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DYADIC INTERNATIONAL INC

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

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

DYADIC INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**45-0486747**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

140 Intracoastal Pointe Drive, Suite 404
Jupiter, Florida 33477
(Address of principal executive offices) (Zip Code)

(561) 743-8333
(Registrant's telephone number, including area code)

Copies to:

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Securities to be registered pursuant to Section 12(b) of the Act: None

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

Common Stock, par value $0.001 per share
(Title of class)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐	Accelerated Filer ☐	Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☑

DYADIC INTERNATIONAL, INC.

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INFORMATION REQUIRED IN REGISTRATION STATEMENT

EXPLANATORY NOTE

You should rely only on the information contained in this General Form for Registration of Securities on Form 10 (the "Registration Statement") or to which we have referred you. We have not authorized anyone to provide you with information that is different. You should assume that the information contained in this document is accurate as of the date of this Registration Statement only.

On the date of effectiveness of this Registration Statement we will become subject to the requirements of Regulation 13(a) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and will be required to file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and will be required to comply with all other obligations of the Exchange Act applicable to issuers filing registration statements pursuant to Section 12(g) of the Exchange Act. Our periodic and current report will be available on the website, www.dyadic.com, free of charge, as soon as reasonable practicable after such materials are filed with, or furnished to the U.S. Securities and Exchange Commission (the "SEC").

As used in this Registration Statement, unless the context otherwise requires the terms "we," "us," "our," "Dyadic" and the "Company" refer to Dyadic International, Inc., a Delaware corporation, and its subsidiaries.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Information (other than historical facts) set forth in this Registration Statement contains forward-looking statements within the meaning of the Federal Securities Laws, which involve a number of risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Forward-looking statements generally can be identified by use of the words "expect," "should," "intend," "anticipate," "will," "project," "may," "might," potential" or "continue" and other similar terms or variations of them or similar terminology. Such forward-looking statements are included under Item 1. "Business" and Item 2. "Financial Information - Management's Discussion and Analysis of Financial Condition and Results of Operations". Dyadic cautions readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information. Such statements reflect the current views of our management with respect to our operations, results of operations and future financial performance. Forward-looking statements involve a number of risks, uncertainties or other factors beyond Dyadic's control. These factors include, but are not limited to, our ability to implement our strategic initiatives, our ability to execute and achieve our research and development objectives, our ability to obtain new license agreements, our dependence on our licensees for research and development funding, milestones and royalties for the products and/or processes that utilize licensed rights, our ability to maintain uninterrupted access to toll manufacturing at the quantities needed and at a competitive cost structure, our ability to hire and maintain, as well as our reliance on qualified employees and professionals, economic, political and market conditions and price fluctuations, government and industry regulation, U.S. and global competition, upgrade financial staffing, implement and monitor internal controls, and comply with financial reporting requirements, and other factors. We caution you that the foregoing list of important factors is not exclusive. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Before investing in our common stock, investors should be aware that the occurrence of the events described under the caption "Risk Factors" and elsewhere in this Registration Statement could have a material adverse effect on our business, results of operations and financial condition.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or occur. Except as required by law, we undertake no obligation to publicly update any forward-looking statements for any reason after the date of this Registration Statement to conform these statements to actual results or to changes in our expectations.

PART I

Item 1. Business

Overview

The biotechnology bottleneck

The genomic revolution has seen billions of dollars invested in technology to discover new genes, the building blocks that carry out instructions encoded in DNA. With the advent and maturation of high-throughput robotic sequencing technology, gene sequencing costs have been spiraling downward from $100 million to sequence a single genome in the early 2000s to approximately $1,000 today according to the U.S. National Human Genome Research Institute. Facilitated by the recent affordability of gene discovery, new genes along with their functions are being identified at a greatly accelerated pace. These genes have the potential for commercial applications in multi-billion dollar opportunities across diverse end markets:

- **Biofuels and bio-based chemicals** – including bioethanol, biodiesel, renewable plastics and polymers as replacements for petroleum-based products and a variety of bio-based chemicals such as acrylic acid, succinic acid, butanediol, phthalate, solvents, and nutritious oils (e.g., omega 3)

- **Biopharmaceuticals** – including therapeutic proteins, vaccines, monoclonal antibodies, biogenerics and other biologics used in the treatment of many diseases

- **Industrial** – including enzymes that stonewash blue jeans; enable pulp & paper mills to operate more cleanly and efficiently; improve food production; create more nutritious animal feed; and aid in making beer, wine and fruit juice

Modern biotechnology has enabled the discovery of numerous next-generation enzymes and other proteins that are more effective, cost efficient and environmentally sustainable. The current bottleneck in commercializing these novel genes lies in the inability to develop and manufacture them economically at industrial scale.

Our solution

Dyadic has developed, optimized and successfully commercialized an industrially proven expression system that turns genes into a broad range of valuable products. At the heart of Dyadic's technology are specially engineered strains of the filamentous fungi *Myceliophthora thermophila*, which we brand as "C1." The C1 Expression System overcomes many of the inadequacies of existing technologies used for gene discovery, product development and commercialization. Our patented and proprietary C1 Expression System is one of the few commercially available solutions able to take genes and develop highly scalable industrial processes to produce enzymes and other protein products. This fully programmable system is robust, flexible, and safe and has produced products in some of the largest fermenters used in the industry.

Experts in academia and industry regard Dyadic's C1 technology to be among the foremost expression systems in the world. It is well-recognized that the development of an expression system like C1 is an expensive and risky proposition that requires many years to overcome numerous scientific challenges. Thus, there is a high barrier of entry for competitors in this highly specialized technology sector.

Enzymes for biofuels and bio-based chemicals

Our C1-based enzyme technology is a critical element in the conversion of fibers from plant material ("biomass") into second-generation cellulosic ethanol and a host of other high value bio-based fuels and chemicals such as butanol, polyurethane, acrylic acid, succinic acid, 1,4-butanediol, biopolymers, and phthalate. We believe that three key factors have enabled Dyadic to become a leader in this nascent industry:

- **Highly effective CMAX product line:** Robust and tolerant to higher temperatures and pH, C1-based enzymes are particularly adept at converting various types of biomass into the fermentable sugars used to produce biofuels and bio-based chemicals

- **Agile, cost efficient research and development platform:** Our C1 Expression System has a genome rich in plant-degrading enzymes, enabling researchers to analyze and select enzymes best suited for their targeted applications quickly and effectively

- **On-site manufacturing business model:** By allowing our customers to produce enzymes under license on-site at biofuel refineries, versus centralized production of enzymes, we are able to pass along anticipated savings of 30-50% of operating costs to the customer

We believe the demand for plant-degrading enzymes will increase substantially, especially as the cellulosic ethanol industry gains traction as the first commercial-scale facilities set to come online in 2014. McKinsey & Co., a management consultancy, projects worldwide cellulosic ethanol demand to be 20 billion gallons per year by 2020, which if realized we estimate would create an additional $5 billion market for lingocellulosic enzymes. While we expect that McKinsey's target may be delayed beyond 2020, there remains a belief among many that the industry will grow rapidly. We provide our C1 technology to Abengoa Bioenergy ("Abengoa") and Compagnie Industrielle de la Matière Végétale ("CIMV"), both pioneers and leaders in the emerging cellulosic ethanol industry.

- **Abengoa:** Anticipated to begin operations at its 25 million gallon advanced biofuels plant in Hugoton, Kansas in the third quarter of 2014, Abengoa has reported that they will be using enzymes manufactured under its C1 Expression System license as they start up their Hugoton plant. We expect this facility to generate royalties for Dyadic by the end of 2014

- **CIMV:** We recently entered into a collaboration with CIMV, a leader in developing innovative technologies to process biomass, to create an efficient, fully integrated system to produce environmentally low impact biofuels and bio-based chemicals. Dyadic anticipates supplying enzymes to CIMV's planned 2015 demonstration plant and licensing its C1 technology for on-site production of enzymes at CIMV's future commercial scale plants

A new way to make biopharmaceuticals

In 2012, biologics accounted for approximately 18% of total global spending on drugs and to reach an overall market revenue of over $169 billion by 2012, and expected to grow to over $220 billion by 2020 according to IMS Health, a leading healthcare market research company. Within the next five years, seven of the top ten global medicines by revenue will be a biologic. However, biotechnology companies today are facing significant challenges in finding suitable systems to produce certain biologic drugs. Novel expression systems may offer significant advantages over the most commonly used production hosts (mammalian cells, bacteria, and yeast) such as lower manufacturing costs, more human-like or better controlled glycosylation of proteins, proper protein folding, and higher purity.

Expression systems based on filamentous fungi, like C1, may provide particular advantages over mammalian cell lines, such as faster cell line development, thereby reducing the initial drug development period. Further, fungal expression systems tend to offer a combination of high yields and shorter growth periods, promising significantly lower production costs. Downstream processing ("DSP") is streamlined as well, since proteins are typically secreted and the product is easier to isolate and purify. Despite these advantages, filamentous fungal systems are not prevalent today as expression systems for biologics, as the genetic tools for engineering filamentous fungal hosts have historically not been developed to meet the needs of the pharmaceutical industry. We believe that the C1 system has the potential to overcome these challenges and dramatically reduce the cost and time to market for biologics. Given the progress we have already achieved, it is apparent that engineering the C1 Expression System for biologics represents a very lucrative, but risky opportunity that Dyadic has only just begun to pursue.

Our growing industrial enzyme business

Within Dyadic, we have successfully leveraged our technologies to develop a growing industrial enzymes business, with sales of $10 million to more than 35 countries in 2013. We believe that enzymes have particular advantages as biocatalysts and will increasingly replace existing chemicals and other technologies that are potentially more harmful to the environment or human body. According to Freedonia, a leading market research group, industrial enzymes represented a $5.1 billion market worldwide in 2012 and are expected to grow to $7 billion by 2017. Our current business selling proprietary enzyme products for the animal feed, pulp and paper, textiles, and food and beverage end-markets is well-positioned for expansion, and we expect substantial growth. We are expanding our new product development pipeline of proprietary enzymes to compete against the limited number of competitors in the field that also have advanced technologies to commercialize large volumes of low cost industrial enzymes.

Scientific expertise and a pioneering management team

The rich history of Dyadic represents a microcosm of how modern biotechnology is revolutionizing science, medicine, agriculture, and engineering to improve how we feed, fuel, and heal the world. For Dyadic, the journey can be described as going from "jeans to genes": pioneering the use of pumice stones to stonewash blue jeans in the early 1980s, shifting along with the industry to enzymes at the end of the decade, then beginning a new journey with the discovery of a filamentous fungal strain suitable for producing enzymes in the early 1990s. For the next two decades, Dyadic has built the knowledge, expertise, molecular tools, and technology needed to create and commercialize one of the world's premiere gene expression systems. During development we identified two separate mutations: the first changed the morphology of our organism, resulting in high productivity and better growth conditions; and the second created our C1 White Strain™, which allows for the production of purer enzymes. We believe our research and development ("R&D") laboratory, located in the Netherlands near the prestigious Wageningen University, is world class and we have some of the leading scientists and scientific advisors in the field. Dyadic today is still led by its pioneering founder, and its management team has a unique mix of established industry veterans and dynamic youth.

Partnered with leaders in industry and academia

Dyadic has a number of prominent, global commercial partners and licensees of our technology that are leveraging the C1 Expression System across industries, markets, and continents. These partners and licensees are leaders in their respective markets and include Abengoa and CIMV in biofuels, BASF and a confidential animal feed partner in industrial enzymes, and Sanofi Pasteur ("Sanofi") in vaccines. We are involved in nine innovative private-public programs funded by the European Union and the Dutch government in application areas ranging from cosmetics, algae-based products, bioplastics, baking, and paper waste and starch processing. These research partnerships provide many benefits including revenue to offset R&D costs, business development opportunities, and access to industry knowledge in related fields. Dyadic also enjoys strong, productive, and effective relationships with biotechnology research groups at prestigious institutions around the world, including the Scripps Research Institute, Wageningen University (The Netherlands), Moscow State University, The Netherlands Organization for Applied Scientific Research (TNO), and Bio-Technical Resources (BTR).

What Are Enzymes?

Enzymes are large biological molecules produced by all living cells. They are proteins that act as natural catalysts and are essential for the regulation of tens of thousands of biochemical functions performed by cells and organisms. Whenever one substance needs to be transformed into another, nature uses enzymes to initiate and accelerate the process and to make it more efficient. Everything from the conversion of sunlight and carbon dioxide to oxygen and energy by plants to the digestion and absorption of food requires enzymes.

Diverse with many applications

Microorganisms found in nature, mainly fungi and bacteria, produce thousands of different enzymes, including many commonly used in industrial processes. The key challenges for industry are to identify the ideal enzyme for a specific need, create an expression host that can produce that enzyme at high levels and high purity, and optimize the microorganism used to manufacture the enzyme for robust, reliable growth in a controlled, large-scale industrial fermentation system. Dyadic has achieved this with its C1 fungal expression system.

Nature has finely tuned enzymes to make them ideally suited to performing a particular function, and one function only. These unique proteins are highly specialized not only in what they do, but also under what conditions they will carry out their task. The combination of so many different types of enzymes available in nature and the availability of modern high throughput screening techniques to sort through gene libraries rapidly and efficiently creates an almost unlimited number of opportunities to discover and develop enzymes with desired properties across industries and multiple billion dollar markets. The C1 system may then be used to develop and produce these enzymes at high yields and low costs in commercial scale processes.

One of the earliest commercial applications of enzymes was in the food and beverage industry, where enzymes have long been used successfully in baking and brewing applications and in starch processing to ensure more consistent and safer production of high quality end-products. Another early application of enzymes was in the textiles industry, where amylases, proteases, cellulases, and other enzymes have been developed for use in the washing and finishing of various textiles. Currently, the markets for industrial enzymes encompass a large and diverse range of products, including animal feed, food (e.g., baking, dairy) and beverage (e.g., brewing, fruit juice, and wine production), textiles, pulp and paper, detergents and personal care products, biofuels and grain (starch) processing, and biopharmaceuticals.

An environmentally friendly alternative

An enzyme works much like a key opens a lock: when it finds the correct substrate, the molecule that fits within its active catalytic site, a specific biochemical reaction takes place. An important advantage of the specificity of enzymes is the absence of unexpected, unwanted side reactions that could disrupt industrial processes and generate undesired by-products. Therefore, enzymes can safely be added to many industrial processes to enable or speed up reactions or improve product yields. An enzyme that transforms starch into glucose, for example, will catalyze only that specific reaction, and no other material or process will be altered or affected. Further, as natural molecules, enzymes are completely biodegradable. When the biochemical reaction for which an enzyme is needed has finished, the enzyme can be disposed of in the process waste water. It will harmlessly degrade into its amino acid components, which may be reused to form a new protein. Industrial use of enzymes is truly a “green” alternative to many chemical processes used today.

What is a Protein Expression System?

“The expression system is not everything, but everything is nothing without a good expression system”

The DNA sequence of a gene encodes the information needed to make a protein. By transferring this gene into a host microorganism, a mini factory is created that produces the encoded proteins (an "expression host"). Every living cell is essentially an expression system, capable of producing hundreds of enzymes and other proteins. The gene for a desired protein may normally be present in an expression host (a homologous gene), or it can be inserted using molecular engineering (a heterologous gene). For the purposes of this document, we refer to an expression system as a microorganism or host cell line with the necessary molecular tools to enable recombinant engineering for the development and production of targeted enzymes and other proteins. Dyadic's C1 Expression System is built around its patented and proprietary filamentous fungal expression host *Myceliophthora thermophila*.

Finding the right gene that encodes for a specific enzyme of interest is a key challenge for Dyadic and the broader biotechnology industry. The process of using an expression system to develop a product requires several distinct phases that begin with gene discovery and end with the optimization and manufacturing of a protein product. This process, from beginning to end, typically takes between six months to two years, and sometimes even longer. While each phase presents technical challenges, Dyadic has developed the molecular tools and advanced technologies needed to meet these challenges and fine-tune each aspect of this process.

- **Gene Library Creation:** At the heart of an expression system is the collection of genes and gene sequences available to be over-expressed by the microorganism. A gene library consists of genes with potential industrial utility that may be native to the expression host or have been collected from a variety of sources, including other organisms or environmental samples. Gene collections can number in the thousands or even millions. In addition to libraries of full-length genes are collections of DNA sequences that are being identified, synthesized, and catalogued at an accelerated rate. These gene fragments may serve a variety of functions, including acting as promoters to regulate gene expression, or producing cofactors that enhance enzyme activity. These genes and DNA sequence libraries provide a virtually untapped pool of new product opportunities waiting to be expressed. Dyadic has created its own proprietary gene library based on C1’s rich genome, as well as genes from other organisms.

- **Gene Discovery:** Using advanced automation and robotic processing technology, the biotechnology industry can screen at a rapid rate for target enzymes or other proteins expressed by genes in their libraries during the gene discovery phase. Once an enzyme or protein with the desired activity and functional characteristics is identified, you can easily isolate the gene responsible for that activity.

- **Gene Expression:** The goal of gene expression is to construct a microorganism capable of producing the protein encoded for by the gene selected during gene discovery. Transfer of the gene of interest into the host microorganism, if successful, typically results in levels of protein production too low for commercial use. Based on extensive experience and expertise, our scientists can apply a wide range of molecular biology techniques to increase expression in the best producing strains. Dyadic’s C1 Expression System includes several C1-based expression hosts and an extensive toolkit that has the potential to enable high levels of expression of genes present in nature.

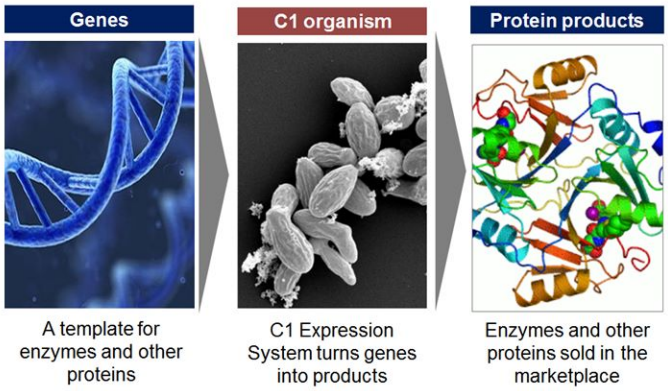
- **Product Optimization:** Once our scientists have achieved high levels of gene expression in a variety of production strains in the laboratory, they then work to improve production processes and make them even more productive. During fermentation process optimization, we adjust the culture media, nutrients, and environmental conditions to optimize growth of the production strain in large-scale bioreactors.

- **Manufacturing**: Dyadic's C1 Expression System avoids the challenges involved in switching from a laboratory organism to a commercial production strain. The "one-stop shop" capabilities of C1-based expression hosts are highly prized. The ability to use a single organism in the lab and the factory significantly increases the probability of success for producing a commercially viable product from a gene library in a shorter time frame.

Our C1 Expression System

"The search for novel and/or improved industrial enzymes and enzyme production systems is intensifying as market demand increases. One such new system was developed based on a recently discovered fungal isolate, C1... The filamentous fungus C1 was developed into a mature technology and protein-production platform. C1's inherent richness of genes encoding industrially relevant enzymes and its high-producing characteristics have been a proven starting point for the development of different C1 strains producing enzymes and enzyme mixtures." - Industrial Biotechnology, *June 2011*

Figure 1 – The C1 Expression System turns DNA into products



The filamentous fungus Myceliophthora thermophila was isolated by Dyadic scientists in the early 1990s and christened C1. Classical ultraviolet light-induced experiments led to a mutation with beneficial morphological changes in the fungus, resulting in a high-yielding strain that exhibits a low viscosity profile when growing at high density. What began as experiments to identify and produce cellulase enzymes used for stonewashing blue jeans has led to the creation of a world class technology platform for producing all types of enzymes and proteins across several diverse multi-billion dollar markets. Significant milestones in the evolution of C1 have included the following:

- **1992:** Discovery of the wild-type C1 strain
- **1995-96:** Identification of the high cellulase (“HC”) C1 strain derived from mutagenesis experiments resulting in a morphological change in the fungus and over-expression of cellulase enzymes; especially advantageous initially for stonewashing denim and later modified to be used in converting cellulose and other lignocellulosic polymers to sugars for applications in the biofuels industry
- **2003:** Dyadic established an R&D facility in The Netherlands (“Dyadic Netherlands” or “DNL”)
- **2005:** Sequenced the C1 genome, enabling new gene discovery and facilitating targeted genetic modification

- **2005-08:** Further developed the low cellulase C1 strain (the "White Strain™") using mutagenesis and gene knock-out and knock-in technology to shut down fungal production of the background enzymes and to minimize synthesis of proteases (enzymes that degrade proteins), while increasing enzyme and other protein productivity; allowing for genetic reprogramming of C1 and over-expression and secretion of highly pure enzymes of interest cost effectively and at commercial scale

- **2006:** Abengoa invests in Dyadic with funds targeted for R&D of C1-based enzymes for second-generation biofuels and bio-based chemicals

- **2008:** Licensed the C1 technology platform for use in biofuels and bio-based chemicals on a non-exclusive basis to Codexis in partnership with Shell

- **2009:** Licensed the C1 technology platform for use in second-generation biofuels and bio-based chemicals on a non-exclusive basis to Abengoa

- **2011:** Began collaborations to develop a vaccine with Sanofi and entered into a license agreement to develop an animal feed enzyme with a confidential leading animal nutrition company

- **2012:** Expanded Abengoa's non-exclusive rights for use in second-generation biofuels and bio-based chemicals, and first generation ethanol; began EU-funded Bio-Mimetic program with partners including Proctor & Gamble and CIMV

- **2013:** Licensed the C1 technology for use in certain markets on a non-exclusive basis to BASF and expanded our Dutch research center

- **2014:** Further breakthroughs with our White Strain in expressing heterologous genes at even higher levels; established new partnership with CIMV to develop second-generation biofuels; began second funded biopharmaceutical project to develop a therapeutic protein an animal health application

We are continually working to refine, enhance, and expand our patented and proprietary C1 technology. Together with our licensees, we continue to invest substantial dollars and resources toward improving the platform through further strain engineering and fermentation process optimization.

Advantages for turning genes into products

Selection of an expression system to create a product from a gene is a critical decision in a new product development process. Our C1 technology is a robust and versatile platform system that aids in de-risking and improves the productivity of the entire process, from genes to commercial products. Strengths of the C1 Expression System include:

- **Comprehensive molecular toolkit:** Dyadic invested substantial time and resources early to develop a state-of-the art genetic toolkit for optimizing C1-based recombinant protein development and production. We can design C1 microorganisms that produce purer enzymes from our White Strain or versatile enzyme combinations from our high cellulase strain lineage. The toolkit encompasses a wide range of C1 host strains and gene promoters, techniques to knock out genes or increase gene copy number, and methods to enhance the secretion of enzymes and other protein products.

- **Easy to grow and highly scalable:** Thanks to its unique morphology, C1 has very favorable fermentation properties; oxygen transfer and nutrient supply are not hampered by high viscosity, allowing for high yields at low production costs. Our C1 organism has been in commercial use since 1996 and has a long history of scale-up from lab fermenters to commercial-scale vessels. These attributes make C1 a "one-stop shop" for use in the lab and in commercial production, reducing product development time and the cost to deliver targeted products.

- **Versatile, commercially relevant genetic make-up:** Since native, homologous genes are typically expressed at higher levels than are heterologous genes that derive from another organism, it is beneficial to start with an expression system that has a genome rich in the types of proteins targeted for industrial applications. In addition, homologous genes are likely to receive more lenient treatment with regard to regulations targeting genetically modified organisms ("GMOs") in certain countries. The C1 genome has more than 200 potentially industrially relevant genes, including nine times more polysaccharide monooxygenase enzyme-coding genes, nearly 3-fold more oxidoreductases, four times more cellulose binding domains, and more than 1.5-fold more cellulases than Trichoderma, the major competitive filamentous fungal expression system being used to develop and manufacture enzymes for use in the production of second-generation biofuels and bio-based chemicals.

- **High yields**: Yields of protein from C1 are high, above 100 grams of protein per liter of fermentation broth when using the C1 high cellulase strains for biofuel applications. Using the White Strain, we have achieved up to 70 grams of protein per liter, of which up to 70-80% of the protein produced is the target protein. Recently, we have been able to achieve these results with both homologous and the more difficult heterologous genes. These results are quite unique in the biotech industry.

- **Robust proteins**: Selection of an expression system can affect the attributes of the enzyme or protein produced. Enzymes and other proteins expressed from C1 are robust and exhibit activity at broad temperature and pH ranges, making them suitable for use in a broad range of applications.

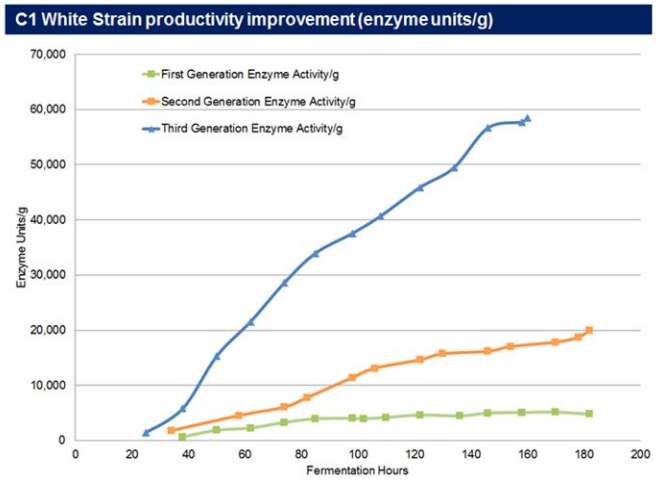
- **Safe:** C1 has a proven safety profile and has qualified for Generally Regarded as Safe ("GRAS") status from the U.S. Food and Drug Administration ("FDA"). GRAS Notification letters are broadly recognized in the food and consumer products industries as the safety standard. Thorough testing showed the strain to be non-infectious and to produce no known toxins or mycotoxins.

- **Intellectual property:** Unlike other commonly used fungal expression systems such as Aspergillus and Trichoderma, C1 technology enjoys greater freedom to operate for Dyadic and its licensees. Historically, there has been significant litigation between firms using Aspergillus and Trichoderma, where freedom to operate is less clear. In addition, all of Dyadic's C1 licensees to date have a covenant not to sue against other users of C1.

The White Strain

We, our collaborators and licensees have had multiple technological breakthroughs recently in the ongoing development and optimization of the C1 Expression System. In particular, the development of the White Strain potentially offers us, our licensees and collaborators significant technological and commercial advantages, and we have focused on accelerating the development and commercial exploitation of this strain. The ability to produce purer enzymes and other proteins at high productivity has opened the door for the production of next-generation C1-based products in many industries including pharmaceutical, food, and animal nutrition and health. Many of our key third-party projects begun within the last three years use the White Strain as the primary development host. During the period between 2011 and 2014, we have increased the productivity of the White Strain approximately 12-fold.

