Agreement;

ii. any and all claims relating to, or arising from, Executive's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law, except Executive shall not waive any and all claims relating to Executive's possession, ownership, control, or purchase of shares of stock or warrants of the Company that Executive has as of the Release Effective Date, or that arise after the Release Effective Date of this Agreement as Executive will continue to possess, control, and have ownership in this stock or warrants after the Release Effective Date of this Agreement;

iii. any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

iv. any and all claims for violation of any federal, state, or municipal statute; the federal or any state constitution; and/or arising out of any other laws and regulations relating to employment or employment discrimination, including, but not limited to, claims or other legal forms of action arising from any employment of the Executive, any claims of harassment or discrimination (for example, on the basis of gender, race, age, national origin, handicap or disability or other protected category) under any federal, state or local law, rule or regulation, including, but not limited to, the Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq., Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Civil Rights Act of 1866, Section 1983 of the Civil Rights Act of 1871, the Age Discrimination In Employment Act, the Equal Pay Act, the Public Employees Relations Act, the Fair Labor Standards Act, the Family and Medical Leave Act of 1993 (FMLA); the Florida 2 Whistleblowers Act, the Americans With Disabilities Act, Veterans' Reemployment Rights Act, as amended (USERRA), the

Florida Civil Rights Act, any claim arising under the Employment Retirement Income Security ("ERISA") and any other federal or state statutory or common law theory of liability or damages (except for claims for vested benefits under ERISA), Section 806 of the Sarbanes-Oxley Act of 2002, breach of contract, express or implied, or from any other conduct, act, omission or failure to act, whether negligent, intentional, with or without malice, that the Executive ever had, now has, may have, may claim to have, or may hereafter have or claim to have, against the Company, from the beginning of time up to and including the Separation Date, unless otherwise provided herein;

v. any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Executive as a result of this Agreement, including, but not limited to any claims for violations of Section 409A of the Internal Revenue Code of 1986 (the "Code"), as amended;

vi. any and all claims for attorneys' fees and costs that arose up to and including the Release Effective Date of this Agreement, except for the attorneys' fees to be paid by the Company as set forth in Section 2 (vii) of this Agreement; and

vii. any and all claims based upon discovered facts in addition to or different from those that any of them now knows or believes to be true, or the claims or other legal forms of action released herein, and the Executive fully, finally, and forever settles and releases any and all claims set forth above, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, that now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent, reckless, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Executive does not waive any claims as a shareholder of the Company.

b) The Executive acknowledges that the inclusion of "unknown claims" in this Agreement was separately bargained for and was a key element of the Agreement, and that the Executive assumes the risk of any mistake of fact or law on his own behalf. If the Executive should subsequently discover that his understanding of the facts or of the law was or is incorrect, the Executive shall not be entitled to relief in connection therewith, including without limitation of the generality of the foregoing, any alleged right or claim to set aside or rescind this Agreement. This Agreement is intended to be, and is, final and binding upon the Executive according to the terms hereof regardless of any claims of mistake of fact or law.

The Executive agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred under this Agreement. This release does not release claims that cannot be released as a matter of law. The Executive represents that he has made no assignment or transfer of any right, claim, complaint, charge, duty, obligation, demand, cause of action, or other matter waived or released by this Section. The Parties agree that that this release set forth in this section shall not apply to claims, causes of actions, or demands that arise after the Release Effective Date of this Agreement.

c) The Company agrees to defend, hold harmless, and indemnify, at its cost, any lawsuit, action, cause of action, claim, or demand for damages (equitable or legal) made by a shareholder of the Company or any other third party against Executive for any action or inaction taken by Executive while he was a Chief Executive Officer or President of the Company, including on an interim basis. Except, the Company shall be relieved of such defense, hold harmless, or indemnification if the Executive committed gross misconduct or fraud.

