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

FORM 10-Q

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

For the quarterly period ended March 31, 2026

OR

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

For the transition period from ________________ to ________________

Commission file number 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.)*

7660 Centurion Parkway, Suite 100, Jacksonville, Florida 32256
(Address of principal executive offices)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001	**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, a smaller reporting Company, or an emerging growth Company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting Company," and "emerging growth Company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of May 6, 2026, the registrant has one class of common equity, and the number of shares outstanding of such common equity is 29,323,469.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2026 (unaudited)	December 31, 2025
ASSETS		
CURRENT ASSETS:		
Cash	$ 33,030,791	$ 15,472,229
Accounts receivable, net	2,538,189	730,211
Accounts receivable, net - related parties	688,214	5,304,231
Lease receivable	35,831	35,361
Contract assets	3,772,388	741,722
Inventory	306,759	306,759
Prepaid expenses and other current assets	979,713	489,071
Total Current Assets	41,351,885	23,079,584
Inventory - non current, net	391,770	391,770
Deposits on equipment	41,230,217	—
Lease receivable, less current portion	218,493	227,629
Property and equipment, net	27,630,520	27,737,806
Operating lease right of use asset - Office Lease, net	3,550,592	3,650,717
Operating lease right of use asset - Land, net	604,885	357,561
Security deposit	450,000	450,000
OTHER ASSETS:		
Equity Investment - Sawgrass APR Holdings LLC	7,233,000	7,233,000
Patents and trademarks, net	193,342	186,073
Software development costs, net	62,358	95,275
Total Other Assets	7,488,700	7,514,348
TOTAL ASSETS	$ 122,917,062	$ 63,409,415
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 4,447,654	$ 4,860,782
Notes payable - financing agreements	442,454	2,041
Accrued expenses	496,767	306,205
Operating lease obligation - Office Lease	823,625	818,519
Operating lease obligation- Land	93,824	53,000
Contract liabilities, current - Technology Systems	92,303	134,331
Contract liabilities, current - Technology Solutions	2,896,585	1,132,164
Contract liabilities, current - Services and consulting	166,449	169,369
Contract liabilities, current - related parties	2,712,375	3,616,500
Total Current Liabilities	12,172,036	11,092,911
Operating lease obligation - Office Lease, less current portion	3,338,457	3,452,481
Operating lease obligation - Land, less current portion	530,899	311,457
Total Liabilities	16,041,392	14,856,849
Commitments and Contingencies (Note 13)		
STOCKHOLDERS' EQUITY:		
Preferred stock: $0.001 par value, 10,000,000 authorized, 9,441,000 shares available to be designated		
Series A redeemable convertible preferred stock, $10 stated value per share, 500,000 shares designated; 0 and 0 issued and outstanding at March 31, 2026 and December 31, 2025, respectively, convertible into common stock at $6.30 per share	—	—
Series B convertible preferred stock, $1,000 stated value per share, 15,000 shares designated; 0 and 0 issued and outstanding at March 31, 2026 and December 31, 2025, respectively, convertible into common stock at $7 per share	—	—
Series C convertible preferred stock, $1,000 stated value per share, 5,000 shares designated; 0 and 0 issued and outstanding at March 31, 2026 and December 31, 2025, respectively, convertible into common stock at $5.50 per share	—	—
Series D convertible preferred stock, $1,000 stated value per share, 4,000 shares designated; 999 and 999 issued and outstanding at March 31, 2026 and December 31, 2025, respectively, convertible into common stock at $3.00 per share	1	1

Series E convertible preferred stock, $1,000 stated value per share, 30,000 shares designated; 12,500 and 12,500 issued and outstanding at March 31, 2026 and December 31, 2025, respectively, convertible into common stock at $2.61 per share	13	13
Series F convertible preferred stock, $1,000 stated value per share, 5,000 shares designated; 0 and 0 issued and outstanding at March 31, 2026 and December 31, 2025, respectively, convertible into common stock at $6.20 per share	—	—
Common stock: $0.001 par value; 500,000,000 shares authorized, 29,558,377 and 20,449,462 shares issued, 29,557,053 and 20,448,138 shares outstanding at March 31, 2026 and December 31, 2025, respectively	29,559	20,449
Additional paid-in-capital	194,698,834	132,892,595
Accumulated deficit	(87,695,285)	(84,203,040)
Sub-total	107,033,122	48,710,018
Less: Treasury stock (1,324 shares of common stock at March 31, 2026 and December 31, 2025)	(157,452)	(157,452)
Total Stockholders' Equity	106,875,670	48,552,566
Total Liabilities and Stockholders' Equity	$ 122,917,062	$ 63,409,415

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 March 31,	
	2026	2025
REVENUES:		
Technology systems	$ 44,259	$ 64,684
Technology solutions	562,454	$ —
Services and consulting	532,467	972,751
Services and consulting - related parties	1,552,572	3,914,750
Hosting Revenue	30,275	—
Total Revenues	2,722,027	4,952,185
COST OF REVENUES:		
Technology systems	17,545	232,264
Technology solutions	506,570	—
Services and consulting	4,254	748,194
Services and consulting - related parties	543,857	2,658,068
Hosting	39,433	—
Total Cost of Revenues	1,111,659	3,638,526
GROSS MARGIN	1,610,368	1,313,659
OPERATING EXPENSES:		
Sales and marketing	488,847	294,975
Research and development	—	424,431
General and administrative	4,753,067	2,383,881
Total Operating Expenses	5,241,914	3,103,287
LOSS FROM OPERATIONS	(3,631,546)	(1,789,628)
OTHER INCOME (EXPENSES):		
Interest expense	—	(322,577)
Interest income on lease receivable	3,440	—
Interest income	83,559	32,728
Other Income (expense)	—	(186)
Realized gain on sale of investments	52,302	—
Total Other Income (Expenses), net	139,301	(290,035)
NET LOSS	$ (3,492,245)	$ (2,079,663)
Basic and Diluted Net Loss Per Share	$ (0.15)	$ (0.18)
Weighted Average Shares-Basic and Diluted	23,618,144	11,390,016

See accompanying condensed notes to the unaudited consolidated financial statements.

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2026 and 2025
(Unaudited)

	Preferred Stock D		Preferred Stock E		Common Stock		Additional			
	# of Shares	Amount	# of Shares	Amount	# of Shares	Amount	Paid-in-Capital	Accumulated Deficit	Treasury Stock	Total
Balance December 31, 2024	1,299	$ 1	13,500	$ 14	8,922,576	$ 8,921	$ 76,777,856	$(74,368,009)	$(157,452)	$ 2,261,331
Series D convertible preferred stock converted to common stock	(300)	—	—	—	100,000	100	(100)	—	—	—
Common stock issued for cash under ATM	—	—	—	—	633,683	634	3,954,306	—	—	3,954,940
Stock options compensation	—	—	—	—	—	—	22,030	—	—	22,030
Restricted stock compensation	—	—	—	—	1,961,898	1,962	950,011	—	—	951,973
Stock issuance costs	—	—	—	—	—	—	(138,226)	—	—	(138,226)
Stock options exercised	—	—	—	—	27,712	28	107,897	—	—	107,925
Stock issued for services	—	—	—	—	9,360	9	49,991	—	—	50,000
Stock compensation under ESPP	—	—	—	—	—	—	21,644	—	—	21,644
Net loss for the three months ended March 31, 2025	—	—	—	—	—	—	—	(2,079,663)	—	(2,079,663)
Balance March 31, 2025	999	$ 1	13,500	$ 14	11,655,229	$ 11,654	$ 81,745,409	$(76,447,672)	$(157,452)	$ 5,151,954
Balance December 31, 2025	999	$ 1	12,500	$ 13	20,449,462	$ 20,449	$ 132,892,595	$(84,203,040)	$(157,452)	$ 48,552,566
Common stock issued for cash in Equity Offering	—	—	—	—	8,666,666	8,667	64,991,328	—	—	64,999,995
Warrants issued with equity offering	—	—	—	—	—	—	2,305,016	—	—	2,305,016
Stock options compensation	—	—	—	—	—	—	20,000	—	—	20,000
Restricted stock compensation	—	—	—	—	—	—	1,001,170	—	—	1,001,170
Stock issuance costs	—	—	—	—	—	—	(6,980,016)	—	—	(6,980,016)
Restricted stock issued for services	—	—	—	—	420,000	420	341,421	—	—	341,841
Stock options exercised for cash	—	—	—	—	2,500	3	16,022	—	—	16,025
Stock options exercised - cashless	—	—	—	—	5,556	6	(6)	—	—	—
Stock issued for services	—	—	—	—	14,193	14	94,986	—	—	95,000
Stock compensation under ESPP	—	—	—	—	—	—	16,318	—	—	16,318
Net loss for the three months ended March 31, 2026	—	—	—	—	—	—	—	(3,492,245)	—	(3,492,245)
Balance March 31, 2026	999	$ 1	12,500	$ 13	29,558,377	$ 29,559	$ 194,698,834	$(87,695,285)	$(157,452)	$ 106,875,670

See accompanying condensed notes to the unaudited consolidated financial statements.

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

	For the Three Months Ended March 31, 2026	2025
Cash from operating activities:		
Net loss	$ (3,492,245)	$ (2,079,663)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	144,146	712,388
Gain on sale of investments	(52,302)	—
Inventory write-off	—	25,000
Provision for credit losses, accounts receivable	65,312	—
Stock based compensation	1,379,329	995,647
Stock issued for services	95,000	50,000
Amortization of debt discount related to warrant liabilities	—	269,311
Amortization of operating lease right of use asset - Office Lease	100,125	91,142
Amortization of right of use asset - land	9,441	—
Amortization of lease right of use asset - Edge Data Centers	—	75,633
Changes in assets and liabilities:		
Accounts receivable	(1,873,290)	(106,053)
Accounts receivable-related parties	4,616,018	(1,466,191)
Lease receivable	8,666	—
Contract assets	(3,030,666)	(64,684)
Inventory	—	10,624
Prepaid expenses and other current assets	181,191	(42,467)
Accounts payable	(413,128)	(271,304)
Accrued expenses	190,563	77,879
Operating lease obligation - Office Lease	(108,919)	(94,956)
Operating lease obligation - land	3,501	—
Financing lease obligations - Edge Data Centers	—	33,680
Contract liabilities, Services and Consulting	(2,921)	—
Contract liabilities, Technology Systems	(42,028)	(187,165)
Contract liabilities, CN Digital Agreement	—	(548,121)
Contract liabilities, Technology Solutions	1,764,421	—
Contract liabilities, related parties	(904,125)	(2,154,125)
Net cash used in operating activities	(1,361,911)	(4,673,425)
Cash flows from investing activities:		
Purchase of patents/trademarks	(11,212)	(9,264)
Deposits on equipment	(41,230,217)	—
Purchase of marketable securities	(29,693,638)	—
Sale of marketable securities	29,745,940	—
Purchase of property and equipment	—	(572,359)
Net cash used in investing activities	(41,189,127)	(581,623)
Cash flows from financing activities:		
Repayments on financing agreements	(231,420)	(136,606)
Repayments of notes payable, related parties	—	(1,000,000)
Proceeds from common stock issued	64,999,995	3,954,940
Proceeds from exercise of stock options	16,025	107,925
Stock issuance costs	(4,675,000)	(138,226)
Net cash provided by financing activities	60,109,600	2,788,033
Net increase (decrease) in cash	17,558,562	(2,467,015)
Cash, beginning of period	15,472,229	6,266,296
Cash, end of period	$ 33,030,791	$ 3,799,281
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Interest paid	$ —	$ 3,865
Taxes paid	$ —	$ 15,945
<u>Supplemental Non-Cash Investing and Financing Activities:</u>		
Notes issued for financing of insurance premiums	$ 671,833	$ 249,448
Transfer of inventory to property and equipment	$ —	$ 49,609
Initial ROU asset and liability	$ 256,765	$ —
Stock issuance costs related to warrants issued with equity offerings	$ 2,305,016	$ —

See accompanying condensed notes to the unaudited consolidated financial statements.

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

Nature of Operations

Duos Technologies Group, Inc., through its operating subsidiaries, Duos Technologies, Inc., Duos Edge AI, Inc., Duos Energy Corporation, and Duos Technology Solutions, Inc. (collectively the "Company") is a technology Company that designs, develops, deploys, and operates intelligent technology solutions that leverage machine vision and artificial intelligence ("AI"), as well as digital infrastructure platforms, including edge data centers and power and energy consulting services.

The Company's solutions include applications for real-time data acquisition and analysis, including the inspection and monitoring of fast-moving vehicles, as well as the deployment of distributed computing infrastructure and related services.

The Company's operations are organized around the development and delivery of digital infrastructure, technology-enabled services, and AI-driven solutions that support data processing, automation, and operational efficiency across commercial, industrial, and public sector markets.

The Company's principal business activities include:

- the development and deployment of edge data center infrastructure and related hosting services;
- the design and delivery of AI-enabled technologies and analytics platforms;
- the provision of technology systems and integrated solutions for infrastructure and industrial applications;
- the delivery of consulting and energy-related services, including power infrastructure planning and asset management services; and
- the provision of technology solutions services, including procurement, logistics coordination, and deployment support for digital infrastructure projects

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

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

Under the AMA, Duos Energy manages the deployment and operations for a fleet of mobile gas turbines and "balance-of-plant" inventory, providing management, sales and operations functions to New APR in connection with the assets. In exchange for services to be performed under the AMA, the Company received an initial cash payment from New APR and common units in Sawgrass Parent. While the Company has board representation in Sawgrass Parent, its common units are non-voting and the Company does not control the board of directors of Sawgrass Parent.

Where the Company has an interest in a Variable Interest Entity ("VIE"), it will consolidate any VIE in which the Company has a controlling financial interest and is deemed to be the primary beneficiary. A controlling financial interest has both of the following characteristics: (1) the power to direct the activities of the VIE that most significantly impact its economic performance; and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could be significant to the VIE. If both of the characteristics are met, the Company is considered to be the primary beneficiary and therefore will consolidate that VIE into our consolidated financial statements. Investments in partnerships, unincorporated joint ventures and LLCs that maintain specific ownership accounts for each investor are excluded from the scope of ASC 323-10. However, ASC 323-30 provides guidance on applying the criteria for equity method accounting to investments in partnerships, unincorporated joint ventures and LLCs. When an investor in a partnership, unincorporated joint venture or LLC has the ability to exercise significant influence over that investment, it should apply the equity method (ASC 323-10) by analogy (ASC 323-30-25-1). Sawgrass Parent is deemed to be a VIE and the Company holds a 5% interest in Sawgrass Parent and an interest in the subsidiary New APR through the AMA, both of which are considered variable interests. However, the Company does not represent the primary beneficiary as it does not possess the ability to direct the activities that most significantly impact the economic performance of Sawgrass Parent. Accordingly, the Company does not consolidate Sawgrass Parent. Due to the Company's interest in Sawgrass Parent, it was determined that the Company has significant influence over Sawgrass Parent. Therefore, the Company accounts for its investment in Sawgrass Parent as an Equity Method Investment. The Company also concluded that the arrangement with Sawgrass Parent is within the scope of ASC 606, Revenue from contracts with customers, and the common units issued to the Company by Sawgrass Parent represented non-cash consideration. The initial carrying value of the equity method investment as of December 31, 2024 of $7.2 million was measured equal to the fair value of the common units received for future services to be performed under the AMA. The Company recorded $7.2 million of deferred revenue for services to be performed under the AMA. During the year ended December 31, 2024, the Company did not recognize any revenue associated with the AMA. The Company recorded the equity method investment in Sawgrass Parent of $7.2 million, equal to the fair value of the common units as of December 31, 2024. (See Note 9).