Figure 2 – Generation-over-generation productivity improvements of the C1 White Strain



Fibrezyme®G4, a high performance cellulase enzyme launched by Dyadic, is an example of a product produced using the C1 White Strain. *Fibrezyme®G4* enhances paper and textile quality: it softens denim and creates a stonewashed effect for the textile industry; it also restores fiber strength and increases inter-fiber bonding in paper-making applications. *Fibrezyme®G4* was created by combining three genes with desired activities. Most of the products based on our new C1 White Strain technology are still in development and will not be ready for regulatory approval and commercial launch until 2017 or beyond.

Our Business Model

Dyadic's business model builds on three well-established sources of revenue and growth potential: proprietary enzyme sales, licensing and royalties, and third-party R&D. This strategy allows us to leverage our technology across a broad range of industries and application areas:

- **Proprietary enzyme sales** – Dyadic manufactures enzymes using its proprietary and patented C1 and Trichoderma *i*ndustrial strains and sells those enzymes in a variety of industrial markets, including animal feed, food and beverage, pulp and paper, and textiles. We have been producing and selling our own proprietary enzymes since 1994, and our global market now spans 35 countries to over 100 customers worldwide.

  Our business plan focuses on expanding our distribution network, continued cost reductions, supply chain optimization efforts, and pursuing new opportunities for registration of our existing products. We will continue to build our sales and marketing leadership team with targeted additions in Europe, Asia, and the Americas. We are currently laying the groundwork for planned new product launches and related growth and expansion to accompany the anticipated White Strain-based product pipeline that will emerge in 2017 and beyond.

- **Licensing and royalty revenues** – We license our C1 Expression System with leading companies worldwide, including BASF, Abengoa, Codexis and others. To date, these licenses have allowed us to realize more than $20 million in upfront revenues, in addition to the potential for future milestones, royalties, and in some cases possible payments for expansion of rights from our licensees. Our strategy to date has been to enter into non-exclusive licenses with leading companies that will

use our technology in large markets. The non-exclusive nature of our licenses gives us total flexibility to enter into any kind of future collaboration, partnership or license with other parties.

Our on-site licensing model in the biofuels area is more specific, in that we expect to receive an upfront license to use our production strain to make enzymes at our licensee's facility. For each new facility opened and strain transferred, we anticipate receiving a milestone payment. We anticipate a royalty, either per gallon of biofuel produced or, in the case of bio-based chemicals, per ton of biomass processed. Given our strong track record for improving the cost performance of our CMAX enzymes, we also plan to potentially follow-on the licenses with some of these partners by introducing new, upgraded strains over time and potentially share in the cost savings achieved.

- **Research and development revenues** – Strategic R&D collaborations with industry leading partners are a potentially valuable source of revenues, and historically have been shown to lead to the signing of significant license agreements. Through these R&D partnerships and establishing a close and productive working relationship with major corporations we are able to demonstrate the value that the C1 Expression System can bring to their processes and product development goals.

Our competitive strengths

Dyadic has several key competitive advantages that we will continue to leverage as we expand the commercialization of our technology platform into a global industrial enzymes business:

- **C1 Expression System:** Our C1 Expression System is an industry leading filamentous fungal platform for enzyme and other protein development and production, and one of only three types of industrially proven filamentous fungi being used for the commercial production of enzymes to meet the needs of second-generation biofuels and bio-based chemicals markets. The C1 Expression System is proven at commercial scale, programmable to produce both purer enzymes and enzyme mixtures tailored for specific applications, and capable of performing as a research or commercial production system; thereby potentially reducing both product development timelines and risk.

- **Freedom to operate within the framework of a strong patent portfolio:** Having established a strong patent portfolio gives us wide freedom to operate using our C1 Expression System. This freedom to operate is rather unique with expression systems, as historically many of our competitors have faced challenges and litigation related to their use of systems based on Trichoderma, Aspergillus, and others.

- **Partnerships with leading companies:** In each of our end markets, Dyadic enjoys strong partnerships with top-tier global companies: BASF and our confidential animal feed licensee in the industrial enzyme industry; Sanofi, a world leader in vaccines; and Abengoa and CIMV, pioneers in the development and commercialization of first generation as well as advanced biofuels. Our ability to build and maintain strong relationships with strategic partners and licensees has clear short-term and long-term benefits: increasing the probability of receiving future royalties; helping advance our technology and supporting our leadership position in the field; and providing credibility in negotiations and future dealings with other third parties.

- **Global industrial enzymes business**: Our burgeoning industrial enzymes business is expected to provide a strong foundation for continued growth in revenues, profits, and market share. As we, our collaborators and licensees, develop new enzymes using the C1 platform, we have in place a well-established sales network to distribute our products in nearly all end-markets and major geographic regions.

- **State-of-the-art R&D capabilities:** Our Dutch research team has a proven track record of developing industry leading products in a cost-effective manner and has been working with C1 for more than a decade. We have also partnered with some of the world's leading research institutions, including The Scripps Research Institute, Moscow State University, Wageningen Universiteit, TNO, Bio-Technical Resources, and BE-Basic Foundation.

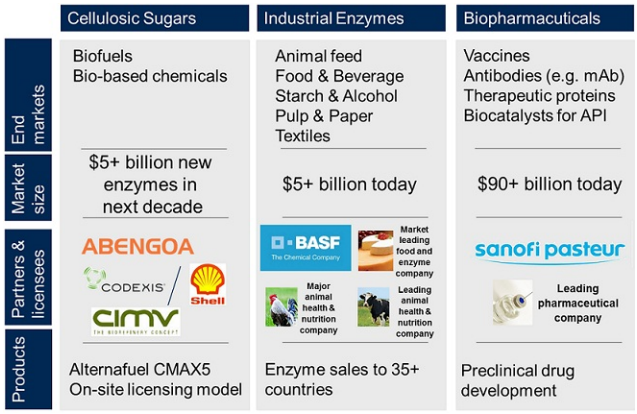
- **Experienced management team:** With founder and industry pioneer Mark Emalfarb at the helm, our management team has the scientific, business, and strategic experience and expertise needed to manage a successful and growing company. We have recently strengthened our team with the hiring of a new Chief Operating Officer, Chief Financial Officer, Board Member with substantial pharmaceutical experience, Head of European sales, and several leading scientists. Many of our

scientists are leaders in their respective fields, and we have developed sophisticated capabilities to develop new products and improve our C1 platform.

Our Markets

We are leveraging the C1 Expression System to develop and manufacture enzymes and other proteins for a variety of end-markets. Currently we are mainly focusing our resources and efforts on three primary categories: (i) biofuels and bio-based chemicals; (ii) industrial enzymes including the animal feed, food and beverage, pulp and paper, and textiles end-markets; and (iii) biopharmaceuticals including vaccines, antibodies and other therapeutic proteins. We have a substantially different strategy with each end-market. For biofuels, one of the strategies that we have employed is to license our technology for on-site production of our enzymes. In the pharmaceutical world, we are focused on developing biologics through the preclinical phase. In the industrial enzyme markets, we have a hybrid model of both licensing and direct sales, depending on the specific product category. Through ongoing efforts to advance and broaden our evolving C1 technology platform, Dyadic is also focused on expanding our product offerings and partnerships into new markets.

Figure 3 – Dyadic's strategy overview by end market



Biofuels and bio-based chemicals

As the demand for energy, commodities, and materials derived from natural resources reach unprecedented levels, governments and consumers are seeking sustainable solutions and renewable resources to satisfy their needs and minimize the impact on the environment. Biofuels currently represent one of the most viable and consumer-friendly solutions available. First-generation fuels based on corn, rather than second-generation non-edible plant biomass, are already widely used in automobiles, trucks, and airplanes in the form of bioethanol, biodiesel, and biojet fuel. Since the infrastructure, retail outlets and consumer awareness, acceptance and support for renewable fuels has already been established with first-generation biofuels.

We believe that second-generation biofuels over time have the potential to be cheaper to produce than first-generation ethanol. Since non-edible plant biomass is much cheaper to grow per ton than corn, and there continues to be rapid reductions in cost of enzymes, production processes, and facility construction, second-generation biofuels are projected to become cost competitive. There are also innovative technologies such as those being commercialized by Abengoa and

under development by companies such CIMV. Technology being developed by CIMV is expected to create pure lignin as a byproduct of the biofuel process, which could be sold as a raw material for the production of renewable plastic and may materially change the economics of second-generation biofuel production. In addition, using non-edible plant matter eliminates the “feed vs. fuel” dilemma of using corn or other edible crops for the production of ethanol.

In 2014, we are seeing the first commercial scale advanced biofuels plants coming online. Three are based in the United States, built by DuPont, POET/DSM, and our licensee Abengoa for an aggregate 80 million gallon per year capacity. We expect the next wave of second-generation biofuel plants to be built in Brazil, China, and elsewhere in Asia. The leading management consultancy McKinsey & Company expects the nascent cellulosic ethanol market to grow rapidly, projecting a global market of about 20 billion gallons per year by 2020. Based on these projections, we estimate the biofuels enzymes market to potentially be greater than $5 billion within the next decade.

In addition to biofuels, our enzymes can also be used in similar production processes that utilize fermentable sugars to create high-value bio-based chemicals efficiently at industrial scale. A growing number of technologies being developed and commercialized are expected to depend on access to sizeable volumes of affordable fermentable sugars created by applying C1 enzymes to plant biomass. Interest in bio-based chemicals is increasing and many technology companies have shifted their strategy from biofuels to produce bio-based chemicals, which address a wide and expanding range of multi-billion dollar markets such as polyurethane, acrylic acid, succinic acid, butanediol, biopolymers, phthalate, solvents, and nutritious oils (e.g., omega 3).

Dyadic’s primary product for the biofuels and bio-based products market is AlternaFuel® CMAX™, a cocktail of enzymes that is now in its fifth generation, with CMAX5 expected to be introduced in late 2014. Produced by a single engineered C1 host organism, the CMAX liquid cellulase preparation includes a variety of carbohydrase enzymes capable of degrading various lignocellulosic biomass substrates, such as corn stover,wheat straw and sugar cane bagasse, all in one fermentation production run Among our numerous competitive advantages in the biofuels and bio-based products markets, we emphasize the following:

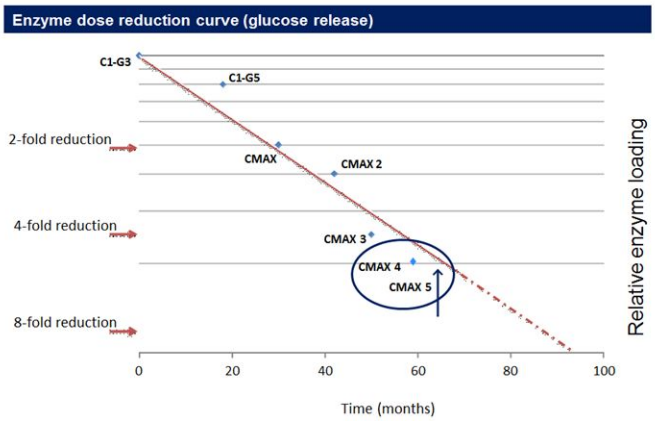
- **Robust enzymes**: Dyadic currently has a wide variety of well-characterized, engineered fungal C1 strains and enzymes, including CMAX, within our portfolio that enable the efficient conversion of multiple forms of non-food plant biomass into fermentable sugars.

- **Customization**: We also have the capability and flexibility to develop highly customized enzyme solutions for diverse biomass feedstocks that are pretreated in different ways. C1 itself is feedstock agnostic and readily grows on a variety of biomass including agricultural residues and energy crops. Rather than focusing on the development of one product for every user and every application, we are committed to working with our commercial partners to create tailored solutions for their specific needs.

- **On-site licensing model**: Dyadic has pioneered a business model that offers licensees the option to produce enzymes on-site at a biorefinery. We believe that 30-50% of the cost of delivered biofuel enzymes derives from downstream processing, stabilization, shipping, handling, and warehousing. On-site production avoids these costs. We are committed to ensuring our customers long-term cost control of their enzyme products and providing them with a more secure supply chain and reduced inventory requirements. In the on-site model, we anticipate to receive an upfront licensing fee, milestones and a royalty per gallon of ethanol produced using our C1 enzyme technology.

- **Lower development costs:** C1’s rich genetic make-up and reliability of scale-up from the lab to commercial production gives Dyadic and our licensees a potential competitive advantage by lowering overall product development costs and improving time to market. Our Dutch research team has a proven track record of developing leading products in a cost effective manner. Our scientists have been able to achieve significant improvements in the glucose conversion rates of our CMAX biofuel enzymes over the past 5 years, thereby lowering the doses needed and allowing us to realize an 80% cost reduction (Figure 4).

Figure 4 - Cost reduction of Dyadic CMAX-series enzymes over the past 5 years



We believe the performance expected from our CMAX enzymes which are in development is anticipated to be a critical factor for our customers' ability to produce biofuels and bio-based chemicals at costs over time that can be potentially competitive to first generation sugars and from oil.. Given the potential size of the market, and the leading status of our technology, we plan to continue to invest a sizable amount of our R&D budget in the CMAX biofuel and bio-based chemical program.

Industrial enzymes

Global demand for industrial enzymes totaled over $5 billion in 2013, with established markets in North America and Western Europe and high growth in the emerging markets of Asia, Latin America, Eastern Europe, and Africa. Developed regions with more mature markets are demonstrating relatively rapid uptake of new enzyme technologies to address environmental issues, increase productivity, reduce costs, and improve product value. Developing regions offer attractive long-term market growth opportunities. We divide our industrial enzyme markets into four primary segments: animal feed; food and beverage; pulp and paper; and textiles, as outlined below.

Animal Feed

With the continuous increase in the world's population, a critical target for enzyme additives is more efficient and environmentally friendly production and use of animal feed. Enzymes used as feed additives can unlock more of the nutrient value present in feed products and improve the digestibility and quality of animal feed. The result is more productive poultry, swine, and other livestock, more efficient farming operations, and less environmental waste and pollution. Enzymes used in animal feed fall into two product families: phytases to degrade phytate, and enzymes to break down non-starch polysaccharides (“NSP”).

Phytase enzymes degrade the phytate found in plant-based ingredients, releasing phosphorus that would otherwise be unavailable. Indigestible phytate in animal feed accounts for 50-75% of the grain phosphorus. The use of phytase also facilitates the release of calcium and other nutrients. Extensive testing shows that use of phytase can save up to $7 or more per feed ton by resolving phytate anti-nutrient effects that create lost performance. In addition to the economic benefit, phytase enzymes may be marketed as a “green” feed additive as they reduce the amount of polluting waste from feed. However, while a large market, we believe that phytase enzyme margins are less attractive than the NSP enzyme market, on which we have focused on to date.

Xylanase cocktails such as Dyadic's Xylanase 2XP are tailored to break down NSPs into more digestible components. Numerous reports have documented the negative effects of NSP on nutrient digestibility and absorption in poultry, and application testing data strongly support the use of enzymes in animal feed. Liberating NSP xylans reduces the viscosity of the feed in the intestinal track in chickens and pigs, which allows for better uptake of nutrients and better accessibility of starch by the animal's own enzymes. A 2014 research study by Texas A&M using Dyadic enzymes showed that enzyme supplementation in chicken feed allowed for a 5% reduction in required calorie intake, resulting in a substantial improvement in food conversion efficiency ("FCE"). Based on this study, our analysis shows that for less than 1 cent per animal, enzyme supplementation can potentially reduce total diet costs by as much as 17 to 26 cents. Egg-laying chickens also benefit from NSP enzyme supplementation of feed, which are shown to upgrade the nutritional value of small grains, making it possible to use increased amounts of sunflower, small grains, and grain byproducts as sources of protein and energy, removing the upper limit of their inclusion in animal feed. Based on current data, even with these reduced-cost diets, overall egg size is improved.

The estimated revenue from the global feed enzyme market was approximately $1.0 billion in 2013, of which approximately 55% are NSP enzymes and 45% phytases. Markets and Markets, a research group, expects the animal feed enzyme market to reach $1.2 billion by 2018. High growth has been driven both by advancements in enzyme technology and a rapidly increasing cost of commercially manufactured compound feed, which represents up to 70% of the total production cost per animal. Asia has had a particularly high growth in feed for poultry and swine, and we expect that market to continue to expand.

Our lead animal feed enzyme, Xylanase 2XP, the company's largest product in overall sales, is a xylanase-based enzyme cocktail that also contains betaglucanase, cellulase and other beneficial enzymes that work in concert to optimize the available energy and protein of feed for chickens and swine. Registration of these products is ongoing in various countries worldwide and through a number of collaborations. Our key markets for the product are in Europe, the U.S., China and other parts of Asia.

In addition to our current product offerings, we are developing new, innovative products for animal feed applications. One example is a thermostable xylanase enzyme mixture native to C1 that retains a significant amount of its activity during the hign temperature pelletizing process. Additionally, we plan to develop more efficient enzymes designed for use in animal feed products for specific diets in which effective enzymes are currently not commercially available or existing solutions are not cost efficient. These new products using the C1 White Strain will not be introduced for several years due to product development and registration timelines, but could have a very positive long-term impact on our animal feed enzyme business.

Food and Beverage

Demand for enzymes in the food and beverage market was approximately $2 billion worldwide in 2013. In the food and beverage industries, manufacturers face increasing pressure to lower costs and reduce processing times while improving the overall quality of product processes and addressing ethical and health-related concerns. Key drivers in this sector will continue to be rising raw material prices, an emphasis on the nutritional benefits of foods and beverages, and emerging market growth. Enzymes offer significant benefits over traditional alternatives for meeting industry needs, and we believe they will play an increasingly important role across multiple end-markets. In the food and beverage end market, we focus on customers in the brewing, baking and starch & alcohol segments.

Brewing

Our enzymes can enhance brewing products and processes, helping to increase our customers' productivity and profitability. They can reduce the cost and improve the efficiency of brewing by contributing to greater flexibility in raw materials, reducing viscosity, and enabling more effective mashing, filtration, and other processes. We believe that our products have the potential to capture an increasing share of the estimated $200 million global market for brewing enzymes.

It is well recognized in the brewing industry that the presence of NSPs, mainly beta glucans and xylans in cereal grains, can cause processing problems. Water-soluble NSPs increase the viscosity of the solution and block the filters used in production, thereby decreasing process efficiency. The addition of beta glucanase and xylanase enzymes to degrade these NSPs reduces the viscosity of the solution, resulting in cleaner filters and faster, more efficient production processes. Our *BrewZyme* product contains carbohydrases that improve the efficiency and productivity of filtering and lautering wort and enhance the conversion of poor quality barley to produce acceptable malts.

Amylase enzymes also have an important role in brewing applications. During brewing with high quality malt, endogenous enzymes (those already present in the process broth) degrade the starch of the malt into glucose, which is later fermented to ethanol. However, the use of lower quality malt results in incomplete starch degradation and ultimately less ethanol production. The addition of amylase enzymes to these types of malts improves starch degradation.

Baking

In the baking market, enzymes can improve product quality, extend product shelf-life, and help drive market growth by contributing to new product innovation. The total global enzymes market for baked goods is projected by Market and Markets, a research organization, to increase from $430 million in 2013 to nearly $700 million in 2019.

We believe the applications and importance of enzymes will increase in this market as consumers demand more natural, nutritionally superior products that are free of chemical additives, stay fresher longer, and offer added health benefits. Consider, for example, the continuing trend toward increased consumption of whole wheat breads due to their health-promoting effects. Enzymes can play an important role in improving the quality of both whole wheat and white breads. They can help degrade the fibers in whole grain breads, enhancing the elasticity of the dough and resulting in larger, less dense loaves. Enzymes such as amylases and xylanases are used in baking to change the structure of the starch and to improve dough qualities such as workability, stability, and uniformity of rising, and to extend the shelf-life of the product. Baking enzymes can also enhance and stabilize the crumb structure and the volume, texture, and appearance of breads, cakes, pastries, and other baked goods. Another advantage of enzymes is their ability to reduce the amount of acrylamide -- a carcinogenic compound -- that can form during baking when the amino acid asparagine reacts with sugars such as glucose or fructose at high temperatures.

In addition to amylases and xylanases, we are performing innovative research in conjunction with the Healthbread and Bakenzyme programs to uncover opportunities for the development of new enzymes to improve dough-making and dough quality, such as feruloyl esterases and oxidative enzymes. These enzymes can replace chemical oxidizing agents in dough and breads as processing aids to improve dough properties, increase production volume, extend freshness, and enhance end-product structure and appearance.

Starch and Alcohol

The starch industry is one of the longest-standing markets for enzymes within the food and beverage end-market, dating back to the use of glucoamylase in starch processing in the early 1960s. Market and Markets estimates that the current $1.5 billion alcohol and starch enzyme market will grow annually by 7.9% from 2013 to over $2.2 billion by 2018. Enzymes enable the breakdown of starch into a wide variety of syrups and modified starches without the use of harsh chemicals.

In recent years, it has become increasingly popular to use xylanase or hemicellulase to facilitate conversion of wheat starch into fermentable sugars using industrial-scale liquefaction and saccharification processes. The use of enzymes to lower viscosity during the initial stages of starch conversion, during which long-chain glucose molecules are broken down, makes it possible to decrease overall processing times. Starch manufacturers benefit from additional cost savings, higher quality yield, and reliable production volumes from variable substrates. Our CeluStar XL product has demonstrated unique capabilities to reduce viscosity at very low enzyme doses. Based on the performance of CeluStar XL in application testing, we are now investing to expand our efforts in this end-market.

Pulp and Paper

Traditional manufacturing methods used in the pulp and paper industry depend on large amounts of water, energy, and chemicals for pulp bleaching. The use of enzymes such as xylanases and hemicellulases to break down wood polymers and make it easier to solubilize and remove the lignin component offers a cost-effective, environmentally friendly alternative to conventional chemical methods. Market research estimates the North American enzyme market for pulp and paper is well positioned for growth, and we believe the global market will grow substantially as the adoption rate at mills increases. Driving demand for pulp and paper enzymes will be rising paper raw material prices, interest in reducing the use of harsh chemicals and other methods with negative environmental implications, and growth in emerging markets. In particular, mills in China have a policy-driven interest in reducing their environmental impact. We are actively advancing our products and corporate capabilities to leverage this substantial market opportunity.

Over the past decade, we have demonstrated continued progress in successfully integrating our enzymatic treatments into the production processes of pulp and paper mills. Fibrezyme G4 ®, our flagship product for this application, has capabilities in bio-refining, bleach boosting, deinking, and waste water treatment. Our Fibrezyme products have demonstrated the ability to improve the efficiency of multiple different components of the pulp and paper manufacturing process, and in particular bleaching, refining, and drying of both virgin and recycled pulp. The drying process is an important target for enzymatic treatment as faster, more efficient drying can translate to reduced energy consumption and increased production rates. Our products also contribute to decreased dependence on virgin pulp by improving numerous steps involved in processing recycled pulp. In addition, our treatments can enhance several important features of pulp and paper products, including strength, brightness, and cleanliness.

Textiles

Dyadic helped pioneer the stonewashing process for denim first selling pumice stones followed by selling cellulase enzymes in the 1980s, and has enjoyed a long history of technology leadership in the textiles industry launching our first generation C1 neutral textile cellulase enzyme in 1996. Today, stonewashing of jeans still depend on cellulases, and the processing of many other textiles relies on a variety of enzymes that can alter fiber structure to soften leather, for example, or make fabrics stronger and more durable. While the market for enzymes in the textile market remains sizable, we believe most products in this segment are characterized by lower margins.

We continue to help our customers gain a competitive advantage by offering quality enzyme products that faciliate more efficient and effective processing of a variety of textiles, decrease dependence on conventional chemicals and reduce consumption of natural resources which lead to lower overall production costs. Fibrezyme® G4, our newly launched next-generation C1 textile enzyme product opeates under wide pH and temperature ranges, allowing for integration into a variety of potential textile manufacturing processes and other high-end niche markets within the textile industry.

Other Industrial Enzyme Markets

R&D leading to advanced biotechnological tools for gene discovery and protein engineering provides a wide variety of highly effective enzymes that have replaced and enhanced traditional chemical processes. These enzymes can now operate at a wider range of temperatures, pH levels, and manufacturing conditions, making them suitable in numerous industrial and consumer applications, including the detergents and nutraceuticals end-markets:

- **Detergents:** For more than 30 years, enzymes have been used in detergents and household care items to degrade proteins that cause stains, such as grass or wine stains. Currently, enzymes are used in cleaning products to enhance cleaning ability, preventing color fading, and optimize performance at lower temperatures to improve energy efficiency. Biological enzymes products have a smaller environmental footprint than the oil-based and other non-renewable chemicals they are replacing, allowing manufacturers to offer consumers an alternative high performance product that is also more sustainable. The global demand for enzymes in the cleaning products market was approximately $750 million in 2012.

- **Nutraceuticals:** Though still in its formative years, we are confident the nutraceuticals end-market will grow into a billion-dollar industry as consumers increasingly turn to nutraceuticals to prevent illness, manage chronic conditions, and achieve optimum health and wellness. We believe our integrated C1 technology platform will play a major role in delivering functionally superior, cost-effective new ingredients to manufacturers of dietary and herbal supplements and processed foods such as cereals, soups, and beverages.

Biopharmaceuticals

Perhaps nowhere is the need for novel expression systems greater than in the biopharmaceuticals industry, where recombinant protein therapeutics, monoclonal antibodies, biogenerics (biosimilars), and vaccines have long developmental timelines, high development costs, and face challenging safety and regulatory issues. The global market for protein therapeutics was valued at more than $169 billion in 2012 and is projected to grow to in excess of $220 billion by 2018. At present more than 165 recombinant protein drugs are approved for human use and another 500 protein drug candidates are in preclinical and clinical development. All of these biologics are made by transferring a target gene into an expression system and growing the host cells in industrial-scale bioreactors to produce commercial quantities of the recombinant proteins.

The demand is increasing for novel expression systems to overcome the shortcomings of the common production hosts used today (mammalian, bacterial, and yeast). The potential benefits of a new expression system include significantly lower manufacturing costs, better control of protein glycosylation and protein folding, and higher purity. The most commonly used expression system at present is Chinese Hamster Ovary (“CHO”) cells. Efforts to increase CHO cell productivity and prolong the life span of cells in culture have led to volumetric productivity greater than 5 grams per liter under conditions of controlled nutrient feeding. This is a fraction of the potential production capability of Dyadic’s C1 White Strain. In addition to productivity, C1 offers many other potential advantages:

- Versatile genetic tools that enable efficient gene transfer with relatively short strain selection timelines

- Effective in the expression of high value proteins derived from indigenous and heterologous genetic sources
- Ability to secrete the expressed protein from host cells into the culture media, which significantly reduces the downstream processing costs
- Analysis of proteins expressed by C1 shows less over-glycosylation compared to yeast which we believe has a structure potentially more amenable to humanization of the glycosylation pattern of mammalian proteins
- Proven in commercial-scale production since 1996
- The C1 White Strain can produce a single heterologous protein at a level of up to 50 grams per liter with high purity
- Direct, linear scale-up from lab to commercial scale fermentation processes, potentially saving years of preclinical development time
- Much lower cost raw materials used in manufacturing than those typically seen with CHO cells

However, CHO and other systems are well established and proven to be reliable. Further, about 70% of the recombinant biopharmaceuticals currently on the market or in development are glycosylated proteins and require the addition of various sugars to the expressed proteins, giving them their highly specific glycosylation patterns that confer unique properties and functionality. While C1's glycosylation capabilities have been found to be more similar to human glycosylation than traditional yeast expression hosts, significant research will be required to access that segment of the market.