6. **Acknowledgement of Waiver of Claims.**

a) Executive acknowledges that he is waiving and releasing any rights he may have under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. Executive acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further acknowledges that he has been advised by this writing that: (a) he should consult with an attorney prior to executing this Agreement; (b) he has twenty-one (21) days to consider this Agreement, but may choose to voluntarily sign it sooner (c) he has seven (7) days following his execution of this Agreement to revoke this Agreement (the expiration day of the seven (7) day period, the "Release Effective Date"); (d) this Agreement shall not be effective until after the revocation period has expired; and (e) the waiver does not apply to any claims or rights which may arise after the final execution of this Agreement.

b) Notwithstanding the foregoing, nothing in this Agreement shall be construed to prevent Executive from filing a charge with or participating in an investigation conducted by any governmental agency, including, without limitation, the United States Equal Employment Opportunity Commission ("EEOC") or applicable state or city fair employment practices agency, to the extent required or permitted by law. Nevertheless, Executive understands and agrees that he is waiving any relief available (including, for example, monetary damages or reinstatement), under any of the claims and/or causes of action waived in paragraph 5 above, including but not limited to financial benefit or monetary recovery from any lawsuit filed or settlement reached by the EEOC or anyone else with respect to any claims released and waived in this Agreement.

7. **Non-Disparagement.** Executive and the officers, directors and executives of the Company hereby agree that they will not make any remarks or adverse statements in any and all media (e.g., in writing, orally or on the internet via, among other things, blogs and

social networks) about the other Party or the Company's current officers, directors, and executives that could reasonably be construed as disparaging or defamatory, or to cast the other Party or any of the Company's current officers, directors, and executives in a negative light, or harm a Party's or any of the Company's current officers, directors, and executives current or prospective business plans. Executive and the Company hereby agree and acknowledge that each of the Company's current officers, directors, and executives are a third party beneficiary of this Section 7 and hereby consents to any such standing with respect to a claim arising out of Executive' s non-disparagement obligations to such Releasee contained in this Section 7.

8. **No Admission of Liability.** Executive understands and acknowledges that this Agreement constitutes a compromise and settlement of any and all actual or potential disputed claims by the Executive. No action taken by the Company hereto, either previously or in connection with this Agreement, shall be deemed or construed to be (a) an admission of the truth or falsity of any actual or potential claims or (b) an acknowledgment or admission by the Company of any fault or liability whatsoever to the Executive or to any third party.

9. **Consulting Services.** The Executive agrees that, in light of his knowledge regarding the Company and its operations gained from more than ten years as the Company's Chief Executive Officer the Company may, from time to time, and in the Company's reasonable discretion, consult with Executive following the Separation Date. Such consulting services shall not exceed twenty percent (20%) of the time Executive previously dedicated to Company during the previous period. These consulting services shall be provided through Executive's services to the Company only if Executive is on the Company's Board of Directors. The consulting services responsibilities of Executive shall terminate at the time when the Executive is no longer on the Company's Board of Directors. These consulting services shall be provided by Executive free of charge, with the Company to reimburse Executive for any reasonable out-of-pocket expenses.

10. **No Action**. The Executive affirms as of the date hereof and will reaffirm as of the Separation Date, by executing this Agreement again on the Separation Date, that he has not filed and will not file any actions or charges, against the Company or the Releasees with any federal, state or local agency and that he is otherwise in compliance with all terms and conditions of this Agreement.. The Executive further agrees that, upon payment of the consideration provided in this Agreement, he will not personally recover or attempt to recover monies from the Company or the Releasees regarding his employment or the separation of his employment in the future.

