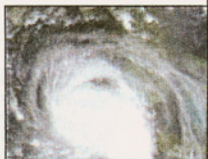


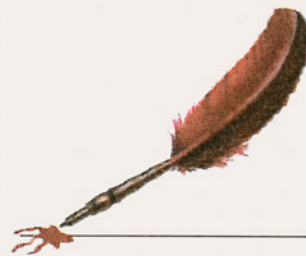
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Duos rises from the ashes to railroad gold

BY TONY QUESADA
STAFF WRITER

JACKSONVILLE — It's a company a phoenix would be proud of.

Duos Technologies Inc., with roots in the once-thought-lucrative recycling of ash from trash incinerators, is rising as a go-to systems integrator in the growing field of automated surveillance for critical assets. The company, which is making a niche in the rail industry, has a plan to grow that includes acquisitions and eventually going public.

Since being spun out from its former parent company in November 2002 with no customers and a handful of employees, CEO Gianni Arcaini projects Duos' revenues for 2006 will be \$10 million to \$11 million.

The opportunity for continued growth appears promising, considering the market for video surveillance is growing 15 percent to 20 percent a year and is projected to reach \$8 billion by 2010, according to research done for Duos.

"The pool is gigantic, so you have to pick your target," Arcaini said. "We've made a name as No. 1 in critical asset protection for railroads."

Duos has put in surveillance systems along railroad tunnels and bridges for CSX Transportation Inc. and has an agreement to provide systems for Union Pacific Railroad. Last year, it teamed with a San Diego company in a \$9.8 million contract from the Department of Homeland Security to install a system along a seven-mile stretch of CSXT's track in Washington, D.C. And the company has submitted a pilot project proposal for a system to detect unauthorized riders and disturbed shipping containers on a stretch of another railroad's track along the Southwest border.

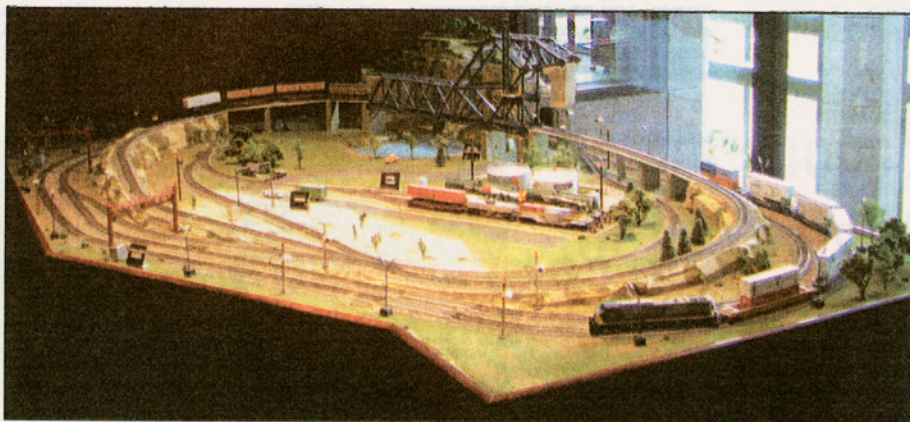
It's not surprising to Skip Elliott, vice president of public safety and environment at CSXT, that Duos is gaining momentum among railroads and the Department of Homeland Security.



Arcaini



Elliott



SUSAN ST. PETER

A model in the Southside office of Duos Technologies, dubbed the Duos Railway Express, depicts the company's technologies and applications for the rail industry.

"They've gone out of their way to understand the railroad industry," Elliott said. "Duos is an important part of our overall security planning."

But Duos isn't limiting itself to railroad transportation. In early 2005, Duos partnered with New Jersey-based Sarnoff Corp. to develop and install the Video Flashlight Tag & Track System inside Jacksonville International Airport. The system, funded as a pilot with a \$1.5 million Transportation Security Agency grant, monitors all public areas and enables users to track a person in the past as if the system had been monitoring that person exclusively. For example, if an unattended bag is detected, system operators can scan back in time to tag the person who left it and fast-forward while tracking the person to find his or her current location.

The company has also put surveillance systems in hospitals and chemical plants, and it provides process control systems, such as for remote and automated bridge operation.

The company has a backlog of projects worth about \$9 million, Arcaini said. He expects the backlog to reach \$15 million by the end of August and finish the year at \$7 million to \$8 million.

To handle the increased workload, Duos is in hiring mode, looking to increase staff in business development, research and development, engineering and software programming. Arcaini said the company is

going from about 30 employees to as many as 60.

Arcaini hopes to take Duos Technologies public within two years. He said the company plans to seek equity financing to fund one or two acquisitions within eight months to help push Duos' revenue, along with organic growth, to about \$20 million.

At that point, he said Duos would be positioned for an initial public offering that would provide the means for further growth, with a goal of becoming a \$100 million company.

Duos' origins are in recycling. In the early 1990s, the company was formed as a subsidiary of Environmental Capital Holdings Inc. Initially called Duos Engineering Inc., the company designed systems to operate plants for recycling ash from trash incinerators.

But in 1994, the U.S. Supreme Court, in the case of Environmental Defense Fund vs. City of Chicago, ruled that such ash should be treated as hazardous. The decision put a damper on ECH's business model, Arcaini said.

After being spun off, Duos' first client was CSXT, which was looking to automate bridge controls. And while Duos was convincing CSXT it was up to that task, the aftermath of 9/11 prompted the company to add remote surveillance to its business plan.