In 2025, the Company's operations evolved to focus on scalable, recurring revenue models associated with infrastructure hosting, managed services, infrastructure-related services, and long-term service agreements, particularly in connection with its edge computing platform and digital infrastructure projects.

In 2026, the Company and New APR mutually agreed to reduce the scope of services under the AMA, resulting in a corresponding decline in related party revenue and associated costs as part of streamlining operations and aligning resources with its core strategic initiatives.

In 2026, the Company formed another subsidiary, Duos Technology Solutions, Inc. with the express purpose of providing infrastructure related services, including procurement, logistics coordination, vendor management and deployment support for data center and digital infrastructure projects.

Digital Infrastructure and Edge Data Centers

Through its subsidiary Duos Edge AI, the Company is engaged in the development and deployment of modular edge data centers designed to provide localized computing capacity for artificial intelligence workloads, data processing, and latency-sensitive applications.

These facilities are intended to support enterprise, telecommunications, and public sector customers, particularly in regional and underserved markets. The Company's edge data center platform is designed to generate recurring revenues through hosting, colocation, and managed infrastructure services.

The Company has committed capital and operational resources toward the expansion of this platform, which management expects to represent a significant component of its future business activities.

Technology Solutions and Infrastructure Services

In 2025, the Company expanded its operations through the establishment of a Technology Solutions business vertical. This business provides infrastructure-related services, including procurement, logistics coordination, vendor management, and deployment support for data center and digital infrastructure projects.

These services complement the Company's infrastructure platform and support both internal deployments and third-party customer engagements.

Energy and Consulting Services

Through Duos Energy Corporation, the Company provides consulting and advisory services related to energy procurement, power infrastructure, and grid interconnection, as well as asset management services.

The Company has entered into a contractual arrangement, including the AMA that commenced in January 2025, which is contributing to revenues over the contract term. These services support the increasing demand for energy associated with digital infrastructure and data center operations.

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 three months ended March 31, 2026 are not necessarily indicative of the results that may be expected for the year ending December 31, 2026 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, 2025 filed with the Securities and Exchange Commission (the "SEC") on March 31, 2026.

Principles of Consolidation

The consolidated financial statements include Duos Technologies Group, Inc. and its wholly owned subsidiaries, Duos Technologies, Inc., Duos Edge AI, Inc., Duos Energy Corporation, and Duos Technology Solutions, Inc. (collectively the "Company"). All inter-company transactions and balances are eliminated in consolidation.

Use of Estimates

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

Due to the unavailability of Q1-2026 financials from Sawgrass Parent, our equity method investee, the Company has applied a one-quarter lag (in accordance with ASC 323-10-35-6) in reporting and recording the value of its 5% minority investment. The Company records its 5% interest using the Equity Method as we have significant influence. ASC 323-10-35-4 requires an entity to recognize its share of earnings or loss of an equity method investee which adjusts the carrying amount of the investment and is reflected as earnings or loss in income. Pursuant to the terms of the Amended and Restated Limited Liability Company Agreement of Sawgrass APR Holdings LLC (the “Agreement”), Net Profit and Net Loss for any Fiscal Year is allocated among the members in such a manner that, as of the end of such fiscal year, the Capital Account Balance of each Member, as increased by the Member’s share of “minimum gain” and “partner minimum gain” (as such terms are used in Treasury Regulations Section 1.704-2), to the extent possible, to be equal to the amount which would have been distributed to such Member pursuant to a Hypothetical Liquidation, as defined in the Agreement, as of the end of the last day of such fiscal year. Under the Hypothetical Liquidation, the assets of Sawgrass Parent are disposed of in a taxable disposition for the book value of such assets and the remaining amounts, after repayment of outstanding obligations are distributed to the members pursuant to the Agreement. Per the Agreement, the Company is entitled to pro-rata distributions only after Preferred Holders have received their Total Contributed Capital and subsequent distributions to Preferred and Incentive Unit Holders have reached the Multiple on Invested Capital (MOIC) Threshold of 1.5 times the initial contributions. Therefore, it is likely that early periods will not generate sufficient earnings to provide the Company with a return in the form of a claim on net assets. Based on the terms of the Agreement our specified allocation of earnings and losses of 5% differs from the allocation of cash from operations and liquidation. Therefore, we will apply the guidance in ASC 970-323-35-17 by analogy, which states, if the specified allocation for earnings differs from the allocation of cash from operations and on liquidation, the investor should not use the specified earnings or loss percentages to determine its share of the investee’s earnings. Rather, the investor should analyze the investment agreement to determine how the increase or decrease in the investee’s net assets during the reporting period would affect the cash that the investor would receive over the investee’s life and on its liquidation.

As per the guidance above, the subsequent recognition of the equity method investment should reflect the Company’s claim on net assets, determined by its rights to distributions and residual assets under the Agreement’s distribution waterfall. The Hypothetical Liquidation at Book Value (HLBV) method satisfies this requirement by simulating a hypothetical liquidation at each reporting period, allocating net assets based on the rights and priorities defined in the Agreement. This approach reflects the Company’s economic interest in the Sawgrass Parent by estimating the amount it would receive in a liquidation scenario, aligning the recognition of income or loss with the actual distribution provisions under the Agreement. Accordingly, this method appropriately represents the cash distribution under Section 10 and the allocation of profit and loss under Section 9.1 of the Agreement.

At the initial investment date, the Company’s hypothetical claim on net assets was zero, and it is expected to remain so, until other investors have received their Total Contributed Capital and the MOIC Threshold has been met. As a result of the MOIC not being met, the Company’s share of earnings under the HLBV method is zero during these early periods. Because the Company is not obligated to fund Sawgrass Parent’s losses, no losses will be allocated unless the investment becomes impaired, and such losses will not exceed the initial investment of $7.2 million. Similarly, net income will not be allocated until the HLBV calculation results in an allocation that exceeds the Company’s carrying value.

Accordingly, the Company will continue to present the equity method investment at its initial fair value unless the HLBV calculation yields a profit or the investment becomes impaired.

Management believes that the use of estimates and assumptions in applying the equity method is reasonable.

The Company “as lessor” entered into a master capital lease agreement with Region 16 Education Service Center for the lease of a 500kW generator. The lease commenced on June 1, 2025, and includes 84 monthly payments of $4,035.38, with a $1 buyout option at the end of the lease term. In accordance with ASC 842, the lease has been classified as a sales-type finance lease. The present value of the lease payments was calculated using an implied annual interest rate of 5.29%, which equates the present value of the lease payments and buyout to the fair value of the generator at inception of $282,772. The resulting lease receivable and interest income are recognized over the lease term based on the amortization schedule derived from this rate.

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 March 31, 2026, the Company had balances in two financial institutions which combined exceeded federally insured limits by approximately $32,000,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's consolidated financial condition, results of operation and cash flows.

Significant Customers and Concentration of Credit Risk

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

For the three months ended March 31, 2026, three customers accounted for 33% (related party), 24% (related party) and 11% of revenues. For the three months ended March 31, 2025, three customers accounted for 60% (related party), 18% (related party), and 11% of revenues.

At March 31, 2026, two customers accounted for 54% and 21% (related party) of accounts receivable. At December 31, 2025, one customer, a related party, accounted for 88% of accounts receivable. Much of the credit risk is mitigated due to historical timely payments of our Customers.

Geographic Concentration

For the three months ended March 31, 2026, approximately 4% of revenue was generated from one customer outside of the United States. For the three months ended March 31, 2025, approximately 14% of revenue was generated from three customers outside of the United States.

Significant Vendors and Concentration of Credit Risk

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

Fair Value of Financial Instruments and Fair Value Measurements

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

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

These inputs are prioritized below:

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

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

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

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

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

Investments

The Company invests excess cash in highly liquid, investment-grade financial debt instruments. These investments are classified as trading securities and are recorded at fair value. Changes in fair value, including realized and unrealized gains and losses, are recognized in earnings within other income (expense).

The Company's investment portfolio is intended to preserve liquidity and provide a return on excess cash. Investments are evaluated on an ongoing basis to ensure they continue to meet trading classification criteria. Because the investments are classified as trading, no amounts are recorded in other comprehensive income.

Accounts Receivable

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

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

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which provides a practical expedient permitting entities to assume that current economic conditions as of the reporting date remain unchanged over the remaining life of current accounts receivable and current contract assets arising from ASC 606 transactions. The Company adopted ASU 2025—05 effective January 1, 2026 and elected the practical expedient, under which expected credit losses are estimated using historical loss experience adjusted for current conditions. Adoption of this guidance did not have a material impact on the Company's contract assets, current receivables, allowance for credit losses, or consolidated financial statements.

Inventory

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

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

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

During the three months ended March 31, 2025, the Company recognized inventory shrinkage in the amount of $25,000. The shrinkage was recorded as a reduction to the carrying value of inventory and recorded to cost of revenues as an expense in the period. The Company continuously evaluates the recoverability of its inventory. There were no material impacts on the Company's financial position as a result of the shrinkage.

As of March 31, 2026 and December 31, 2025, the Company classified $391,770 and $391,770 of inventory respectively, to non-current assets due to extended product cycles.

Intangible Asset

In May 2024, the Company recognized an intangible asset which represents digital image data rights received under a license agreement as non-monetary consideration under a five-year customer contract. The intangible asset was being amortized over the five-year contractual term. This asset was fully impaired in 2025 (See Note 7).

Property and Equipment

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

Software Development Costs

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

Patents and Trademarks

Patents and trademarks which are stated at amortized cost, relate to the development of video surveillance security system technology, intelligent video analytics, security systems and modular data center infrastructure and are being amortized over 17 years.

Long-Lived Assets

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

Equity Method Investments

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

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

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

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

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

The Company also concluded that the arrangement with Sawgrass Parent is within the scope of ASC 606, Revenue from contracts with customers, and the common units issued to the Company by Sawgrass Parent represented non-cash consideration. The initial carrying value of the equity method investment as of December 31, 2024 of $7.2 million was measured equal to the fair value of the common units received for future services to be performed under the AMA. The Company recorded $7.2 million of deferred revenue for services to be performed under the AMA. During the year ended December 31, 2024, the Company did not recognize any revenue associated with the AMA. The Company initially recorded the equity method investment in Sawgrass Parent of $7.2 million, equal to the fair value of the common units as of December 31, 2024. Revenue recognition started January 1, 2025. For the three months ended March 31, 2026 the Company recorded revenue in the amount of $904,125 with remaining deferred revenue of $2,712,375.

The Company assesses its equity method investment for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. No impairment losses on this equity method investment were recognized during the three months ended March 31, 2026 or 2025. See further disclosure of accounting policies related to this equity method investment above under "Use of Estimates."

Product Warranties

The Company has a 90-day warranty period for materials and labor after final acceptance of a project. If any parts are defective they are replaced under our vendor warranty which is usually 12 to 36 months. Final acceptance terms vary by customer. Some customers have a cure period for any material deviation and if the Company fails or is unable to correct any deviations, a full refund of all payments made by the customer will be arranged by the Company. As of March 31, 2026 and December 31, 2025, the warranty costs have been de-minimis, therefore no accrual of warranty liability has been made.

Loan Costs

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

Sales Returns

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

Revenue Recognition

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

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

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to separate performance obligations; and
5. Recognize revenue when (or as) each performance obligation is satisfied.

The Company generates revenue from six sources:

(1) Technology Systems
(2) AI Technologies
(3) Technical Support including related party revenues from the AMA which began in January 2025
(4) Consulting services including related party revenues from the AMA which began in January 2025
(5) Hosting
(6) Technology Solutions

Technology Systems

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

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

In addition, the Company has adopted ASC 606-10-55-21 such that if the cost incurred is not proportionate to the progress in satisfying the performance obligation, we adjust the input method to recognize revenue only to the extent of the cost incurred. Therefore, the Company will recognize revenue at an equal amount to the cost of the goods to satisfy the performance obligation. To accurately reflect revenue recognition based on the input method, the Company has adopted the implementation guidance as set out in ASC-606-10-55-187 through 192. Under this method, contract revenues are recognized over the performance period of the contract in direct proportion to the costs incurred. Costs include direct material, direct labor, subcontract labor and other allocable indirect costs. All un-allocable indirect costs and corporate general and administration costs are also charged to the periods as incurred. Any recognized revenues that have not been billed to a customer are recorded as an asset in "contract assets". Any billings of customers more than recognized revenues are recorded as a liability in "contract liabilities". However, in the event a loss on a contract is foreseen, the Company will recognize the loss when such loss is determined to be both probable and reasonably estimable.

<u>AI Technologies</u>

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

<u>Technical Support</u>

Technical support services are provided on both an as-needed and extended-term basis and may include providing both parts and labor. Maintenance and technical support provided outside of a maintenance contract are on an "as-requested" basis, and revenue is recognized over time as the services are provided. Revenue for maintenance and technical support provided on an extended-term basis is recognized over time ratably over the term of the contract. This includes related party revenue from the AMA which began on January 1, 2025 related to installation and maintenance of certain assets deployed by New APR.

<u>Consulting Services</u>

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

(1) Revenues for professional services, which are of short-term duration, are recognized when services are completed;
(2) For all periods reflected in this report, software license sales have been one-time sales of a perpetual license to use our software product and the customer also has the option to purchase third-party manufactured handheld devices from us if they purchase our software license. Accordingly, the revenue is recognized upon delivery of the software and delivery of the hardware, as applicable, to the customer;
(3) Training sales are one-time upfront short-term training sessions and are recognized after the service has been performed;
(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.

<u>Hosting</u>

The Company generates hosting revenue from deploying and operating edge data centers, which provide customers with dedicated cabinet space on a monthly basis. The revenue from hosting consists of fixed monthly fees per cabinet, recognized as revenue ratably over the contractual hosting term, as the Company provides continuous access to the hosted infrastructure and related services.

The Company will generate future Hosting revenue by also renting GPU's as a service through a Master Service Agreement. These revenues will come from a single customer. The revenue from GPU as a service will be recognized gross of operator's costs as the Company has been identified as principal to the service agreement. Revenue will be recognized using a time-based and usage-based measure, over the contractual hosting and rental term.

Technology Solutions

Integrated infrastructure solutions, including procurement, logistics, and deployment support services was introduced as a business vertical in 2025. Technology Solutions provides infrastructure-related services, including manufacturer-agnostic sourcing of equipment, logistics coordination, supply chain management, and fulfillment services in support of digital infrastructure and data center deployments. These services are designed to complement the Company's edge data center platform and address customer requirements for supply chain efficiency, reduced lead times, and execution support

Multiple Performance Obligations and Allocation of Transaction Price

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

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

Cost of Revenues

Cost of revenues consists primarily of expenses related to our five lines of business: Technology Systems, Services, Consulting, Hosting and Technology Solutions. These costs include inventory, shipping, certain fixed labor and overhead, and allocated depreciation and amortization, as applicable to each line of business.