As our partnership with Sanofi has demonstrated, using a novel expression system like C1 gives a drug developer another "shot on goal" to find an organism that will accept a foreign gene of interest. Sanofi was not able to sufficiently express the DNA needed to produce its vaccine with the readily available expression systems used for biologics. We believe that pharmaceutical companies will find C1, among the novel, cutting-edge expression systems now available, to be one of the most attractive because of its long track record in industrial applications, its robust growth and fermentation characteristics, and its ability to be readily programmed and easily scaled.

Generic Biopharmaceuticals

Another area of intense growth and an important strategic target for new expression systems is in the production of generic biopharmaceuticals, also known as biosimilars or biogenerics. For innovators developing novel biopharmaceuticals, unique expression systems provide protection against later competition from follow-on/biosimilar products. This is particularly relevant for products that are proprietary (involve trade secrets), have exclusive licensing, and have unique molecular properties (e.g., glycosylation patterns) that are hard to replicate using other systems. This appears to be an important factor in recent acquisitions and exclusive licensing of novel expression systems and related technology by many large pharmaceutical companies. For example, Merck acquired GlycoFi, which was developing a yeast expression system that can replicate human-like protein glycosylation, for $400 million. Numerous companies are pursuing biosimilar versions of blockbuster drugs that will go off patent within the next few years, including some of the leading monoclonal antibody-based therapeutics.

Follow-on biogeneric and biosimilar developers are also searching for superior expression systems to optimize the cost effectiveness of their manufacturing processes. These companies operate in a highly competitive environment. Biogeneric manufacturers have to compete against experienced and well-established innovators with world-class manufacturing facilities, well-developed revenue streams, and market dominance. Contrary to the expectations of many, biogenerics may not cost less than innovator products to manufacture, and innovators may be willing and able to undercut the price of follow-on protein drugs to maintain their market share. Most innovators will already have a replacement product or portfolio of products for the same indication available by the time biogenerics would enter the picture, so they would have little to lose by competing against new entrants on the basis of price.

The prevailing opinion is that many follow-on proteins will likely be manufactured using novel expression systems and we are already seeing this with biogenerics. However, the regulatory environment for biogenerics continues to be somewhat uncertain, and it remains unclear how readily these products will receive approval for marketing. The manufacturing process still largely controls and defines biotech products (i.e., the process equals the product paradigm). Therefore, the use of a substantially different manufacturing process introduces the risk that regulators could consider a follow-on protein to be inherently dissimilar to the innovator product, leading them not to allow the comparative and abbreviated testing needed for approval.

Active Pharmaceutical Ingredients

A smaller, yet increasingly important sector of the market is the use of industrial enzymes as biocatalysts in the manufacturing of Active Pharmaceutical Ingredients (APIs). The overall API market was estimated at about $30 billion in 2011, and the number of small molecule APIs that rely on biocatalysis to drive their chemical synthesis reactions is rising rapidly. We are actively exploring opportunities in the API space.

Primary Strategic Partnerships and Licensees

BASF

On May 6, 2013, Dyadic entered into a non-exclusive worldwide research, development, and license agreement with BASF SE (BASF). Under the terms of the agreement, BASF will be able to apply Dyadic's C1 Expression System to the development, production, distribution, and sales of industrial enzymes in certain markets for a variety of applications. The agreement also includes certain funding by BASF to support R&D at Dyadic's research center in The Netherlands, a non-refundable upfront license fee of $6 million dollars paid by BASF, and various potential research milestone fees and royalties to be paid to Dyadic on product commercialization.

BASF has the freedom to develop, manufacture, and sell new products using C1 and to explore new business opportunities in a variety of markets, including animal nutrition. A major R&D project currently underway between Dyadic and BASF has been very successful to date, and we expect continued success with this and other future joint projects. We are confident and expect that this interactive partnership will drive continued collaboration and will have a long-lasting, beneficial impact on the industrial enzymes businesses of BASF and Dyadic.

Abengoa Bioenergy

Abengoa is the European market leader in corn-based ethanol production and the seventh largest corn-based ethanol producer in North America. On November 8, 2006, Abengoa acquired 2.14 million shares of Dyadic stock for $10 million to fund R&D for the development of enzymes used to degrade biomass for second-generation biofuel applications.

On February 18, 2009, Dyadic and Abengoa entered into a non-exclusive license agreement (the Abengoa License Agreement), which became effective on May 12, 2009. The agreement gave Abengoa access to certain patent rights and know-how owned by Dyadic related to use of the C1 Expression System for large-scale production of enzymes for use in manufacturing biofuels (including cellulosic ethanol and butanol), energy, and/or chemicals. The Abengoa License Agreement provides for facility fees and royalties to be paid to Dyadic on the commercialization of biofuels and other products that utilize our materials and technologies.

On April 23, 2012, the Abengoa License Agreement was amended and restated to provide Abengoa with additional rights, including worldwide rights to use Dyadic's C1 Expression System in the licensed fields. In addition, the amended agreement clarifies Abengoa's rights to sell enzymes produced using C1 technology to third parties for use in both first- and second- generation biorefining processes for the production of fuels, chemicals, and or/power. Abengoa paid Dyadic an additional $5.5 million non-refundable upfront license fee in exchange for the expanded rights. Dyadic will also receive additional payments, such as royalties, on the commercialization of biofuels and other products that utilize our C1 materials and technologies licensed to Abengoa.

Dyadic's license agreement with biofuels pioneer Abengoa puts our C1 technology at the heart of one of the first commercial scale next-generation cellulosic ethanol facilities in the United States, which is scheduled to come online in the third quarter of 2014. Abengoa has built a biomass-to-ethanol biorefinery in Hugoton, Kansas with a capability of producing 25 million gallons per year of bioethanol for use primarily as transportation fuel and for electricity generation to power an on-site cogeneration plant. According to Abengoa, the Hugoton biorefinery will process nearly 350,000 tons of biomass annually; converting cellulosic feedstock from agricultural waste into renewable liquid fuel using Abengoa's proprietary technology and enzymes developed and manufactured using Dyadic's C1 system. Abengoa has reported that it has invested over $400 million in the design and construction of the Hugoton plant and nearly $1 billion over the past decade in the development of its cellulosic sugar platform, which includes their investment in further advancements made to the C1 technology licensed from Dyadic.

CIMV

In July 2014, Dyadic entered into a memorandum of understanding agreement to commercialize second-generation biofuels and bio-based chemical technology with CIMV.

CIMV's patented approach for separating lignin from plant material prior to enzymatic processing creates Biolignin™, a pure form of lignin that may be sold commercially as an environmentally friendly alternative to petroleum-derived chemicals. The technology has garnered industry acclaim in winning the Pierre Potier Prize for Innovation in Chemistry and Frost & Sullivan's 2013 French Visionary Innovation Award. CIMV is a portfolio company of Pierson Capital, a leading developer of major infrastructure, transportation and energy programs in the emerging markets of Asia, Africa, and Latin America.

Under the memorandum of understanding, Dyadic and CIMV will work together to develop more efficient, fully integrated processes to produce environmentally low impact biofuels and bio-based chemicals. Dyadic anticipates supplying enzymes to CIMV's planned 2015 demonstration plant, and licensing its C1 technology for on-site production of enzymes at CIMV's future commercial scale plants.

Sanofi Pasteur

Our two current collaborations in the pharmaceuticals industry are with Sanofi to develop a human vaccine and with a major animal health company to develop a therapeutic protein. We are also exploring a variety of new healthcare applications based on the results of several initial tests and market analysis studies.

Our ongoing project with Sanofi in the area of vaccines began in 2011 and continues to be the cornerstone of our entry into the biopharmaceuticals industry. The goal of our partnership is to develop a procedure for transforming C1 to produce high yields of proteins for use in vaccine production. We have successfully demonstrated that C1 is able to produce two different types of vaccine components. This material has been tested, and initial findings indicated that further R&D and testing is necessary before Sanofi would decide to in-license the C1 Expression System for vaccine production. In July 2014, Sanofi verbally agreed to fund additional R&D work on the project with Dyadic and we are waiting for the written extension agreement to be finalized and executed.

Other partnerships

In 2011 we entered into a license and R&D agreement with a leader in the animal feed enzymes industry. We can report that during the past three years we have been developing together with this licensee a next-generation enzyme product for sale into the animal nutrition industry. This product is expected to replace, to a great extent their current product, which they are a market leader in its segment, within the next two to four years, after registration is complete. We are hopeful that the successful outcome of this project will lead to additional joint R&D agreements and other opportunities to collaborate.

Codexis, a licensee of C1 for biofuels applications has, at least temporarily, ceased its biofuels program. During the period 2009-2012, according to Biofuel Digest, Shell invested $300 million in the program and successfully developed a very high quality enzyme product (Codexyme™) for the commercial production of second-generation biofuels.

We have three additional collaborations: another animal feed company, a leading maker of dairy products and a pharmaceutical company. The animal feed and dairy product projects have been ongoing since 2011. Neither of these collaborations is active at this time, and no funding is currently being received from either party. However, we are evaluating if and how to continue each of these research projects. While some results show promise, others present certain challenges, and further research is required before these specific commercial products can be developed. The pharmaceutical project to develop a therapeutic protein for animal health began in 2014.

Competition

We are leveraging our C1 Expression System and our non-GMO Trichoderma technology across multiple industries and numerous end-markets. To each we bring unique advantages and opportunities, and in each we face distinct competitive dynamics.

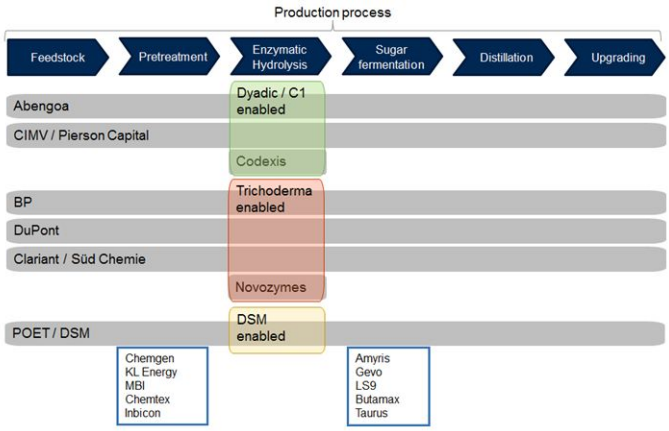
Industrial enzymes

Three major suppliers dominate the global industrial enzymes market: Novozymes, DuPont, and DSM. Novozymes is the market leader, with approximately 48% market share in 2013. DuPont, through its acquisition of Genencor (via Danisco), became the second largest producer, with about 20% of the market. In third place is DSM, with a market share of 12%. Comprising the remaining 20% of the market share are companies such as BASF, AB Enzymes, Chr. Hansen, Adisseo, Alltech, and Dyadic. While a few of the major players have access to their own proprietary expression system, others do not or their expression systems are not meeting their anticipated needs and therefore we believe C1 offers those parties, and others who may be interested in entering this market an opportunity to work together with us to develop next generation enzyme products. Dyadic's wide freedom to operate, non-exclusive license agreements and the potential for further licensing our C1 technology make us an attractive potential partner.

Biofuels and Bio-based Chemicals

We believe that our CMAX enzymes are one of the leading product offerings in the biofuels market, and our licensing agreement with Abengoa and collaboration with CIMV, both industry leaders, positions our C1 Expression System as a key component of the emerging commercial scale next-generation biofuels production processes. Hydrolysis of cellulosic biomass, driven by enzymatic catalysis, is a critical step in the production processes for biofuels or bio-based chemicals. Enzymatic hydrolysis can account for more than a third of the total operating costs of a biorefinery. Currently there are three leading enzymatic hydrolysis platforms: (i) C1, in use by Dyadic and its licensees; (ii) Trichoderma, in use by Novozymes, BP, DuPont, and Clariant/Süd Chemie; and (iii) DSM's technology. Independent test results repeatedly demonstrate that C1-based enzymes have similar or better performance, depending on the protein loading levels, feedstock, pH, and temperature used in these experiments, than the market leading Trichoderma-based enzymes from Novozymes and DuPont.

Figure 5 – C1 is one of three leading enzyme platforms for second generation biofuels



Biopharmaceuticals

Our C1 Expression System has the potential to become a viable alternative to the current leading expression systems used in the biopharmaceuticals industry to produce vaccines, monoclonal antibodies, and other therapeutic proteins. C1 has several inherent benefits and competitive advantages compared to the industry standard expression systems for biologies such as CHO cells, Pichia, and *E. coli*, as detailed below:

- **Mammalian cells:** Currently the preferred hosts for most complex protein therapeutics due mainly to their high compatibility with human glycosylation. They comprise 55% of the market, dominated by CHO cells. Disadvantages include the relatively long time for cell line development, unstable gene expression, and low protein yields.

- **Bacterial:** Representing 40% of the market, bacteria such as *E. coli* produce toxic and pyrogenic cell wall components that may make them unsuitable for the production of pharmaceutical or food components. However, they are currently the easiest, cheapest, and quickest method for recombinant protein expression and are often used in laboratory settings.

- **Yeast:** In contrast to bacteria, yeast does not produce potentially toxic and pyrogenic cell wall components. Further, the genetic tools for yeast development are advanced and enable continued engineering of new strains that may become more suitable than CHO cell lines. These benefits have allowed yeast to increase their market share to approximately 15%.

We believe that our C1 expression system has potential advantages against all three leading systems, as outlined below.

Figure 6 – Competitive advantages of the C1 Expression System compared to the leading pharmaceutical expression systems

	Competitor's Weaknesses	C1's Corresponding Strengths
CHO cells (Chinese hamster ovary)	· Takes a year or more to optimize fermentation process · Protein expression levels diminish over time · Contamination with mammalian viruses or mycoplasma a concern	· Linear scale-up · High throughput screening ("HTS") using C1 potentially could speed up drug discovery and development · C1 is non-mammalian so no viral inactivation or validation is needed
Pichia[1] (yeast)	· Glycosylation can induce immunogenic response · Limited expression of eukaryotic proteins · Secretion levels of proteins from yeast cells can be lower than from fungal cells · High viscosity	· Capable of intron processing (to remove unexpressed gene regions) · Able to express wide range of eukaryotic proteins · Near to human glycosylation anticipated after further glycoengineering · High expression levels
E. coli (bacteria)	· No intron splicing · No glycosylation · Cannot express antibodies · Target enzymes or other proteins may be insoluble (inclusion bodies) and are not secreted	· Capable of intron splicing · Human-like glycosylation anticipated after further glycoengineering · Potentially able to commercially express monoclonal antibodies · All targets are secreted

Intellectual Property

Our current patent portfolio includes 15 U.S. patents and 41 foreign patents for claims that cover the Dyadic C1 technology platform, and a total of 32 U.S. and foreign filed and pending patent applications. We believe this breadth and depth of established and pending patent coverage provides broad protection for Dyadic's technology, products, and commercial applications. We also rely heavily on trade secrets to protect our technologies. We review our intellectual property portfolio on an ongoing basis, and we file claims on new innovations and allow certain intellectual property rights to expire at our discretion.

Our primary family of patents protects the commercial development and use of various C1 organisms, the C1 Expression System, certain C1 molecular tools such as promoters, as well as specific C1 genes and C1 enzymes among other IP. These patents comprise a comprehensive intellectual property portfolio that protects our C1 Expression System and the products derived from it. We believe this portfolio gives us wide freedom to operate with our C1 technology and requires that companies seeking to use our C1 organisms and molecular tools as a commercial expression system take a license to the C1 technology from Dyadic or in some cases a sub-license from our licensees.

We also have a family of patents that among other applications protect our use of enzymes and enzyme combinations in the biofuels and bio-based chemicals end-markets. These patents protect the compositions and methods of developing and producing novel enzymes and enzyme combinations that efficiently convert various sources of plant biomass (e.g., corn stover, wheat straw, and bagasse) to the fermentable sugars used in the production of advanced biofuels and bio-based chemicals. These claims cover the production of enzymes using Dyadic's C1 Expression System, as well as in some circumstances a wide variety of additional production methods that rely on the use of bacteria, yeast, algae, other fungi, and plants.

In addition, we have a series of valuable patents that protect our ability to use C1 and certain other filamentous fungi for high throughput screening ("HTS") of gene libraries. HTS is an important, broadly applied process in industrial biotechnology and the pharmaceuticals industry to identify and optimize new and improved enzymes and other protein products. Sorting through large gene libraries can be a very tedious and time and resource consuming process. Methods described in our patents may allow us and our licensees the potential to use advanced automation and robotics to screen gene libraries more rapidly and effectively, shortening development timelines and accelerating scale-up to commercial production. While we originally designed these HTS processes for use with our proprietary C1 Expression System, we believe they have the potential for broad application within the industry and may offer Dyadic an additional opportunity to license our filamentous fungal HTS technology.

Research and Development Capabilities and Collaborations

Internal Research and Development Capabilities

As of June 30, 2014, Dyadic had 32 employees dedicated to R&D. We expect to spend 10-15% of our non-licensing revenue on internal R&D-related activities to develop our own product and make improvements to the C1 Expression System. We anticipate that our R&D expenditures will further increase as we explore and embark upon new R&D to further improve our technologies and focus on certain applications for which we believe we may be able to apply our C1 and other technologies.

Most of our R&D activities take place at Dyadic's primary research facility in Wageningen, The Netherlands. A major expansion of the research facility was completed during 2013-2014, which allowed us to close our small laboratory in North Carolina. The expansion included a significant increase in floor space, installation of a wide range of state-of-the-art research equipment including a new fermentation lab, and a 40% increase in our scientific staff.

R&D Collaborations

Wageningen University

DNL is located near Wageningen University, a leading research institution consistently ranked as the #1 life sciences university in Continental Europe by *Times Higher Education* (THE). Dyadic benefits from our proximity to and close working relationship with the University in many ways: access to key technical support; a ready supply of well-trained scientists and interns; aid in attracting government-funded projects; and a variety of less tangible benefits from our ongoing interactions.

The Scripps Research Institute (Scripps Florida)

Scripps is one of the world's largest and most reputable biomedical research organizations. Dr. Richard Lerner, former president of Scripps previously served as the chairman of Dyadic's Scientific Advisory Board. The Institute performed the first automated annotation of the C1 genome, allowing identification of key metabolic functions that influence gene expression and facilitating the use of advanced molecular engineering and genetic technologies. It re-annotated the genome in 2009-2010, providing us with new information about C1 genetics that enabled us to improve the C1 technology platform, increase yields, pursue new product candidates, and explore new markets and applications.

Moscow State University

In our longest-running research partnership we work primarily with experts in industrial enzymology at the University's Division of Chemical Enzymology, as well as with microbiology experts at the Russian Academy of Sciences. This collaboration dates back to 1992, when we initiated the joint development of Dyadic's first enzyme product, an acid cellulase produced from Trichoderma, which we commercialized two years later. At that time we also commissioned the Moscow State University to begin the search for a new expression system for the development and production of enzymes. A search through thousands of microorganisms led to their discovery of the C1 wild-type strain.

The Netherlands Organization (TNO)

TNO Quality of Life is a Dutch government-sponsored contract research organization and one of the institutes comprising TNO for Applied Scientific Research. We have worked with TNO since 1998 on a variety of development programs. Their scientists are widely recognized as leaders in the fields of fungal genetics and molecular biology, and we benefit from their continued guidance on state-of-the-art techniques for regulating gene expression, performing gene knock-outs, and improving gene discovery. We enjoy a very close relationship with TNO and, from 2002-2007, our R&D lab was located within the TNO facility, until we outgrew the shared space and established our own stand-alone research center in Wageningen.

Bio-Technical Resources (BTR)

Wisconsin-based BTR, a division of Arkion Life Sciences, is a contract research organization with expertise in areas of strain and process development for fermentation of microbial products. Dyadic, and some of our licensees, have worked with BTR since 1995 on a variety of development programs, including the production of several commercial enzyme products and processes using C1.

Public-private Research Partnerships

Dyadic benefits in many ways from our involvement in nine public-private research partnerships funded by the European Union and other governments, including from revenue to offset R&D costs, potential business development opportunities with partners, ways to accelerate progression of the C1 technology platform, and access to industry knowledge in related fields.

OPTIBIOCAT

OPTIBIOCAT is an EU-funded project developing biocatalytic enzymes to replace the chemicals currently used to produce antioxidants for the cosmetics industry, thereby providing a "greener" more enviromentally friendly and potentially more cost-effective solution. We are using both our proprietary C1 enzyme library and our patented C1 Expression System to produce the targeted enzymes. In addition, the project will implement strain improvement and fermentation optimization strategies to reduce production costs and allow for industrial scale production. Our C1 platform will be a key enabling technology in this large consortium-based effort that began in December 2013 and is scheduled for completion by December 2017.

Bakenzyme

The Bakenzyme project seeks to develop more pure and widely applicable enzyme products for the baking industry to improve dough and bread structures. Most currently available enzyme products have unwanted side activities that can negative affect bread quality. Our C1 technology can produce new, dedicated, and relatively pure enzyme products that will improve dough and bread quality and enhance its nutritional value by increasing the bioavailability of health-promoting nutrients naturally present in flour. The program began in January 2014 and is scheduled to last through July 2016.

Healthbread

The EU-funded Healthbread project supports a collaboration with several large baking companies to develop enzymes that improve the bioavailability of nutrients in breads. Specifically, the goal is to develop dry processing (milling) technologies to produce wheat fractions, thereby improving the bioaccessibility of bioactive compounds in these wheat fractions during wet processing (fermentation) using enzymes and microbes. The aim of this two-year project ending in October 2014 is to produce breads and other baked goods with improved nutritional and product qualities, including greater bioavailability of fiber, vitamins, minerals, and other micronutrients. Our role in the project has been to screen a variety of C1 enzymes on whole grain flour and wheat bran to evaluate their activity and, in particular their ability to increase levels of ferulic acid. We are in the process of expressing and analyzing target enzymes in the C1 White Strain.

Miracles and AlgaeParc programs

We are involved in two algae-focused projects: the EU-funded Miracles program and the Dutch-funded Algae Parc Biorefinery, both of which began in November 2013 and are scheduled for completion in November 2017. A great deal of R&D investment is being focused on microalgae as a promising renewable feedstock for manufacturing commodity and specialty products for a variety of food and non-food end-markets. In the food and cosmetics industries demand is growing rapidly for using algae to produce high value compounds such as lipids and proteins, and new, more effective, lower cost methods are needed to release these compounds from the algae biomass, which has been an ongoing challenge. Enzymes, which can weaken algae cell walls, may offer a low-cost solution to existing techniques that involve pressing algae, resulting in lower energy input and higher yields for lipid extraction. We are involved in the development and production of dedicated enzymes to enable and/or improve extraction of high value compounds from algae.

Bio-Mimetic

Bio-Mimetic is an EU-funded project to develop enzymes for the production of high value compounds from lignin. Our partners include Procter & Gamble and France-based CIMV, a pioneer in the development of lignin biorefineries. We believe that lignin can be converted efficiently and cost-effectively into high value, sustainable commercial products such as adhesives, detergents, and cosmetics. Lignin is a complex polymer of aromatic alcohols that is present in large amounts in plant cell walls. At present, its main use is as an energy source through burning. Enzymatic degradation of lignin produces small aromatic molecules that can then be used to make chemicals, such as adhesives that mimic many of the same efficient attachment mechanisms found in nature (e.g., the attachment processes used by marine organisms). This project began in July 2012 and is schedule to continue through June 2015

Chit4Value

We are pursuing this 48-month long Dutch-funded project in partnership with Wageningen University. The goal is to convert chitin, one of the world's largest organic waste streams, into valuable compounds. Chitin is present in the cell walls of fungi, for example, and is a component of the exoskeletons of insects, spiders, crabs, lobsters, and shrimp (with shrimp shells being an especially large waste stream that is rich in chitin). This project is evaluating C1 chitinase enzymes for their effectiveness in degrading chitin to monomers that can be used as starting materials for commercial polyamide production. The project is scheduled to complete in 2017.

DISCOX

DISCOX is a Dutch-funded project in partnership with AVEBE, a leading starch producer, to develop enzymes that oxidize starch for non-food applications. Oxidative enzymes play a major role in the natural degradation of wood and other plant debris, and this project aims to produce new oxidative enzymes and evaluate their commercial potential for converting starch into useful materials. The project began in April 2013 and is scheduled to last for 48 months.

Parenco

This Dutch-funded project in partnership with Parenco, a paper mill, and the HAN University, focuses on the conversion of paper waste streams into valuable products, with the ultimate goal being the creation of a consortium that will develop a demonstration biorefinery at the site of the Parenco plant. The aim for this facility is optimal utilization of alternative lignocellulosic raw materials and residues from the region, and conversion into fiber raw materials for the production of paper, polymers, and chemicals. This 16-month project began in July 2013.

Regulatory Environment

We develop products derived from both GMO and non-GMOs that are subject to regulation by federal, state, local, and foreign governmental agencies. Some of our existing products required U.S. FDA approval, and we will need FDA approval for most if not all of our future products in the U.S. In addition, European countries have regulations regarding the development, production, and marketing of products from GMOs, and these are generally more restrictive than present U.S. regulations. The European Union is attempting to replace country-by-country regulatory procedures with a consistent EU regulatory standard, though some country-by-country regulatory oversight will likely remain. Some other regions of the world accept either a U.S. or European clearance together with a filing of associated data and information for their review of a new biologically derived enzyme product. However, other jurisdictions do not accept U.S. or EU clearance and have their own specific rules with which we must comply. Our licensees are also subject to the rules of the U.S., EU, and other countries. We currently have no products pending regulatory review with the FDA or a similar regulatory body in the EU or elsewhere.

In the U.S., our biofuels business is the beneficiary of the Federal Renewable Fuel Standard (RFS), a program established and administered by the Environmental Protection Agency (EPA). With the RFS, the EPA set renewable fuels volume mandates for automotive fuels in the U.S. While the program is not a direct subsidy, the guaranteed market created by the RFS is expected to stimulate growth of the biofuels industry and to raise prices above where they would have been in the absence of the mandate. The RFS has been modified since its establishment under the U.S. Energy Policy Act of 2005, and it is currently under evaluation again. Further changes to the RFS may negatively affect our biofuels business and our licensees in the U.S. biofuels industry, such as Abengoa.

For further discussion on our regulatory environment, see "Risk Factors that May Affect Future Results – Regulations may limit or impair our ability to sell genetically engineered products in the future."

