

Risk Factors Comparison 2025-03-31 to 2024-04-01 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

Risks Related to Our Company and Business The nature of the technology management platforms utilized by us are complex and highly integrated, and if we fail to successfully manage releases or integrate new solutions, it could harm our revenues, operating income, and reputation. The technology platforms developed and designed by us accommodate integrated applications that include our own developed technology and third- party technology, thereby substantially increasing their functionality. Due to this complexity and the condensed development cycles under which we operate, we may experience errors in our software, corruption or loss of our data, or unexpected performance issues from time to time. For example, our solutions may face interoperability difficulties with software operating systems or programs being used by our customers, or new releases, upgrades, fixes or the integration of acquired technologies may have unanticipated consequences on the operation and performance of our other solutions. If we encounter integration challenges or discover errors in our solutions late in our development cycle, it may cause us to delay our launch dates. Any major integration or interoperability issues or launch delays could have a material adverse effect on our revenues, operating income and reputation. We ~~face risks as a result of the coronavirus (COVID-19 pandemic) lingering effects which could significantly disrupt our research and development, operations, sales, and financial results. Our business has been adversely impacted by the effects of the COVID-19 pandemic. In addition to global macroeconomic effects, the COVID-19 pandemic and related adverse public health developments caused disruption and /or delays to our operations and sales activities. Our third- party manufacturers and our customers were disrupted by worker absenteeism, quarantines and restrictions on employees' ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, or other travel or health- related restrictions. Depending on the magnitude of such effects on our activities or the operations of our third- party manufacturers and third- party distributors, the supply of our products, in some cases, continue to be delayed, which could continue to adversely affect our business, operations and customer relationships. In addition, the pandemic or other disease outbreak have had and may continue to have over the longer term a material adverse effect on the economies and financial markets of many countries, resulting in an economic downturn that will affect demand for our products and services and impact our operating results. There can be no assurance that any decrease in sales resulting from the pandemic slowdown will be offset by increased sales in subsequent periods. Although the magnitude of the impact of the COVID-19 outbreak on our business and operations remains uncertain, the continued spread of COVID-19 and the related public health measures and travel and business restrictions may adversely impact our business, financial condition, operating results and cash flows. In addition, we have experienced and may in the future experience disruptions to our business operations resulting from quarantines, self- isolations, or other restrictions on the ability of our employees to perform their jobs that may impact our ability to develop and design our products and services in a timely manner or meet required milestones or customer commitments. We~~ may be adversely affected by the effects of inflation and supply chain disruption **!** Our business operates in an environment of long bid to contract award cycles. Our customer' s bid requirements are such that firm pricing is expected on much or all of our proposals and as such we must commit to certain commercial terms and conditions such as pricing. In addition, the Company hires employees and contractors to perform most (if not all) of the work required to complete a contract. We ~~are beginning~~ **have experienced, and expect to continue** to experience ~~the~~ **,** impacts of inflation upon previously forecasted costs including employees that require higher salaries, contractors demanding higher prices for jobs and higher costs for materials necessary to complete contracts. While we endeavor to charge additional costs to our customers, in some cases this may not be possible contractually and as a result our profitability may suffer as a result. Although we anticipate these effects to be mitigated in the long term, we cannot be assured that this will be possible in all or any instances and as such our revenue, profitability and growth prospects may suffer as a result of this. Current supply chain issues continue to extend deadlines for shipment of key components used in our technology systems. The effect of this may be to delay revenue recognition. We have experienced and expect to continue to experience delays to our business operations resulting from lack of materials availability, delays in securing key components such as video cameras requiring certain computer chips, and other material and personnel shortages that may impact our ability to implement our products and services in a timely manner or meet required milestones or customer commitments. In addition, higher costs for travel may adversely impact our business, financial condition, operating results and cash flows. This has made it necessary for the Company to order certain components prior to receiving a contract to ensure we have key components available when necessary to satisfy future contract obligations. Our ~~products and services may fail to keep pace with rapidly changing technology and evolving industry standards. The~~ **market markets** in which we operate ~~is~~ **are** characterized by rapid, and sometimes disruptive, technological developments, evolving industry standards, frequent new product introductions and enhancements and changes in customer requirements. In addition, both traditional and new competitors are investing heavily in our market areas and competing for customers. As next- generation video analytics technology continues to evolve, we must keep pace in order to maintain or expand our market position. We continue to introduce new product offerings focused on automating mechanical and security inspections in the rail, logistics, intermodal and government sectors as potential revenue drivers. If we are not able to successfully add staff resources with sufficient technical skills to develop and bring these new products to market in a timely manner, achieve market acceptance of our products and services or identify new market opportunities for our products and services, our business and results of operations may be materially and adversely affected. The market opportunity for our products and services may not develop in the ways that we anticipate. The demand for our products and services could change quickly and in ways that we may not anticipate. Our operating results may be adversely affected if the market opportunity for