Advertising

The Company expenses the cost of advertising. During the three months ended March 31, 2026 and 2025, there were no advertising costs.

Stock Based Compensation

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

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

For restricted stock awards, fair value is measured at the closing market price of the Company's common stock on the grant date. That value is then recognized over the requisite vesting period. The Company estimates volatility based upon the historical stock price of the Company and estimates the expected term for stock options using the simplified method for employees and directors and the contractual term for non-employees. The risk-free rate is determined based upon the prevailing rate of United States Treasury securities with similar maturities.

The Company accounts for forfeitures as they occur.

Income Taxes

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

For the three months ended March 31, 2026 and the year ended December 31, 2025, the Company recorded an effective income tax rate of approximately 0%. The effective tax rate differs from the U.S. federal statutory rate primarily due to a full valuation allowance maintained against the Company's net deferred tax assets. As a result, losses incurred during the current period did not result in the recognition of an income tax benefit. The Company has recorded a valuation allowance equal to its net deferred tax assets for the years ended December 31, 2025, 2024, and 2023, as it is not more likely than not that sufficient future taxable income will be available to realize the benefit of the NOL carryforwards and other deferred tax assets.

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

The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed. Tax years 2023, 2024 and 2025 remain open for potential audit.

Earnings (Loss) Per Share

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

At March 31, 2026, there were (i) an aggregate of 808,610 outstanding warrants to purchase shares of common stock, (ii) employee stock options to purchase an aggregate of 325,003 shares of common stock, (iii) 333,000 common shares issuable upon conversion of Series D Convertible Preferred Stock, and (iv) 4,789,273 common shares issuable upon conversion of Series E Convertible Preferred Stock, all of which were excluded from the computation of diluted net earnings per share because their inclusion would have been anti-dilutive.

At March 31, 2025, there were (i) an aggregate of zero outstanding warrants to purchase shares of common stock, (ii) employee stock options to purchase an aggregate of 475,368 shares of common stock, (iii) 333,000 common shares issuable upon conversion of Series D Convertible Preferred Stock, and (iv) 5,172,416 common shares issuable upon conversion of Series E Convertible Preferred Stock, all of which were excluded from the computation of diluted net earnings per share because their inclusion would have been anti-dilutive.

Leases

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

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

Leases that are clearly insignificant will not be accounted for under ASC 842 and instead the Company will recognize lease payments in expense as incurred.

At the inception of a contract the Company assesses whether the contract is, or contains, a lease.

The Company’s assessment is based on:

(1) whether the contract involves the use of a distinct identified asset,
(2) whether we obtain the right to substantially all the economic benefit from the use of the asset throughout the period, and
(3) whether we have the right to direct the use of the asset.

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

The Company accounts for leases as a lessor in accordance with ASC 842-30. Under ASC 842-30, leases are classified as either operating, sales-type or finance leases based on the terms and characteristics of the lease agreement. The Company is the lessor in a master capital lease agreement entered into during the second quarter of 2025 with Region 16 Education Service Center. Under the terms of the agreement, Region 16 is leasing a 500kW generator for a period of 84 months beginning June 1, 2025. Monthly lease payments are $4,035.38, with a $1 buyout option at the end of the lease term. The lease meets the criteria for classification as a sale-type finance lease under ASC 842 due to the presence of a bargain purchase option and the lease term covering a substantial portion of the asset’s useful life. At lease inception, the Company reclassified the generator from property and equipment and recognized a lease receivable equal to the present value of the lease payments. The present value of the lease payments was calculated to be $282,772, which approximates the fair value of the generator. The implied annual interest rate used to calculate the present value was 5.29%, determined using the internal rate of return (IRR) method. This rate reflects the financing component embedded in the lease payments. Over the lease term, the Company recognizes interest income on the lease receivable and reduces the receivable as payments are received. The final $1 payment at the end of the lease term will transfer ownership of the generator to Region 16. The Company believes this lease arrangement is appropriately accounted for under ASC 842 and reflects the economic substance of the transaction.

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

In September 2025, the FASB issued ASU No. 2025-06, Intangibles: Goodwill and Other‒Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software (ASU 2025-06). The guidance modernizes the recognition and disclosure framework for internal-use software costs by removing all references to software development project stages so that the guidance is neutral to different software development methods. This ASU is effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods, and can be applied using a prospective, retrospective or modified transition approach with early adoption permitted. The Company is evaluating the impact of adopting ASU 2025-06.

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

NOTE 2 – LIQUIDITY

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

As reflected in the accompanying consolidated financial statements, the Company had a net loss of $3,492,245 for the three months ended March 31, 2026. During the same period, cash used in operating activities was $1,361,911. The working capital surplus and accumulated deficit as of March 31, 2026, were $29,179,849 and $87,695,285, respectively.

The Company successfully raised approximately $3,544,689 in gross proceeds from the sale of common stock through its At-The-Market (ATM) offering program in 2024 and raised an additional $8,927,347 in gross proceeds from the ATM in 2025. Furthermore, in 2025, the Company raised approximately $45 million from other equity offerings. More recently on February 26, 2026, the Company priced a public offering of its common stock for gross proceeds of approximately $65 million. The offering closed on March 2, 2026, and was conducted pursuant to the Company’s effective shelf registration statement on Form S-3 and related prospectus supplements filed with the SEC. The capital raised is expected to bolster the Company’s balance sheet and position it to pursue strategic initiatives related to Duos Edge AI, from a stronger financial foundation. In the long run, the continuation of the Company as a going concern is dependent upon the ability of the Company to continue executing its business plan, generate enough revenue, and attain consistently profitable operations. We have analyzed our cash flow under “stress test” conditions and have determined that we have sufficient liquid assets on hand or available via the capital markets to maintain operations for at least twelve months from the issuance date of this report.

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

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

While no assurance can be provided, management believes that these actions provide the opportunity for the Company to continue as a going concern and to grow its business and achieve profitability with access to additional capital funding. Ultimately the continuation of the Company as a going concern is dependent upon the ability of the Company to continue executing the plan described above which was put in place in late 2024 and will continue in 2026 and beyond. These consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 – ACCOUNTS RECEIVABLE AND ACCOUNTS RECEIVABLE, RELATED PARTIES

Accounts receivable were as follows at March 31, 2026 and December 31, 2025:

	March 31, 2026	December 31, 2025
Accounts receivable	$ 2,603,501	$ 730,211
Accounts receivable, related parties	688,214	5,304,231
Allowance for credit losses	(65,312)	—
Accounts receivable, net	$ 3,226,403	$ 6,034,442

The Company recorded credit loss (recovery) expense in the amount of $65,312 and $(76,037) for the three months ended March 31, 2026 and March 31, 2025, respectively.

The activity related to our allowance for credit losses at March 31, 2026 and December 31, 2025 is summarized below.

	March 31, 2026	December 31, 2025
Allowance for credit losses, beginning balance	$ —	$ (76,037)
Allowance for credit losses provision	(65,312)	—
Less recoveries	—	76,037
Allowance for credit losses, ending balance	$ (65,312)	$ —

NOTE 4 – PROPERTY AND EQUIPMENT

The major classes of property and equipment are as follows at March 31, 2026 and December 31, 2025:

	March 31, 2026	December 31, 2025
Furniture and Fixtures	$ 161,097	$ 161,097
Tools and Equipment	1,618,643	1,618,643
EDC PODS and Generators	3,248,578	1,791,061
Leasehold Improvements	306,910	306,910
Construction in Progress	24,131,853	25,589,371
Internal Use Software	381,441	381,441
	29,848,522	29,848,523
Accumulated Depreciation	(2,218,002)	(2,110,717)
Property and Equipment, net	$ 27,630,520	$ 27,737,806

	March 31, 2026	December 31, 2025
Internal Use Software consisted of the following:		
Internal Use Software	$ 381,441	$ 381,441
Accumulated Depreciation	(344,106)	(322,487)
Internal Use Software, net	$ 37,335	$ 58,954

	Three months ended March 31, 2026	Three months ended March 31, 2025
Depreciation Expense:		
Property and equipment, excluding internal use software	$ 85,667	$ 68,050
Internal Use Software amortization expense	21,619	24,943
	$ 107,286	$ 92,993

NOTE 5 – PATENTS AND TRADEMARKS

	March 31, 2026	December 31, 2025
Patents	$ 487,791	$ 476,578
Accumulated Amortization	(294,449)	(290,505)
Patents and trademarks, net	$ 193,342	$ 186,073

Amortization expense for the three months ended March 31, 2026 and 2025 was $3,943 and $2,851, respectively.

NOTE 6 – SOFTWARE DEVELOPMENT COSTS

	March 31, 2026	December 31, 2025
Software Development	$ 796,807	$ 796,807
Accumulated amortization	(734,449)	(701,532)
Software Development, net	$ 62,358	$ 95,275

The following is a schedule of estimated future amortization expense of software development costs at March 31, 2026:

2026	48,739
2027	13,619
	$ 62,358

Amortization of software development costs for the three months ended March 31, 2026 and 2025 was $32,917 and $68,424, respectively.

NOTE 7 – INTANGIBLE ASSET

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

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

On the contract inception date, the Company recorded deferred revenue of $11,161,428 as contract liabilities with a current and non-current component, and then immediately recognized $199,008 of this deferred revenue relating to the completed pilot program. The remaining deferred revenue was being recognized over the 5-year term.

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

During the year ended December 31, 2025, the Company evaluated its long-lived assets for impairment in accordance with ASC 350-30-35-14, which requires finite-lived intangible assets to be tested for impairment under ASC 360 when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Management identified impairment indicators during 2025 related to its CN Digital Image data rights, including (i) a significant adverse change in the extent and manner in which the asset was being used, (ii) adverse legal and contractual developments, (iii) the absence of current and projected cash flows, and (iv) the expectation that the asset would be terminated or otherwise disposed of significantly before the end of its previously estimated useful life.

The Company generated minimal subscription revenue from the licensed data, and during 2025 the Company ceased providing the related maintenance services. In addition, contractual disputes arose between the parties, and by late 2025 both parties had ceased performance and were negotiating termination of the arrangement.

As a result of these events, the Company performed a recoverability test as of December 31, 2025 by comparing the carrying amount of the asset to the sum of its estimated undiscounted future cash flows. The Company determined that the carrying amount of the asset was not recoverable, as estimated undiscounted future cash flows were negligible. The Company measured the impairment loss based on the asset's estimated fair value as of December 31, 2025. Given the absence of historical or expected future cash flows, the lack of an observable market for the asset, and the ongoing contractual dispute, the Company determined that the fair value of the Digital Image data rights was zero.

Accordingly, the Company recorded an impairment of $8,130,461, representing the full carrying amount of the Digital Image data rights. Because the asset was originally recognized as part of a non-cash exchange with a corresponding deferred liability offset recorded on the balance sheet, the impairment was recorded by eliminating both the intangible asset and the related deferred liability. As a result, the impairment did not impact the Company's consolidated statements of operations for the year ended December 31, 2025.

NOTE 8: CASH ADVANCE PAYMENT – SAWGRASS APR HOLDINGS LLC

		Amount
Cash as of December 31, 2024	$	5,000,000
Contract liabilities, current of December 31, 2025		—
Revenue recognized for the year ended December 31, 2025	$	5,000,000

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

The advanced consideration did not provide the benefit of financing as the cash was consumed within the first year of the contract to align the interests of both parties under the AMA. As of March 31, 2026, deferred revenue under the arrangement was zero , comprised of the $5.0 million advance payment less $5.0 million recognized as earned revenue under the AMA for the 12 months ended December 31, 2025.

NOTE 9 – EQUITY INVESTMENT – SAWGRASS APR HOLDINGS LLC

		March 31, 2026		December 31, 2025
Equity Investment - Sawgrass APR Holdings LLC	$	7,233,000	$	7,233,000

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

The Company was issued a 5% non-voting ownership interest in Sawgrass Parent, in the form of 25,882,353 common units, which is accounted for using the equity method. The Company determined the equity method was appropriate since Sawgrass Parent is considered a related party due to common management and the Company can exert significant influence over the operations of New APR. The Company concluded that the arrangement with New APR is within the scope of ASC 606, Revenue from contracts with customers, and the common units issued to the Company by Sawgrass Parent represented non-cash consideration under ASC 606-10-32-31. The initial carrying value as of December 31, 2024 of $7.2 million was measured equal to the fair value of the common units received for future services to be performed under the AMA which is being recognized over a period of two years, the initial contractual term of the AMA. The Company recorded $7.2 million of an equity method investment asset and $7.2 million of contract liabilities for services to be performed under the AMA. For the three months ended March 31, 2026, the Company did not recognize any equity in net income (loss) of the investee.

During the three months ended March 31, 2026, the Company recognized $904,125 of contract liabilities as revenue, and $2,712,375 remained as contract liability at March 31, 2026. (See Note 11).

The Company assesses its equity method investment for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. No impairment losses were recognized for the three months ended March 31, 2026.

NOTE 10 – DEBT

Notes Payable – Insurance Premium Financing Agreements

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

	March 31, 2026		December 31, 2025	
Notes Payable	**Principal**	**Interest**	**Principal**	**Interest**
Third Party - Insurance Note 1	$ 252,510	6.90%	$ —	7.65%
Third Party - Insurance Note 2	44,105	—	2,041	—
Third Party - Insurance Note 3	145,839	—	—	—
Total	$ 442,454		$ 2,041	

The Company entered into an agreement on April 15, 2025 with its insurance provider by issuing a note payable (Insurance Note 1) for the purchase of an insurance policy in the amount of $207,207 with a down payment in the amount of $42,241 in the second quarter of 2025 and ten monthly installments of $17,140. The Company paid off the debt in the third quarter of 2025. The Company renewed its agreement on February 10, 2026 with its insurance provider by issuing a note payable (Insurance Note 1) for the purchase of an insurance policy in the amount of $401,042 with a down payment in the amount of $80,785 in the first quarter of 2026 and ten monthly installments of $33,047. At March 31, 2026 and December 31, 2025, the balance of Insurance Note 1 was $252,510, and $0, respectively.

The Company entered into an agreement effective February 3, 2025 with its insurance provider by issuing a note payable (Insurance Note 2) for the purchase of an insurance policy in the amount of $24,594 in the second quarter of 2025 and twelve monthly installments of $2,050. There were also audit premium adjustments in the amount of $6,084. The Company renewed its agreement effective March 31, 2026 with its insurance provider by issuing a note payable (Insurance Note 2) for the purchase of an insurance policy in the amount of $52,112 in the first quarter of 2026 and twelve monthly installments of $4,217. At March 31, 2026 and December 31, 2025, the balance of Insurance Note 2 was $44,105 and $2,041, respectively.