Customers

Our customers for our industrial enzymes are primarily distributors, enzyme formulators, and other value-added resellers. Of Dyadic's approximately 100 customers, our top 10 industrial enzyme customers represented 66%, 69%, and 71% of our sales in the years ending December 31, 2011, 2012, and 2013, respectively. For the six months ended June 30, 2013 and 2014, the top 10 industrial enzyme customers represented 71% and 66%, respectively. Europe, our largest market, represented 57% of industrial enzyme sales in the first six months of 2014, while the Americas represented 31% and Asia represented 12%. In general, we have seen the strongest growth in Europe, where we have gained recent registrations with key customers. While these customers each buy from several enzyme suppliers, we believe that the time and resources our customers have spent evaluating and registering our products are driving strong growth in our key existing accounts.

Our main technology licensees have been Abengoa, BASF, Codexis, and the animal nutrition company described above, and we have received significant licensing payments from each over the past several years as well as in some cases additional R&D funding. We expect that Abengoa, BASF, CIMV, the animal nutrition licensee and our other current partners will provide us with recurring royalties and/or R&D revenues in the future.

Funded third-party R&D represented 20%, 23%, and 12% of total revenue, excluding license fee revenue, in the years ending December 31, 2011, 2012, and 2013, respectively, and 19% in the six months ending June 30, 2014. Our government-funded private-public research projects accounted for 32%, 15% and 21% of funded R&D in the years ending December 31, 2011, 2012, and 2013, respectively, and 34% in the six months ending June 30, 2014. We expect government-funded projects to continue to play a

meaningful role in our business on an ongoing basis. In addition to generating revenue, these public-private projects promote innovation and function as a catalyst for growth with potential new products, platform improvement and relationships with industry leaders.

Manufacturing

Our commercial scale production processes generally involve conventional types of fermentation equipment and raw materials for use with both our C1 engineered strains and the non-GMO Trichoderma strains we rely on to produce large volumes of industrial enzymes. We continue to develop and optimize these processes in collaboration with our manufacturing partners and licensees. Dyadic does not own enzyme manufacturing facilities; instead we utilize a third party contract manufacturer in North America to produce our products. We have worked continuously with this contract manufacturer to produce commercial enzymes since 2008 and our relationship is governed by a several key points:

- Dyadic owns the technology associated with the production strains and enzymes produced
- Our toll manufacturer produces enzymes for Dyadic using its fermentation tanks and downstream processing equipment according to our process protocols and specifications
- The toll manufacturer operates its plant under Current Good Manufacturing Practices (cGMPs), producing our enzyme products for use as food processing aids and as supplements to animal feed
- The manufacturing facility maintains Kosher and Halal certification, important for the animal feed and food enzyme markets
- The toll manufacturer maintains ISO 9001:2000 status for its Quality Management Systems as they relate to enzyme production and distribution

In addition to controlling the manufacturing process, our applications lab in Jupiter, Florida also provides quality controls and assurances to comply with regulatory and statutory requirements when necessary. Our agreement has not required a minimum purchase or quantity and can be cancelled at the discretion of either party with proper notice. We believe that our current production capacity is adequate for both our present needs and our anticipated requirements for the next several years.

We continuously monitor the production and manufacturing capabilities of our partner. In addition, we have identified several potential alternative manufacturing sites that could be engaged should we have the need for additional production capacity, or if we were to encounter a supply disruption with our toll manufacturer.

Sales and Marketing

Our business-to-business model of selling primarily to distributors and formulators allows us to maintain a relatively small sales team. We have a Vice President of Sales and Marketing located in our Jupiter, FL, headquarters. In addition, six salespeople work remotely in Hong Kong, The Netherlands, Germany, Brazil, North Carolina, and Minnesota. Our experienced sales team works closely with practice leaders with industry expertise in each of our end-markets, including animal feed (U.S.), food and beverage (Europe) and textiles (Asia). We are planning to expand our sales team from five to eight team members in 2014/2015.

Legal Proceedings

We are currently engaged in litigation as plaintiff with three former professional service providers and three individuals from these service providers. In 2009, we filed suit against our professional service providers in connection with events related to alleged improprieties at our former Asian subsidiaries, which we abandoned in May 2007. Jenkins & Gilchrist, P.C., one of the defendants, settled with us for $525,000 on August 8, 2012. Claims against the remaining defendants are still pending. The court ordered mediation, which was originally scheduled for September 30, 2014, has now been scheduled for November 10th and 11th, 2014. The court has not yet set a trial date for 2015. If the case is not settled, we anticipate it will go to trial in 2015. Please see the section *Item 8 – Legal Proceedings"* for additional details.

Employees

As of June 30, 2014, we had 52 employees, 32 of whom were primarily engaged in R&D activities. Our workforce includes 30 employees with a Ph.D. or other graduate degree. None of our employees are represented by a labor union, and we consider our employee relations to be good.

Facilities

We lease approximately 18,000 square feet of space between one facility in Wageningen, The Netherlands (9,375 sq. ft.) and two facilities in Jupiter, Florida (8,372 sq. ft.). Our primary R&D facility is purposefully located in proximity to the University of Wageningen, a preeminent research institution, which provides us with access to market expertise and a rich talent pool. We recently completed a significant expansion of this facility (4,090 sq. ft.; lease ending December 31, 2018) to add floor space, personnel, and new equipment. We anticipate expanding our Netherlands R&D Facility by an additional 4,434 square feet in approximately November 2014.

We lease office space (4,872 sq. ft; lease ending December 31, 2015) that serves as our corporate headquarters in Jupiter, FL. The laboratory in Florida (3,500 sq. ft.; month-to-month lease) is a quality assurance facility situated approximately 2.5 miles from our corporate headquarters. This location gives Dyadic access to the nearby Scripps Florida institute and the Max Planck Florida Institute.

Corporate information

Founded in 1979 by Mark A. Emalfarb, Dyadic has focused on development of the C1 Expression System since 1992, refining and optimizing the C1 system to create an industry leading gene expression and protein production system.

Currently, Dyadic is a global biotechnology company with operation in the United States and The Netherlands. Dyadic was incorporated in Delaware in September 2002. Our principal corporate offices are located at 140 Intracoastal Pointe Drive, Suite 404, Jupiter, FL 33477; telephone number (561) 743-8333; website www.dyadic.com

Reports filed with the OTC Markets Group are available free of charge through the "Investor Info" section of the Dyadic website. Following the effective date of this registration statement, we also intend to make available our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after electronically filing such material with, or furnishing it to the Securities and Exchange Commission (SEC). Once filed with the SEC, such documents may be read and/or copied at the SEC's Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that electronically file with the SEC at www.sec.gov

We also make available free of charge through the "Investor Info - Corporate Governance" section of our website the charters of each of the committees of our Board of Directors, and codes of conducts and ethics of our directors, officers, and employees. Such materials are also available in print upon the written request of any stockholder to Dyadic International, 140 Intracoastal Pointe Drive, Suite 404, Jupiter, FL 33477, Attention: Investor Relations.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following material risks, together with the other matters described in this Registration Statement and in our financial statements and the related notes thereto in evaluating our current business and future performance. We cannot assure you that any of the events discussed in the risk factors below will not occur. If we are not able to successfully address any of the following risks or difficulties, we could experience significant changes in our business, operations and financial performance. In such circumstances, the trading price of our common stock could decline, and in some cases, such declines could be significant and you could lose part or all of your investment. In addition to the risks described below, other unforeseeable risks and uncertainties or factors that we currently believe are immaterial may also adversely affect our operating results, and there may be other risks that may arise in the future. Certain statements contained in this Registration Statement (including certain statements used in the discussion of our risk factors) constitute forward-looking statements. Please refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" appearing on page 1 of this Registration Statement for important limitations and guidelines regarding reliance on forward-looking statements.

Risks Related to Our Businesses

We should be viewed as an early-stage company as we have recently experienced significant changes to our business, which may make it difficult to evaluate our current business and predict our future performance.

The reliance of all of our businesses upon the expansion of, and further improvements to, and application of our and our licensees' C1 Expression System capabilities, the ability to commercialize products and processes coming from our and our licensees' research and development programs, our and our licensee's reliance on contract manufacturing partners, and the developmental nature of our biopharmaceutical, biofuel and bio-based chemicals businesses, requires that Dyadic be characterized as an early-stage company. Our conduct of the biopharmaceutical business and our commercialization of our biofuel and bio-based chemicals business, in particular, are subject to the risks customarily facing the operations of any early-stage

company. These risks are related to our ability to successfully develop our new technologies, products and processes, assemble adequate production and R&D capabilities, comply with regulatory requirements, construct effective channels of distribution and manage growth. Additionally, we are subject to competition from much larger competitors who have greater resources than us. Also, the market for cellulosic sugars, biofuels and biobased chemicals is a market that is not yet established and is only beginning to emerge and there is a risk that it will not succeed and not grow at the rates projected whether delayed or at all.

As a result of the developmental nature of our business and any changes to our business focus that we may make as we move forward, our operating history in past periods may not provide a reliable basis to evaluate our current business or predict our future performance. Any assessments of our current business and predictions regarding our future success or viability may not be as accurate as they could be if we had a longer operating history in our current lines of business, the developing and risky nature of some of our businesses, such as biofuels and pharmaceuticals, or if we had not experienced significant changes to our business. We have encountered and will continue to encounter risks and difficulties frequently experienced by young companies in expanding and upgrading our accounting and financial reporting and internal controls infrastructure, our marketing, sales and R&D capabilities, and the rapidly evolving industries in which we operate today and in the future. If we or our licensees do not adequately address these risks successfully, our business will be harmed.

Our licensees may cease to pursue their research and commercialization efforts, such as that announced by Codexis related to its biofuel business. Abengoa, one of our licensees, has delayed the commercialization of its Hugoton, Kansas cellulosic ethanol facility. Further delays, and/or the inability to demonstrate commercial viability of their cellulosic ethanol capabilities will negatively impact our business and our financial results. The delay or inability of our other licensees to commercialize products and processes will also negatively impact our business and our financial results.

We have a history of net losses, and we may not maintain profitability.

We have an accumulated deficit of approximately $81.8 million at June 30, 2014. To date, we have derived revenue and royalties from the licensing of our C1 Expression System to third parties, the operation of our industrial enzyme business and the collection of R&D fees from third parties. Our ability to attain profitability will depend on the rate of growth and margin improvements of our industrial enzyme business, our ability to generate new licensing arrangements, our ability to generate R&D funding, the receipt of future potential milestone, royalty and other payments from our licensees, and our level of expenses among other potential unforeseen circumstances.

We do not currently derive material revenue from the operation of our biopharmaceutical business. Revenue related to the pharmaceutical industry is uncertain as current and future collaborations will depend on our ability to continue to refine and optimize the C1 Expression System to address the needs of the pharmaceutical and biotech industries. Future revenue from collaborations is uncertain and will depend upon our ability to maintain our current collaborations, enter into new collaborations and to meet R&D and commercialization objectives under new and existing agreements.

Similarly, commercialization of our cellulosic sugar enzyme products for the biofuel and bio-based chemicals markets will be highly contingent on our ability to find new licensees, partnerships and collaborators, and their ability to commercialize new technologies, reduce overall biofuel and bio-based chemical production costs and build new facilities**.** In particular, we are reliant on the success of our licensee, Abengoa, which expects to begin operations of its first cellulosic ethanol manufacturing facility in the second half of 2014, and our collaborator CIMV, which expects to build a demonstration facility in 2015. Payment of a license fee with CIMV will occur prior to on-site production at a commercial scale facility, which we expect will occur no earlier than 2016 or 2017. For our biofuel and bio-based chemical business in the U.S., we, our collaborators and licensees, are reliant upon the continuation of the RFS program administered by the EPA, which has encouraged the production and use of biofuels in recent years. While the RFS program is not a direct subsidy, the guaranteed market created by the RFS is expected to stimulate growth of the biofuels industry. Any revisions to, or reductions of, the RFS could negatively impact our biofuels business and that of our licensees.

Also, the market for cellulosic sugars, biofuels and biobased chemicals is a market that is not yet established and is only beginning to emerge. There is a risk that it will not succeed and not grow at the rates projected, whether delayed or at all.

In addition, while we anticipate expanding our industrial enzyme business in existing and new markets, our level of growth and profitability will be directly impacted by how successfully we develop and launch new products, competitor offerings and overall market conditions.

The R&D efforts needed to enhance our core technologies utilized in all three of our key business areas will require significant funding and increased staffing; therefore, we expect an increase in our near-term operating and research expenses. Consequently, we will require significant additional revenue to achieve profitability. We cannot provide assurance that we will maintain revenues at current levels or grow revenues or maintain or improve our profit margins. If we fail to maintain or increase revenues and profit margins, the market price of our common stock will likely decrease. Further competition may force us to reduce our profit margins which may affect our ability to generate cash flow.

We may need substantial additional capital in the future to fund our business.

Our future capital requirements may be substantial, particularly as we continue to develop the C1 Expression System and our other proprietary technologies and products to commercialize industrial enzymes, biopharmaceutical products, enzymes for the biofuel and bio-based chemicals market. Further, we must continue to develop the C1 Expression System to expand its production capabilities through continued strain development, fermentation optimization and work on our high-throughput screening process. We believe that, with the receipt of expected milestone payments, timely collection of our accounts receivables, further reductions in our inventory, entering into an additional license or sale of existing assets, and the potential settlement of one or more of the defendants in our professional liability lawsuit, we will have sufficient cash available on hand to fund our operations and meet our obligations for at least the next year. Our need for additional capital will depend on many factors, including (i) the financial success of our industrial enzyme business, (ii) the receipt of milestones, royalties and other payments from our licensees, and in particular in the short term Abengoa as it begins to commercialize and produce Cellulosic Ethanol, (iii) our ability to obtain payments from biopharmaceutical business customers through collaborative agreements, (iv) the results of our R&D efforts with BASF and other parties and the receipt of additional research funding, milestones, and other payments, (v) the extent to which we can obtain additional collaborative partnerships for commercialization of our enzymes in the biofuel and bio-based chemicals market, (vi) the extent to which we can obtain additional collaborative partnerships and/or licensees for the development and production of enzymes and other proteins for a variety of other industries, (vii) the progress and scope of our collaborative and independent R&D projects, (viii) the effect of any acquisitions of other businesses that we may make in the future, (ix) the filing, prosecution and enforcement of patent claims (x) the length and outcome of the ongoing litigation against our former legal counsel, and (xi) the ability to refinance and extend our convertible debt and shareholder loan.

If our capital resources are insufficient to meet our capital requirements, we will have to raise additional funds to continue the development of our technologies and complete the development and commercialization of products, if any, resulting from our technologies. If acquisition of additional funds is not possible or if we engage in future equity financings, dilution to our existing stockholders may result. If we raise debt financing, we may be subject to restrictive covenants that limit our ability to conduct our business. We may not be able to raise sufficient additional funds on terms that are favorable to us, if at all. If we fail to raise sufficient funds and incur losses, our ability to fund our operations, take advantage of strategic opportunities, develop products or technologies, or otherwise respond to competitive pressures could be significantly limited. If this happens, we may be forced to delay or terminate research or development programs or the commercialization of products resulting from our technologies, curtail or cease operations or obtain funds through collaborative and licensing arrangements that may require us to relinquish commercial rights, sell certain assets of the company which will limit future opportunities, or grant licenses on terms that are not favorable to us. Without sufficient funding or revenue, we may have to curtail, cease, or dispose of, one or more of our operations and we would be forced to reduce our employee headcount.

We may not be able to extend our existing debt .

All $8.2 million of our outstanding debt is currently due on January 1, 2015. According to the terms and conditions of the debt agreements, $6.8 million of the total debt can be converted into Dyadic common stock at preset prices or may be prepaid by Dyadic any time after March 31, 2014, without penalty, with 30 days notice. The remaining $1.4 million of debt does not have this conversion feature and is not subject to this call provision. If we are unable to repay this debt and/or rollover the debt, if necessary, our business would be adversely impacted.

If we fail to maintain or successfully manage our existing, or enter into new, strategic collaborations, we may not be able to develop and commercialize many of our products and achieve or sustain profitability.

Our ability to enter into, maintain and manage collaborations in our target markets is fundamental to the success of our business. We currently have collaborations in both R&D and supply and/or distribution agreements with various strategic partners. We currently rely on our partners, in part, for manufacturing and sales or marketing services, application and regulatory knowhow, and we intend to continue to do so for the foreseeable future. In addition, we intend to enter into additional strategic collaborations to develop, produce, market and sell other products we develop. However, we may not be successful in entering into collaborative arrangements with third parties for the development, production, sale and marketing of our new and existing products. Any failure to enter into collaborative arrangements on favorable terms could delay or hinder our ability to develop and commercialize our products and could increase our costs of development and commercialization. We may have to give exclusive rights in certain fields, in order to attain additional funding, which could restrict our ability to further license our C1 technology and other technologies in certain fields to other parties.

Reductions in collaborators' R&D budgets may affect the sales of our businesses.

Fluctuations in the R&D budgets of our customers, licensees and research partners could have a significant impact on the demand for our products. R&D budgets fluctuate due to changes in available resources, consolidation in the pharmaceutical, energy and other industries, spending priorities and institutional budgetary policies. We also periodically receive research funding from government agencies. These governmental agencies experience fluctuations in their R&D budgets, which may negatively impact our

ability to receive funding from such agencies. Our businesses could be seriously damaged by significant decreases in life sciences and/or renewable fuels, animal feed and food R&D expenditures by government agencies and existing and potential partners.

Conflicts with our collaborators and/or licensees could harm our business.

An important part of our strategy includes involvement in proprietary research programs. We may pursue opportunities in fields that could conflict with those of our collaborators and licensees. Moreover, disagreements with our collaborators or licensees could develop over rights to our intellectual property, over further licensing of our technologies to other parties in certain fields, or for other reasons. Any conflict with our collaborators or licensees could reduce our ability to obtain future collaboration agreements and negatively impact our relationship with existing collaborators or licensees, which could reduce our sales. We were previously in a dispute with one of our licensees, Codexis, Inc. ("Codexis"), regarding a license agreement entered into by and between the Company and Codexis, dated as of November 14, 2008 (the "Codexis License Agreement"). On July 30, 2013, Dyadic notified Codexis of Codexis' apparent breach of the Codexis License Agreement through at least its marketing of the "CodeXyme" enzyme product to third parties for use in biofuels other than Shell Oil. Dyadic believes the use and marketing of CodeXyme by and to third parties other that Shell in biofuels is a violation of the Codexis License Agreement. Codexis has assured us that, amongst other things, it has ceased any marketing or sale of enzymes for use in the synthesis of cellulosic fuels and, more generally, that it was stopping work on its advanced biofuels program. Based on these representations by Codexis, Dyadic agreed to withdraw its July 30, 2013 Notice of Breach on March 10, 2014. Dyadic's withdrawal was made without prejudice to any of its rights under the Codexis License Agreement. The parties are continuing to have discussions relating to potential collaboration opportunities in the space.

Some of our collaborators, including our distributors which reformulate our products, or licensees could also become competitors in the future. Our collaborators and/or licensees could develop competing products, preclude us from entering into collaborations or license agreements with their competitors, fail to obtain timely regulatory approvals, terminate their agreements with us prematurely or fail to devote sufficient resources to the development and commercialization of products. Any of these developments could harm our product development efforts.

If issues arise with our collaborators and/or licensees, we will need to either commercialize products resulting from our proprietary programs directly or through licensing to other companies. We may lose revenue or incur losses. Similarly, we may lose revenue or incur losses if we are unable to license our technology to new licensees on commercially reasonable terms, or are unable to develop the capability to market and sell these products on our own.

Public views on ethical and social issues may limit use of our technologies and reduce our sales.

Our success will depend in part upon our ability to develop products discovered, developed and manufactured through the C1 Expression System. Governmental authorities could, for social, ethical or other purposes, limit the use of genetic processes or prohibit the practice of using a modified C1 organism. Concerns about the C1 Expression System, particularly the use of genes from nature for commercial purposes, and resulting products, could adversely affect their market acceptance.

The commercial success of our and our licensees' potential products will depend in part on public acceptance of the use of genetically engineered products including enzymes, drugs and other protein products produced in this manner. Claims, whether true or not, that genetically engineered products are unsafe for consumption or pose a danger to the environment may influence public attitudes. Our and our licensees' genetically engineered products may not gain public acceptance in the industrial, pharmaceutical or bioenergy industries. Negative public reaction to GMOs and products could result in greater government regulation of genetic research and resulting products, including stricter labeling laws or other regulations, and could cause a decrease in the demand for our products. If we and/or our collaborators are not able to overcome the ethical, legal, and social concerns or other requirements relating to genetic engineering, some or all of our products and processes may not be accepted. Any of the risks discussed below could result in expenses, delays, or other impediments to our and our licensees' programs or the public acceptance and commercialization of products and processes dependent on our technologies or inventions. Our and our licensees' ability to develop and commercialize one or more of our technologies, products, or processes could be limited by the following factors:

- public attitudes about the safety and environmental hazards of, and ethical concerns over, genetic research and genetically engineered products and processes, which could influence public acceptance of our and our licensees' technologies, products and processes;

- public attitudes about organic products;

- public attitudes regarding, and potential changes to laws governing, ownership of genetic material which could harm our intellectual property rights with respect to our genetic material and discourage collaborative partners or licensees from supporting, developing, or commercializing our products, processes and technologies; and

• government reaction to negative publicity or other influences concerning GMOs, which could result in greater government regulation of genetic research and derivative products, including labeling requirements.

The subject of GMOs and products derived from them has received negative publicity, which has aroused public debate in the United States and other countries. This adverse publicity could lead to greater regulation and trade restrictions on imports and exports of genetically altered products.

We must continually offer new products and technologies.

The industrial enzymes and biotechnology industries are characterized by rapid technological change, and the area of gene research is a rapidly evolving field. Our future success will depend on our ability to maintain a competitive position with respect to technological advances. Rapid technological development by others could cause our products and technologies to become obsolete.

Any products we or our collaborators or licensees develop through our C1 Expression System will compete in highly competitive markets. Many of the organizations competing with us in the markets for such products have more capital resources, larger R&D and marketing staff, facilities and capabilities, and greater experience in the regulatory approval, manufacturing and commercialization of products. Accordingly, our competitors may be able to develop technologies and products more rapidly. If a competitor develops superior technology or more cost-effective alternatives to our and our collaborators' or licensees' products or processes, our business, operating results and financial condition could be seriously harmed.

Customers may prefer existing or future technologies over the C1 Expression System. Well-known and highly competitive biotechnology companies offer comparable technologies for the same products and services as our industrial enzyme, biopharmaceutical, biofuel and bio-based chemicals businesses. These companies may develop technologies that are superior alternatives to ours or our collaborators and licensees. We anticipate that we, our collaborators and licensees will continue to encounter increased competition as new companies enter these markets and as development of biological products evolves.

Customers may expect the continued need for improving the C1 Technology platform itself, and for its use in various applications including industrial enzeyme, biopharmaceutical, biofuel and bio-based chemical markets, and the need for continued capital for continued development and advancement of our research and development efforts and technologies.

We could fail to manage our growth, which would impair our business.

Our business plan provides that we anticipate growing at a rapid rate. Our long term success depends on our ability to efficiently and effectively implement, among other things:

- Ability to maintain, and gain additional strategic partners and technology licensees;
- Recruit and hire the required employees necessary to maintain and grow our business and to advance our technologies;
- Technical success of our and our licensees' or collaborators' research and product development programs;
- Operational and financial control systems;
- Recruiting and training programs;
- Access to additional manufacturing capacity;
- Access to additional growth capital;
- Recruit and maintain board members and scientific advisory board members; and
- Scientific risks and uncertainties that may arise during our R&D programs.

Our ability to offer products and services successfully and to implement our business plan in a rapidly evolving global market requires effective planning, reporting and management processes. We expect that we will need to continue to improve our financial and managerial controls, reporting systems and procedures, implement new and broader internal controls, improve and upgrade our R&D capabilities and employees, expand our internal R&D spending, in addition to expanding and training our global workforce. We will also need to continue to manufacture our products efficiently and to control or adjust expenses related to R&D, marketing, sales and other administrative activities in response to changes in sales. If we are not successful in efficiently developing new products, and in the manufacturing of our products or managing such expenses, there could be an adverse impact on our operations, financial performance and the continued viability of our business.

We are dependent on several key customers and any decrease in sales to these customers could harm our operating results.

We have significant customer concentration. Although we have over 100 industrial enzyme customers, 38% of our industrial enzymes product sales came from our top three customers in the year ended December 31, 2013, and 34% for the six months ended June 30, 2014. Our R&D revenue comes from a relatively small number of customers, with 61% of revenue coming from the top three

in the year ended December 31, 2013 and 81% in the six months ending June 30, 2014. BASF was our only licensing customer in the year ended December 31, 2013 and we have had no licensing revenue in the six months ended June 30, 2014.

While BASF may generate milestone, royalty and research revenue in the future, we expect that upfront license fee to be non-recurring. As of December 31, 2013, there were two customers that accounted for approximately 13% and 12%, respectively, of total accounts receivable. As of June 30, 2014, there were two customers that accounted for approximately 15% and 8%, respectively, of total accounts receivable. Losing a few of these top customers could significantly harm our business, as gaining new customers often has a long sales cycle.

We rely on our collaborators and other third parties to deliver timely and accurate information in order to accurately report our financial results in the time frame and manner required by law.

We need to receive timely, accurate and complete information from a number of third parties in order to accurately report our financial results on a timely basis. We rely on such third parties to provide us with complete and accurate information regarding revenues, expenses and payments owed to or by us on a timely basis. For example, our licensees are required to provide us with certain information; the failure for us to obtain such information may affect the accurate or timely reporting of such information. We will need to establish the proper controls related to obtaining and reporting information from our licensees related to when milestones are earned, if any, when royalties are earned, if any, as well as other types of potential revenues such as facility fees. If the information that we receive is not accurate, our consolidated financial statements may be materially incorrect and may require restatement. Although we may have contractual rights to receive information, such provisions may not ensure that we receive information that is accurate or timely. As a result, we may have difficulty completing accurate and timely financial disclosures, which could have an adverse effect on our business.

Risks Specific to Our Industrial Enzyme Business

Our market share growth depends on costly new product introductions and market acceptance.

The future success of our industrial enzyme business will depend greatly on our ability to continuously develop, register, and introduce new and better performing products in a timely manner that address the evolving requirements of our target markets and customers. There is no assurance that these new products will perform better, save our customers money over existing products of ours or our competitors, or provide them with other benefits, or be registered or gain market acceptance. We are relying on our C1 Expression System and our other proprietary technologies to expand the product line of our industrial enzyme business and improve our gross margins on those products. If we fail to develop new and better performing products, continue to make fermentation yield improvements on our existing production processes (or productivity gains) or gain registration, and market acceptance of new product introductions, we could fail to recoup an adequate return on our R&D investment and lose market share to our competitors, which may be difficult or impossible to regain. Any inability, for technological, regulatory, or other reasons, to successfully develop and launch new products, could reduce our rate of growth or otherwise negatively impact our business.