our products and services does not develop in the ways that we anticipate or if other technologies become more accepted or standard in our industry or disrupt our technology platforms. Our revenues are dependent on general economic conditions and the willingness of enterprises to invest in technology. We believe that operators in the business sectors we are focused on continue to be cautious about sustained economic growth and seek to maintain or improve profitability through cost control and constrained spending. While our core technologies are designed to address cost reduction, other factors may cause companies to delay or cancel capital projects, including the implementation of our products and services. In addition, the business sectors in which we are focused are under financial pressure to reduce capital investment which may make it more difficult for us to close large contracts in the immediate future. We believe there is a growing market trend toward more customers exploring operating expense models as opposed to capital expense models for procuring technology. We believe the market trend toward operating expense models will continue as customers seek ways of reducing their overhead and other costs. All of the foregoing may result in continued pressure on our ability to increase our revenue and may potentially create competitive pricing pressures and price erosion. If these or other conditions limit our ability to grow revenue or cause our revenue to decline our operating results may be materially and adversely affected. Our working capital profile may shift over time to require additional investment. Historically, the Company has leveraged significant milestone payments at a contract onset to fund the purchase of required materials. Expansion into a subscription format would allow the Company to potentially transact faster and more routinely with a larger customer base than it has previously had. In certain instances where the Company ~~would~~ **plans to** build, own and operate its own assets, it ~~may~~ **will** require a different working capital and capitalization strategy whereby the Company will be required to make upfront investments without significant customer milestone payments to offset the investment. The Company believes that this presents a short- term capital risk but ~~will~~ **is expected**, long- term, ~~to~~ **to** improve the overall performance of the business. Some of our competitors are larger and have greater financial and other resources than we do. Some of our product offerings compete and will compete with other similar products from our competitors. These competitive products could be marketed by well- established, successful companies that possess greater financial, marketing, ~~distributional~~ **distribution**, personnel and other resources than we possess. In certain instances, competitors with greater financial resources also may be able to enter a market in direct competition with us offering attractive marketing tools to encourage the sale of products that compete with our products or present cost features that our target end users may find attractive. We have a history of losses and our growth plans may lead to additional losses and negative operating cash flows in the future. Our accumulated deficit was approximately \$ ~~64.74~~ million as of December 31, ~~2023~~ **2024**. Our operating losses may continue as we continue to expend resources to further develop and enhance our ~~technology offering~~ **market expansion**, to complete prototyping for proof- of- concept, obtain regulatory clearances or approvals as required, expand our business development activities and finance capabilities and conduct further research and development. We also expect to experience negative cash flow in the short ~~-~~ term until our revenues and margins increase at a rate greater than our expenses, which may not occur. We may be unable to protect our intellectual property, which could impair our competitive advantage, reduce our revenue, and increase our costs. Our success and ability to compete depend in part on our ability to maintain the proprietary aspects of our technologies and products. We rely on a combination of trade secrets, patents, copyrights, trademarks, confidentiality agreements, and other contractual provisions to protect our intellectual property, but these measures may provide only limited protection. We customarily enter into written confidentiality and non- disclosure agreements with our employees, consultants, customers, manufacturers, and other recipients of information about our technologies and products and assignment of invention agreements with our employees and consultants. We may not always be able to enforce these agreements and may fail to enter into any such agreement in every instance when appropriate. We license from third- parties certain technology used in and for our products. These third- party licenses are granted with restrictions; therefore, such third- party technology may not remain available to us on terms beneficial to us. Our failure to enforce and protect our intellectual property rights or obtain from third parties the right to use necessary technology could have a material adverse effect on our business, operating results, and financial condition. In addition, the laws of some foreign countries do not protect proprietary rights as fully as do the laws of the United States. Patents may not be issued from the patent applications that we have filed or may file in the future. Our issued patents may be challenged, invalidated, or circumvented, and claims of our patents may not be of sufficient scope or strength, or issued in the proper geographic regions, to provide meaningful protection or any commercial advantage. We have registered certain of our trademarks in the United States and other countries. We cannot assure you that we will obtain registrations of principal or other trademarks in key markets in the future. Failure to obtain registrations could compromise our ability to protect fully our trademarks and brands and could increase the risk of challenge from third parties to our use of our trademarks and brands. We may be required to incur substantial expenses and divert management attention and resources in defending intellectual property litigation against us. We cannot be certain that our technologies and products do not and will not infringe on issued patents or other proprietary rights of others. While we are not currently subject to any infringement claim, any future claim, with or without merit, could result in significant litigation costs and diversion of resources, including the attention of management, and could require us to enter into royalty and licensing agreements, any of which could have a material adverse effect on our business. We may not be able to obtain such licenses on commercially reasonable terms, if at all, or the terms of any offered licenses may be unacceptable to us. If forced to cease using such technology, we may be unable to develop or obtain alternate technology. Accordingly, an adverse determination in a judicial or administrative proceeding, or failure to obtain necessary licenses, could prevent us from manufacturing, using, or selling certain of our products, which could have a material adverse effect on our business, operating results, and financial condition. Furthermore, parties making such claims could secure a judgment awarding substantial damages, as well as injunctive or other equitable relief, which could effectively block our ability to make, use, or sell our products in the United States or abroad. Such a judgment could have a material adverse effect on our business, operating results, and financial condition. In addition, we are obligated under certain agreements to indemnify the other party in connection with infringement by us of the proprietary rights of third parties. In the event that we are required to indemnify parties under these