The Company entered into an agreement on February 3, 2025 with its insurance provider by issuing a note payable (Insurance Note 3) for the purchase of an insurance policy in the amount of $249,448, with a down payment paid in the amount of $119,535 in the first quarter of 2025 and seven monthly installments of $18,559. The Company paid off the balance early in 2025. The Company extended the policy period to March 31, 2026 in January of 2026, paying two monthly premiums totaling $69,112. The Company renewed its agreement on March 14, 2026 with its insurance provider by issuing a note payable (Insurance Note 3) for the purchase of an insurance policy in the amount of $218,680, with a down payment paid in the amount of $72,841 in the first quarter of 2026 and seven monthly installments of $16,207. At March 31, 2026 and December 31, 2025, the balance of Insurance Note 3 was $145,839 and $0, respectively, due to early payoff.

Notes Payable, Related Parties

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

The Company made early payments on the Notes in 2025, through August 2025 in the amount of $2,200,000 of principal and $188,356 of accrued interest.

NOTE 11 – REVENUES AND CONTRACT ACCOUNTING

Revenue Recognition and Contract Accounting

The Company generates revenue from six sources: (1) Technology Systems; (2) AI Technology which is included in the consolidated statements of operations line-item Technology Systems; (3) Technical Support; (4) Consulting Services which is included in the consolidated statements of operations line-item Services and Consulting; (5) Hosting and (6) Technology Solutions.

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

Contract Assets

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

At March 31, 2026 and December 31, 2025, contract assets, consisted of the following:

As of March 31, 2026:

	Technology Systems	Technology Solution	Total
Deferred Cost	$ —	$ 3,028,435	$ 3,028,435
Cumulative revenues recognized	10,024,940	—	10,024,940
Less cumulative billings	(9,280,987)	—	(9,280,987)
Contract Asset	$ 743,953	$ 3,028,435	$ 3,772,388

As of December 31, 2025

	Technology Systems	Technology Solution	Total
Deferred Cost	$ —	$ —	$ —
Cumulative revenues recognized	10,022,709	—	10,022,709
Less cumulative billings	(9,280,987)	—	(9,280,987)
Contract Asset	$ 741,722	$ —	$ 741,722

Contract Liabilities

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

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

At March 31, 2026 and March 31, 2025, contract liabilities consisted of the following:

Three months ended March 31, 2026

	Technology Systems	Services and Consulting	Technology Solutions	CN Digital Agreement	Services and Consulting-Related Parties	Total
Beginning balance at December 31, 2025	$ 134,331	$ 169,369	$ 1,132,164	$ —	$ 3,616,500	$ 5,052,364
Revenue recognized from the beginning balance	(42,028)	(141,700)	—	—	(904,125)	(1,087,853)
Billings during the period	—	208,170	1,764,421	—	—	1,972,591
Revenue recognized from current billings	—	(69,390)	—	—	—	(69,390)
Ending balance at March 31, 2026	$ 92,303	$ 166,449	$ 2,896,585	$ —	$ 2,712,375	$ 5,867,712
Contract assets, less current portion	$ (92,303)	(166,449)	$ (2,896,585)	$ —	$ (2,712,375)	$(5,867,712)
Contract assets, non-current portion	—	—	—	—	—	—

Technology Systems

At March 31, 2026 and December 31, 2025 contract liabilities, technology systems consisted of the following:

	March 31, 2026	December 31, 2025
Billings and/or cash receipts on uncompleted contracts	$ 1,264,658	$ 1,264,658
Less: Cumulative revenues recognized	$ (1,172,355)	$ (1,130,327)
Contract liabilities, technology systems, current	$ 92,303	$ 134,331

The Company expects to recognize all current contract liabilities within 12 months from the respective consolidated balance sheet date.

CN Digital Agreement

In May 2024, the Company recorded an initial deferred revenue as a contract liability in the amount of $11,161,428 of which $199,008 related to a pilot program was immediately recognized as revenue (See Note 7) and another $1,569,310 was recognized in 2024. During the year ended December 31, 2025, the Company recognized revenue of $1,461,567 from this deferred revenue. This contract liability resulted from a five-year contract with a customer where the Company received non-monetary consideration recorded as intangible assets (See Note 7). This transaction was accounted for under ASC 606-10-32-21 through ASC-606-10-32-24, Non-Cash Consideration. The performance obligations, which included various support and maintenance services were to be recognized as revenue pro-rata over time during the five-year contract term. The Company performed a recoverability test as of December 31, 2025 by comparing the carrying amount of the asset to the sum of its estimated undiscounted future cash flows. The Company determined that the carrying amount of the asset was not recoverable, as estimated undiscounted future cash flows were negligible. The Company measured the impairment loss based on the asset's estimated fair value as of December 31, 2025. Given the absence of historical or expected future cash flows, the lack of an observable market for the asset, and the ongoing contractual dispute, the Company determined that the fair value of the CN Digital Image License was zero.

Accordingly, the Company recorded an impairment of $8,130,461, representing the full carrying amount of the CN Digital Image License. Because the asset was originally recognized as part of a non-cash exchange with a corresponding deferred liability offset recorded on the balance sheet, the impairment was recorded by eliminating both the intangible asset and the related deferred liability. As a result, the impairment did not impact the Company's consolidated statements of operations for the year ended December 31, 2025.

Services and Consulting Related Parties

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

As of December 31, 2024 deferred revenue under the arrangement was $5.0 million, comprised of the $5.0 million advance payment. The Company recognized $5.0 million in revenue under the AMA during the year ended December 31, 2025. No revenues were recognized during the three months ended March 31, 2026.

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

As of March 31, 2026, the balance in contract liabilities pertaining to the value of the equity method interest will be recognized as revenue as follows:

Calendar Year	Amounts
2026 (Remaining)	$ 2,712,375
Contract Liabilities	$ 2,712,375

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 six distinct revenue sources:
    a. Technology Systems (Turnkey, engineered projects);
    b. AI Technology (Associated maintenance and support services);
    c. Technical Support (Operational support, asset management of power generation systems);
    d. Consulting Services (Predetermined algorithms to provide important operating information to the users of our systems);
    e. Hosting (Deployment and operation of edge data centers, providing customers with cabinet space and related infrastructure service); and
    f. Technology Solutions - delivers manufacturer-agnostic infrastructure sourcing, integration, and value-added supply chain services supporting data center, AI, and enterprise deployments
2. We currently operate in North America including the USA, Mexico and Canada.
3. Our customers include rail transportation, and commercial.
4. Our technology systems and equipment projects fall into two types:
    a. Transfer of goods and services over time.
    b. Goods delivered at a point in time.
5. Our services & maintenance contracts are fixed price and fall into two duration types:
    a. Turnkey engineered projects and professional service contracts that are less than one year in duration and are typically one to two quarters in length; and
    b. Maintenance and support contracts ranging from one to five years in length.

Quantitative:

For the three months ended March 31, 2026

Segments	Technologies	Technology Solutions	Data Center Hosting & Related Services	Asset Management	Total
Primary Geographical Markets					
North America	$ 576,726	$ 562,454	$ 30,275	$ 1,552,572	$ 2,722,027
Major Goods and Service Lines					
Turnkey Projects	$ 44,259	$ —	$ —	$ —	$ 44,259
Maintenance and Support	532,467	562,454	30,275	1,552,572	2,677,768
	$ 576,726	$ 562,454	$ 30,275	$ 1,552,572	$ 2,722,027
Timing of Revenue Recognition					
Goods transferred over time	$ 44,259	$ 562,454	$ —	$ —	$ 606,713
Services transferred over time	532,467	—	30,275	1,552,572	2,115,314
	$ 576,726	$ 562,454	$ 30,275	$ 1,552,572	$ 2,722,027

For the three months ended March 31, 2025

Segments	Technologies	Technology Solutions	Data Center Hosting & Related Services	Asset Management	Total
Primary Geographical Markets					
North America	$ 1,037,435	$ —	$ —	$ 3,914,750	$ 4,952,185
Major Goods and Service Lines					
Turnkey Projects	$ 64,684	$ —	$ —	$ —	$ 64,684
Maintenance and Support	972,751	—	—	3,914,750	4,887,501
	$ 1,037,435	$ —	$ —	$ 3,914,750	$ 4,952,185
Timing of Revenue Recognition					
Goods transferred over time	$ 64,684	$ —	$ —	$ —	$ 64,684
Services transferred over time	972,751	—	—	3,914,750	4,887,501
	$ 1,037,435	$ —	$ —	$ 3,914,750	$ 4,952,185

NOTE 12 – SEGMENT REPORTING

Beginning on January 1, 2025, the Company operates in four operating and reportable segments which consist of (1) applying machine vision and AI to analyze high-speed objects and generate revenue from system installations, AI integrations, support, and consulting, herein known as the "Technologies" segment, (2) deploying Edge Data Centers for localized data processing in rural and underserved markets and providing GPUaaS, herein known as the "Data Center Hosting & Related Services" segment, (3) delivering manufacturer-agnostic infrastructure sourcing, integration, and value-added supply chain services supporting data center, AI, and enterprise deployments, herein known as the "Technology Solutions" segment and (4) providing Asset Management Services under the AMA with New APR, managing mobile gas turbines and related assets, herein known as the "Asset Management Services" segment. The Company has determined that these reportable segments were strategic business units that offer different products and services. Currently, these reportable segments are being managed separately based on the fundamental differences in their operations.

The Company's Technologies segment applies machine vision and AI to monitor and analyze high-speed objects such as trains, trucks, automobiles, and aircraft, and generates revenue through its technology systems, AI applications, ongoing technical support, and consulting services.

The Technology Solutions business unit, which delivers manufacturer-agnostic infrastructure sourcing, integration, and value-added supply chain services supporting data center, AI, and enterprise deployments.

The Company's Data Center Hosting & Related Services segment generates revenues through the deployment of Edge Data Centers that enable faster, localized data processing in rural and underserved markets, providing scalable solutions for enterprise and government clients and providing GPU as a service.

The Company's Asset Management Services segment generates revenues through the AMA with New APR, whereby Duos Energy oversees the deployment and operation of a fleet of mobile gas turbines and balance-of-plant inventory, providing management, sales, and operations support to New APR.

Corporate and unallocated amounts that do not relate to a reportable segment have been allocated to "Corporate & Unallocated."

The Company's chief operating decision maker ("CODM") is its Chief Executive Officer. The decisions concerning the allocation of the Company's resources are made by the CODM with oversight by the Board of Directors. The CODM evaluates the performance of each segment and makes decisions concerning the allocation of resources based upon segment operating profit (loss), generally defined as income or loss before interest expense and income taxes. The CODM assesses segment performance by using each segment's operating income (loss) and considers budget-to-actual variances on a periodic basis (at least quarterly) when making decisions about operational planning, including whether to invest resources into the segments or into other parts of the Company. Segment assets are reviewed by the Company's CODM and are disclosed below. The accounting policies of the Technologies, Data Center Hosting & Related Services, Technology Solutions, and Asset Management Services segments are the same as those described in Note 1 of the Notes to Consolidated Financial Statements.

Information with respect to these reportable business segments for the three months ended March 31, 2026 and 2025 was as follows:

Three Months ended March 31, 2026

	Technologies	Technology Solutions	Data Center Hosting & Related Services	Asset Management Services	Corporate and Unallocated	Consolidated
Net revenues	$ 576,726	$ 562,454	$ 30,275	$ 1,552,572	$ —	$ 2,722,027
Cost of revenues	21,799	506,570	39,433	543,857	—	1,111,659
Operating Expenses (excluding depreciation and amortization)	2,761,763	467,228	550,455	—	2,437	3,781,883
Depreciation and amortization	101,894	—	—	—	—	101,894
Stock Compensation	—	—	—	—	1,358,137	1,358,137
Income (loss) from operations	(2,308,730)	(411,344)	(559,613)	1,008,715	(1,360,574)	(3,631,546)
Interest Expense	—	—	—	—	—	—
Other Income	1,477	—	3,440	5,892	128,492	139,301
Income (loss) before provision for income taxes	(2,307,253)	(411,344)	(556,173)	1,014,607	(1,232,082)	(3,492,245)
Provision for income taxes	—	—	—	—	—	—
Net income (loss)	$ (2,307,253)	$ (411,344)	$ (556,173)	$ 1,014,607	$ (1,232,082)	$ (3,492,245)

Three Months ended March 31, 2025

	Technologies	Technology Solutions	Data Center Hosting & Related Services	Asset Management Services	Corporate and Unallocated	Consolidated
Net revenues	$ 1,037,435	$ —	$ —	$ 3,914,750	$ —	$ 4,952,185
Cost of revenues	980,458	—	—	2,658,068	—	3,638,526
Operating Expenses (excluding depreciation and amortization)	1,649,951	—	315,066	—	—	1,965,017
Depreciation and amortization	164,233	—	34	—	—	164,267
Stock Compensation	—	—	—	—	974,003	974,003
Income (loss) from operations	(1,757,206)	—	(315,100)	1,256,682	(974,003)	(1,789,628)
Interest Expense	(3,265)	—	(319,312)	—	—	(322,577)
Other Income	19,168	—	10,678	2,083	613	32,542
Income (loss) before provision for income taxes	(1,741,304)	—	(623,734)	1,258,765	(973,390)	(2,079,663)
Provision for income taxes	—	—	—	—	—	—
Net income (loss)	$ (1,741,304)	$ —	$ (623,734)	$ 1,258,765	$ (973,390)	$ (2,079,663)

Total assets by segment on March 31, 2026 and December 31, 2025 were:

	March 31, 2026	December 31, 2025
Technologies	$ 2,771,431	$ 2,266,518
Technology Solutions	5,375,733	581,366
Data Center Hosting & Related Services	69,456,717	28,024,994
Asset Management Services	7,921,214	12,537,718
Corporate and Unallocated	37,391,967	19,998,819
	$ 122,917,062	$ 63,409,415

All assets are located in the United States.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Operating Lease Obligations

Office Lease

On July 26, 2021, the Company entered a new operating lease agreement for office and warehouse combination space of 40,000 square feet, with the lease commencing on November 1, 2021, and ending April 30, 2032. This new space combines the Company's two separate work locations into one facility, which allows for greater collaboration. On November 24, 2021, the lease was amended to commence on March 1, 2021, and end on May 31, 2032. The Company recognized an ROU asset and operating lease liability in the amount of $4,980,104 at lease commencement. Rent for the first eleven months of the term was calculated based on 30,000 rentable square feet. The rent is subject to an annual escalation of 2.5%, beginning November 1, 2023. The Company made a security deposit payment in the amount of $600,000 on July 26, 2021. Per the contract, in the 18th month and every 12th month thereafter, the security deposit is reduced by $50,000 and now stands at $450,000. The right of use asset balance at March 31, 2026 and December 31, 2025, net of accumulated amortization, was $3,550,592 and $3,650,717, respectively.

The office and warehouse lease has a remaining term of approximately 6.25 years and includes an option to extend for two renewal terms of five years each. The renewal options are not reasonably certain to be exercised, and therefore, they are not included when determining the lease term used to establish the right-of-use asset and lease liability. The Company also has several short-term leases, primarily related to equipment. The Company made an accounting policy election to not recognize short-term leases with terms of twelve months or less on the consolidated balance sheet and instead recognize the lease payments in expense as incurred. The Company has also elected to account for real estate leases that contain both lease and non-lease components (such as common area maintenance) as a single lease component.