The dynamic nature of our target markets and the unpredictable nature of the development process may affect our ability to meet the requirements of the marketplace or achieve market acceptance. Some of the factors affecting market acceptance of our products include:

- Availability, quality, performance and price of competitive products;
- Functionality and cost of new and existing products;
- Timing of product introduction, performance and pricing compared to our competitors;
- Scientists' and customers' opinions of our products' utility and our ability to effectively incorporate their feedback into future products;
- Status as a GMO in food and animal feed and other markets;
- We are competing against much larger companies; and
- Timing, costs and receipt of regulatory approvals.

The expenses or losses associated with unsuccessful product development activities or lack of market acceptance of our new products could seriously harm our business, financial condition and results of operations.

Our dependence on a sole contract manufacturer could harm our business.

Our manufacturing capabilities, and any current or future arrangements with third parties for these activities, may not be adequate for the successful commercialization of our industrial enzyme products. Our industrial enzyme business currently relies on

one contract manufacturer for all of its manufacturing. If we require additional manufacturing capacity and are unable to obtain it in sufficient quantity or in a timely manner, we may not be able to increase our sales, or may be required to make substantial capital investments to build additional production capacity.

We are dependent upon the performance and production capacity of our third-party manufacturing partner. We do not have a long term supply contract in place with our contract manufacturer and instead submit orders on a purchase order basis. However, our contract manufacturer has been producing a number of our products since September 2008. In the absence of a supply agreement, our contract manufacturer will be under no obligation to manufacture our products and could elect to discontinue their manufacture at any time or raise their tolling rates such that our margins would be negatively impacted. If we require additional manufacturing capacity and are unable to obtain it in sufficient quantity, we may not be able to increase our sales, or we may be required to make substantial capital investments to build that capacity or to contract with other manufacturers on terms that may be less favorable than the terms we currently have with our supplier. If we choose to build our own manufacturing facility, it could take several years or longer before our facility is able to produce commercial volumes of our products. Any resources we expend on acquiring or building internal manufacturing capabilities could be at the expense of other potentially more profitable opportunities. In addition, if we contract with other manufacturers, we may experience delays of several months in qualifying them, which could harm our relationships with our collaborators or customers and could negatively affect our revenues or operating results.

Our industrial enzyme business faces risks due to interruptions or changes that affect the ability of our sole contract manufacturer to meet our anticipated future growth, its manufacturing responsibilities, the occurrence of which could adversely impact the availability, launch and/or sales of our products in the future. In such an event that manufacturing is interrupted, we would have to locate additional capacity with another contract manufacturing facility or operate our own enzyme manufacturing plant in a short period of time. Our alternative sources of supply, which may be unavailable on commercially acceptable terms, may cause delays in our ability to deliver products to our customers, increase our costs and decrease our profit margins.

In addition, our toll manufacturer is limited in the types of GMOs it can use, which may limit our ability to launch new products or have our existing products manufactured at their facility. The toll manufacturer is subject to different rules relating to the manufacture of GMOs and also has its own internal policies which may prevent it from acting as our supplier in the future. Therefore, we may need to locate another supplier to produce some of our products.

Our toll manufacturer is located in Mexico City, Mexico. The facility is subject to political unrest, earthquakes, fires and other acts of nature that may exist in that region of the world.

To mitigate these concerns, we have undergone an evaluation of additional contract manufacturers over the past year, and have determined a number of alternatives exist in a variety of locations. These alternate contract manufacturers may require capital investment and time to qualify production of our products and substantial disruption to our business could still result from any delays or disruptions to our toll manufacturer.

If such an event took place, that we had to build our own or assist in the retrofitting of an enzyme manufacturing facility, we would need to raise additional capital through equity or debt. This would restrict our ability to fund product development and technology and application research.

Regulations may limit or impair our and our collaborators' and licensees' ability to sell genetically engineered products in the future.

We, our collaborators and licensees develop enzyme products using both non-genetically engineered microorganisms (non-GMO), as well as those that have undergone some degree of genetic modification. Products derived from GMOs may in some instances be subject to bans or additional regulation by federal, state, local and foreign government agencies. These agencies administering existing or future applicable regulation or legislation may not allow us or our collaborators and licensees to produce and market our products derived from GMOs in a timely manner or under technically or commercially feasible conditions.

In addition, regulatory action or private litigation relating to GMO products could result in expenses, delays or other impediments to our product development programs or the commercialization of resulting products. The FDA currently applies the same regulatory standards to products made through genetic engineering as those applied to products developed through traditional methodologies. Depending on a product's application and regardless of its GMO status, it may be subject to lengthy FDA reviews and unfavorable FDA determinations due to safety concerns or changes in the FDA's current regulatory policy. The EPA regulates biologically-derived enzyme-related chemical substances not within the FDA's jurisdiction. An unfavorable EPA ruling could delay commercialization or require modification of the production process or product in question, resulting in higher manufacturing costs, thereby making the product uneconomical. The EU also has regulations regarding the development, production and, marketing of products from GMOs, which are generally more restrictive than present U.S. regulations. For example, among other requirements, EU animal feed registration requires in-vivo efficacy testing, as well as toxicological testing of all enzyme products, including products from non-GMO microorganisms.

Further, we our collaborators and licensees are subject to regulations in the other countries in which we operate outside of the U.S. and EU, which may have different rules and regulations depending on the jurisdiction. Different countries have different rules

regarding which products qualify as GMO and which are non-GMO. If any of these countries expand the definition of GMO and increase the regulatory burden on GMO products, our business could be harmed.

Other changes in regulatory requirements, laws and policies, or evolving interpretations of existing regulatory requirements, laws and policies, may result in increased compliance costs, delays, capital expenditures and other financial obligations that could adversely affect our business or financial results.

Our results of operations may be adversely affected by environmental, health and safety laws, regulations and liabilities.

We are subject to various federal, state and local environmental laws and regulations, including those relating to the discharge of materials into the air, water and ground, the generation, storage, handling, use, transportation and disposal of hazardous materials, and the health and safety of our employees. In addition, some of these laws and regulations require our contemplated facilities to operate under permits that are subject to renewal or modification. These laws, regulations and permits can often require expensive pollution control equipment or operational changes to limit actual or potential impacts to the environment. A violation of these laws and regulations or permit conditions can result in substantial fines, natural resource damages, criminal sanctions, permit revocations and/or facility shutdowns.

Furthermore, as we operate our business, we may become liable for the investigation and cleanup of environmental contamination at each of the properties that we lease or operate and at off-site locations where we may arrange for the disposal of hazardous substances. If these substances have been or are disposed of or released at sites that undergo investigation and/or remediation by regulatory agencies, we may be responsible under the Comprehensive Environmental Response, Compensation and Liability Act, or other environmental laws for all or part of the costs of investigation and/or remediation, and for damages to natural resources. We may also be subject to related claims by private parties alleging property damage and personal injury due to exposure to hazardous or other materials at or from those properties. Some of these matters may require expending significant amounts for investigation, cleanup, or other costs.

In addition, new laws, new interpretations of existing laws, increased government enforcement of environmental laws, or other developments could require us or our contract manufacturers to make additional significant expenditures. Continued government and public emphasis on environmental issues can be expected to result in increased future investments for environmental controls at ethanol production facilities relating to our biofuels business. Present and future environmental laws and regulations and interpretations thereof, more vigorous enforcement of policies and discovery of currently unknown conditions may require substantial expenditures that could have a material adverse effect our results of operations and financial position. Additionally, any such developments may have a negative impact on our contract manufacturers, which could harm our business.

Risks Related to Our Biopharmaceutical Business

We may fail to commercialize the Dyadic Expression System for the expression of therapeutic proteins, antibodies and vaccines.

Although our industrial enzyme and biofuel and bio-based chemical businesses have developed and sold products utilizing our C1 Expression System, our C1-based technologies applied in the biopharmaceutical market have not yet completed commercialization of therapeutic proteins, antibodies and vaccines. Currently, our most advanced project, with Sanofi, needs further research and development in order to continue forward. Sanofi has verbally stated that they will fund additional reaearch and based on those result re-evaluate whether to continue funding additional research and development of this program. There is no guaranty that Sanofi will finalize a written extension, despite their assurance that they will do so, or that they will continue further funding beyond this limited research extension. If our biopharmaceutical business fails to do this, we may be forced to terminate our biopharmaceutical business operations. Even if we or our collaborators successfully develop a commercial product using our C1 Expression System, we may not generate significant licensing, royalty or milestone revenue and achieve profitability in our business. Additionally, even if the C1 Expression System fulfills its role in the development or production of a pharmaceutical product, the ultimate product may be delayed or never approved by the FDA or other governmental regulatory bodies.

To date, drug companies have developed and commercialized only a small number of gene-based products in comparison to the total number of drug molecules available in the marketplace. Our biopharmaceutical business must be evaluated as having the same risks as those inherent to early-stage biotechnology companies because the application of our C1 Expression System for the expression of pre-clinical and clinical quantities of therapeutic proteins, antibodies and vaccines is still in development. Furthermore, we may not be able to expand the capabilities of our technology to produce commercial volumes of therapeutic proteins, antibodies and vaccines at reasonable costs or that have the necessary qualities and other properties required in the pharmaceutical industry.

Successful development of the Dyadic C1 Expression System for these purposes will require significant research, development and capital investment, including testing, to prove its efficacy and cost-effectiveness. In general, our experience has been that each step in the process has taken longer and costs more to accomplish than originally projected and we anticipate that this is likely to remain the case with respect to the continuing development efforts of our biopharmaceutical business.

Commercialization of our products, including the C1 Expression System for therapeutic proteins, antibodies and vaccines depends on collaborations.

Since we do not currently possess the experience, knowledge or financial resources necessary to develop and commercialize potential drug products that may result from the use of the C1 Expression System, or to complete the potential approval processes required for these products, we must enter into strategic partnerships to develop and commercialize drug products. If we are not able to find collaborators in the future, the biopharmaceutical business may not be able to develop the C1 Expression System for therapeutic protein products, antibodies and vaccines. Further, our business model relies on a revenue stream derived from collaboration projects with our customers to express therapeutic proteins, antibodies and vaccines prior to pre-clinical trials. A large portion of our anticipated return on investment depends on those therapeutic proteins, antibodies and vaccines progressing through drug development and into commercially successful drugs. Apart from risks relating to whether our biopharmaceutical business can capture such customers, or capture them on satisfactory terms, we will also have no control over post-collaboration project drug development and commercialization. Additionally, as we have in the past, we expect to expend a greater portion of our resources on further developing the C1 Platform Technology for potential use in producing therapeutic protein products, antibodies and vaccines

We have limited or no control over the resources that any collaborator or licensee may devote to our programs.

Any of our current or future collaborators or licensees may not perform, breach or terminate their agreements with us or otherwise fail to conduct their required activities successfully and in a timely manner. Potential therapeutic products developed by us or with our domestic and global partners are subject to a lengthy and uncertain regulatory process. In the United States, the FDA must approve any therapeutic product before it can be marketed. Prior to filing a new drug application or biologic license application with the FDA, our collaborators must also subject the product candidate to extensive testing, including animal and human clinical trials. This process can take many years and require substantial expenditures. Our collaborators or licensees may elect not to develop products arising out of our collaborative or license arrangements or may choose not to devote sufficient resources to the development, manufacture, market or sale of these products. Further, if conflicts could arise between Dyadic and our customers, or among them and third parties, it could discourage or impede the activities of our biopharmaceutical business. If any of these events occur, we or our collaborators or licensees may not develop our technologies or commercialize our products.

While we anticipate that many of our collaborators or licensees will have experience submitting an application to the FDA or other applicable regulatory authorities, we have no such experience. Neither we nor any collaborator or licensee has yet submitted an application with the FDA or any other regulatory authority for any product candidate generated through the use of our C1 Expression System as it relates to the development and manufacture of pharmaceutical products. The FDA may not have substantial experience with technology similar to ours, which could result in delays or regulatory action against us. We, our collaborators and licensees, may not be able to able to obtain regulatory approval for our products, which would harm our business.

Our C1 Expression System has been tested for use in the manufacturing of an enzyme in the production of wine, beer and fruit juices, and is generally regarded as safe, and has generated promising safety and toxicity data for that enzyme. A risk nonetheless exists that the C1 Expression System will produce therapeutic products and enzymes that have safety and toxicity issues associated with them. Our C1 Expression System may be subject to lengthy regulatory reviews and unfavorable regulatory determinations if it raises safety questions which cannot be satisfactorily answered or if results from studies do not meet regulatory requirements. An unfavorable regulatory ruling could be difficult to resolve and could delay or possibly prevent a product from being commercialized, which would harm our business. Additionally, future products produced by us or our licensees or collaborators using our C1 Expression System may not be approved by the FDA or other regulatory agencies in the U.S. or worldwide. There is no assurance that safety and toxicity issues will not arise in current or future product development and manufacturing programs due to fermentation or genetic changes in the C1 strain and fermentation process.

If these therapeutic protein products, antibodies or vaccines are not approved by regulators, we or our customers or collaborators and licensees will not be able to commercialize them, and we may not receive milestone and royalty payments which are based upon the successful advancement of these products through the drug development and approval process. Even after investing significant time and expense, any regulatory approval may also impose limitations on the uses for which we can market a product, and any marketed product and its manufacturer are subject to continual review. Discovery of previously unknown problems with a product or manufacturer may result in new restrictions on the product, manufacturer and manufacturing facility, including withdrawal of the product from the market. In certain countries, regulatory agencies also set or approve prices, which may decrease our margins or harm our business.

Risks Related to Our Biofuel and Bio-Based Chemicals Products

We or our collaborators and licensees may fail to develop commercially viable enzymes to convert lignocellulose into fermentable sugars.

Our biofuel and bio-based chemicals businesses must be evaluated as having the same risks as those inherent in early-stage biotechnology companies. Our enzymes for converting lignocellulose into fermentable sugars, or cellulosic ethanol, are in late stage development to achieve required cost-efficiencies; however, we may fail in developing more cost-efficient enzymes. Further, we may be able to develop commercially viable enzymes for only some alternative types of biomass, which may or may not be those with the greatest market potential. Successful development of the C1 Expression System to discover, develop and produce commercially viable enzymes for the cellulosic ethanol market will require significant development and investment, including testing, to prove its efficacy and cost-effectiveness. In general, our experience has been that the cost and length of this process is unpredictable and we anticipate that this is likely to remain the case with respect to the development efforts of our biofuel and bio-based chemicals businesses.

Demand for Cellulosic Ethanol may not increase as expected, which would harm our business.

If the expected increase in cellulosic ethanol demand does not occur or is delayed even further, the demand for our enzymes would be diminished or delayed. As of 2013, the first commercial cellulosic ethanol plants began limited operation, and there is an additional amount of capacity currently being added, including three new commercial-scale bio-refineries are expected to come online in 2014 from Abengoa, a Dyadic licensee, DuPont and POET. Future demand could be impaired due to a number of factors, including the success of these commercial plants and others, regulatory developments and reduced U.S. gasoline consumption. Reduced gasoline consumption could occur as a result of increased gasoline or oil prices, causing businesses and consumers to limit driving or acquire vehicles with more favorable gasoline mileage. Conversely, future demand for cellulosic ethanol may be negatively affected by falling gasoline prices caused by the current decline natural crude oil as well as the decline in the price of natural gas. Widespread adoption of electric vehicles may also offer long-term demand of biofuels.

The market price of ethanol is volatile and subject to significant fluctuations, which may cause our profitability from the production of cellulosic ethanol to fluctuate significantly.

The market price of ethanol is dependent upon many factors, including the price of food crops such as corn, wheat and sugar cane, as well as gasoline, which is in turn dependent upon the price of petroleum. Petroleum prices are highly volatile and difficult to forecast due to frequent changes in global politics and the world economy. The distribution of petroleum throughout the world is affected by incidents in unstable political environments, such as Iraq, Iran, Kuwait, Saudi Arabia, Nigeria, Venezuela, and the former U.S.S.R. The industrialized world substantially depends upon oil from these areas, and any disruption or other reduction in oil supply can cause significant fluctuations in the prices of oil and gasoline. We cannot predict the future price of oil or gasoline and the market may establish unprofitable prices for the sale of ethanol due to significant fluctuations in market prices. If the prices of gasoline and petroleum decline, we believe that the demand for and price of ethanol may be adversely affected, causing our profitability to fluctuate significantly.

The U.S. Ethanol Industry is highly dependent upon a myriad of federal and state legislation and regulations and any changes in such legislation or regulation could materially and adversely affect the demand for the services and products in the biofuel and bio-based chemicals markets.

We believe there is increased momentum within the U.S. Congress to enact legislation to revise the RFS. It is possible that some form of reform legislation, potentially including a lowering of the yearly mandates for corn ethanol and/or cellulosic fuels, may pass into law. Any revisions of the RFS may negatively affect the economics of our biofuel and bio-based chemicals businesses in the U.S.

Alternative technologies may not require microbial produced enzymes.

Research is being conducted under the auspices of major seed producers, the U.S. federal government and the National Corn Growers Association, to develop methods of biofuel and bio-based chemical production that does not use enzymes to convert lignocellulose into fermentable sugars. Additionally, there are other emerging non-enzymatic technologies being developed for the production of Cellulosic Ethanol. If they are successful, these new methods may supplant or greatly reduce the need for enzymes in the biofuel and bio-based chemical end market, which would harm our business.

The price of alternative feedstocks such as corn, wheat and sugar cane have come down dramatically and this makes first generation biofuel and biobased chemicals made from food based sugars more competitive than they were in the past and there is no guaranty that such commodities will return to the price levels that will make second generation cellulosic sugar competitive with first generation sugars from such crops, without subsidies.

Further advancements in agronomy have led to and are expected to lead to better yields and even lower cost of first generation sugar from corn, wheat, sugar cane or other energy crops may limit demand for 2nd generation biofuels.

Also, the market for cellulosic sugars, biofuels and biobased chemicals is a market that is not yet established and is only beginning to emerge. There is a risk that it will not succeed and not grow at the rates projected, whether delayed or at all.

Other Business Risks That We Face

Changes in global economic and financial markets may have a negative effect on our business.

Our business is subject to a variety of market forces including, but not limited to, domestic and international economic, political and social conditions. Many of these forces are uncertain and beyond our control. Any change in market conditions that negatively impacts our operations or the demand of our current or prospective customers could adversely affect our business operations.

In addition, any such changes in the global financial markets may make it difficult to accurately forecast operating results. In the past, these factors have had, and may continue to have, a negative effect on our business, results of operations, financial condition and liquidity. In the event of a downturn in global economic activity, current or potential customers may go out of business, may be unable to fund purchases or determine to reduce purchases, all of which could lead to reduced demand for our products, reduced gross margins, and increase customer payment delays or defaults. Further, suppliers may not be able to supply us with needed raw materials on a timely basis, may increase prices or go out of business, which could result in our inability to meet consumer demand or affect our gross margins. We are also limited in our ability to reduce costs to offset the results of a prolonged or severe economic downturn given certain fixed costs associated with our operations and difficulties if we overstrained our resources. The timing and nature of a sustained recovery in the credit and financial markets remains uncertain, and there can be no assurance that market conditions will significantly improve in the near future or that our results will not continue to be materially and adversely affected.

If we lose key personnel, including key management or board personnel, or are unable to attract and retain additional personnel, it could delay our product development programs, harm our R&D efforts, and we may be unable to pursue collaborations or develop our own products.

Our planned activities will require ongoing recruiting and retention of additional expertise in specific industries and areas applicable to the products being developed through our technologies. These activities will not only require the development of additional expertise by existing management personnel, but also the addition of new management, sales, marketing, regulatory, and scientific personnel. The inability to acquire or develop this expertise or the loss of principal members of our management, sales, and scientific staff could impair the growth, if any, of our business. Although we believe we will be successful in attracting and retaining qualified management and scientific personnel, competition for experienced personnel from numerous companies, academic institutions and other research facilities may limit our ability to do so on acceptable terms. Failure to attract and retain qualified personnel would inhibit our ability to pursue collaborations and develop our products or core technologies.

Personnel changes may disrupt our operations. Hiring and training new personnel will entail costs and may divert our resources and attention from revenue-generating efforts. In addition, we periodically engage consultants to assist us in our business and operations, these consultants operate as independent contractors, and we, therefore, do not have as much control over their activities as we do over the activities of our employees. Our consultants may be affiliated with or employed by other parties, and some may have consulting or other advisory arrangements with other entities that may conflict or compete with their obligations to us.

Our lawsuit against our former professional service providers may not be successful and we may be required to pay substantial legal fees if we do not prevail.

We are currently engaged in litigation with three former professional service providers. In 2009, we sued our former professional service providers in connection with the events relating to alleged improprieties at our former Asian subsidiaries, which we abandoned in May 2007. While Jenkens & Gilchrist, P.C., one of the defendants, has already settled, claims against the remaining defendants remain pending. Jenkens & Gilchrist, P.C. settled with us for $525,000 on August 8, 2012. While we believe we will prevail against the remaining defendants, we may fail to succeed in our lawsuit and be required to pay the legal fees for opposing counsel, which may be substantial. In addition, we may not reach a settlement agreement or may reject settlement offers that we deem unsatisfactory. The lawsuit is a substantial distraction for our management which takes up significant amounts of their time and resources, and additionally may discourage investors from investing in our stock. If we are not successful in prosecuting the lawsuit against our former professional service providers, our business may be harmed. The court ordered mediation, which was originally scheduled for September 30, 2014, has now been scheduled for November 10th and 11th, 2014. The court has not yet set a trial date for 2015. Court ordered mediation and a trial date, may be further delayed.

Inability to protect our intellectual property could harm our ability to compete.

Our success will depend in part on our ability to obtain patents and maintain adequate protection of our other intellectual property for our technologies and products in the United States and other countries. If we do not adequately protect our intellectual property, competitors may be able to practice our technologies and erode our competitive advantage. The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States, and many companies have encountered

significant problems in protecting their proprietary rights in these foreign countries. These problems can be caused by, for example, a lack of rules and methods for defending intellectual property rights.

Our current patent portfolio consists of 13 U.S. patents, 41 foreign patents, including claims that cover the C1 Expression System and 32 U.S. and foreign filed and pending patent applications which we believe provide broad protection for Dyadic, including its products and commercial applications. However, the patent positions of biotechnology companies, including our patent position, are generally uncertain and involve complex legal and factual questions. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. We intend to apply for patents covering both our technologies and our products, as we deem appropriate. However, existing and future patent applications may be challenged and are not guaranteed to result in the issuing of patents. Even if a patent is obtained, any existing and future patents may not be sufficiently broad to prevent others from practicing our technologies or from developing competing products. Others, including our collaborators, may independently develop similar or alternative technologies or design around our patented technologies. In addition, our collaborators or other third parties may challenge or invalidate our patents, or our patents may fail to provide us with any competitive advantages. If any third party is able to gain intellectual property protections for technology similar to our own, they may be successful in blocking us and our licensees from commercializing our products.

Not all of our proprietary technology is eligible for patent protection and a significant portion of our various proprietary technologies rely upon trade secret protection. We have taken security measures to protect our proprietary information including confidentiality agreements with employees, collaborators and consultants. Nevertheless, these measures may not provide adequate protection for our trade secrets or other proprietary information as employees, collaborators or consultants may still disclose our proprietary information. In addition, others may independently develop substantially equivalent proprietary information or techniques or otherwise gain access to our trade secrets.

The enforceability of patents involves numerous technical issues and, therefore, the extent of enforceability cannot be guaranteed. Issued patents and patents issuing from pending applications may be challenged, invalidated or circumvented. Moreover, the United States Leahy-Smith America Invents Act, enacted in September 2011, brought significant changes to the U.S. patent system, which include a change to a “first to file” system from a “first to invent” system and changes to the procedures for challenging issued patents and disputing patent applications during the examination process, among other things. The effects of these changes on our patent portfolio and business have yet to be determined, as the final substantive provisions of the America Invents Act took effect on March 16, 2013. The United States Patent and Trademark Office (the “USPTO”), only recently finalized the rules relating to these changes and the courts have yet to address the new provisions. These changes could increase the costs and uncertainties surrounding the prosecution of our patent applications and the enforcement or defense of our patent rights. Additional uncertainty may result from legal precedent handed down by the United States Court of Appeals for the Federal Circuit and United States Supreme Court as they determine legal issues concerning the scope and construction of patent claims and inconsistent interpretation of patent laws by the lower courts. Accordingly, we cannot ensure that any of our pending patent applications will result in issued patents, or even if issued, predict the breadth of the claims upheld in our and other companies’ patents. Given that the degree of future protection for our proprietary rights is uncertain, we cannot ensure that we were the first to invent the inventions covered by our pending patent applications, we were the first to file patent applications for these inventions or the patents we have obtained.

In addition, Dyadic continues to review our existing patent portfolio. Based on our analysis of annuity fees against potential commercial opportunities and patent enforceability, we have abandoned certain patents in some countries. There is a risk that we are abandoning potentially valuable patents.

Litigation or other proceedings or third-party claims of intellectual property infringement could require us to spend significant time and resources and could prevent us from commercializing our technologies or impact our stock price.

Our commercial success depends in part on neither infringing patents and proprietary rights of third parties, nor breaching any licenses that we have entered into with regard to our technologies and products. Others have filed, and in the future are likely to file, patent applications covering genes or gene fragments and other intellectual property that we may wish to utilize with C1 Expression System or products and systems that are similar to those developed with its use. If these patent applications result in issued patents and we wish to use the claimed technology, we may need to obtain a license from the appropriate third party.

Third parties may assert that we are employing their proprietary technology without authorization. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes these patents. We could incur substantial costs and diversion of management and technical personnel in defending ourselves against any of these claims or enforcing our patents and other intellectual property rights. Parties making claims against us may be able to obtain injunctive or other equitable relief, which could effectively block our ability to further develop, commercialize and sell products, and could result in the award of substantial damages against us. If a claim of infringement against us is successful, we may be required to pay damages and obtain one or more

licenses from third parties. In the event that we are unable to obtain these licenses at a reasonable cost, we could encounter delays in product commercialization while we attempt to develop alternative methods or products. Defense of any lawsuit or failure to obtain any of these licenses could prevent us from commercializing available products.

We do not fully monitor the public disclosures of other companies operating in our industry regarding their technological development efforts. If we did evaluate the public disclosures of these companies in connection with their technological development efforts and determined that they violated our intellectual property or other rights, we would anticipate taking appropriate action, which could include litigation. The outcome of any action we take to protect our rights may not be resolved in our favor or may not be resolved for a lengthy period of time resulting in substantial costs and diversion of management and technical personnel.

In addition, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our intellectual property is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our technologies, particularly in certain foreign countries where the local laws may not protect our proprietary rights as fully as in the United States. Moreover, third parties could practice our inventions in territories where we do not have patent protection. Such third parties may then try to import into the United States or other territories products, or information leading to potentially competing products, made using our inventions in countries where we do not have patent protection for those inventions. If competitors are able to use our technologies, our ability to compete effectively could be harmed. Moreover, others may independently develop and obtain patents for technologies that are similar to or superior to our technologies. If that happens, we may need to license these technologies, and we may not be able to obtain licenses on reasonable terms, if at all, which could harm our business.