agreements, it could have a material adverse effect on our business, financial condition, and results of operations. We may incur substantial expenses and divert management resources in prosecuting others for their unauthorized use of our intellectual property rights. Other companies, including our competitors, may develop technologies that are similar or superior to our technologies, duplicate our technologies, or design around our patents, and may have or obtain patents or other proprietary rights that would prevent, limit, or interfere with our ability to make, use, or sell our products. Although we do not have operations outside North America at this time, we may compete for contracts in other countries in the future. Effective intellectual property protection may be unavailable, or limited, in some foreign countries in which we may do business, such as China. Unauthorized parties may attempt to copy or otherwise use aspects of our technologies and products that we regard as proprietary. Our means of protecting our proprietary rights in the United States or abroad may not be adequate or competitors may independently develop similar technologies. If our intellectual property protection is insufficient to protect our intellectual property rights, we could face increased competition in the market for our technologies and products. Should any of our competitors file patent applications or obtain patents that claim inventions also claimed by us, we may choose to participate in an interference proceeding to determine the right to a patent for these inventions, because our business would be harmed if we fail to enforce and protect our intellectual property rights. Even if the outcome is favorable, this proceeding could result in substantial cost to us and disrupt our business. In the future, we also may need to file lawsuits to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others. This litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources, which could have a material adverse effect on our business, financial condition, and results of operations. If we are unable to apply technology effectively in driving value for our clients through technology- based solutions or gain internal efficiencies and effective internal controls through the application of technology and related tools, our operating results, client relationships, growth and compliance programs could be adversely affected. Our future success depends, in part, on our ability to anticipate and respond effectively to the threat and opportunity presented by new technology disruption and developments. These may include new software applications or related services based on artificial intelligence, machine learning, or robotics. We may be exposed to competitive risks related to the adoption and application of new technologies by established market participants or new entrants, start- up companies and others. These new entrants are focused on using technology and innovation, including artificial intelligence, to simplify and improve the client experience, increase efficiencies, alter business models and effect other potentially disruptive changes in the industries in which we operate. We must also develop and implement technology solutions and technical expertise among our employees that anticipate and keep pace with rapid and continuing changes in technology, industry standards, client preferences and internal control standards. We may not be successful in anticipating or responding to these developments on a timely and cost- effective basis and our ideas may not be accepted in the marketplace. Additionally, the effort to gain technological expertise and develop new technologies in our business requires us to incur significant expenses. If we cannot offer new technologies as quickly as our competitors, or if our competitors develop more cost- effective technologies or product offerings, we could experience a material adverse effect on our operating results, client relationships, growth and compliance programs. We are dependent on information technology networks and systems to securely process, transmit and store electronic information and to communicate among our locations around North America and with our people, clients, partners and vendors. As the breadth and complexity of this infrastructure continues to grow, including as a result of the use of mobile technologies, social media and cloud- based services, the risk of security breaches and cyberattacks increases. Such breaches could lead to shutdowns or disruptions of or damage to our systems and those of our clients, alliance partners and vendors, and unauthorized disclosure of sensitive or confidential information, including personal data. In the past, we have experienced data security breaches resulting from unauthorized access to our and our service providers' systems, which to date have not had a material impact on our operations, however, there is no assurance that such impacts will not be material in the future. In providing services and solutions to clients, we may be required to manage, utilize and store sensitive or confidential client data, possibly including personal data, and we anticipate these activities to increase, including through the use of artificial intelligence, the internet of things and analytics. Unauthorized disclosure of sensitive or confidential client data, whether through systems failure, employee negligence, fraud, misappropriation, or other intentional or unintentional acts, could damage our reputation, could cause us to lose clients and could result in significant financial exposure. Similarly, unauthorized access to our or through our or our service providers' information systems or those we develop for our clients, whether by our employees or third parties, including a cyberattack by computer programmers, hackers, members of organized crime and / or state- sponsored organizations, who continuously develop and deploy viruses, ransomware or other malicious software programs or social engineering attacks, could result in negative publicity, significant remediation costs, legal liability, damage to our reputation and government sanctions and could have a material adverse effect on our results of operations. Cybersecurity threats are constantly expanding and evolving, thereby increasing the difficulty of detecting and defending against them and maintaining effective security measures and protocols. We depend on key personnel who would be difficult to replace, and our business plan will likely be harmed if we lose their services or cannot hire additional qualified personnel. Our success depends substantially on the efforts and abilities of our senior management and certain key personnel. The competition for qualified management and key personnel, especially engineers, is intense. Although we maintain non- competition and non- disclosure covenants with all our key personnel, we do not have employment agreements with **most-many** of them. The loss of services of key employees, or the inability to hire, train, and retain key personnel, especially engineers and technical support personnel, could delay the development and sale of our products, disrupt our business, and interfere with our ability to execute our business plan. **Under the Asset Management Agreement, New APR will share certain management functions with the Company and its subsidiaries, including the Chief Executive Officer, Chief Operating Officer, Chief Commercial Officer and General Counsel, and other services will be provided by the Company in a combination of direct staffing with specific experience in the power generation industry and other functions as necessary via a " shared services " agreement. This may at times affect such employees', including members**