The following table shows supplemental information related to leases:

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Lease cost:		
Operating lease cost	$ 195,409	$ 195,409
Short-term lease cost	$ 7,834	$ 5,303
Other information:		
Operating cash outflow used for operating leases	$ 204,204	$ 199,224
Weighted average discount rate	9.0%	9.0%
Weighted average remaining lease term	6.25 years	7.25 years

As of March 31, 2026, future minimum lease payments due under our office operating leases are as follows:

	Amount
Calendar year:	
2026	$ 614,314
2027	838,984
2028	859,856
2029	880,357
Thereafter	2,303,214
Total undiscounted future minimum lease payments	5,496,725
Less: Impact of discounting	(1,334,643)
Total present value of operating lease obligations	4,162,082
Current portion	(823,625)
Operating lease obligations, less current portion	$ 3,338,457

Land Leases

The Company leases multiple land locations for deployment and operation of its modular edge data centers with varying monthly lease payments. Certain lease arrangements include $1 monthly payments, while others include variable payments from the Company to the landlords under revenue sharing arrangements calculated as a percentage of revenues generated from colocation services at the respective sites or the provision of a free rack within the data center valued at fair market value. Variable lease payments are excluded from the measurement of operating lease liabilities and will be expensed in the period incurred. Additionally, certain landlords for these sites may also be customers of the Company in the future whereby they will rent server rack space in the data centers.

On August 1, 2025, Duos Edge AI, Inc. entered into a commercial ground lease with a term of ten years commencing upon delivery of a modular structure to the premises, with one five-year renewal option. Base monthly rent is $2,500 for the first year or until installation of a second modular structure, increasing to $3,500 thereafter. If renewed, monthly rent will be $4,300 during the renewal term. On December 1, 2025, Duos Edge AI entered into a commercial ground lease with a term of ten years commencing upon delivery of a modular structure to the premises, with one five-year renewal option. Base monthly rent is $1,500 until the renewal term. The lease requires the tenant to pay real estate taxes, common area maintenance charges and utilities, and maintain insurance coverage. Tenant is responsible for all costs associated with site preparation and installation of improvements, including modular structures and backup power systems.

On September 1, 2025, Duos Edge AI, Inc. entered into a commercial ground lease with an effective date of November 1, 2025 with a term of ten years commencing upon delivery of a modular structure to the premises, with one five-year renewal option. Base monthly rent is $1 until installation of the modular structure, increasing to $1,801 due to a provision in the lease agreement that allows the lessor a free rack with fair market value of $1,800 during the lease term. The lease requires the tenant to pay real estate taxes, common area maintenance charges, and utilities, and maintain insurance coverage. Tenant is responsible for all costs associated with site preparation and installation of improvements, including modular structures and backup power systems.

On December 16, 2025, Duos Edge AI, Inc. entered into a commercial ground lease effective March 1, 2026 with a term of ten years commencing upon delivery of a modular structure to the premises, with one five-year renewal option. Base monthly rent is $1 until installation of the modular structure, increasing to $1,801 due to a provision in the lease agreement that allows the lessor a free rack with fair market value of $1,800 during the lease term. The lease requires the tenant to pay real estate taxes, common area maintenance charges, and utilities, and maintain insurance coverage. Tenant is responsible for all costs associated with site preparation and installation of improvements, including modular structures and backup power systems.

As of March 31, 2026, the minimum lease payments due under these land operating leases are as follows:

Calendar year:		**Amount**
2026	$	68,018
2027		103,224
2028		103,224
2029		103,224
Thereafter		600,344
Total undiscounted future minimum lease payments		978,034
Less: Impact of discounting		(353,311)
Total present value of operating lease obligations		624,723
Current portion		93,824
Operating lease obligations, less current portion	$	530,899
Weighted average discount rate		10.0%
Weighted average remaining lease term		9.6 years

The present value of these payments is approximately $624,722, which was initially recorded as a lease liability and right-of-use asset on the consolidated balance sheet, with $93,824, classified as a current liability and $530,899 as a non-current liability as of March 31, 2026. The right-of-use asset was $604,885 as of March 31, 2026. See Note 1 for the Company's materiality threshold applied to lease accounting under ASC 842.

		March 31, 2026
Lease Cost:		
Operating lease cost	$	25,003
Cash outflow	$	12,004

Master Lease Agreement

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

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

In the third quarter 2025, the Company exercised its purchase option under the MLA and settled the obligation early with a payment of $2,150,000. Accordingly, the Company derecognized the remaining lease liability of $2,079,697 and the related right-of-use asset of $1,868,359 and recorded the equipment as a fixed asset at $1,938,662. The $1,938,662 asset balance is the aggregate of the remaining right-of-use asset of $1,868,359 and the difference between the $2,150,000 repayment and the $2,079,697 remaining right-of-use liability.

The following table shows supplemental information related to the MLA:

	Three Months Ended March 31,	
	2026	**2025**
Lease cost:		
Master Lease Agreement cost	$ —	$ 121,013
Short-term lease cost	$ —	$ 487,695
Other information:		
Operating cash outflow used for finance leases	$ —	$ 11,700
Weighted average discount rate	—	8.63%
Weighted average remaining lease term	—	5.17 years

GPU-as-a-Service Arrangement

The Company has entered into a master service agreement with Hydra Host, Inc. containing commitments to key vendors to purchase GPU servers, networking equipment, and related infrastructure to support its GPU as a service operations. Hydra Host Inc., as the operator under the arrangement, will arrange asset purchases with vendors and configure, install, operate, and maintain the servers on the Company's behalf and secure a customer for the Company. As of March 31, 2026, the aggregate estimated cost of these commitments is approximately $145 million. The Company deposited $35.42 million with Hydra Host as of March 31, 2026 to secure the respective GPUs and server assets from third party vendors. Since under the arrangement the risk of loss for the purchased equipment does not transfer to the Company until the equipment is delivered, this deposit is included in Deposits on equipment in the accompanying consolidated balance sheet as of March 31, 2026. The remaining commitments are expected to be funded through a combination of senior debt financing and customer prepayments.

The Company will secure senior debt financing to fund approximately 70% of its GPU infrastructure investments after approximately $43.5 million in funding has been provided to the GPU vendor through Hydra Host. The debt will be secured by the underlying GPU server assets which the Company is required to insure and will include customary covenants and reserve requirements. Interest rates vary based on market conditions and the future customer risk profile.

As of March 31, 2026, Hydra Host has secured a customer for the Company and this customer provided a deposit of $15,000,000 to the Company in May 2026.

Revenue will be significantly concentrated with a single customer agreement for use of all purchased GPU servers. In the arrangement, the Company bears the full risk of customer nonpayment, as the third party operator, Hydra Host, does not guarantee customer credit performance. Management will monitor customer payment history and credit exposure on an ongoing basis.

The Company will retain ownership of the GPU servers at the conclusion of the customer contract and is exposed to residual value risk related to changes in technology, pricing, and market demand. The Company will evaluate GPU server assets and related deposits on equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

NOTE 14 – STOCKHOLDERS' EQUITY

Series B Convertible Preferred Stock

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

Each share of Series B Convertible Preferred Stock was convertible at any time at the holder's option into a number of shares of common stock equal to $1,000 divided bythe conversion price of $7.00 per share. Notwithstanding the foregoing, we could not effect any conversion of Series B Convertible Preferred Stock, with certain exceptions, to the extent that, after giving effect to an attempted conversion, the holder of shares of Series B Convertible Preferred Stock (together with such holder's affiliates, and any persons acting as a group together with such holder or any of such holder's affiliates) would beneficially own a number of shares of our common stock in excess of 4.99% (or, at the election of the purchaser, 9.99%) of the shares of our common stock then outstanding after giving effect to such conversion. The Series B Convertible Preferred Certificate of Designation does not prohibit the Company from waiving this limitation. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders would be entitled to participate on an as-converted-to-common stock basis (without giving effect to the Beneficial Ownership Limitation) with holders of the common stock in any distribution of assets of the Company to the holders of the common stock. As of March 31, 2026 and December 31, 2025, respectively, there are zero and zero shares of Series B Convertible Preferred Stock issued and outstanding.

Series C Convertible Preferred Stock

The Company's Board of Directors designated 5,000 shares as the Series C Convertible Preferred Stock (the "Series C Convertible Preferred Stock"). Each share of the Series C Convertible Preferred Stock had a stated value of $1,000. The holders of the Series C Convertible Preferred Stock, the holders of the common stock and the holders of any other class or series of shares entitled to vote with the common stock shall vote together as one class on all matters submitted to a vote of shareholders of the Company. Each share of Series C Convertible Preferred Stock had 172 votes (subject to adjustment); provided that in no event may a holder of Series C Convertible Preferred Stock be entitled to vote a number of shares in excess of such holder's Beneficial Ownership Limitation (as defined in the Certificate of Designation and as described below). Each share of Series C Convertible Preferred Stock was convertible, at any time and from time to time, at the option of the holder, into that number of shares of common stock (subject to the Beneficial Ownership Limitation) determined by dividing the stated value of such share ($1,000) by the conversion price, which is $5.50 (subject to adjustment). The Company shall not effect any conversion of the Series C Convertible Preferred Stock, and a holder shall not have the right to convert any portion of the Series C Convertible Preferred Stock, to the extent that after giving effect to the conversion sought by the holder such holder (together with such holder's Attribution Parties (as defined in the Certificate of Designation)) would beneficially own more than 4.99% (or upon election by a holder, 19.99%) of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon such conversion (the "Beneficial Ownership Limitation"). All holders of the Series C Preferred Stock elected the 19.99% Beneficial Ownership Limitation. As of March 31, 2026 and December 31, 2025, respectively, there are zero and zero shares of Series C Convertible Preferred Stock issued and outstanding.

Series D Convertible Preferred Stock

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

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

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

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

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

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

In April, May, July and October of 2024, 870 outstanding shares of Series D Convertible Preferred Stock were converted into 290,002 shares of common stock. In February of 2025, 300 outstanding shares of Series D Convertible Preferred Stock were converted into 100,000 shares of common stock. As of March 31, 2026, and December 31, 2025, there were 999 and 999 shares of Series D Convertible Preferred Stock issued and outstanding, respectively.

Series E Convertible Preferred Stock

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

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

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

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

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

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

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

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

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

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

In October of 2024, 125 outstanding shares of the Series E Convertible Preferred Stock were converted into 47,892 shares of common stock.

On May 28, 2025, a shareholder converted 1,000 shares of Series E Convertible Preferred Stock with a stated value of $1,000,000 with a conversion price of $2.61 per common share resulting in the issuance of 383,143 shares of the Company's common stock.

As of March 31, 2026, and December 31, 2025, respectively, there were 12,500 and 12,500 shares of Series E Convertible Preferred Stock issued and outstanding.

Series F Convertible Preferred Stock

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

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

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

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

As of March 31, 2026, and December 31, 2026, respectively, there were zero and zero shares of Series F Convertible Preferred Stock issued and outstanding.

Common stock issued

2026 Transactions

On January 1, 2026, the Company issued restricted stock awards to an officer for a total of 150,000 shares of restricted stock with 3-year cliff vesting with an aggregate grant-date fair value of $1,687,504 based on a $11.25 price per share.

On January 1, 2026, the Company issued restricted stock awards to eight employees for a total of 145,000 shares of restricted stock with 25% vesting on January 1, 2027, 25% vesting on January 1, 2028 and 50% vesting on January 1, 2029 with an aggregate grant-date fair value of $1,631,254 based on a $11.25 price per share.

On January 15, 2026, a former employee exercised options to purchase 2,500 shares generating total gross proceeds of $19,009, incurring stock issuance cost of $101, payroll tax cost of $2,883, and yielding net proceeds of $16,025. The exercise were made pursuant to the Company's 2021 Equity Incentive Plan and were conducted in accordance with the applicable terms of the plan and the individual award agreements.

On February 1, 2026, the Company issued restricted stock awards to two employees for a total of 125,000 shares of restricted stock with 3-year cliff vesting with an aggregate grant-date fair value of $1,175,008 based on a $9.40 price per share.

On March 2, 2026, the Company issued 8,666,666 shares of its common stock under a public offering priced at $7.50 per share, resulting in net proceeds of approximately $60.3 million net of offering costs of $4.7 million. In connection with the offering on March 2, 2026, the underwriters were issued 433,334 warrants. See warrants disclosure below.

On March 3, 2026, a former employee completed a cashless exercise of stock options for 5,556 shares of the Company's common stock.

On March 31, 2026, the Company issued 14,193 shares of common stock for payment of board fees to four directors valued at $95,000 for services to the board which was expensed during the three months ended March 31, 2026. The volume-weighted average price (VWAP) on the grant date used to value the services is $6.69 per share.

2025 Transactions

Effective January 1, 2025, the Company's executive leadership team was granted a total of 1,841,898 shares of restricted stock, subject to a three-year cliff vesting schedule, with an aggregate grant-date fair value of $11,014,544 based on a $5.98 price per share.

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

Effective March 26, 2025, the Company issued a restricted stock award to an employee for a total of 100,000 shares of restricted stock with 3-year cliff vesting with an aggregate grant-date fair value of $604,000 based on a $6.04 price per share.

During the three months ended March 31, 2025, the Company issued an aggregate of 633,683 shares of common stock at a weighted average price of $6.24 per share through its At-The-Market (ATM) offering program, generating total gross proceeds of $3,954,940, incurring stock issuance costs of $137,851 and yielding net proceeds of $3,817,089.

On March 31, 2025, the Company issued 9,360 shares of common stock for payment of board fees to four directors valued at $50,000 for services to the board which was expensed during the three months ended March 31, 2025. The volume-weighted average price (VWAP) on the grant date used to value the services is $5.34 per share.

During the three months ended March 31, 2025, certain employees exercised stock options to acquire a total of 27,712 shares of the Company's common stock, generating total gross proceeds of $107,925, incurring stock issuance cost of $375 and yielding net proceeds of $107,550. The exercises were made pursuant to the Company's 2016 and 2021 Equity Incentive Plans and were conducted in accordance with the applicable terms of the plans and the individual award agreements.

During the three months ended March 31, 2025, the Company issued 10,000 shares of restricted common stock to each of Mr. Ehrman and Mr. Mavrommatis, directors of the Company, subject to a one-year cliff resting period. The shares had an aggregate grant-date fair value of $119,600, based on a $5.98 price per share.

Employee Stock Purchase Plan

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

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

As of March 31, 2026, the Company has an accrued liability of $33,538 included in accrued expenses of employee contributions for the ESPP which may convert to shares of common stock upon the close of the offering period open from January 1, 2026 to June 30, 2026. The liability is offset by restricted cash held by the Company in the same amount for employee contributions which the Company expects to convert to common stock upon closure of the offering period at June 30, 2026. Additionally, the Company recorded a stock-based expense associated with the ESPP for the three months ended March 31, 2026 of $16,318.