In the normal course of our business we generate patentable technologies that we believe will be of value to us. In this case, we carry out detailed patent review and if appropriate, submit a patent application. Once this application is accepted, Dyadic is then required to pay a “maintenance” fee in each jurisdiction in which that patent was filed. From time-to-time, during our patent portfolio reviews, we will decide to abandon one, or maybe several patents that we do not see as having commercial viability or value to Dyadic now or in the future.

We may not be able to enforce our intellectual property rights throughout the world.

The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to synthetic biology. This could make it difficult for us to stop the infringement of our patents or misappropriation of our other intellectual property rights. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate.

We may be forced to sue third parties for patent infringement or to enforce our agreements with our licensees and collaborators.

Any litigation or proceedings that we were to initiate against a third party to enforce a patent claiming one of our technologies could result in significant legal fees and other expenses, diversion of management’s time, and disruption in our business. In addition, the outcome of any such patent, contract or related litigation is unpredictable. There is a chance that the defendant could counterclaim alleging that our patent is invalid and/or unenforceable. In the event that a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would be unable to exclude others from practicing the inventions claimed therein. Even if our patent rights are found to be valid and enforceable, patent claims that survive litigation could result in loss of patent scope. Loss of patent protection or changes in patent terms could harm our ability to compete and have an adverse impact on our business, financial condition and results of operations. In addition, in the event of any disputes with our collaborators or licensees, we may be required to take legal action to enforce our agreements. We recently withdrew a notice of breach we provided to our licensee Codexis regarding a dispute over the Codexis License Agreement. If we are unable to protect our rights under our licensing, collaboration or other agreements, our business may be harmed.

Confidentiality agreements with employees and others may not adequately prevent disclosures of trade secrets and other proprietary information.

We rely in part on trade secret protection to protect our confidential and proprietary information and processes. However, trade secrets are difficult to protect. We have taken measures to protect our trade secrets and proprietary information, but these measures may not be effective. We require employees and consultants to execute confidentiality agreements upon the commencement of an employment or consulting arrangement with us. These agreements generally require that all confidential information developed by the individual or made known to the individual by us during the course of the individual’s relationship with us be kept confidential

and not disclosed to third parties. These agreements also generally provide that inventions conceived by the individual in the course of rendering services to us shall be our exclusive property. Nevertheless, our proprietary information may be disclosed, third parties could reverse engineer our biocatalysts and others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

We may be sued for product liability.

We may be held liable if any product we develop, or any product which is made with the use or incorporation of, any of our technologies, causes injury or is found otherwise unsuitable during product testing, manufacturing, marketing or sale. These claims could be brought by various parties, including other companies who purchase products from our collaborators or by the end users of the products.

While we maintain product liability insurance, it may not fully cover all of our potential liabilities and our liability could in some cases exceed our total assets, which would have a material adverse effect on our business, results of operations, financial condition and cash flows, or cause us to go out of business. Further, insurance coverage is expensive and may be difficult to obtain, and may not be available to us or to our collaborators in the future on acceptable terms, or at all. Inability to obtain sufficient insurance coverage at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products developed by us, or our collaborators.

International unrest or foreign currency fluctuations could adversely affect our results.

For the year ended December 31, 2013 and 2012, international sales accounted for approximately 85% and 89% of our net sales, respectively. Our key international markets are the European Union, the former Soviet Union, Peoples Republic of China, including Hong Kong, and India. Our international sales are made through international distributors and their wholly owned subsidiaries, and direct to end-user plants with payments to us, in many cases, denominated in currencies other than U.S. dollars. In the conduct of our business, in certain instances, we are required to pay our obligations in currencies other than U.S. dollars. Accordingly, we are exposed to changes in currency exchange rates with respect to our international sales and payment obligations. We incurred a currency gain of $83,000 and a gain of $28,000, for the year ended December 31, 2013 and 2012, respectively.

Fluctuations in currency exchange rates have in the past and may in the future negatively affect our ability to price competitively against products denominated in local currencies. Also, changes in foreign currency exchange rates may have an adverse effect on our financial position and results of operations as expressed in U.S. dollars. Our management monitors foreign currency exposures and may, in the ordinary course of business, enter into foreign currency forward contracts or options contracts related to specific foreign currency transactions or anticipated cash flows. We do not hedge, and have no current plans to hedge in the future, the translation of financial statements of consolidated subsidiaries whose local books and records are maintained in foreign currency.

In addition, the imposition of duties or other trade barriers, trade embargoes, acts of terrorism, wars and other events outside our control may adversely affect international commerce and impinge on our ability to manufacture, transport or sell our products in international markets.

Significant fluctuations in commodity availability and price could have a negative effect on demand for our enzyme products.

Our product lines may be directly or indirectly dependent upon the pricing of commodities and, therefore, may be subject to changes in availability and price of commodities such as oil, soybean meal, corn, corn stover, wheat, wheat straw, barley, sucrose, bagasse and ethanol in our biofuel processing product line, and poultry and animal health in our nutrition product line. Competitive conditions, government regulations, natural disasters and other events could limit the production of our customers' products that use our enzymes. In addition, concerns about international crises, such as the spread of severe acute respiratory syndrome ("SARS"), avian influenza, or bird flu, and West Nile viruses, have impacted our business in the past and may have an adverse effect on the world economy. These concerns could adversely affect our sales, profitability and business operations, or the operations of our collaborators, our contract manufacturer and our suppliers. As a result, the price and availability of the raw materials used, or the end products which our enzymes are used to produce, may fluctuate substantially, and could significantly impact both the demand for, and average sales price of, our enzymes. Such fluctuations may result in reduced volumes of our enzymes being used, or may result in our enzymes not being used at all. We have experienced fluctuations in the pricing and availability of raw materials used in the fermentation process; such fluctuations may negatively impact our business. Any of these factors may materially and adversely affect our business, financial conditions and results of operations.

The price of alternative feedstock such as corn, wheat and sugar cane have come down dramatically and this makes first generation biofuel and biobased chemical made from food based sugars more competitive than they were in the past and there is no guaranty that such commodities will return to the price levels that will make second generation cellulosic sugars competitive with first generation sugar from such crops, without subsides.

Further advancements in agronomy have led to and are expected to lead to better yields and even lower cost of first generation sugar from corn, wheat, sugar cane or other energy crops may limit demand for 2nd generation biofuels.

In 2009, we entered into a cease and desist order with the SEC relating to, among other things, our internal controls. If we fail to improve or maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to satisfy our reporting obligations and impair our ability to prevent or detect fraud.

On June 4, 2009, we entered into a cease and desist order with the SEC relating to our alleged ineffective internal controls at our Asian subsidiaries, which we abandoned in 2007. In April 2007, we became aware of alleged improprieties at our Asian subsidiaries. In connection with these events, we entered into a cease and desist order with the SEC. Since entering into the cease and desist order, the Company has worked to remediate and improve its internal controls and has a new Chief Financial Officer and auditor in place. For example, the Company has centralized financial reporting, the Company's audit committee meets quarterly and an independent financial expert consults with our audit committee to the review the Company's financial statements. The process of implementing our internal controls and complying with required procedures is expensive and time consuming, and requires significant attention from management. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future.

In addition, any testing conducted by us, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Inferior internal controls or further regulatory action could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock and could materially and adversely affect our business.

Our ability to use our net operating loss carryforwards ("NOLs") to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the Internal Revenue Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs, to offset future taxable income. If the Internal Revenue Service challenges our analysis that our existing NOLs are not subject to limitations arising from previous ownership changes, our ability to utilize NOLs could be limited by Section 382 of the Internal Revenue Code. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Internal Revenue Code. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. For these reasons, we may not be able to utilize a material portion of the NOLs reflected in our financial statements, even if we attain profitability.

Risks Related to Our Common Stock

The price of our shares of common stock is likely to be volatile, and you could lose all or part of your investment.

The trading price of our common stock has been, and is likely to continue to be, volatile. Since January 1, 2012 through June 30, 2014, the price of our common stock has fluctuated from a high of $2.25 per share to a low of $0.77 per share. The trading prices of biotechnology and renewable energy company stocks in general tend to experience extreme price fluctuations. The valuations of many biotechnology and renewable energy companies without consistent product sales and earnings are extraordinarily high based on conventional valuation standards such as price-to-earnings and price-to-sales ratios. These trading prices and valuations may not be sustained. Any negative change in the public's perception of the prospects of biotechnology and renewable energy companies could depress our stock price regardless of our results of operations. Other broad market and industry factors such as market fluctuations, as well as general political and economic conditions such as war, recession or changes in interest and currency rates may also decrease the trading price of our common stock. Other factors that may result in fluctuations in our stock price include, but are not limited to, the following:

- Announcements of new technological innovations or new products by us or our competitors;
- Changes in financial estimates by securities analysts;
- Conditions or trends in the biotechnology industry;
- Changes in the market valuations of other biotechnology companies;
- Limitations on the markets into which we can leverage our C1 Expression System;

- Actual or anticipated changes in our growth rate relative to our competitors;
- Developments in domestic and international governmental policy or regulations;
- Announcements by us or our competitors of significant acquisitions, divestures, strategic partnerships, license agreements, joint ventures or capital commitments;
- The position of our cash, cash equivalents and marketable securities;
- Any changes in the terms and conditions of our debt, or the non-renewal of our debt;
- Developments in patent or other proprietary rights held by us or by others;
- Negative effects related to the stock or business performance of our licensees, or the abandonment of projects using our technology by our licensees;
- Scientific risks inherent to emerging technologies such as our C1 Expression System;
- Set-backs, and/or failures, and or delays in our or our licensees' R&D and commercialization programs;
- Delays or failure to receive regulatory approvals by us and/or our licensees;
- Loss or expiration of our intellectual property rights;
- Lawsuits initiated by or against us;
- Period-to-period fluctuations in our operating results;
- Future royalties from product sales, if any, by our strategic partners;
- Sales of our common stock or other securities in the open market;
- Stock buy-back programs;
- Stock splits; and
- Setbacks, and/or failures, delays or negative result in our lawsuit we filed against our former professional service providers.

In the past, stockholders have often instituted securities class action litigation after periods of volatility in the market price of a company's securities. In 2007, a stockholder filed a securities class action suit against us, which we settled on July 27, 2010. If a stockholder files a securities class action suit against us, as previously occurred in 2007, we would incur substantial legal fees and our management's attention and resources would be diverted from operating our business to responding to litigation.

The market price of our common stock has in the past been, and is likely to continue to be, subject to significant fluctuations. In addition to events related to our operating performance, the stock markets in general have experienced substantial volatility related to general economic conditions and may continue to experience volatility for some time. These broad market fluctuations may also adversely affect the trading price of our common stock.

Our quarterly and annual operating results may be volatile.

Our quarterly and annual operating results have fluctuated in the past and are likely to do so in the future. These fluctuations could cause our stock price to vary significantly or decline. Some of the factors that could impact our operating results include:

- Expiration of research contracts with collaborators and/or licensees, which may not be renewed or replaced;
- Setbacks or failures in our and our collaborators and licensees research, development and commercialization efforts;
- The success rate of our discovery, and development efforts leading to milestones and royalties;
- The timing and willingness of collaborators and licensees to commercialize their products which would result in royalties;
- General and industry specific economic conditions, which may affect our collaborators' and licensees' R&D expenditures;
- The adoption and acceptance of our industrial enzymes and other products by customers of our industrial enzyme business;
- The adoption and acceptance of the Dyadic C1 Expression System by bioenergy, biotechnology and pharmaceutical companies;
- The introduction by our competitors of new industrial enzyme products or lower prices of existing products to our industrial enzyme business's customers;
- The addition or loss of one or more of the collaborative partners or licensees we are working with to commercialize our products in the biofuel and bio-based chemicals markets, biopharmaceutical, as well as for our food and animal health and nutrition businesses;
- The introduction by our competitors of new expression technologies competitive with our C1 Expression System and new screening technologies competitive with our HTS technology;
- The ability to enter into new licenses and generate revenue from such licenses;
- Scientific risk associated with emerging technologies such as our C1 Expression System;
- Disruption in our manufacturing capacity or failure to bring on the additional manufacturing capacity required to meet our projected growth;
- Uncertainty regarding the timing of upfront license fees for new C1 Expression System license agreements or expanded license agreements;

- Delays or failure to receive milestones and royalties and other payments; and
- The expenses incurred as a result of our lawsuit we filed against our former professional service providers which have and are anticipated to fluctuate greatly quarter to quarter.

A large portion of our expenses are relatively fixed, including expenses for facilities, equipment and personnel. Accordingly, if sales decline or do not grow as anticipated due to the expiration of research contracts or government research grants, we fail to obtain new contracts, or other factors, we may not be able to correspondingly reduce our operating expenses. Failure to achieve anticipated levels of sales could, therefore, significantly harm our operating results for a particular fiscal period. However, in 2014 we will continue to incur professional service fees related to the expert witnesses and court reporter in our lawsuit against our former professional service providers. If this case is not settled at the court ordered mediation, which is now set for November 10th and 11th 2014 , we would expect significant professional service fees related to expert witnesses testimony, court reporter and other expenses to continue during 2015.

Due to the possibility of fluctuations in our revenues and expenses, we believe that quarter-to-quarter comparisons of our operating results are not necessarily a good indication of our future performance. Our operating results in some quarters may not meet the expectations of stock market analysts and investors causing our stock price to possibly decline.

We do not expect to pay cash dividends in the future.

We have never paid cash dividends on our stock and do not anticipate paying cash dividends on our stock in the foreseeable future. The payment of dividends on our shares, if ever, will depend on our earnings, financial condition and other business and economic factors deemed relevant for consideration by our board of directors. If we do not pay dividends, our stock may be less valuable because a return on investment will only occur if and to the extent that our stock price appreciates, and if the price of our stock does not appreciate, then there will be no return on investment.

Our anti-takeover defense provisions may deter potential acquirers and depress our stock price.

Certain provisions of our certificate of incorporation, bylaws and Delaware law, as well as certain agreements we have with our executives, could be used by our incumbent management to make it substantially more difficult for a third party to acquire control of us. These provisions include the following:

- We may issue preferred stock with rights senior to those of our common stock;
- We have a classified board of directors;
- Action by written consent by stockholders is not permitted;
- Our board of directors has the exclusive right to fill vacancies and set the number of directors
- Cumulative voting by our stockholders is not allowed; and
- We require advance notice for nomination of directors by our stockholders and for stockholder proposals.

These provisions may discourage certain types of transactions involving an actual or potential change in control. These provisions may also limit our stockholders' ability to approve transactions that they may deem to be in their best interests and discourage transactions in which our stockholders might otherwise receive a premium for their shares over the current market price.

Concentration of ownership among our existing officers, directors and principal stockholders may prevent other stockholders from influencing significant corporate decisions and depress our stock price.

Our officers, directors and principal stockholders together control approximately 52% of our outstanding common stock as of December 31, 2013. Our founder and chief executive officer, Mark Emalfarb, through the Mark A. Emalfarb Trust under agreement dated October 1, 1987, as amended (the "MAE Trust") of which he is the trustee and beneficiary, owns approximately 20.1% of our outstanding common stock as of December 31, 2013. Further, the Francisco Trust U/A/D February 28, 1996 (the "Francisco Trust"), whose beneficiaries are the former spouse and descendants of Mark A. Emalfarb, owns approximately 11.8% of our outstanding common stock as of December 31, 2013. We have historically been controlled, managed and principally funded by Mark A. Emalfarb, our Chief Executive Officer, and affiliates of Mr. Emalfarb. Collectively, Mr. Emalfarb and stockholders affiliated with Mr. Emalfarb control approximately 31.9% of our common stock. Pursuant to a divorce decree dated March 18, 2014, 3,427,688 shares of Dyadic common stock, and 207,904 stock options previously held by the Mark A Emalfarb Trust were transferred to Lisa K. Emalfarb in April 2014.

Mr. Emalfarb is able to control or significantly influence all matters requiring approval by our shareholders, including the election of directors and the approval of mergers or other business combination transactions. The interests of Mr. Emalfarb may not

always coincide with the interests of other shareholders, and he may take actions that advance his personal interests and are contrary to the desires of our other shareholders.

If our existing officers, directors and principal stockholders act together, they will be able to exert a significant degree of influence over our management and affairs and over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in control and might affect the market price of our shares, even when a change may be in the best interests of all stockholders. Certain of our principal stockholders may elect to increase their holdings of our common stock, which may have the impact of delaying or preventing a change of control. Moreover, the interests of this concentration of ownership may not always coincide with our interests or the interests of other stockholders, and, accordingly, they could cause us to enter into transactions or agreements, which we would not otherwise consider.

We are indebted to our largest stockholders.

As of December 31, 2013, we owed the MAE Trust indebtedness of approximately $1.4 million under a secured note payable and $1.0 million under certain convertible subordinated debt. All of our assets are mortgaged or pledged to secure the notes payable owed to the MAE Trust. Pursuant to a divorce decree dated March 18, 2014, the $1.4 million note was transferred to Lisa K. Emalfarb on April 1, 2014. All of our assets are also pledged for convertible subordinated debt of $6.8 million, as of December 30, 2013, owed by the Company to certain debt holders. The Pinnacle Family Trust holds $3.8 million of the convertible subordinated debt. Approximately $1.9 million of the 2010 Notes and the 2011 Notes are held by four related interests, which include members of management and the board of directors, as well as another related party. If we were unable to generate sufficient cash flow or otherwise obtain funds necessary to pay this indebtedness when due, we would be in default, and these debt holders would have the right to foreclose on the liens and security interests that secure the debt. Further, this indebtedness is transferable to third parties. In addition, we may decide to refinance our related party indebtedness through secured borrowings from banks or other commercial lenders. Any transferee or new lender that is not a related party may not have the same attitude about any failure on our part to meet our binding repayment obligations as the existing related party note holders. The maturity date of this debt has been extended each year to 2013, 2014, and most recently to 2015, but there is no guaranty that we will be able to extend the maturity date of this debt in the future. Debt in the amount of $6.8 million is callable by the Company any time after March 31, 2014 without penalty with 30 days' notice.

If securities or industry analysts do not commence the publication of research or reports about our business, or publish negative reports about our business, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our stock or change their opinion of our stock in a negative manner, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

Future sales of shares of our common stock may negatively affect our stock price.

The sale of additional shares of our common stock, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

As of December 31, 2013, there were 34,028,245 shares of our common stock outstanding. Approximately 52% of these shares are beneficially owned or controlled by our executive officers, directors and principal stockholders. Shares held by our affiliates and certain of our directors, officers and employees are "restricted securities" as defined by Rule 144 ("Rule 144") of the Securities Act of 1933, as amended (the "Securities Act") and subject to certain restrictions on resale. Restricted securities may be sold in the public market only if they are registered under the Securities Act or are sold pursuant to an exemption from registration such as Rule 144.

Our common stock has a relatively small public float. As a result, sales of substantial amounts of shares of our common stock, or even the potential for such sales, may materially and adversely affect prevailing market prices for our common stock. In addition, any adverse effect on the market price of our common stock could make it difficult for us to raise additional capital through sales of equity securities. Further, our licensee Abengoa is a significant holder of shares of our common stock. Abengoa owns 2,136,852 shares of our common stock. Abengoa purchased such shares on October 26, 2006. Because Abengoa has held such shares for over one year, they may engage in future sales under Rule 144, which could negatively affect our stock price.

Pursuant to a divorce decree dated March 18, 2014, Lisa K. Emalfarb, the former spouse of Mark A. Emalfarb, received 3,427,688 shares of common stock and 207,904 stock options, which were transferred in April 2014 from common stock held by the MAE Trust, as well as, certain options to purchase additional shares earned by Mr. Emalfarb prior to November 30, 2012. Shares of our common stock held by Ms. Emalfarb may be considered "restricted securities" as defined under Rule 144 and may only be sold pursuant to an effective registration statement or an exemption from registration, if available. Rule 144 provides that a person who is not an affiliate and has held restricted securities for a prescribed period of at least six months if purchased from a reporting issuer or 12 months if purchased from a non-reporting Company, may, under certain conditions, sell all or any of his or her shares without volume limitation, in brokerage transactions. However, Ms. Emalfarb may be able to "tack" her holding period pursuant to Rule 144 and therefore sell her shares immediately and not subject to any holding period pursuant to Rule 144. Ms. Emalfarb may be deemed to be an "affiliate," in which case she may not sell shares in excess of 1% of the Company's outstanding common stock each three months. Additionally, for non-reporting issuers, if Ms. Emalfarb is deemed to be an "affiliate," certain company information, including information regarding the nature of its business, the identity of its officers and directors, and its financial statements, must be publicly available for her to sell her shares under Rule 144. As a result of revisions to Rule 144 which became effective on February 15, 2008, there is no limit on the amount of restricted securities that may be sold by a non-affiliate (i.e., a stockholder who has not been an officer, director or control person for at least 90 consecutive days) after the restricted securities have been held by the owner for the aforementioned prescribed period of time. A sale by Ms. Emalfarb under Rule 144 or under any other exemption from the Securities Act, if available, or pursuant to registration of shares of common stock, may have a depressive effect upon the price of our common stock.

We incurred significant costs as a result of our uplisting on the OTCQX U.S. Premier marketplace, and those costs will increase proportionately higher if, as and when we become a fully reporting company and our management will be required to devote substantial time to compliance requirements.

As a company quoted on the OTCQX U.S. Premier marketplace, we incur significant legal, accounting and other expenses that we did not incur previously. In addition, the OTCQX Alternative Reporting Standards impose various requirements on companies that require our management and other personnel to devote a substantial amount of time to compliance initiatives. These costs will further increase if, as and when we become a fully reporting company under the Exchange Act.

We may in the future seek to list our common stock on the NASDAQ Stock Market or another stock exchange. However, we do not currently meet the listing standards for listing on any national securities exchange. During the period that our common stock is quoted on the OTCQX U.S. Premier or any other over-the-counter system, an investor may find it more difficult to dispose of shares or obtain accurate quotations as to the market value of our common stock than would be the case if and when we list on the NASDAQ Stock Market or another stock exchange.

In addition, if we fail to meet the criteria set forth in certain SEC regulations, various requirements would be imposed by law on broker-dealers who sell our securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling our common stock, which may further affect its liquidity. This would also make it more difficult for us to raise additional capital.

We may not be able to meet the initial listing standards of any stock exchange, correctly predict the timing of such listing or, if listed, maintain such a listing.

We will incur significant costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance initiatives.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Exchange Act, the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as related rules implemented by the SEC, impose various requirements on public companies that require our management and other personnel to devote a substantial amount of time to compliance initiatives.

In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management evaluate effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management time on compliance-related issues. Moreover, if we are not able to maintain compliance with the requirements of Section 404, our stock price could decline, and we could face sanctions or investigations, or other material adverse effects on our business, reputation, results of operations, financial condition or liquidity.

If the SEC does not declare this Registration Statement effective or otherwise delays the effectiveness of this Registration Statement, the Company may be negatively affected and stockholders may not be able to sell shares in the amounts or at the times they might otherwise to.

Although the Company has undertaken the steps it believes are necessary to permit the SEC to declare this Registration Statement effective, it is possible that the SEC may, by application of its policies or procedures, delay the effectiveness of the Registration Statement or make it impractical for the Company to respond to the SEC in a manner that permits it to declare the Registration Statement effective. If the Registration Statement is not declared effective, the Company may be negatively affected and stockholders will need to rely on exemptions from the registration requirements of the Securities Act, such as Rule 144. Such exemptions typically limit the amount of shares that can be sold, require that shares be sold in certain types of transactions, require certain holding periods and limit the number of times that shares can be sold.

Item 2. Financial Information

Selected Financial Information

The following table provides selected historical consolidated financial data as of and for the periods shown. The data as of and for the fiscal years ended December 31, 2012 and 2013 have been derived from our audited consolidated financial statements for those dates and periods. The data as of and for the six months ended June 30, 2014 and 2013 have been derived from the condensed consolidated financial statements for those periods and dates. The selected financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and related notes provided in Item 13 of this Form 10 registration statement. Our historical results are not necessarily indicative of the results that may be expected in the future.

Selected Financial Data for the six Months ended as of June 30, 2014 and 2013:

	June 30,	
	2014	2013
Total Revenues from Operatings	$ 6,046,715	$ 9,562,606
Gross Profit	$ 1,909,411	$ 5,664,604
Income (Loss) from Operations	$ (2,945,317)	$ 2,236,709
Net Income (Loss)	$ (3,247,851)	$ 1,862,084
Cash Share data:		
Shares – Basic	34,036,295	32,135,525
Shares – Diluted	34,036,295	34,175,467
EPS – Basic	$ (0.10)	$ 0.06
EPS – Diluted	$ (0.10)	$ 0.05
Assets		
Current Assets	$ 9,994,262	$ 14,452,927
Property, Plant and Equipment, Net	$ 557,009	$ 397,766
Intangible Assets, Net	$ 581,896	$ 535,386
Other Assets	$ 35,222	$ 148,153
Total Assets	$ 11,168,389	$ 15,534,232
Liabilities		
Current Liabilities	$ 3,169,958	$ 2,886,186
Short-term Debt	$ 8,242,941	$ 8,242,941
Long-term Debt	$ -	$ -
Total Liabilities	$ 11,412,899	$ 11,129,127
Stockholders Equity	$ (244,510)	$ 4,405,105

Selected Financial Data for the year ended, as of December 31, 2013 and 2012:

	December	
	2013	2012
Total Revenues from Operatings	$ 17,134,741	$ 15,601,720
Gross Profit	$ 8,030,784	$ 7,985,498
Income (Loss) from Operations	$ 556,502	$ 1,588,342
Net Income (Loss)	$ (428,050)	$ 1,349,497
Cash Provided by Operations	$ 5,095,854	$ 365,172
Cash Share data:		
Shares – Basic	32,797,253	31,608,841
Shares – Diluted	32,797,253	34,225,590
EPS – Basic	$ (0.01)	0.04
EPS – Diluted	$ (0.01)	0.04
Assets		
Current Assets	$ 13,852,496	$ 11,945,791
Property, Plant and Equipment, Net	$ 504,781	$ 393,860
Intangible Assets, Net	$ 566,867	$ 525,224
Other Assets	$ 16,173	$ 16,173
Total Assets	$ 14,940,317	$ 12,881,048
Liabilities		
Current Liabilities	$ 4,129,157	$ 2,668,965
Short-term Debt	$ -	$ 1,424,941
Long-term Debt	$ 8,242,941	$ 7,000,000
Total Liabilities	$ 11,412,899	$ 11,093,906
Stockholders Equity	$ 2,568,219	$ 1,787,142

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this registration statement. The discussion may contain forward-looking statements based on current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" or in other parts of this registration statement.

Overview

Dyadic International, Inc. is a global biotechnology company based in Jupiter, Florida, with our research center in Wageningen, The Netherlands. We use our patented and proprietary technologies to conduct research, development and commercial activities for the discovery, development, manufacture and sale of enzymes and other proteins for the bioenergy, bio-based chemical, biopharmaceutical and industrial enzyme industries. Dyadic utilizes, among other proprietary technologies, the C1 Expression System, an integrated technology platform based on its patented and proprietary C1 microorganism. The C1 Expression System enables the development and large scale manufacture of low cost enzymes and other proteins for diverse market opportunities. The technology can also be used to screen for the discovery of novel genes.