of senior management, ability to devote time, attention, and effort to the Company. Due to our dependence on a limited number of customers, we are subject to a concentration of credit risk. **For the year ended December 31, 2024, four customers accounted for 34 %, 31 %, 13 % and 12 % of revenues.** For the year ended December 31, 2023, three customers accounted for 48 %, 30 %, and 11 % of revenues. ~~For the year ended December 31, 2022, four customers accounted for 42 %, 18 %, 14 % and 14 % of revenues.~~ In all cases, there are no minimum contract values stated. Each contract covers an agreement to deliver a rail inspection portal which, once accepted, must be paid in full, with 30 % or more being due and payable prior to delivery. The balances of the contracts are for service and maintenance which is paid annually in advance with revenues recorded ratably over the contract period. As of December 31, ~~2023~~ **2024**, ~~two~~ **three** customers accounted for ~~83~~ **73** %, ~~17~~ **17** % and ~~11~~ **10** % of our accounts receivable. In the case of insolvency by one of our significant customers, accounts receivable with respect to that customer might not be collectible, might not be fully collectible, or might be collectible over longer than normal terms, each of which could adversely affect our financial position. ~~Additionally, our largest customer accounted for approximately 48 % of our total revenues for the year ended December 31, 2023.~~ This concentration of credit risk makes us more vulnerable economically. The loss of any of these customers could materially reduce our revenues and net income, which could have a material adverse effect on our business. **We expect this concentration risk will increase due to the significance of the anticipated revenues under the AMA with New APR. Our anticipated business growth is highly dependent on an Asset Management Agreement with New APR Energy. The Company is expecting to report improved revenues and potentially achieve profitability during fiscal year 2025. That expectation is based on substantial revenues being achieved from the AMA with New APR. Although the Company has some influence on that agreement, we are dependent on the market for “behind the meter” power growing as anticipated. If the market should not grow as anticipated or due to some other circumstances either within or beyond our control, revenues recognized from this agreement could be substantially less than expected which would have a material impact on the agreement or lead to its cancellation. In addition, New APR’s business may be affected by new technologies or changes in the industry, regulations, and customer requirements, which may render its existing power, generating solutions obsolete, excessively costly or otherwise unmarketable. Its competitive position may then be impaired, which could have a material adverse effect on the Company’s business. The term of the AMA is for two years and it may be extended at the option of New APR. There is no assurance, however, that it will be extended and it may be terminated under certain circumstances. Changes in the Availability of Government Financing May Adversely Affect Our Customer’s Ability to Enter Into Major Capital Projects, such as Data Centers. The strategy of our Duos Edge subsidiary is to serve rural communities, also known as Tier 3 and 4 markets, and install Edge data centers in these locations. The customers for which we might build these Edge data centers may be dependent on Government grants or financing to assist them to complete these projects. Any reductions in the availability of such grants or financing may adversely affect the ability of these parties to enter into such projects.**