11. **Notices**. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered by an internationally recognized overnight courier to the respective Party at the following addresses (or at such other address for a Party as shall be specified by like notice, provided that a notice of change of address(es) shall be effective only from the date of its receipt by the other Party):

If to Executive, then to:

With a copy to:

and to:

c/o Brennan Manna Diamond
800 West Monroe Street
Jacksonville, FL 32202
Attention: Babette L. Ashley
E-mail:
Fax:

If to the Company:

6622 Southpoint Dr. South
Suite 310
Jacksonville, FL 32216
Attention: Adrian Goldfarb
E-mail:

then to:

c/o Lucosky Brookman LLP
101 Wood Avenue South
Woodbridge, NJ 08830
Attention: Joseph M. Lucosky
E-mail:
Fax:

12. **Internal Revenue Code Section 409A**. It is the intent of the Parties that any compensation and benefits payable or provided to Executive under this Agreement are paid solely for his services as Chief Executive Officer and President of the Company, and are paid and provided in compliance with Section 409A of the Code and all regulations, guidance, and other interpretative authority issued thereunder (collectively, "Section 409A") or in accordance with any applicable exemption from Section 409A. Unless

otherwise provided herein, the Parties acknowledge and agree that all compensation and benefits payable or provided to Executive under Agreement are paid and provided in compliance with Section 409A, and therefore, the Company shall not report any of such compensation or benefits in Box 12 of Executive’s Form W-2 using code “Z.” Notwithstanding anything to the contrary in this Agreement, the Executive has been determined to be a "specified employee" within the meaning of Section 409A at the time of Executive's separation from service (other than due to death), therefore, the payments of "nonqualified deferred compensation" subject to Section 409A, that are payable within the first six months following Executive's separation from service, will be paid on the first date of the seventh (7th) month following the date of Executive's separation from service. Notwithstanding anything herein to the contrary, in the event of Executive's death following Executive's separation from service, but before the six month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other deferred compensation payments will be payable in accordance with the payment schedule applicable to each payment or benefit. For purposes of Section 409A, Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., “within sixty (60) days following the date of termination”), the actual date of payment within the specified period shall be within the sole discretion of the Company, but shall not exceed the maximum days allotted (e.g. “within sixty (60) days”).

13. **Governing Law.** The laws of the State of Florida govern the interpretation, validity and effect of this Agreement without regard to principles of conflicts of law, the place of execution or the place for performance thereof. The parties hereto hereby irrevocably and unconditionally each submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgment in respect thereof, to the exclusive general jurisdiction of the State of Florida and its courts and the courts of the United States of America for the Middle District of Florida; consents that any such action or proceeding shall be brought in such courts, and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same; and agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law.

14. **Interpretation**. This Agreement shall be construed as if the Parties jointly prepared this Agreement and any uncertainty or ambiguity shall not be interpreted against any Party.

15. **Entire Agreement.** This Agreement contains the entire understanding by and between the Parties and supersedes any and all prior agreements and understandings between the Parties and the Company, including the Employment Agreement, except where otherwise set forth herein, whether such agreements or understandings were oral or written, and all of which prior agreements and understandings are hereby definitively terminated and of

no further force or effect, unless otherwise provided herein. The Parties acknowledge and represent that they have not relied on any statements, agreements, representations, promises, warranties, or other assurances, oral or written, other than those contained herein. Each Party agrees that this Agreement is intended to cover any and all matters and claims (including possible and contingent claims) arising out of or related to any and all prior agreements or understandings, and this Agreement shall cover any and all prior matters, whether any such matters are known, unknown or hereafter discovered or ascertained. Executive covenants and agrees that he will not, at any time hereafter, either directly or indirectly, initiate, assign, maintain or prosecute, or in any way knowingly aid or assist in the initiation, maintenance or prosecution of any claim, demand or cause of action of the Executive, at law or otherwise against the Releasees or any of them, as applicable, for damages, loss or injury of any kind arising from, related to, or in any way connected to any activity with respect to which a release has been given pursuant to this Agreement, except to enforce this Agreement or unless otherwise provided for herein.

16. **Modification**. This Agreement shall not and cannot be modified by any Party by any oral promise or representation made before or after the execution of this Agreement and may only be modified by a writing signed by all Parties. This Agreement shall be binding upon and inure to the benefit of the Releasees.