Strategy

We expect to generate revenues by leveraging our C1 Expression System and other technologies by: (i) conducting R&D projects to develop C1-based products for third parties; (ii) entering into collaborations, license agreements, joint ventures or other business arrangements to collect technology access fees, milestone payments, royalties, profit sharing and other fees; (iii) selling enzyme products, produced using Trichoderma and our C1 Expression System, to both current markets and future markets to customers, through distributors or for customer-collaborators; and/or (iv) obtaining grants from the United States government, foreign governments or other agencies. Our technologies have the potential for commercial applications in multi-billion dollar opportunities across diverse end markets, and we currently are focused on:

Biofuels and bio-based chemicals (including bioethanol, biodiesel, renewable plastics and polymers as replacements for petroleum-based products, and a variety of bio-based chemicals such as acrylic acid, succinic acid, butanediol, phthalate, solvents, and nutritious oils such as Omega 3) – Our advanced C1 enzyme technology is a critical element in the conversion of natural fibers (biomass) into fermentable sugars, which are subsequently fermented into ethanol our other bio-based products. Our current product offering, the CMAX product line, along with the C1-based enzymes developed by our licensees Abengoa and Codexis, are being recognized for their excellent performance characteristics at converting natural fibers (biomass) such as corn stover, and wheat straw into fermentable sugars and through our continued research efforts we expect to continue developing even better performing CMAX enzymes at lower manufacturing costs. As we are focused on a licensing and collaboration model in this nascent industry, with the first commercial scale facility using our technology coming online this year, we do not currently have significant direct sales of CMAX product. However, we have demonstrated our strong market position with our licensee Abengoa and our collaborator CIMV:

- **Abengoa,** our licensee, is anticipated to begin operations at its 25 million gallon advanced biofuels plant in Hugoton, Kansas in the third quarter of 2014. We expect this facility to generate a milestone and royalties for Dyadic by the end of 2014

- **CIMV,** a recent collaborator of ours, is a leader in developing innovative technologies to process biomass, to create an efficient, fully integrated system to produce environmentally low impact biofuels and bio-based chemicals. Dyadic anticipates supplying enzymes to CIMV's planned 2015 demonstration plant and licensing its C1 technology for on-site production of enzymes at CIMV's future commercial scale plants

Biopharmaceuticals (including therapeutic proteins, vaccines, monoclonal antibodies, biogenerics and other biologics used in the treatment of many diseases) – We believe that the biopharmaceutical industry is in need of novel expression systems like our C1 Expression System to address the challenges in the market today in developing and producing biologics. Using novel expression systems such as C1, drug developers have another "shot on goal" to find an organism that will be able to sufficiently express therapeutic proteins, vaccines, monoclonal antibodies and other biologics which may be stuck in their development programs because of the lack of expression levels with the more common expression systems. We believe that pharmaceutical companies will find C1, among the novel, cutting-edge expression systems now available, to be one of the more attractive because of its long track record in industrial applications, its robust growth and fermentation characteristics, and its ability to be readily programmed and easily scaled. While using the C1 Expression System for biopharmaceutical applications should be considered an early-stage endeavor, we currently have two active projects and are seeking to expand to find additional partners and fund more development. We have been working with Sanofi since 2011:

- **Sanofi,** our collaborator, is currently developing a vaccine using the C1 expression system that is in the R&D phase. In addition to funded R&D, we have the potential for milestone payments and other opportunities should the research project and the subsequent technology transfer be successful.

Industrial (enzymes for the animal feed, pulp and paper, textiles, food and beverage and other end markets) – Enzymes for industrial applications represent our oldest and largest business segment. Already a $5 billion global market in 2013, we believe enzymes will continue to replace existing technologies due to the precision that these biocatalysts demonstrate relative to existing chemical approaches. We currently operate a small, but growing, business selling proprietary enzyme products to approximately 100 customers in 35 different countries. The business grew 25% year-over-year in 2013 versus 2012, and grew 28% year-over-year in the six months ending June 30, 2014 versus the six months ending June 30, 2013. While the majority of our existing enzyme sales are from our historical non-GMO Trichoderma technology, we are currently focused on developing cutting-edge new products based on our C1 Expression System. While we may release next generation products for industrial applications such as textiles and pulp and paper sooner, we expect our major new product introductions to happen no earlier than 2017 due to development cycles and registration requirements for the animal feed and food and beverage industries. Our primary licensees, BASF and the animal health company described in the "Business Overview" section of this document, represent two critical components to our strategy in the Industrial market.

- **BASF,** our licensee, is currently developing commercial products using the C1 Expression System by both funding research at Dyadic and through, we believe, their internal efforts. Products developed using the C1 Expression System for BASF will have access to one of the world's foremost sales, marketing and distribution organizations to commercialize these products in a number of end markets. For example, BASF is already a market leader in animal feed and detergent enzymes.

- **Our Animal Health Licensee** began work with Dyadic in 2011 to develop a next-generation enzyme to potentially replace their market leading product. We continue to refine that product through funded R&D and hope they will commercialize this product within the next few years. Together BASF and our animal health licensee already represent a significant portion of that enzyme market, and we hope to facilitate their growth

We believe in the saying that *"The expression system is not everything, but everything is nothing without a good expression system."* Experts in academia and industry regard Dyadic's C1 Expression System to be among the foremost expression systems in the world. We have licensed, on a non-exclusive basis, our C1 Expression System to some of the world's largest and renowned companies in their respective fields of applications. We believe that utilizing our C1 Expression System may be the critical differentiator in allowing Dyadic, our collaborators and licensees to compete against much larger rivals in these technology-driven markets.

Revenue

	Six Months Ended June 30,		Incr (Decr)
Sales by Product:	2014	2013	2014 vs 2013
Product related, net	$ 4,916,724	$ 3,837,358	28%
License Fee	-	5,000,000	(100%)
Research and Development ("R&D")	1,129,991	725,248	56%
Total Sales	$ 6,046,715	$ 9,562,606	(37%)

In the six months ending June 30, 2013 and June 30, 2014 we derived revenue from three sources: (i) from the sale of our proprietary Trichoderma and C1-related enzyme products, (ii) from licensing of our technology to third parties; and (iii) from funded R&D projects with third parties, both public and private.

- Net product related revenue increased 28% primarily due to growth in the animal health and nutrition, starch and alcohol, and brewing product segments in the Americas and Europe regions, partially offset by revenue declines in Asia Pacific due to rationalization of low margin products.

- The decrease in licensing fees is due to no new license agreements in 2014 compared to the payment received in 2013 for the agreement with BASF. The BASF license agreement revenue is recognized in the USA.

- R&D revenue increased 56% due to due to a key project reaching certain milestone expectations earlier than targeted, and several new projects initiated in 2014, which were enabled by the recent expansion of the Company's R&D center in the Netherlands. R&D revenue is recognized in Europe.

Product Related Revenue, Net

	Six Months Ended June 30,		Incr (Decr)
Product Related Sales by Geography:	2014	2013	2014 vs 2013
Americas	$ 1,505,129	$ 1,360,122	11%
Asia Pacific	622,841	784,344	(21%)
Europe	2,788,754	1,692,892	65%
Total Product Related Sales	$ 4,916,724	$ 3,837,358	28%

- The increase in the Americas product related revenue of $145,007 or 11% is primarily due to two new accounts.
- The decrease in Asia Pacific product related revenue of $161,503 or 21% is primarily due product rationalization of low margin products.
- The increase in Europe product related revenue of $1,095,862 or 65% is primarily due to two new accounts and a new product registration by a key animal feed account.

Gross Profit

	Six Months Ended June 30,		Incr (Decr)
Gross Profit and Margin:	2014	2013	2014 vs 2013
Gross Profit	$ 1,909,411	$ 5,664,604	(66%)
Gross Margin %	31.6%	59.2%	(27.6%)Pts

The gross profit decline of 66% is due to the reduction in 100% gross margin license fee revenue of $5,000,000, partially offset by an increase in gross profit of $112,452 from product related revenue growth, an increase in gross profit of $106,043 from R&D revenue growth, continued productivity improvements of $747,497, and 2013 inventory obsolescence for product rationalizations of $278,815.

The gross margin percent decline of 27.6 percentage points is due to the 31.0 percentage point margin impact of the reduction in license fee revenue, partially offset by an increase in gross margin due to product related and R&D revenue growth, continued

productivity improvements and 2013 inventory obsolescence for product rationalizations of 3.4 percentage points. Product related gross margin for the six months ended June 30, 2014 improved by 18.0 percentage points versus the same period a year ago, driven by improvements in our manufacturing processes, higher fermentation yields, reduced inventory obsolescence and other operational initiatives.

Operating Expenses

	Six Months Ended June 30,		Incr (Decr)
Operating Expenses:	2014	2013	2014 vs 2013
General and Administrative Expenses ("G&A")	$ 3,628,587	$ 2,405,739	51%
Sales and Marketing Expenses	582,970	419,612	39%
Research and Development Costs	655,171	569,494	15%
Foreign Currency Exchange (Gain) Loss, Net	(12,000)	33,050	136%
Total Selling, General and Administrative ("SG&A")	$ 4,854,728	$ 3,427,895	42%
% of sales	80.3%	35.8%	44.4% Pts

Operating expenses increased by 42% to $4,854,728 versus the same period last year. The ratio of operating costs to sales was 80.3% reflecting an increase of 44.5 percentage points versus the same period last year.

- General and Administration G&A increased by 51%, representing 59% of revenues
- Sales and Marketing increased by 39%, representing 10% of revenues
- R&D increased by 15%, representing 11% of revenues
- Foreign Currency Exchange (Gain) Loss, Net decreased by 136%, representing 0% of revenues

The increase in G&A expenses year over year is primarily due to the ongoing costs of legal representation and expert testimony in connection with our lawsuit against former outside counsel of $600,000, a 2013 bad debt recovery of $300,000 and the additional investment in business development resources of $322,848. The increase in sales and marketing costs is due to additional sales resources and growth initiatives in Europe and the Americas. The increase in R&D is due the expansion of our R&D facility in the Netherlands, and additional resources to support organic product development and improvements in the C1 Expression System Platform. The 2014 cost increases were offset by actions to reduce SG&A including the closure of our Greensboro, NC Laboratory and strategic sourcing cost reduction initiatives. The decrease in foreign exchange is due to favorable currency fluctuations.

Other Income (Expense)

	Six Months Ended June 30,		Incr (Decr)
Other Income (Expense):	2014	2013	2014 vs 2013
Interest Income	$ 16,533	$ 3,016	448%
Interest Expense	(338,822)	(339,641)	(0%)
Gain on Sale of Fixed Assets	19,755	-	NM
Total Other Income (Expense)	$ (302,534)	$ (336,625)	(10%)

Net Income (Loss)

	Six Months Ended June 30,		Incr (Decr)
	2014	2013	2014 vs 2013
Net Income (Loss):	$ (3,247,851)	$ 1,862,084	$ (5,109,935)
Net Income per share - Basic	$ (0.10)	$ 0.06	$ (0.16)
Net Income per share - Diluted	$ (0.10)	$ 0.05	$ (0.15)
Weighted average common shares - Basic	34,036,295	32,135,525	1,900,770
Weighted average common shares - Diluted	34,036,295	34,175,467	(139,172)

Based on the factors discussed above, the net loss for the six months ended June 30, 2014 was $3.2 million, or ($0.10) per basic and fully diluted share, as compared to a net income of $1.9 million, or $0.06 per basic and $0.05 per fully diluted share, for six months ended June 30, 2013. Our net income relies strongly on licensing partnerships and other collaborations. We believe that it is likely that if we do not sign another license deal, we will incur losses in the near term primarily because of our planned levels of R&D and additional general and administrative expenditures that will be necessary to grow the Bioenergy, Enzyme and Biopharmaceutical businesses.

The above net loss includes litigation related expenses of approximately $1.1 million for our lawsuit against our former outside legal counsel and other related events, which had a negative impact on earnings per share of $0.02 for both basic and fully diluted shares for the six months ended June 30, 2014, as compared to a negative impact of $455,000, or $0.01 for both basic and fully diluted share for the six months ended June 30, 2013.

Financial Position and Cash Flow Analysis

	Six Months Ended June 30,		Incr (Decr)
Cash Flows:	2014	2013	2014 vs 2013
Net Cash Provided by (Used In) Operating Activities	$ (4,468,117)	$ 3,066,768	$ (7,534,885)
Investing Activities	(163,785)	(131,977)	(31,808)
Financing Activities	40,000	123,303	(83,303)
Net Increase (Decrease) in Cash and Cash equivalents	$ (4,591,902)	$ 3,058,094	$ (7,649,996)

At June 30, 2014, cash and cash equivalents were $4.3 million compared to $8.9 million at December 31, 2013. The $4,591,902 use of cash and cash equivalents for the six months ended June 30, 2014 was due to:

Cash Flows from Operating Activities

As reflected in our condensed consolidated financial statements, we incurred a loss of $3,247,851 for the six months ended June 30, 2014. Including adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities of $1,220,266, net cash used in operating activities was $4,468,117. The following summarizes cash used in operating activities:

- Cash used in operating activities excluding changes in assets and liabilities, and litigation of $1,686,080.
- Cash used from changes in operating assets and liabilities of $1,718,628 is primarily due to an increase in inventory to support sales growth and avoid product outages of $978,717, a decrease in liabilities of $553,378 and deferred R&D obligations of $405,821, partially offset by a decrease in other current assets of $218,879.
- Cash used in operating activities for litigation against outside counsel was $1,063,409.

Cash Flows from Investing Activities

- Cash used for investing activities of $163,785 is primarily due to purchases of fixed assets at our research center in The Netherlands in support of our new product development initiatives. The expansion of the lab was completed in January 2014.

Cash Flows from Financing Activities

- Cash provided by financing activities was $40,000 which was received as a repayment of a stock subscription receivable under our 2013 Employee Loan Program (the "Loan Program"), in connection with an exercise of stock options to purchase 250,000 shares of common stock. Amounts borrowed under the Loan Program bear interest at 3% per annum and are payable within 24 months from the date of the loan agreement. The loans are collateralized by the shares of common stock issued in connection with the exercise of the stock options and warrants. At June 30, 2014, advances to employees under the Loan Program were approximately $146,000 and are included in Stockholders' Equity in the June 30, 2014 condensed consolidated balance sheet.

The $3,058,094 increase in cash and cash equivalents for the six months ended June 30, 2013 was due to:

Cash Flows from Operating Activities

As reflected in our condensed consolidated financial statements, we incurred a profit of $1,862,084 for the six months ended June 30, 2013. Including adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities of $1,204,684, net cash provided by operating activities was $3,066,768. The following summarizes cash provided by operating activities:

- Cash generated in operating activities excluding changes in assets and liabilities, and litigation of $2,655,655. During the six months ended June 30, 2013, the Company received $5.0 million from the BASF upfront license fee.

- Cash generated from changes in operating assets and liabilities of $856,721 is primarily due to reduction of inventory of $370,366, an increase in liabilities of $332,989 and a decrease in other current assets of $269,133, partially offset by a decrease in deferred R&D obligations of $105,767.

- Cash used in operating activities for litigation against outside counsel was $445,608.

Cash Flows from Investing Activities

- Cash used for investing activities of $131,977 is primarily due to purchases of fixed assets and patent costs at our research center in The Netherlands in support of our new product development initiatives.

Cash Flows from Financing Activities

- Cash provided by financing activities of $123,303 is primarily due to cash received from proceeds from the exercises of warrants and stock options, granted under our equity plans, with exercise prices ranging from $0.15 to $0.60 per share.

Financial Condition and Liquidity at June 30, 2014 and 2013

Historically, the Company has financed operations primarily with proceeds from the sales of the products from its industrial enzyme business, upfront fees from its licensing our technology, external borrowings, borrowings from its stockholders, sales of common equity securities, and the receipt of settlement proceeds from its lawsuit against the Company's former outside legal counsel.

As of June 30, 2014, the Company has liabilities that exceed its assets, negative working capital, and cash flow deficiencies. In order to address these indicators, the Company's is exploring several value-creating transactions, including, but not limited, licensing its C1 technologies to new collaborators, expanding technical or geographical licensing options, raising additional debt or equity financing, and extending the maturity dates of its existing convertible subordinated debt and it's note. In addition, the Company expects to reduce its professional fees by approximately $750,000 in aggregate for the remaining six months of 2014 as compared to the first six months of 2014. The Company is also actively drawing down inventory and targeting a $1.0 million reduction from its June 30, 2014 inventory levels. The financial statements do not include any adjustments to reflect further effects on the recoverability and classification of assets or amounts and classification of liabilities that may result if the Company's plans are unsuccessful.

Based upon the current status of our R&D and operating needs, we believe that our existing cash and cash equivalents will be adequate to satisfy our needs for at least the next 12 months. However, our actual capital requirements will depend on many factors, including those factors potentially impacting our financial condition as discussed in "Risk Factors That May Affect Future Results", more specifically, our ability to extend the maturity dates on some, if not all of our outstanding debt, our ability to encourage our debt

holders, all or in part, to convert their debt holdings to shares of common stock, and our ability to source out new investors. T here is no assurance that the Company will be successful in obtaining the necessary funding to meet its business objectives or reduce its operating costs to a level sufficient to provide positive cash flow.

Debt

Total Debt ("Debt") as of June 30, 2014 was $8,242,941 which includes the following:

· Note Payable to Shareholder	$	1,424,941
· 2010 Convertible Subordinated Debt	$	3,818,000
· 2011 Convertible Subordinated Debt	$	3,000,000

Note Payable to Shareholder

The Amended and Restated Note dated November 14, 2008 (the "Note") payable to the MAE Trust under agreement dated October 1, 1987, as amended, matured on January 1, 2009. On January 12, 2009, the Company repaid $1.0 million of principal of the Note leaving an outstanding principal amount of approximately $1.4 million. As of January 1, 2010, the MAE Trust and the Company agreed to reduce the interest rate on the outstanding principal balance of the Note from 14% to 9.5% per annum. The Note is collateralized by the assets of the Company. On October 11, 2013, the maturity date of the Note was extended to January 1, 2015. All other provisions of the Note remain unchanged. Consequently, the Note is classified as short-term in the accompanying June 30, 2014 condensed consolidated balance sheet. Pursuant to a divorce decree dated March 18, 2014, the $1.4 million note was transferred to Lisa K. Emalfarb, a stockholder, on April 1, 2014. Under certain conditions, Mr. Emalfarb has the right to assume the Note at maturity should Lisa K. Emalfarb be unwilling or unable to extend the maturity date of the Note, if requested by the Company.

Interest expense on the Note amounted to approximately $67,000 for both of the six month periods ended June 30, 2014 and 2013.

2010 Convertible Subordinated Debt

On August 23, 2010, the Company completed the private placement of $4,000,000 aggregate principal of convertible subordinated secured promissory notes (the "2010 Notes") with ten investors. The 2010 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option after January 1, 2011, into unregistered shares of the Company's common stock at a price of $1.82 per share, which represents 120% of the average closing price of the Company's common stock for the 30-day period preceding August 23, 2010. The Company will not effect any conversion of the 2010 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock (the "Beneficial Ownership Limitation"). The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice. The 2010 Notes are subordinated to the Note, and are collateralized by substantially all of the assets of the Company. On October 7, 2013, the Company extended the maturity date of the 2010 Notes to January 1, 2015. The amendment includes a provision that allows the Company to prepay all or part of the outstanding principal, without penalty, any time after March 31, 2014. Consequently, the 2010 Notes have been classified as short-term in the accompanying June 30, 2014 condensed consolidated balance sheet.

One of the Company's third party note holders converted $182,000 of its 2010 Notes during the six months ended June 30, 2013 into an aggregate of 100,000 shares of the Company's common stock at a conversion price of $1.82 per share. As a result of this conversion, the outstanding principal balance of the 2010 Notes was $3,818,000 at June 30, 2014.

2011 Convertible Subordinated Debt

In October 2011, the Company completed the private placement of $3,000,000 aggregate principal of convertible subordinated secured promissory notes (the "2011 Notes") with five investors. The 2011 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option into unregistered shares of the Company's common stock at a price of $1.28 per share. The Company will not affect any conversion of the 2011 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock. The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice.

The 2011 Notes are subordinated to the Note, and are collateralized by substantially all of the assets of the Company. On October 7, 2013, the Company extended the maturity date of the 2011 Notes to January 1, 2015. The amendment includes a provision

that allows the Company to prepay all or part of the outstanding principal, without penalty, any time after March 31, 2014. Consequently, the 2011 Notes have been classified as short-term in the accompanying June 30, 2014 condensed consolidated balance sheet.

Approximately $1,900,000 of the 2010 Notes and the 2011 Notes are held by four related party interests, which include members of management and the Board, as well as another related party. Interest expense on the convertible subordinated debt for the six months ended June 30, 2014 and 2013 was approximately $270,000 and $273,000, respectively.

Revenue

Sales by Product:	Year Ended December 31, 2013	2012	Incr (Decr) 2013 vs 2012
Product related, net	$ 9,800,767	$ 7,819,547	25%
License Fee	6,000,000	5,500,000	9%
Research and Development ("R&D")	1,333,974	2,282,173	(42%)
Total Sales	$ 17,134,741	$ 15,601,720	10%

In 2012 and 2013 we derived revenue from three sources: (i) from the sale of our proprietary Trichoderma and C1-based enzyme products, (ii) from licensing of our technology to third parties; and (iii) from funded R&D projects with third parties, both public and private.

- Net product revenue increased 25% primarily due to growth in the animal health and nutrition market segments, and the addition of two new customers and a product registration by a key animal feed account in Europe.
- The increase in licensing fees is due to the $6,000,000 payment received in 2013 for the agreement with BASF as compared to the $5,500,000 received in 2012 for the agreement with Abengoa to expand their non-exclusive C1 license. License agreements are recognized in the USA.
- R&D revenue decreased 42% due to start-up delays in certain external R&D projects and reallocation of resources to new product development initiatives related to the C1 technology platform.

Product Related Revenue, Net

Product Related Sales by Geography:	Year Ended December 31, 2013	2012	Incr (Decr) 2013 vs 2012
Americas	$ 3,534,248	$ 3,019,469	17%
Asia Pacific	1,623,064	1,975,029	(18%)
Europe	4,643,455	2,825,049	64%
Total Product Related Sales	$ 9,800,767	$ 7,819,547	25%

- The increase in Americas product related revenue of $514,779 or 17% is due to two new accounts and organic growth in the USA, partially offset by discontinuation of sales in Venezuela due to the political environment.
- The decrease in Asia Pacific product related revenue of $351,965 or 18% is primarily due to rationalization of low margin products.
- The increase in Europe product related revenue of $1,818,406 or 64% is primarily due to the addition of two new customers and a new product registration by a key animal feed account.

Gross Profit

Gross Profit and Margin:	Year Ended December 31, 2013		Year Ended December 31, 2012		Incr (Decr) 2013 vs 2012	
Gross Profit	$ 8,030,784		$ 7,985,498		1	%
Gross Margin %	46.9	%	51.2	%	(4.3%)	Pts

The gross profit improvement of 1% is due to the increase in 100% gross margin license fee revenue of $500,000 and an increase in gross profit from product related revenue of $390,220, partially offset by a reduction in gross profit of $398,244 from lower R&D revenue and higher manufacturing expenses and lower yields of $446,690.

The gross margin percent decline of 4.3 percentage points is due to unfavorable product line mix impact of 3.3 percentage points and higher manufacturing costs and lower yields impact of 2.6 percentage points, partially offset by the margin impact of 1.6 percentage points from additional licensing revenue.

Operating Expenses

Operating Expenses:	Year Ended December 31, 2013	Year Ended December 31, 2012	Incr (Decr) 2013 vs 2012
General and Administrative Expenses ("G&A")	$ 5,546,999	$ 4,802,653	15%
Sales and Marketing Expenses	944,124	700,778	35%
Research and Development Costs	1,066,471	921,714	16%
Foreign Currency Exchange (Gain) Loss, Net	(83,312)	(27,989)	198%
Total Selling, General and Administrative ("SG&A")	$ 7,474,282	$ 6,397,156	17%
	43.6%	41.0%	2.6%Pts

Operating expenses increased by 17% to $7,474,282 versus the same period last year. The ratio of operating costs to sales is 43.6% reflecting an increase of 2.6 percentage points versus the same period last year.

- General and Administration G&A increased by 15%, representing 32% of total revenues
- Sales and Marketing increased by 35%, representing 6% of total revenues
- R&D increased by 16%, representing 6% of total revenues
- Foreign Currency Exchange (Gain) Loss, Net increased by 198%, representing 0% of total revenues

The increase in G&A expenses is due to the increased ongoing costs of legal representation and expert testimony in connection with our lawsuit against former outside counsel approximately of $1,100,000 partially offset by the 2013 bad debt recovery of $300,000 and other spending reductions of $55,654. The increase in sales and marketing costs is due to additional sales resources and growth initiatives in North America. The increase in R&D is due to additional resources to support organic product development initiatives and improvements in the C1 Expression System Platform. The decrease in foreign exchange is due to favorable currency fluctuations.

Other Income (Expenses)

Other Income (Expense):	Year Ended December 31, 2013	Year Ended December 31, 2012	Incr (Decr) 2013 vs 2012
Interest Income	$ 14,613	$ 5,245	179%
Interest Expense	(686,022)	(701,090)	(2%)
Gain (Loss) on Settlement of Litigation	(313,143)	525,000	160%
Total Other Income (Expense)	$ (984,552)	$ (170,845)	476%

Settlement of Litigation

On September 25, 2007, Mark A. Emalfarb commenced an arbitration proceeding (the "Emalfarb Arbitration") against the Company before the American Arbitration Association seeking monetary damages resulting from his termination for cause pursuant to his employment agreement dated as of April 1, 2001 (as amended, the "Employment Agreement"). This arbitration action asserts, among other things, that "cause" as defined in the Employment Agreement, did not exist and that his reputation had been damaged by the Company. On October 22, 2007, the Company filed an answering statement and motion to dismiss the arbitration. On April 1, 2008, Mr. Emalfarb responded to Dyadic's answering statement and motion to dismiss and filed a Supplemental Demand for Arbitration against Dyadic asserting various counts and demanding full recompense from the Company for damages relating to such termination. The Company's primary and excess insurance carriers denied coverage for the Emalfarb Arbitration based on their interpretation of exclusions and assertion of other coverage defenses contained in the Company's insurance policies.

In consideration for the contribution by the insurance carriers to the resolution of the stockholder class action litigation against the Company, which was resolved on July 27, 2010, all pending claims with such insurance carriers with respect to the Emalfarb Arbitration were released.

On October 22, 2013, in consideration for the dismissal of the arbitration proceedings, the Company agreed to reimburse Mr. Emalfarb approximately $313,000 for past expenses incurred. Such amount is included in other expense in the consolidated statements of operations for the year ended December 31, 2013. In addition to this reimbursement, Mr. Emalfarb will be entitled to receive 5% of the proceeds to the Company net of legal expenses up to $25,000,000 and 8% of any net proceeds in excess of $25 million, but in any case the maximum amount payable will be $6,000,000 of the net proceeds, if any, received by the Company related to the professional liability lawsuit against the Company's former outside legal counsel discussed above.