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

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

You may experience dilution of your ownership interest due to future issuances of our securities. We are in a capital-intensive business, and we may not have sufficient funds to finance the growth of our business or to support our projected capital expenditures. As a result, we may require additional funds from future equity or debt ~~financings~~ **financing**, including potential sales of preferred shares or convertible debt, to complete the development of new projects and pay the general and administrative costs of our business. We may in the future issue our previously authorized and unissued securities, resulting in the dilution of the ownership interests of holders of our common stock. We are currently authorized to issue 500,000,000 shares of common stock and 10,000,000 shares of preferred stock. We may also issue additional shares of common stock or other securities that are convertible into or exercisable for common stock in future public offerings or private placements for capital raising purposes or for other business purposes. The future issuance of a substantial number of shares of common stock into the public market, or the perception that such issuance could occur, could adversely affect the prevailing market price of our common shares. A decline in the price of our common stock could make it more difficult to raise funds through future offerings of our common stock or securities convertible into common stock. Our Board of Directors may issue and fix the terms of shares of our Preferred Stock without stockholder approval, which could adversely affect the voting power of holders of our Common Stock or any change in control of our Company. Our Articles of Incorporation authorize the issuance of up to 10,000,000 shares of “blank check” ~~preferred stock, with such designations~~ **designation** rights and preferences as may be determined from time to time by the Board of Directors. Our Board of Directors is empowered, without shareholder approval, to issue shares of preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of our common stock. In the event of such issuances, the preferred stock could be used, under certain circumstances, as a method of discouraging, delaying, or preventing a change in control of our Company. **We recently completed an “At the Market” (ATM) offering and may consider registering additional shares using our S3 shelf registration facility. We currently have an active shelf registration statement (S-3). We are able to file a supplement to raise potentially as much as \$16.5 million under the “baby shelf” rules and use a new ATM to raise additional capital. The future issuance of a substantial number of shares of common stock into the public market, or the perception that such issuance could occur, could adversely affect the prevailing market price of our common shares. A decline in the price of our common stock**

could make it more difficult to raise funds through future offerings of our common stock or securities convertible into common stock.

We do not expect to pay dividends and investors should not buy our common stock expecting to receive dividends. We do not anticipate that we will declare or pay any dividends in the foreseeable future. Consequently, you will only realize an economic gain on your investment in our common stock if the price appreciates. You should not purchase our common stock expecting to receive cash dividends. Accordingly, our stockholders will not realize a return on their investment unless the trading price of our common stock appreciates, which is uncertain and unpredictable. In addition, because we do not pay dividends, our common stock may be less attractive, which may cause us to have trouble raising additional funds which could affect our ability to expand our business operations. Our operating results are likely to fluctuate from period to period. We anticipate that there may be significant fluctuations in our future operating results. Potential causes of future fluctuations in our operating results may include: → Period- to- period fluctuations in financial results → Issues in manufacturing products → Unanticipated potential product liability claims → The introduction of technological innovations or new commercial products by competitors → The entry into, or termination of, key agreements, including key strategic alliance agreements → The initiation of litigation to enforce or defend any of our intellectual property rights → Regulatory changes → Failure of any of our products to achieve commercial success We are subject to the Florida anti- takeover provisions, which may prevent you from exercising a vote on business combinations, mergers or otherwise. As a Florida corporation, we are subject to certain anti- takeover provisions that apply to public corporations under Florida law. Pursuant to Section 607. 0901 of the Florida Business Corporation Act, or the Florida Act, a publicly held Florida corporation, under certain circumstances, may not engage in a broad range of business combinations or other extraordinary corporate transactions with an interested shareholder without the approval of the holders of two- thirds of the voting shares of the corporation (excluding shares held by the interested shareholder). An interested shareholder is defined as a person who together with affiliates and associates beneficially owns more than 15 % of a corporation’ s outstanding voting shares. We have not made an election in our amended Articles of Incorporation to opt out of Section 607. 0901. In addition, we are subject to Section 607. 0902 of the Florida Act which prohibits the voting of shares in a publicly held Florida corporation that are acquired in a control- share acquisition unless (i) our board of directors approved such acquisition prior to its consummation or (ii) after such acquisition, in lieu of prior approval by our board of directors, the holders of a majority of the corporation’ s voting shares, exclusive of shares owned by officers of the corporation, employee directors or the acquiring party, approve the granting of voting rights as to the shares acquired in the control- share acquisition. A control- share acquisition is defined as an acquisition that immediately thereafter entitles the acquiring party to 20 % or more of the total voting power in an election of directors.