The Company computed the fair value of the look-back feature call and put options for January 1, 2026 to March 31, 2026 using a Black Scholes option pricing model using the following assumptions:

	At March 31, 2026
Grant date share price	$ 6.86
Grant date exercise price	$ 5.83
Expected term	0.5 years
Expected volatility	76.29%
Risk-free rate	3.70%
Expected dividend rate	0%

During the offer period, the Company records stock-based compensation pro rata as an expense and a credit to additional paid-in capital. The following table discloses relevant information for the ESPP at March 31, 2026 and for three months then ended.

	At March 31, 2026
Cash payment received from employee withholding	$ 33,538
Cash from employee withholdings used to purchase shares under ESPP	—
Accrued employee withholdings at March 31, 2026	$ 33,538

	For the Three Months ended March 31, 2026
Cash from employee withholding used to purchase ESPP shares	$ —
Stock based compensation expense	16,318
Total increase to equity for year ended March 31, 2026	$ 16,318

Stock-Based Compensation

Stock-based compensation expense recognized under ASC 718-10 for the three months ended March 31, 2026 and 2025, was $20,000 and $22,030, respectively, for stock options granted to employees and directors. This expense is included in general and administration expenses in the consolidated statements of operations. Stock-based compensation expense recognized during the periods is based on the grant date fair value of the portion of share-based payment awards that is ultimately expected to vest during the period. At March 31, 2026, the total compensation cost for stock options that was not yet recognized was $52,113. This cost will be recognized over the remaining vesting term of the options ranging from 3 months to 2.8 years.

Stock-based compensation expense recognized under ASC 718-10 for the three months ended March 31, 2026 and 2025, was $1,343,011 and $951,973, respectively, for shares of restricted stock granted to employees. During the three months ended March 31, 2026, the Company granted a total of 420,000 shares of restricted stock with an aggregate grant-date fair value of $4,493,766, computed as 295,000 shares at $11.25 per share and 125,000 shares at $9.40 per share. This expense is included in general and administration expenses in the consolidated statements of operations. Stock-based compensation expense recognized during the periods is based on the grant-date fair value of the restricted stock units that are ultimately expected to vest. At March 31, 2026, the total compensation cost for restricted stock not yet recognized was $11,917,154. This cost will be recognized over the remaining vesting term of the restricted stock ranging from 2 to 3 years.

Treasury Stock

At March 31, 2026, and December 31, 2025, the Company held 1,324 shares of Common Stock at an aggregate value of $157,452 of treasury stock.

NOTE 15 – COMMON STOCK OPTIONS, WARRANTS AND RESTRICTED STOCK

Options

2026

During the three months ended March 31, 2026, the Company's Board of Directors granted 5,000 5 year stock options with a strike price of $11.44 per share to one key employee. These options were awarded as a one-time award as a retention incentive and have a fair value of $40,948 and carry a three-year vesting period.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2024	606,452	$ 5.29	2.0	$ 514,394
Granted	20,000	$ 5.64	2.5	$ 112,200
Forfeited	(271,449)	$ 5.71	—	$ —
Outstanding at December 31, 2025	355,003	$ 5.00	1.8	$ 2,219,665
Exercisable at December 31, 2025	283,000	$ 5.15	1.5	$ 1,727,688
Outstanding at December 31, 2025	355,003	$ 5.00	1.8	$ 2,219,665
Granted	5,000	$ 11.44	4.8	$ —
Exercised	(15,000)	$ 4.69	—	$ —
Forfeited/Expired	(20,000)	$ 4.18	—	$ —
Outstanding at March 31, 2026	325,003	$ 5.16	1.8	$ 575,104
Exercisable at March 31, 2026	251,334	$ 5.24	1.5	$ 408,018

The fair value of the incentive stock option grants for the three months ended March 31, 2026 and 2025 were estimated using the following assumptions:

	For the Three Months Ended March 31, 2026	For the Three Months Ended March 31, 2025
Stock price	$ 11.25	$ —
Exercise Price	$ 11.44	$ —
Risk free interest rate	3.55%	—
Expected term in years	5	—
Dividend yield	—	—
Volatility of common stock	93.67%	—

Weighted average grant date fair value per option was $8.19 for the three months ended March 31, 2026.

Warrants

2026

In connection with the Company's equity financing completed during the quarter ended March 31, 2026, the Company issued 5-year warrants for 433,334 common shares at an exercise price of $9.00 per share to the investment bankers who facilitated the offering. The warrants were issued contemporaneously with the closing of the financing and were included as part of the negotiated engagement terms. The warrants are indexed to the Company's common stock, provide for settlement in a fixed number of shares for a fixed exercise price, and are freestanding equity instruments. Accordingly, they meet the criteria for equity classification under ASC 815-40 and are not subject to remeasurement in future periods.

The Company determined the warrants were non-compensatory pursuant to ASC 340-10-S99-1, as they were issued as part of the overall consideration for services directly related to the capital raise, were not tied to future performance, and did not include any vesting or service conditions.

The fair value of the warrants was determined using the Black-Scholes option-pricing model based on the following key assumptions: expected volatility, risk-free interest rate, expected term, and expected dividend yield as of the grant date. The resulting fair value of approximately $2,305,016 was recorded as a reduction to Additional Paid-In Capital (APIC) within stock issuance costs, with a corresponding credit to APIC for the issuance of the warrants.

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

Date of Grant	March 2, 2026
Stock Price	$ 7.61
Exercise Price	$ 9.00
Expected Remaining Term (Years)	5.00
Expected Volatility	92%
Dividend Yield	0%
Discount Rate - Bond Equivalent Yield	3.620%

No income statement impact is expected related to these warrants in future periods.

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2024	—	$ —	—	$ —
Warrants expired, forfeited, cancelled or exercised	—	$ —	—	$ —
Warrants issued	375,276	$ 7.20	5.0	$ —
Outstanding at December 31, 2025	375,276	$ 7.20	4.6	$ 1,519,868
Exercisable at December 31, 2025	375,276	$ 7.20	4.6	$ 1,519,868
Outstanding at December 31, 2025	375,276	$ 7.20	4.6	$ 1,519,868
Warrants expired, forfeited, cancelled or exercised	—	$ —	—	$ —
Warrants issued	433,334	$ 9.00	5.0	$ —
Outstanding at March 31, 2026	808,610	$ 8.16	4.7	$ —
Exercisable at March 31, 2026	808,610	$ 8.16	4.7	$ —

Restricted Stock

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Unvested at December 31, 2024	—	$ —
Restricted stock granted	2,146,898	$ 6.13
Restricted stock forfeited	(162,500)	$ 6.00
Restricted stock vested	(20,000)	$ 5.22
Unvested at December 31, 2025	1,964,398	$ 6.15
Vested at December 31, 2025	20,000	$ 5.22
Unvested at December 31, 2025	1,964,398	$ 6.15
Restricted stock granted	420,000	$ 10.70
Restricted stock forfeited	—	$ —
Restricted stock vested	(10,000)	$ 5.98
Unvested at March 31, 2026	2,374,398	$ 6.95
Vested at March 31, 2026	30,000	$ 5.47

NOTE 16 – DEFINED CONTRIBUTION PLAN

The Company has a 401(k)-retirement savings plan (the "401(k) Plan") covering all eligible employees. The 401(k) Plan allows employees to defer a portion of their annual compensation, and the Company may match a portion of the employees' contributions generally after the first six months of service. During the three months ended March 31, 2026, the Company matched 100% of the first 4% of eligible employee compensation that was contributed to the 401(k) Plan. For the three months ended March 31, 2026, the Company recognized expense for matching cash contributions to the 401(k) Plan totaling $21,282.

NOTE 17 – RELATED PARTY TRANSACTIONS

Frank Lonegro serves on the Board of Directors and is a member of the Audit, Compensation and Corporate Governance and Nominating Committees. Mr. Lonegro is the Chief Executive Officer of Landstar System, Inc. ("Landstar"), based in Jacksonville, Florida. The Company has previously utilized Landstar for shipping services including transporting large items. Most recently, Landstar was the designated vendor involved in shipping an Edge Data Center to an Amtrak site in Secaucus, New Jersey. Mr. Lonegro was not involved in the selection of his Company by the Company, with which there was an existing relationship pre-dating Mr. Lonegro's appointment to the Board of the Company. Mr. Lonegro did not participate in any Board discussions or votes relating to the selection of Landstar nor approval of the transactions with Landstar. The terms of these transactions were reviewed and approved by the management team. For the three months ended March 31, 2026 and March 31, 2025, the Company expensed zero and $8,690, respectively, on transactions relating to Landstar. At March 31, 2026 and December 31, 2025, the amounts owed were zero and zero , respectively, and are included in accounts payable in the accompanying balance sheets.

Brian James serves on the Board of Directors and is the president of NAT Tech LLC dba National Technologies ("NTI"). The Company has provided equipment to NTI in the normal course of business. For the three months ended March 31, 2026 and March 31, 2025, the Company recognized revenue , net of sales tax, $44,429 and zero,respectively on transactions relating to NTI. At March 31, 2026 and December 31, 2025, the amounts due were $48,356 and zero 0, respectively, and are included in the accounts receivable in the accompanying balance sheets.

Kristen Sanderson, Senior Vice President of Duos Technologies Solutions Inc, has a personal relationship with Doug Recker, who joined the Company in April 2024 as President of Duos Edge AI, Inc and assumed the role of Chief Executive Officer of Duos Technologies Group, Inc. effective April 1, 2026. Ms. Sanderson joined the Company on October 20, 2025, and as of March 31, 2026, reported directly to Mr. Recker.

For the three months ended March 31, 2026, Ms. Sanderson received total compensation of $56,469.

In the fourth quarter of 2022, the Company elected to not renew a support contract with an existing customer due to a change in focus by the Company away from its Integrated Correctional Automation System ("iCAS") business and the limited amount of revenue expected from that business going forward. On June 29, 2023, the Company completed a transaction whereby it sold assets related to its iCAS business and a recommendation to that customer to engage with the eventual buyer going forward. The transaction was completed with a third-party buyer of which the Company's then former Chief Financial Officer is a director. The former officer, who was rehired as our CFO in May of 2024 and served in that position through November 15, 2025, did not participate in the transaction on behalf of the Company which was negotiated by the CEO. (see Note 18)

In late 2024, Duos engaged with Fortress Investment Group ("FIG") to assist in FIG's purchase of approximately 850 megawatts of electrical generation capacity (consisting of 30 mobile gas turbine generators) and associated equipment to support their installation and operation ("balance of plant"). In late November 2024, Sawgrass Buyer LLC, an entity formed and owned by FIG, executed an asset purchase agreement with Atlas Corporation, APR Energy Holdings Limited and a number of its wholly-owned affiliates (collectively, "APR"). Chuck Ferry, our former CEO, was formerly the CEO of APR from 2018 to 2020. The transaction closed on December 31, 2024. At closing, Sawgrass Buyer LLC entered into an Asset Management Agreement ("AMA") with the Company under which a substantial portion of Company staff, including certain members of the management team (including Mr. Ferry), would oversee operations of Sawgrass Buyer LLC. The AMA term is two years and subject to customary cancellation provisions. At closing, the Company also received a 5% non-voting equity ownership interest in Sawgrass APR Holdings, LLC ("Sawgrass Parent"), the ultimate parent Company of Sawgrass Buyer LLC. As part of the transaction, certain members of the Company's management team, including Charles Ferry, Duos' Chief Executive Officer(through his resignation in March 2026), and Christopher King, Duos Chief Operating Officer (through his resignation in September 2025), serve in a similar position with New APR in addition to their role at the Company. Mr. Ferry is also Executive Chairman and a member of the Board of New APR. Mr. Goldfarb, the Company's former CFO (as of November 15, 2025), is an observer on the board of New APR but has have no executive role or management responsibilities at the new entity. The Company continued to pay 50% of the compensation for Mr. Ferry through March 2026.

As a result of the relationships between Duos Energy Corporation and the FIG related entities described above, Sawgrass Parent and New APR are considered related parties to the Company. (See Notes 3, 8, 9, and 11 for related party balances).

In 2024, the Company borrowed $2,200,000 from two lenders that are related parties because together they hold more than 10% of the Company's voting common stock. (See Note 10). In the year ended December 31, 2025, the Company repaid the loan including interest in the amount of $2,388,356.

NOTE 18 – SALE OF ASSETS

On June 29, 2023, the Company completed a transaction whereby it sold assets related to its Integrated Correctional Automation System (iCAS) business with a single customer. In the fourth quarter of 2022, the Company elected to not renew a support contract due to the limited nature of the business. The transaction was completed with a third-party buyer of which the Company's former Chief Financial Officer (until November 2025) and now current Strategic Advisor is a director. The former officer did not participate in the transaction on behalf of the Company which was negotiated by the CEO.

The assets of the iCAS business were sold for a convertible promissory note with a principal amount of $165,000 with a 10% original issue discount as well as common stock purchase warrants. The note originally matured in 2 years from the date of sale and is convertible immediately through the later of the maturity date or payment by the borrower of the default amount, as defined in the note, into shares of the buyer's common stock at a conversion price of $0.003 or 55,000,000 shares. The conversion of the note carries restrictions which include limiting conversion to the extent it would not exceed 4.99% of the common stock outstanding of the buyer. The convertible promissory note is subject to standard anti-dilution provisions. In June 2025, the Company and the borrower amended the convertible promissory note increasing the principal amount to $180,000 and extending the maturity date to June 29, 2027. There was no change to other terms and conditions. In July 2025, the Company and the borrower agreed to a further 2-year extension of the note at the same terms and conditions. The iCAS note receivable was fully reserved in accordance with management's assessment.

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

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

The note receivable was recorded as follows on March 31, 2026 and December 31, 2025:

	March 31, 2026	December 31, 2025
Convertible note receivable	$ 180,000	$ 180,000
Less allowance on note receivable	(180,000)	(180,000)
Convertible note receivable, net	$ —	$ —

NOTE 19 – SUBSEQUENT EVENTS

On April 1, 2026, Douglas Recker was appointed Chief Executive Officer of the Company. In connection with his appointment, Charles Ferry resigned as Chief Executive Officer of the Company. Mr. Ferry continues to serve as a member of the Company's Board of Directors and remains Chief Executive Officer of New APR Energy, LLC, in which the Company holds a 5% equity interest. In connection with Mr. Ferry's resignation, the Company and Mr. Ferry amended and restated the Equity Award Agreement originally entered into on January 1, 2025 (the "Original Agreement"). Under the Original Agreement, Mr. Ferry had been granted 552,889 shares of the Company's common stock pursuant to the Company's 2021 Equity Incentive Plan, as amended, subject to a three-year cliff vesting schedule with vesting on December 31, 2027. The Original Agreement provided that the shares would be forfeited if Mr. Ferry ceased employment with the Company prior to the vesting date or upon the occurrence of certain other specified events. Pursuant to the amended and restated agreement, the number of shares subject to the award was reduced to 261,445 shares. The vesting date of December 31, 2027 remains unchanged; however, vesting is now conditioned upon Mr. Ferry's continued service as a member of the Company's Board of Directors through the vesting date. All other material terms of the award remain unchanged. In accordance with the Company's accounting policy to recognize forfeitures as they occur, previously recognized compensation expense related to the forfeited portion will be reversed in the period of forfeiture.