17. **Construction**. The headings of paragraphs are used for convenience only and shall not affect the meaning or construction of the contents of this Agreement. Should any portion (e.g., word, clause, phrase, sentence, paragraph or section) of this Agreement be declared void or unenforceable, such portion shall be considered independent and severable from the remainder, the validity of which shall remain unaffected. This Agreement shall survive indefinitely, except as otherwise provided for herein. The terms and conditions of this Agreement have been, or will deemed to be, jointly negotiated by the Parties, and in the event of any ambiguity or controversy it shall not be construed against either Party as the draftsperson. For purposes of this Agreement, "Company" shall include any of the Company's parents, subsidiaries, affiliates, or any other entity in which it holds a 50% or greater equity interest.

18. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed one and the same instrument. This Agreement may be executed in counterparts and may be delivered via fax or scan which shall have the same full force and effect as an original.

19. **Advice of Counsel.** Each Party has had ample opportunity to consult with counsel and has independently determined to proceed with this Agreement with or without such counsel. Executive has not relied upon Company counsel with respect to any advice of any nature or kind regarding this Agreement, and Executive acknowledges and agrees that Company counsel does not represent Executive individually or as an officer or director of the Company. Executive further acknowledges that the only consideration for signing this Agreement is the terms stated in this Agreement, and that no other promise or agreements of any kind have been made to him or with him by any person or entity whatsoever to cause him to sign this Agreement; that he is competent to execute this

Agreement; that he has been afforded sufficient and reasonable time to consider the Agreement and has been advised in writing and given the opportunity to consult advisors, legal and otherwise, of his own choosing; that the consideration received for executing this Agreement is greater than that ordinarily provided by the Company under any severance plan, policy or practice; and that he fully understands the meaning and intent of this Agreement.

20. **Effectiveness**. It is understood and agreed that the Release Effective Date shall be the date that is seven (7) days following the signing of the Agreement by the Executive and that the Executive may revoke the Agreement for any reason during the seven (7) day period between signing and the Release Effective Date, by written notice actually received during that time by Joseph M. Lucosky, Esq. It is further understood that no payment shall be made in accordance with Section 2 of this Agreement until after the Release Effective Date.

21. **Successors and Assigns**. This Agreement shall be assigned to the Company's successors and assigns, including, without limitation, successors and assigns through merger, name change, consolidation, liquidation, or sale of a majority of the Company's stock or assets, and shall be binding upon such successors and/or assigns. In addition, the Parties agree that the benefits provided to Executive shall survive his death and inure to the benefit of Executive's estate, heirs, and assigns.

22. **Testimony**. Notwithstanding anything to the contrary in this Agreement, including, but not limited to, Sections 4 and 7, this Agreement shall not be interpreted to preclude the Parties from making truthful statements to any court or government agency pursuant to an official request by such government agency, court order, or legally enforceable subpoena.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the month, day and year set forth below.

DUOS TECHNOLOGIES, INC.
By: ______________________________
Name:
Title:

Date: _______________, 2020

____
Gianni Arcaini
Date: _______________, 2020

THIS IS A LEGAL AGREEMENT, RELEASE AND COVENANT NOT TO SUE. READ CAREFULLY BEFORE SIGNING.

Signature page to Executive Separation Agreement]

Exhibit 31.1

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

I, Charles P. Ferry, certify that:

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

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

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

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

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

Date: November 12, 2020

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

Exhibit 31.2

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

I, Adrian G. Goldfarb, certify that:

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

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

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

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

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

Date: November 12, 2020

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

EXHIBIT 32.1

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

In connection with this Quarterly Report of Duos Technologies Group, Inc. (the "Company"), on Form 10-Q for the period ended September 30, 2020, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Charles P. Ferry, Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Quarterly Report on Form 10-Q for the period ended September 30, 2020, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in such Quarterly Report on Form 10-Q for the period ended September 30, 2020, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2020

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

EXHIBIT 32.2

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

In connection with this Quarterly Report of Duos Technologies Group, Inc. (the "Company"), on Form 10-Q for the period ended September 30, 2020, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Adrian G. Goldfarb, Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Quarterly Report on Form 10-Q for the period ended September 30, 2020, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in such Quarterly Report on Form 10-Q for the period ended September 30, 2020, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2020

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