On May 1, 2026, a former consultant completed a cashless exercise of stock options and received 17,756 shares of the Company's common stock upon exercise of 33,334 stock options.

In connection to the GPU as a service arrangement with Hydra Host, the Company received a $15 Million prepayment deposit from the single customer on May 1, 2026. The deposit will be amortized as revenue over the term of the project, 3 years, once services begin. The customer prepayment will be used to fund the initial investment of the GPU servers and related services.

On May 5, 2026, a former employee exercised options to purchase 10,104 shares and the Company received proceeds in the amount of approximately $57,000. The exercise was made pursuant to the Company's 2021 Equity Incentive Plan and was conducted in accordance with the applicable terms of the plan and the individual award

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., and its operating subsidiaries, Duos Technologies, Inc. ("Duos"), Duos Edge AI, Inc. ("Edge"), Duos Energy Corporation ("Energy"), and Duos Technologies Solutions, Inc. ("Solutions") (Duos Technologies Group, Inc., Duos, Edge, Energy, and Solutions, collectively the "Company" "we", "our", and "us") from time to time with the Securities and Exchange Commission (the "SEC") contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, the Company's management as well as estimates and assumptions made by Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," "aim," "project," "target," "will," "may," "should," "forecast" 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 typically address the Company's expected future business and financial performance 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, 2025, 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 materially from those anticipated, believed, estimated, expected, intended, or planned.

These factors include, but are not limited to, risks related to the Company's ability to generate sufficient cash to continue and expand operations, the competitive environment generally and in the Company's specific market areas, changes in technology, the availability of and the terms of financing, changes in costs and availability of goods and services, economic conditions in general and in the Company's specific market areas, changes in federal, state and/or local government laws and regulations potentially affecting the use of the Company's technology, changes in operating strategy or development plans and the ability to attract and retain qualified personnel. The Company cautions that the foregoing list of risks, uncertainties and factors is not exclusive. Additional information concerning these and other risk factors is contained in the Company's most recently filed Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K, and other filings filed by the Company with the SEC, which are available at the SEC's website, http://www.sec.gov. The Company believes its plans, intentions and expectations reflected in or suggested by these forward-looking statements are based on reasonable assumptions. No assurance, however, can be given that the Company will achieve or realize these plans, intentions or expectations. Indeed, it is likely that some of the Company's assumptions may prove to be incorrect. The Company's actual results and financial position may vary from those projected or implied in the forward-looking statements and the variances may be material. Each forward-looking statement speaks only as of the date of the particular statement. We do not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any forward-looking statement is based, except as required by law. All subsequent written and oral forward-looking statements concerning the Company or other matters attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.

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

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

Plan of Operation

The Company's plan of operation is focused on improving operational execution, advancing its technology platform, and scaling its digital infrastructure initiatives to support long-term revenue growth and increased recurring revenues.

During the first quarter of 2026, the Company continued to transition its business toward a more diversified model centered on digital infrastructure, artificial intelligence, and technology-enabled services. The Company's operations are increasingly focused on expanding its edge computing platform, growing its energy and consulting capabilities, and enhancing its technology solutions offerings.

Key elements of the Company's plan of operation include:

Expansion of Edge Data Center Platform

The Company, through Duos Edge AI, Inc., is actively deploying a network of modular Edge Data Centers ("EDCs") designed to support localized computing, artificial intelligence workloads, and low-latency applications.

The Company's EDC strategy is intended to support recurring revenue through hosting, colocation, and managed infrastructure services. The execution of this strategy requires capital investment, customer adoption, and operational execution, each of which is subject to risks.

Expansion into Energy and Power Solutions

The Company expanded its operations into energy and power solutions through Duos Energy Corporation, which focuses on energy consulting, power infrastructure planning, and behind-the-meter ("BTM") energy solutions.

The Company entered into an Asset Management Agreement ("AMA") with New APR beginning in January 2025. In connection with this agreement, the Company also acquired a minority, non-voting equity interest in the ultimate parent of New APR. In 2026, the Company and New APR mutually agreed to reduce the scope of services under the AMA, resulting in a corresponding decline in related party revenue and associated costs as part of streamlining operations and aligning resources with its core strategic initiatives.

Growth of Technology Solutions and Infrastructure Services

In the first quarter of 2026, the Company expanded its Technology Solutions business to provide infrastructure-related services supporting data center and digital infrastructure deployments.

These services include procurement, supply chain management, logistics coordination, and deployment support for infrastructure projects. The Company's Technology Solutions platform is intended to complement its EDC strategy and provide additional revenue opportunities through both internal deployments and third-party customer engagements.

The Company believes that demand for integrated infrastructure solutions is increasing; however, the growth of this business is subject to supply chain conditions, vendor availability, and competitive factors.

Development of AI Technologies and Automation

The Company continues to invest in the development of proprietary artificial intelligence technologies, including computer vision, machine learning, and predictive analytics.

These technologies are being integrated across the Company's platforms to enhance performance, enable automation, and support real-time data processing. The Company is also advancing AI-powered capabilities such as self-diagnostics, predictive maintenance, and system monitoring.

Transition to Recurring Revenue Models

The Company continues to transition certain offerings toward subscription-based and recurring revenue models. This includes expanding hosting services, software-based offerings, and long-term service agreements.

In connection with its inspection technologies, the Company has introduced more modular and flexible deployment options, allowing customers to select specific capabilities aligned with their operational requirements. This approach is intended to improve scalability and increase recurring revenue over time.

Legacy Technology Systems

The Company's legacy business, which is the railcard inspection portal, has become less important to the Company's future as we diversify our business strategy.

The Company expects that over time, its legacy systems will represent a decreasing percentage of total revenues as newer infrastructure and service-based offerings expand.

Prospects and Outlook

The Company's prospects are influenced by its ability to execute its strategic initiatives and by broader industry trends affecting digital infrastructure, artificial intelligence, and energy markets.

The Company's primary objectives for 2026 and beyond include:

Scaling Edge Data Center Deployments

The Company intends to expand its network of Edge Data Centers to support increasing demand for distributed computing and AI workloads. These deployments are expected to target enterprise customers, telecommunications providers, and public sector organizations, particularly in underserved markets.

The Company believes that localized computing infrastructure will play an important role in supporting next-generation applications; however, adoption rates, capital availability, and competitive factors may impact growth.

Deployment of GPU-as-a-Service Arrangement

The Company has entered into a master service agreement with Hydra Host, Inc. containing commitments to key vendors to purchase GPU servers, networking equipment, and related infrastructure to support its GPU as a service operation. Hydra Host Inc., as the operator under the arrangement, will arrange asset purchases with vendors and configure, install, operate, and maintain the servers on the Company's behalf and secure a customer for the Company.

As of March 31, 2026, the aggregate estimated cost of these capital commitments was approximately $145 million, as of March 31, 2026 $35.42 Million has been deposited to secure the respective GPUs and Server assets. The remaining commitments are expected to be funded through a combination of senior debt financing and customer prepayments. The Company will secure senior debt financing to fund approximately 70% of its GPU infrastructure investments after approximately $43.5 million in funding has been provided to the GPU vendor. The debt will be secured by the underlying GPU server assets and include customary covenants and reserve requirements. Interest rates may vary based on market conditions and the future customer risk profile.

Expansion of Energy and Power Solutions

The Company intends to build upon its initial energy and consulting activities, including the AMA with New APR, to expand its presence in the distributed energy and fast power markets.

The Company believes that increasing demand for power associated with data centers and AI infrastructure presents a significant opportunity; however, this market is subject to regulatory, operational, and competitive risks.

Growth of Technology Solutions Platform

The Company expects to further develop its Technology Solutions capabilities, including infrastructure procurement, logistics, and deployment services.

These offerings are intended to support both the Company's internal infrastructure initiatives and third-party customer projects, providing additional revenue diversification.

Continued Development of AI and Automation Technologies

The Company plans to continue enhancing its AI capabilities to improve system performance, enable automation, and support advanced analytics across its platforms.

Forward-Looking Considerations

The Company believes that its diversified strategy, including digital infrastructure, energy solutions, and technology services, positions it to pursue growth opportunities in multiple markets.

However, the Company's ability to achieve its objectives is subject to numerous risks and uncertainties, including:

- The ability to obtain sufficient capital to fund infrastructure and GPU as a service development
- Execution risks associated with deploying and operating EDCs and engaging in the GPU as a service agreement
- Dependence on key contracts

- Customer adoption of new technologies and services
- Supply chain and vendor risks
- Competitive market conditions
- Macroeconomic and regulatory factors

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

Although the Company's prospects for future revenue growth are anticipated to be favorable, investing in our securities involves risk and careful consideration should be made before deciding to purchase our securities. There are many risks that affect our business and results of operations, some of which are beyond our control and unexpected macro events can have a severe impact on the business. Please see the risk factors identified in "Item 1A– Risk Factors" in the 2025 Annual Report.

Results of Operations

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

Comparison for the Three Months Ended March 31, 2026 Compared to Three Months Ended March 31, 2025

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

	For the Three Months Ended March 31,	
	2026	2025
Revenues	$ 2,722,027	$ 4,952,185
Cost of revenues	1,111,659	3,638,526
Gross margin	1,610,368	1,313,659
Operating expenses	5,241,914	3,103,287
Loss from operations	(3,631,546)	(1,789,628)
Other income (expense)	139,301	(290,035)
Net loss	$ (3,492,245)	$ (2,079,663)

Revenues

	For the Three Months Ended March 31,		
	2026	2025	% Change
Revenues:			
Technology systems	$ 44,259	$ 64,684	-32%
Technology solutions	562,454	—	100%
Services and consulting	532,467	972,751	-45%
Services and consulting – Related parties	1,552,572	3,914,750	-60%
Hosting	30,275	—	100%
Total revenues	$ 2,722,027	$ 4,952,185	-45%

The decrease in technology systems revenues to $44,259 from $64,684 for the three months ended March 31, 2026, compared to the three months ended March 31, 2025, is primarily attributed to continued delays outside of the Company's control with deployment of our two high-speed Railcar Inspection Portals, which are recorded in the technology systems portion of our business. Although these systems remain largely ready for deployment, customer delays at the deployment site continue to prevent installation even though these two high-speed Railcar Inspection Portals were deep into their production and manufacturing phases, which did not allow us to record the next phase of recognition. We believe that the customer is approaching the completion of the local site preparation and is preparing for field installation in 2026.

The Company began recognizing revenues from its Technology Solutions business unit during the second half of 2025. The Technology Solutions business unit provides manufacturer-agnostic infrastructure sourcing, integration, and value-added supply chain services supporting data center, AI, and enterprise deployments. No such revenues were recognized during the comparable prior-year period.

The decrease in services and consulting revenue from the rail business from $972,751 to $532,467 for the three months ended March 31, 2026, compared to the three months ended March 31, 2025, was primarily attributable to the cessation of revenue recognition related to the CN Digital Image Agreement.

The decrease in related-party services and consulting revenue for the three months ended March 31, 2026 was primarily driven by New APR beginning to reduce the scope of services provided under the Asset Management Agreement ("AMA") established on December 31, 2024. Under the AMA, Duos Energy oversees the deployment and operation of a fleet of mobile gas turbines and related balance-of-plant inventory and provides management, sales, and operational support services to New APR. As a result, the Company generated $648,447 of revenue under the AMA during the three months ended March 31, 2026, compared to $3,010,625 during the comparable 2025 period. In addition, the Company recognized $904,125 of revenue during each of the three months ended March 31, 2026 and 2025 related to the amortization of a deferred revenue liability associated with the Company's 5% non-voting equity interest in the ultimate parent of New APR. Revenue generated under the AMA and from the 5% interest is reported within "Services and consulting – related parties" in the statements of operations.

During the second quarter of 2025, the Company began recognizing revenues from the deployment of Edge Data Centers, which are reported within the "Hosting" category. The $30,275 of revenue recognized during the three months ended March 31, 2026 relates to Edge Data Centers that became operational during the second quarter of 2025. The Company continues to invest capital in expanding its network of Edge Data Centers, each of which is expected to begin generating revenue upon deployment and commencement of operations with its anchor tenant.

The Company expects services revenue from both its hosting and technology solutions to increase throughout 2026. This growth is expected to be driven by the deployment of additional edge data centers coming online, as well as expanding technology solutions revenue tied to growth in the data center market.

Cost of Revenues

	For the Three Months Ended March 31,		
	2026	**2025**	**% Change**
Cost of revenues:			
Technology systems	$ 17,545	$ 232,264	-92%
Technology solutions	506,570	—	100%
Services and consulting	4,254	748,194	-99%
Services and consulting – Related parties	543,857	2,658,068	-80%
Hosting	39,433	—	100%
Total cost of revenues	$ 1,111,659	$ 3,638,526	-69%

Cost of revenues largely comprises equipment and labor necessary to support the implementation of new systems, support and maintenance of existing systems, software projects, and support of the AMA with New APR.

During the three months ended March 31, 2026, cost of revenues related to technology systems decreased compared to the same period in 2025, primarily driven by a reduction in personnel-related fixed costs. The decrease also reflects the continued ramp-down of manufacturing activities in advance of field installation of the Company's two high-speed Railcar Inspection Portals, which has temporarily slowed project activity and further reduced cost of revenues pending customer readiness for site deployment.

Cost of revenues related to services and consulting from the rail business decreased for the three months ended March 31, 2026, compared to the same period in 2025, primarily attributable to the cessation of amortization expense recognized in connection with the CN Digital Image Agreement, which had previously been recorded in cost of revenues, as well as lower personnel-related fixed costs.

Cost of revenues related to services and consulting from related parties decreased significantly during the three months ended March 31, 2026, compared to the same period in the prior year. The reduction was primarily driven by New APR beginning to scale back the scope of services provided under the AMA, pursuant to which Duos Energy manages the deployment and operations of a fleet of mobile gas turbines and related balance-of-plant inventory, including management, sales, and operational support services for New APR.

Consistent with the revenues generated from the deployment of Edge Data Centers, reflected in the Hosting category, the Company has begun recognizing associated cost of goods sold, primarily consisting of depreciation of the Edge Data Center pods and operating costs required to support the operation of the hosting infrastructure. No such costs were recognized during the comparable prior-year period.

Gross Margin

	For the Three Months Ended March 31,				
	2026		2025		% Change
Revenues	$	2,722,027	$	4,952,185	-45%
Cost of revenues		1,111,659		3,638,526	-69%
Gross margin	$	1,610,368	$	1,313,659	23%

Gross margin improved from 27% during the three months ended March 31, 2025 to 59% during the same period in 2026, primarily due to reduced cost of revenues under the AMA related costs impacting cost of goods sold within the Technology Systems and Services and Consulting business lines. In addition, the Company recognized $904,125 of revenue during each of the three months ended March 31, 2025 and 2026 related to its 5% non-voting equity interest in the ultimate parent of New APR. As this revenue had no associated cost of revenue, it contributed at a 100% gross margin.

Operating Expenses

	For the Three Months Ended March 31,				
	2026		2025		% Change
Operating expenses:					
Sales and marketing	$	488,253	$	294,975	66%
Research and development		—		424,431	-100%
General and administration		4,753,067		2,383,881	99%
Total operating expenses	$	5,241,914	$	3,103,287	69%

During the three months ended March 31, 2026, the Company experienced an increase in overall operating expenses compared to the same period in 2025. Sales and marketing expenses increased as additional resources were deployed to support business development initiatives. Research and development expenses decreased to zero due to scaled-back testing activities related to prospective technologies. General and administration expenses increased by 99%. This was due to multiple factors (1) the reduction of AMA related expenses, in 2026 there were approximately $187,000 required to be reclassed to COGS compared to AMA related expenses of approximately $1.2 million which were reclassed to COGS in 2025. (2) Higher non-cash stock-based compensation of approximately $1.3 million in 2026 compared to approximately $1 million in 2025. (3) Bonus expense of approximately $600,000 in 2026 compared to zero in 2025. Overall, the Company continues to focus on managing operating expenses while supporting the evolving needs of its customers.

Loss from Operations

Loss from operations was $3,631,546 for the three months ended March 31, 2026, compared to $1,789,628 for the same period in 2025. The increase in operating loss was primarily driven by lower revenues during the quarter, resulting from the reduced scope of services provided under the Asset Management Agreement, as well as higher operating expenses, including non-cash stock-based compensation expense related to restricted stock awards.

Other Income (Expense)

Other income(expense) for the three months ended March 31, 2026 was $139,301 and ($290,035) for the comparative period in 2025. Other income in 2026 was primarily driven by higher interest income resulting from a significantly larger cash balance compared to the prior period, as well as a $52,302 gain on the sale of investments recognized during the first quarter of 2026, which did not occur in the comparable 2025 period and no interest expense in 2026 compared to $322,577 in 2025.

Net Loss

Net loss for the three months ended March 31, 2026 and 2025 was $3,492,245 and $2,079,663, respectively. The increase in net loss was primarily attributable to lower revenues resulting from the reduced scope of services provided by Duos Energy under the AMA with New APR, as discussed above, as well as higher operating expenses, including increased non-cash stock-based compensation expense related to restricted stock awards. Net loss per common share was $0.15 and $0.18 for the three months ended March 31, 2026 and 2025, respectively.

Liquidity and Capital Resources

As of March 31, 2026, the Company has a working capital surplus of $29,179,849 and the Company had a net loss of $3,492,245 for the three months ended March 31, 2026.

Cash Flows

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

	For the Three Months Ended March 31,	
	2026	2025
Net cash used in operating activities	$ (1,361,911)	$ (4,673,425)
Net cash used in investing activities	(41,189,127)	(581,623)
Net cash provided by financing activities	60,109,600	2,788,033
Net increase (decrease) in cash	$ 17,558,562	$ (2,467,015)

Net cash used in operating activities for the three months ended March 31, 2026 and 2025 was $1,361,911 and $ 4,673,425, respectively. The decrease in net cash used in operating activities in 2026 was primarily driven by the collection of related-party accounts receivable, growth in Technology Solutions contract liabilities, and higher non-cash add-backs related to stock-based compensation. These favorable impacts were partially offset by a larger net loss, increases in trade accounts receivable and contract assets as project and service billings exceeded collections, continued reductions in related-party contract liabilities as the Company executes under the AMA, and lower depreciation and amortization expense compared to the prior-year period.

Net cash used in investing activities was $41,189,127 and $581,623 for the three months ended March 31, 2026 and 2025, respectively. The increase in 2026 reflects continued investment in capitalized construction-in-progress costs related to the edge data centers currently owned by the Company, as well as significant deposits made on GPUs scheduled for deployment in 2026. For the three months ended March 31, 2026 we purchased marketable securities in the amount of $29,693,638 and sold marketable securities for proceeds of $29,745,940 for a gain of $52,302. There were no such transactions in the three months ended March 31, 2025.

Net cash provided by financing activities for the three months ended March 31, 2026 and 2025 was $60,109,600 and $2,788,033, respectively. Cash flows provided by financing activities during the first three months of 2026 were primarily attributable to a public offering of common stock for net proceeds of approximately $60.3 million. Cash flows provided by financing activities during the first three months of 2025 were primarily attributable to gross proceeds of $3,954,940 from our At-The-Market (ATM) offering program, offset partially by $1,000,000 in repayments toward the principal balance of the secured promissory notes entered into with 21 April Fund LP and 21 April Fund Ltd.

On a long-term basis, our liquidity is dependent on the successful continuation of the revenue diversification strategy into the Technology Solutions and Edge Data Center subsidiaries, and expansion of operations and receipt of revenues across all operating segments. We believe our current capital and revenues are sufficient to fund such expansion and our operations over the next twelve months, although we are dependent on timely payments from our customers for projects and work in process. However, we expect such timely payments to continue. Material cash requirements will be satisfied within the normal course of business including substantial upfront payments from our customers prior to starting projects. The Company may elect to purchase materials and supplies in advance of contract award but where there is a high probability of that award. Demand for our products and services will be dependent on, among other things, market acceptance of our products and services, the technology market in general, and general economic conditions, which are cyclical in nature. Because a major portion of our activities is the receipt of revenues from the sales of our products and services, our business operations may continue to be challenged by our competitors and prolonged recession periods.

Liquidity

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

As reflected in the accompanying consolidated financial statements, the Company had a net loss of $3,492,245 for the three months ended March 31, 2026. During the same period, cash used in operating activities was $1,361,911. The working capital surplus and accumulated deficit as of March 31, 2026, were $29,179,849 and $87,695,285, respectively.

The Company successfully raised approximately $3,544,689 in gross proceeds from the sale of common stock through its At-The-Market (ATM) offering program in 2024 and raised an additional $8,927,347 in gross proceeds from the ATM in 2025. Furthermore, in 2025, the Company raised approximately $45 million from other equity offerings. More recently on February 26, 2026, the Company priced a public offering of its common stock for gross proceeds of approximately $65 million. The offering closed on March 2, 2026, and was conducted pursuant to the Company's effective shelf registration statement on Form S-3 and related prospectus supplements filed with the SEC. The capital raised is expected to bolster the Company's balance sheet and position it to pursue strategic initiatives related to Duos Edge AI, from a stronger financial foundation. In the long run, the continuation of the Company as a going concern is dependent upon the ability of the Company to continue executing its business plan, generate enough revenue, and attain consistently profitable operations. We have analyzed our cash flow under "stress test" conditions and have determined that we have sufficient liquid assets on hand or available via the capital markets to maintain operations for at least twelve months from the issuance date of this report

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

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

While no assurance can be provided, management believes that these actions provide the opportunity for the Company to continue as a going concern and to grow its business and achieve profitability with access to additional capital funding. Ultimately the continuation of the Company as a going concern is dependent upon the ability of the Company to continue executing the plan described above which was put in place in late 2024 and will continue in 2026 and beyond. These consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Critical Accounting Estimates

Revenue Recognition

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

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

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to separate performance obligations; and
5. Recognize revenue when (or as) each performance obligation is satisfied.

The Company generates revenue from six sources:

1. Technology Systems
2. AI Technologies
3. Technical Support including related party revenues from the AMA which began in January 2025
4. Consulting Services including related party revenues from the AMA which began in January 2025
5. Hosting
6. Technology Solutions

Equity Method Investments

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

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

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

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

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

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

Due to the unavailability of Q1-2026 financials from Sawgrass Parent, our equity method investee, the Company has applied a one-quarter lag (in accordance with ASC 323-10-35-6) in reporting and recording the value of its 5% minority investment. The Company records its 5% interest using the Equity Method as we have significant influence. ASC 323-10-35-4 requires an entity to recognize its share of earnings or loss of an equity method investee which adjusts the carrying amount of the investment and is reflected as earnings or loss in income. Pursuant to the terms of the Amended and Restated Limited Liability Company Agreement of Sawgrass APR Holding LLC (the "Agreement"), Net Profit and Net Loss for any Fiscal Year is allocated among the members in such a manner that, as of the end of such fiscal year, the Capital Account Balance of each Member, as increased by the Member's share of "minimum gain" and "partner minimum gain" (as such terms are used in Treasury Regulations Section 1.704-2), to the extent possible, to be equal to the amount which would have been distributed to such Member pursuant to a Hypothetical Liquidation, as defined in the Agreement, as of the end of the last day of such fiscal year. Under the Hypothetical Liquidation, the assets of Sawgrass Parent are disposed of in a taxable disposition for the book value of such assets and the remaining amounts, after repayment of outstanding obligations are distributed to the members pursuant to the Agreement. Per the Agreement, the Company is entitled to pro-rata distributions only after Preferred Holders have received their Total Contributed Capital and subsequent distributions to Preferred and Incentive Unit Holders have reached the Multiple on Invested Capital (MOIC) Threshold of 1.5 times the initial contributions. Therefore, it is likely that early periods will not generate sufficient earnings to provide the Company with a return in the form of a claim on net assets. Based on the terms of the Agreement our specified allocation of earnings and losses of 5% differs from the allocation of cash from operations and liquidation. Therefore, we will apply the guidance in ASC 970-323-35-17 by analogy, which states, if the specified allocation for earnings differs from the allocation of cash from operations and on liquidation, the investor should not use the specified earnings or loss percentages to determine its share of the investee's earnings. Rather, the investor should analyze the investment agreement to determine how the increase or decrease in the investee's net assets during the reporting period would affect the cash that the investor would receive over the investee's life and on its liquidation.

As per the guidance above, the subsequent recognition of the equity method investment should reflect the Company's claim on net assets, determined by its rights to distributions and residual assets under the Agreement's distribution waterfall. The Hypothetical Liquidation at Book Value (HLBV) method satisfies this requirement by simulating a hypothetical liquidation at each reporting period, allocating net assets based on the rights and priorities defined in the Agreement. This approach reflects the Company's economic interest in the Sawgrass Parent by estimating the amount it would receive in a liquidation scenario, aligning the recognition of income or loss with the actual distribution provisions under the Agreement. Accordingly, this method appropriately represents the cash distribution under Section 10 and the allocation of profit and loss under Section 9.1 of the Agreement.

At the initial investment date, the Company's hypothetical claim on net assets was zero, and it is expected to remain so, until other investors have received their Total Contributed Capital and the MOIC Threshold has been met. As a result of the MOIC not being met, the Company's share of earnings under the HLBV method is zero during these early periods. Because the Company is not obligated to fund Sawgrass Parent's losses, no losses will be allocated unless the investment becomes impaired, and such losses will not exceed the initial investment of $7.2 million. Similarly, net income will not be allocated until the HLBV calculation results in an allocation that exceeds the Company's carrying value.

Accordingly, the Company will continue to present the equity method investment at its initial fair value unless the HLBV calculation yields a profit or the investment becomes impaired.

Management believes that the use of estimates and assumptions in applying the equity method is reasonable.

The Company assesses its equity method investment for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. No impairment losses were recognized during the three months ended March 31, 2026 or 2025.

Impairment of Intangible Assets

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

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

On the contract inception date, the Company recorded deferred revenue of $11,161,428 as contract liabilities with a current and non-current component, and then immediately recognized $199,008 of this deferred revenue relating to the completed pilot program. The remaining deferred revenue was being recognized over the 5-year term.

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

During the year ended December 31, 2025, the Company evaluated its long-lived assets for impairment in accordance with ASC 350-30-35-14, which requires finite-lived intangible assets to be tested for impairment under ASC 360 when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Management identified impairment indicators during 2025 related to its CN Digital Image data rights, including (i) a significant adverse change in the extent and manner in which the asset was being used, (ii) adverse legal and contractual developments, (iii) the absence of current and projected cash flows, and (iv) the expectation that the asset would be terminated or otherwise disposed of significantly before the end of its previously estimated useful life.

The Company generated minimal subscription revenue from the licensed data, and during 2025 the Company ceased providing the related maintenance services. In addition, contractual disputes arose between the parties, and by late 2025 both parties had ceased performance and were negotiating termination of the arrangement.

As a result of these events, the Company performed a recoverability test as of December 31, 2025 by comparing the carrying amount of the asset to the sum of its estimated undiscounted future cash flows. The Company determined that the carrying amount of the asset was not recoverable, as estimated undiscounted future cash flows were negligible. The Company measured the impairment loss based on the asset's estimated fair value as of December 31, 2025. Given the absence of historical or expected future cash flows, the lack of an observable market for the asset, and the ongoing contractual dispute, the Company determined that the fair value of the CN Digital data rights License was zero.

Accordingly, the Company recorded an impairment of $8,130,461 in 2025, representing the full carrying amount of the CN Digital Image License. Because the asset was originally recognized as part of a non-cash exchange with a corresponding deferred liability offset recorded on the balance sheet, the impairment was recorded by eliminating both the intangible asset and the related deferred liability. As a result, the impairment did not impact the Company's consolidated statements of operations for the year ended December 31, 2025.

Stock Based Compensation

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

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

For restricted stock awards, fair value is measured at the closing market price of the Company's common stock on the grant date. That value is then recognized over the requisite vesting period.

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

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

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 quarter ended March 31, 2026 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 any of our Company's or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 1A. Risk Factors.

See the risk factors previously disclosed in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 31, 2026. In addition, GPU as a service presents new material risk factors for the Company. Revenue will be concentrated with a single customer; the Company bears the full risk of customer nonpayment, as the third-party operator, Hydra Host, does not guarantee customer credit performance. The Company will retain ownership of the GPU servers at the conclusion of the customer contract and is exposed to residual value risk related to changes in technology, pricing, and market demand.

We believe there are no other changes that constitute material changes from the risk factors previously disclosed in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 31, 2026.

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

None

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.

Trading Plans

During the quarter ended March 31, 2026, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits.

Exhibit No.	Description
4.1	Form of Underwriter's Warrant (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2026)
10.1	Employment Agreement, made and entered into as of November 16, 2025, between Duos Technologies Group, Inc. and Leah F. Brown (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 27, 2026)
10.2	Equity Award Agreement, made and entered into as of November 16, 2025, between Duos Technologies Group, Inc. and Leah F. Brown (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 27, 2026)
10.3	Amended and Restated Equity Award Agreement between Duos Technologies Group, Inc. and Charles P. Ferry (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 7, 2026)
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*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

		DUOS TECHNOLOGIES GROUP, INC.
Date: May 15, 2026	By:	/s/ Frank D. Recker Frank D. Recker Chief Executive Officer
Date: May 15, 2026	By:	/s/ Leah F. Brown Leah F. Brown Chief Financial Officer

Exhibit 31.1

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

I, Frank D. Recker, 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: May 15, 2026

By: /s/ Frank D. Recker
Frank D. Recker
Chief Executive Officer

Exhibit 31.2

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

I, Leah F. Brown, 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: May 15, 2026

By: /s/ Leah F. Brown
Leah F. Brown
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 March 31, 2026, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Frank D. Recker, 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 March 31, 2026, 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 March 31, 2026, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2026

By:/s/ Frank D. Recker
Frank D. Recker
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 March 31, 2026, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Leah F. Brown, 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 March 31, 2026, 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 March 31, 2026, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2026

By:/s/ Leah F. Brown
Chief Financial Officer