During the year ended December 31, 2013, the Company recognized a loss of $313,000 on settlement of litigation, which is described above. During the year ended December 31, 2012, the Company received $525,000 in settlement of claims against certain former outside legal counsel. This litigation remains ongoing with additional defendants. For further discussion of this litigation, see Note 5 "Litigation, Claims and Assessments—Pending Actions" to our Consolidated Financial Statements dated December 31, 2013 and 2012 in Exhibit 1.1.

Provision for Income Taxes

There was no current U.S. income tax provision recognized during the year ended December 31, 2013. The Company's current U.S. income tax provision for the year ended December 31, 2012 was $68,000. The Company has incurred operating losses and has established a full valuation allowance. The Company's operations in The Netherlands are subject to income taxes in those jurisdictions. No provision for current foreign income taxes has been recognized for either of the years ended December 31, 2013 or 2012.

There was no provision or benefit for either U.S. or foreign deferred income taxes for the years ended December 31, 2013 and 2012.

Net Income

	Year Ended December 31,		Incr (Decr)
	2013	2012	2013 vs 2012
Net Income (Loss):	$ (428,050)	$ 1,349,497	$ (1,777,547)
Net Income per share - Basic	$ (0.01)	$ 0.04	$ (0.05)
Net Income per share - Diluted	$ (0.01)	$ 0.04	$ (0.05)
Weighted average common shares - Basic	32,797,253	31,608,841	1,188,412
Weighted average common shares - Diluted	32,797,253	34,225,590	(1,428,337)

Based on the factors discussed above, the net loss for the year ended December 31, 2013 was $428,050, or ($0.01) per basic and fully diluted share, as compared to a net income of $1.3 million, or $0.04 per basic and fully diluted share, for year ended December 31, 2012. Our net income relies strongly on licensing partnerships and other collaborations. We believe that it is likely that if we do not sign another license deal, we will incur losses in the near term primarily because of our planned levels of R&D and additional general and administrative expenditures that will be necessary to grow the Bioenergy, Enzyme and Biopharmaceutical businesses.

The above net loss includes litigation related expenses of approximately $1.8 million for our lawsuit against our former outside legal counsel and other related events, which had a negative impact on earnings per share of $0.05 for both basic and fully

diluted shares for the year ended December 31, 2013, as compared to a favorable net litigation impact of $325,000, or $0.01 per basic and fully diluted share for the year ended December 31, 2012.

Financial Position and Cash Flow Analysis

	Year Ended December 31,		Incr (Decr)
Cash Flows:	2013	2012	2013 vs 2012
Net Cash Provided by (Used In) Operating Activities	$ 5,095,854	$ 365,172	$ 4,730,682
Investing Activities	(414,090)	(103,938)	(310,152)
Financing Activities	220,570	37,073	183,497
Net Increase (Decrease) in Cash and Cash equivalents	$ 4,902,334	$ 298,307	$ 4,604,027

The $4,902,334 increase in cash and cash equivalents for the year ended December 31, 2013 was due to:

Cash Flows from Operating Activities

As reflected in our consolidated financial statements, we incurred a loss of $428,050 for the year ended December 31, 2013. Including adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities of $5,523,904, net cash provided by operating activities was $5,095,854. The following summarizes cash used in operating activities:

- Cash generated in operating activities before changes in assets and liabilities, and litigation of $1,290,317.
- Cash generated from changes in operating assets and liabilities of $4,925,351 is primarily due to reduction in license receivables of $3,389,307, mainly the receipt of $3,500,000 from Abengoa, a increase in liabilities of $1,112,823 and deferred R&D obligations of $347,369, and a decrease in inventory and other current assets of $75,852.
- Cash used in operating activities for litigation against former outside counsel was $1,119,814.

Cash Flows from Investing Activities

- Cash used for investing activities of $414,090 is primarily due to purchases of fixed assets and patent costs at our research center in The Netherlands in support of our new product development initiatives.

Cash Flows from Financing Activities

- Cash provided by financing activities of $220,570 is primarily due to due to cash received from proceeds from the exercises of warrants and stock options, granted under our equity plans, with exercise prices ranging from $0.15 to $0.60 per share.

The $298,307 increase in cash and cash equivalents for the year ended December 31, 2012 was due to:

Cash Flows from Operating Activities

As reflected in our consolidated financial statements, we generated a profit of $1,349,497 for the year ended December 31, 2012. Including adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities of $984,325, net cash provided by operating activities was $365,172. The following summarizes cash provided by operating activities:

- Cash generated in operating activities before changes in assets and liabilities, and litigation of $3,412,487.
- Cash used from changes in operating assets and liabilities of $3,004,938 is primarily due to the license fee receivable from Abengoa of $3,500,000 and a decrease in liabilities of $546,224, partially offset by cash proceeds from a reduction of

inventory of $266,195, an increase in deferred R&D obligations of $538,266 and decrease in other current assets of $236,825.

- Cash used in operating activities for litigation against outside counsel was $42,377.

Cash Flows from Investing Activities

- Cash used for investing activities of $103,938 is primarily due to purchases of fixed assets and patent costs at our research center in The Netherlands in support of our new product development initiatives.

Cash Flows from Financing Activities

- Cash provided by financing activities of $37,073 is primarily due to cash received from proceeds from the exercises of warrants and stock options, granted under our equity plans, with exercise prices ranging from $0.15 to $0.23 per share.

Financial Condition and Liquidity at December 31, 2013 and 2012

Historically, the Company has financed operations primarily with proceeds from the sales of the products from its industrial enzyme business, upfront fees from its Licensing business, external borrowings, borrowings from its stockholders, sales of common equity securities, and the receipt of proceeds from one of the defendants in the lawsuit against the Company's former outside legal counsel.

Based upon the current status of our R&D and operating needs, we believe that our existing cash and cash equivalents will be adequate to satisfy our needs for at least the next 12 months. However, our actual capital requirements will depend on many factors, including those factors potentially impacting our financial condition as discussed in "Risk Factors That May Affect Future Results", more specifically, our ability to extend the maturity dates on some, if not all of our outstanding debt, our ability to encourage our debt holders, all or in part, to convert their debt holdings to shares of common stock, and our ability to source out new investors. There is no assurance that the Company will be successful in obtaining the necessary funding to meet its business objectives or reduce its operating costs to a level sufficient to provide positive cash flow.

Debt

Total Debt ("Debt") as of December 31, 2013 was $8.2 million which includes the following:

·	Note Payable to Shareholder	$ 1,424,941
·	2010 Convertible Subordinated Debt	$ 3,818,000
·	2011 Convertible Subordinated Debt	$ 3,000,000

Note Payable to Shareholder

The Amended and Restated Note dated November 14, 2008 (the "Note") payable to the MAE Trust under agreement dated October 1, 1987, as amended, matured on January 1, 2009. On January 12, 2009, the Company repaid $1.0 million of principal of the Note leaving an outstanding principal amount of approximately $1.4 million. As of January 1, 2010, the MAE Trust and the Company agreed to reduce the interest rate on the outstanding principal balance of the Note from 14% to 9.5% per annum. The Note is collateralized by the assets of the Company. On October 11, 2013, the maturity date of the Note was extended to January 1, 2015. All other provisions of the Note remain unchanged. Consequently, the Note is classified as long-term in the accompanying December 31, 2013 condensed consolidated balance sheet. Pursuant to a divorce decree dated March 18, 2014, the $1.4 million note was transferred to Lisa K. Emalfarb, a stockholder, on April 1, 2014. Under certain conditions, Mr. Emalfarb has the right to assume the Note at maturity should Lisa K. Emalfarb be unwilling or unable to extend the maturity date of the Note, if requested by the Company.

Interest expense on the Note amounted to approximately $135,000 for both of the years ended December 31, 2013 and 2012.

2010 Convertible Subordinated Debt

On August 23, 2010, the Company completed the private placement of $4,000,000 aggregate principal of convertible subordinated secured promissory notes (the "2010 Notes") with ten investors. The 2010 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option after January 1, 2011, into unregistered shares of the Company's common stock at a price of $1.82 per share, which represents 120% of the average closing price of the Company's common stock for the 30-day period preceding August 23, 2010. The Company will not effect any conversion of the 2010 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock (the "Beneficial Ownership Limitation"). The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice. The 2010 Notes are subordinated to the Note, and are collateralized by substantially all of the assets of the Company. On October 7, 2013, the Company extended the maturity date of the 2010 Notes to January 1, 2015. The amendment includes a provision that allows the Company to prepay all or part of the outstanding principal, without penalty, any time after March 31, 2014. Consequently, the 2010 Notes have been classified as long-term in the accompanying December 31, 2013 condensed consolidated balance sheet.

One of the Company's third party note holders converted $182,000 of its 2010 Notes during the year ended December 31, 2013 into an aggregate of 100,000 shares of the Company's common stock at a conversion price of $1.82 per share. As a result of this conversion, the outstanding principal balance of the 2010 Notes was $3,818,000 at December 31, 2013.

2011 Convertible Subordinated Debt

In October 2011, the Company completed the private placement of $3,000,000 aggregate principal of convertible subordinated secured promissory notes (the "2011 Notes") with five investors. The 2011 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option into unregistered shares of the Company's common stock at a price of $1.28 per share. The Company will not affect any conversion of the 2011 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock. The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice.

The 2011 Notes are subordinated to the Note, and are collateralized by substantially all of the assets of the Company. On October 7, 2013, the Company extended the maturity date of the 2011 Notes to January 1, 2015. The amendment includes a provision that allows the Company to prepay all or part of the outstanding principal, without penalty, any time after March 31, 2014. Consequently, the 2011 Notes have been classified as long-term in the accompanying December 31, 2013 condensed consolidated balance sheet.

Approximately $1,900,000 of the 2010 Notes and the 2011 Notes are held by four related party interests, which include members of management and the Board, as well as another related party. Interest expense on the convertible subordinated debt for the years ended December 31, 2013 and 2012 was approximately $546,000 and $562,000, respectively.

Contractual Obligations Table:

Descriptions	2014	2015	2016	2017	2018	2019
Xerox Copier Lease	8,400	8,400	8,400	8,400	7,700	-
Jupiter Lab Operating Lease	-	-	-	-	-	-
Intracoastal Pointe Dr Operating Lease	56,028	59,464,	-	-	-	-
Greensboro Operating Lease	-	-	-	-	-	-
Dyadic Nederland B.V. Operating Lease	252,080	252,080	252,080	252,080	252,080	-
	316,508	319,944	260,480	260,480	259,780	

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Summary of Critical Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intra-entity transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities, at the date of and for the period of the consolidated financial statements. Actual results could differ from those estimates, and those differences could be material. Significant estimates include the allowance for doubtful accounts, inventories, intangibles, income and other tax accruals, stock-based compensation, the realization of long-lived assets, and contingencies and litigation.

Cash and Cash Equivalents

The Company considers all interest-bearing deposits or investments with original maturities of three months or less to be cash equivalents.

Restricted Cash

The Company had restricted cash of approximately $200,000 and $192,000 at December 31, 2013 and 2012, respectively, which was used as security for the build-out of the Company's laboratory in the Netherlands. Twenty percent of the outstanding restricted cash balance is refunded to the Company each year on the lease anniversary date through its expiration. The five year lease term expires on December 31, 2018.

Accounts Receivable

Accounts receivable are recorded at their net realizable value on the date revenue is recognized or the Company has a contractual right to receive money, either on demand or at fixed or determinable dates. The Company provides allowances for doubtful accounts for estimated losses resulting from the inability of its customers to repay their obligations. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to pay, additional allowances may be required.

The Company provides for potential uncollectible accounts receivable based on specific customer identification and historical collection experience, adjusted for existing market conditions. If market conditions decline or the Company's customers experience economic difficulties, actual collections may not meet expectations and may result in decreased cash flows and increased bad debt expense. The policy for determining past due status is based on the contractual payment terms of each customer, which are generally net 30 or net 60 days. Once collection efforts by the Company are exhausted, the determination for charging off uncollectible receivables is made. The Company does not accrue finance or interest charges on past due accounts receivable.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk include cash and cash equivalents and uncollateralized accounts receivable . The Company invests its excess cash in money market funds with SunTrust Bank and ABN AMRO.

Inventory

Inventory consists of raw materials and finished goods, including industrial enzymes used in the industrial, chemical, and agricultural markets, and are stated at the lower of cost or market using the weighted average cost method. The value of finished goods is comprised of raw materials and manufacturing costs, substantially all of which are incurred pursuant to agreements with independent manufacturers. Provisions have been made to reduce excess or obsolete inventory to net realizable value.

Fixed Assets

Fixed assets are recorded at historical cost and depreciated and amortized using the straight-line method over their estimated useful lives, which range from three to ten years. Leasehold improvements are amortized over the lesser of their useful lives or the lease terms. Upon sale or retirement, the cost and related accumulated depreciation and amortization are eliminated from their respective accounts, and the resulting gain or loss is included in the results of operations. Repairs and maintenance charges, which do not increase the useful lives of the assets, are charged to operations as incurred.

Intangible Assets

Intangible assets include patent and technology acquisition costs, which are being amortized, using the straight-line method over the estimated useful lives of the patents, determined to be twelve years. Capitalized patent and technology costs during the years ended December 31, 2013 and 2012 were approximately $94,000, and $80,000, respectively. Amortization expense for the years ended December 31, 2013 and 2012 was approximately $52,000.

Estimated annual amortization expense for each of the next five years is approximately $63,000.

Long-Lived Assets

The Company reviews its long-lived assets for impairment, including fixed assets that are held and used in its operations, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such an event or change in circumstances occurs, the Company will estimate the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted future cash flows is less than the carrying amount of the related assets, the Company will recognize an impairment loss if the carrying value exceeds the fair value. Assets to be disposed of are reclassified as assets held for sale at the lower of their carrying amount or fair value less costs to sell. Write-downs to fair value less disposal costs are reported as a part of loss from operations.

The Company does not believe that there were any events or changes in circumstances, which indicate that the carrying amounts of its long-lived assets may not be recoverable as of December 31, 2013 and 2012, respectively.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, license fee receivable, inventory, accounts payable, accrued expenses, deferred R&D obligation and accrued interest payable, approximate their fair values due to the short-term nature of these assets and liabilities. The note payable to stockholder and convertible subordinated debt approximate fair value based upon their short maturities and current rates available to the Company for loans with similar maturities.

Revenue Recognition

Revenue is recognized when (1) persuasive evidence of an arrangement exists; (2) services have been rendered or product has been delivered; (3) price to the customer is fixed and determinable; and (4) collection of the underlying receivable is reasonably assured. The Company recognizes revenue on product sales when title passes to the customer based upon the specified freight terms of the respective sale. Revenues are comprised of gross sales less provisions for expected customer returns, if any. Reserves for estimated returns and inventory credits are established by the Company, if necessary, concurrently with the recognition of revenue. The amounts of reserves are established based upon consideration of a variety of factors including estimates based on historical returns. Amounts billed to customers in sales transactions related to shipping and handling represent revenue earned for the goods provided and are included in net product related revenue in the accompanying consolidated statements of operations. Costs of shipping and handling are included in cost of goods sold.

Upfront and milestone payments received are recognized as revenue when products are delivered, services rendered ratably over the requisite service period and/or performance criteria are met. The Company recognizes revenue from research funding under collaboration agreements when earned on a "proportional performance" basis as research hours are incurred. The Company performs services as specified in each respective agreement on a best efforts basis, and is reimbursed based on labor hours incurred on each contract. The Company initially defers revenue for any amounts billed or payments received in advance of any services performed, and recognizes revenue pursuant to the related pattern of performance based on total labor hours incurred relative to total labor hours estimated under the contract. As of December 31, 2013 and 2012, the deferred R&D obligation totaled $914,000 and $567,000, respectively. The Company recognizes milestone payments when earned, as evidenced by written acknowledgement from the collaborator, provided that (i) the milestone event is substantive and its achievability was not reasonably assured at the inception of the agreement, (ii) the milestone represents the culmination of an earnings process, (iii) the milestone payment is non-refundable and (iv) the Company's past R&D services, as well as its ongoing commitment to provide R&D services under the collaboration, are charged at fees that are comparable to the fees that the Company customarily charges for similar R&D services.

R&D Costs

R&D costs related to both present and future products are charged to operations when incurred.

Foreign Currency Translation

The financial statements of the Company's foreign subsidiaries have been translated into U.S. dollars. Assets and liabilities of the Company's foreign subsidiaries are translated at period-end exchange rates, and revenues and expenses are translated at average rates prevailing during the period. Certain accounts receivable from customers are collected and certain accounts payable to vendors are payable in currencies other than the functional currencies of the Company and its subsidiaries. These amounts are adjusted to reflect period-end exchange rates.

Share-based Compensation

The Company values its stock options on the date of grant using the Black-Scholes valuation model. Any stock options with modified terms are re-valued using the Black-Scholes valuation model based on the new terms at the date the modifications are approved by the Company's compensation committee (the "Compensation Committee") of its board of directors. Any incremental cost resulting from the revised valuations is charged to results of operations, and the remaining unvested portions of the options are amortized over the modified remaining vesting period.

The Company accounts for equity instruments issued to non-employees by calculating the fair value of the equity instrument using the Black-Scholes valuation model at each reporting period with charges amortized to the results of operations over the instrument's vesting period.

Income Taxes

The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A deferred tax asset valuation allowance is established if, in management's opinion, it is more likely than not that all or a portion of the Company's deferred tax assets will not be realized.

GAAP requires that a position taken or expected to be taken in a tax return be recognized in the consolidated financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the years ended December 31, 2013 and 2012.

The Company's management believes it is no longer subject to income tax examinations for years prior to December 31, 2010.

Net Income (Loss) Per Share

Basic income (loss) per share excludes any dilution. It is based upon the weighted average number of common shares outstanding during the period. Diluted income (loss) per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. During the years ended December 31, 2013 and 2012, 7,867,496 and 4,211,784 shares of common stock, respectively, underlying stock options and convertible debt were not included in computing diluted earnings per share because their effects would be anti-dilutive.

Quantitative and Qualitative Disclosures About Market Risk
We are affected by changes in non-U.S. currency exchange rates and interest rates.

Currency Exchange Rates

In general, we conduct the majority of our business in U.S. dollars and the euro, both considered to be among the most stable currencies in the world. We do not hedge currency risks of non-U.S. –dollar-denominated investments in debt instruments and loans receivable with currency forward contracts or currency interest rate swaps. Gains and losses on these non-U.S. currency investments are generally offset by corresponding losses and gain through natural hedges. Substantially all of our revenue is transacted in U.S dollars and the euro. However, a significant amount of our operating expenditures and capital purchases is incurred in or exposed to other currencies, primarily the euro. For further information, see "Risk Factors" on page 39 of this Form 10.

Interest Rates

We generally do not hedge interest rate risks of fixed-rate debt instruments with interest rate swaps. Our debt instruments are not publicly traded and therefore not subject to gains and losses that may result from short term changes interest rates. We are exposed to interest rate risk related to our indebtedness. Our indebtedness includes our debt issuances and the liability associated with a convertible subordinated and note payable secured by assets of the company. Our current debt matures on January 1, 2015, therefore, there is a risk that we may not be able refinance the debt at current interest rates, or at all. If we are unable to refinance the debt at current rates, we may be at risk of additional economic loss or dilution of our shareholders in the event we must raise equity capital to fund the debt refinance and/or operations.

Item 3. Properties

Our corporate headquarters are located in Jupiter, Florida, where we occupy 4,872 square feet under a lease that expires on December 31, 2015. We also lease a quality assurance laboratory facility in Jupiter which consists of approximately 3,500 square feet on a month-to-month basis. Our R&D facility in The Netherlands consists of approximately 9,375 square feet pursuant to a lease that expires on December 31, 2018. We anticipate expanding our Netherlands R&D Facility by an additional 4,434 square feet in around November 2014.

We believe that our current and anticipated facilities are adequate to meet our needs for the immediate future, and that, should it be needed, suitable additional space is available to accommodate any expansion of our operations, but such space may not be available in the same building if and when such space is needed.

Item 4. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of our common stock as of August 1, 2014 (except as noted below), by:

- each person known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock;
- each of our directors and named executive officers; and
- all of our directors and executive officers as a group.

The percentage of ownership depicted below is based on 34,048,745 shares of common stock outstanding on August 1, 2014 plus the dilutive effect of each shareholders' equivalent converted shares from convertible debt, stock options and restrictive stock units.

The amounts and percentages of common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares voting power, which includes the power to vote or direct the voting of a security, or investment power, which includes the power to dispose of or to direct the disposition of a security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days of August 1, 2014. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person's ownership percentage, but not for purposes of computing any other person's percentage. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest. Except as otherwise indicated in these footnotes, each of the beneficial owners listed has, to our knowledge, sole voting and investment power with respect to the indicated shares of common stock.

	Beneficial Ownership of Holdings	
Name of Beneficial Owner	**Number of Shares of Common Stock**	**Percentage of Outstanding Common Stock**
5% Stockholders:		
Mark A. Emalfarb Trust (1)	4,439,639	12.7%
The Francisco Trust U/A/D February 28, 1996(2)	4,400,710	12.8%
Lisa K. Emalfarb	3,416,688	10.0%
Abengoa BioEnergy	2,136,752	6.4%
Our directors and named executive officers(3):		
Mark A. Emalfarb(1)	(See above)	(See above)
Danai E. Brooks(4)	163,999	*
Richard H. Jundzil (5)	190,000	-
Frank P. Gerardi (6)	231,107	*
Robert D. Burke, MD (7)	553,488	1.6%
Seth J. Herbst, MD (8)	318,438	*
Stephen J. Warner (9)	373,488	1.1%
Michael P. Tarnok	7,500	*
All executive officers and directors as a group (11) persons	6,790,417	19.5%

* Signifies less than 1%.

(1) Represents (i) 3,427,688 shares held by Mark A. Emalfarb beneficially through the Mark A. Emalfarb Trust U/A/D October 1, 1987, of which Mr. Emalfarb is the sole beneficiary and serves as sole trustee; (ii) 549,451 shares of common stock issuable upon the conversion of convertible debt and related accrued interest; and (iii) 462,500 shares issuable upon the exercise of stock options. Pursant to the the Emalfarb's divorce decree March 18, 2014, Lisa K. Emalfarb has beneficial right to 207,904 common share options to which Mr. Emalfarb disclaims any beneficial ownership.

(2) Represents (i) 4,010,085 shares of common stock; and (ii) 390,625 shares of common stock issuable upon the conversion of convertible debt and related accrued interest. The trustee of the Francisco Trust U/A/D February 28, 1996 is Morley Alperstein and the beneficiaries thereof are the descendants of Mark A. Emalfarb. The address of the Francisco Trust U/A/D February 28, 1996 is 17236 Gulf Pine Circle, Wellington, Florida 33414. Mr. Emalfarb disclaims beneficial ownership of such shares.

(3) The business address for each such person is c/o Dyadic International, Inc., 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477.

(4) Represents (i) 141,000 shares of common stock issuable upon the exercise of stock options; and (ii) 24,437 restricted shares held by Mr. Brooks.

(5) Represents 190,000 shares of common stock issuable upon the exercise of stock options.

(6) Represents (i) 63,611 shares held by Frank P. Gerardi; (ii) 94,008 shares of common stock issuable upon the conversion of convertible debt and related accrued interest; and (iii) 73,488 shares issuable upon the exercise of stock options.

(7) Represents (i) 480,000 shares held by Robert D. Burke and (ii) 73,488 shares of common stock issuable upon the exercise of stock options.

(8) Represents (i) 215,000 shares held by Seth J. Herbst; and (ii) 105,438 shares of common stock issuable upon the exercise of stock options.

(9) Represents (i) 300,000 shares held by Stephen H. Warner; and (ii) 73488 shares of common stock issuable upon the exercise of stock options.

Item 5. Directors and Executive Officers

The following table provides information regarding our executive officers and certain key employees, and directors as of August 14, 2014:

Name	Age	Position(s)	Director Since
Mark A. Emalfarb(3)	59	Chairman, President, Chief Executive Officer	2004
Danai E. Brooks	37	Executive Vice President and Chief Operating Officer	---
Thomas L. Dubinski	58	Vice President and Chief Financial Officer	---
Michael J. Faby	48	Vice President, Finance	---
Richard H. Jundzil	42	Vice President, Operations	---
Thomas M. O'Shaughnessy	54	Vice President, Sales and Marketing	---
Wim van der Wilden	64	General Manager, Dyadic Netherlands	---
Frank P. Gerardi(1)(2)	68	Director	2008
Robert D. Burke, MD(1)(2)	57	Director	2008
Seth J. Herbst, MD(3)(4)	56	Director	2008
Stephen J. Warner (1)(4)	74	Director	2004
Michael P. Tarnok(1)(2)	59	Director	2014

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Nominating Committee.
(4) Member of the Conflicts Committee.

EXECUTIVE OFFICERS

Mark A. Emalfarb, President, Chief Executive Officer and Chairman of the Board of Directors

Mark A. Emalfarb is the founder of Dyadic and currently serves as President, Chief Executive Officer and Chairman of our Board of Directors. He has been a member of Dyadic's board of directors since inception, excluding a leave of absence from April 23, 2007 to September 6, 2007. Mr. Emalfarb has served as Dyadic's Chairman as well as President and Chief Executive Officer from October 2004 until April 2007, and from June 2008 until the present. Since founding Dyadic in 1979, Mr. Emalfarb has successfully led and managed the evolution of Dyadic from its origins as a pioneer and leader in providing ingredients used in the stone-washing of blue jeans to the discovery, development, manufacturing and commercialization of specialty enzymes used in various industrial applications and the development of an integrated technology platform based on Dyadic's patented and proprietary C1 fungal microorganism. Mr. Emalfarb is an inventor of over 26 U.S. and foreign biotechnology patents and patent applications resulting from discoveries related to the Company's patented and proprietary C1 fungus, and has been the architect behind its formation of several strategic licensing, R&D, manufacturing and marketing relationships with U.S. and international partners. Mr. Emalfarb earned his B.A. degree from the University of Iowa in 1977. We believe that Mr. Emalfarb is qualified to serve on our board of directors due to his scientific expertise and his experience as the founder of Dyadic.

Danai E. Brooks, Executive Vice President and Chief Operating Officer

Danai E. Brooks joined Dyadic in June 2013 as our Executive Vice President and Chief Operating Officer. Prior to Dyadic, Mr. Brooks served as Vice President in J.P. Morgan's investment bank. While at J.P. Morgan, Mr. Brooks advised clients across a broad spectrum of sectors, including chemicals, renewable energy and industrials. He has also held senior operational, engineering and manufacturing positions with Dell Inc., Mars Inc. and Ford Motor Company. Mr. Brooks started his career as an industrial engineer at Ford Motor Company, where he worked in vehicle operations, new product launch and production supervision roles. At Dell, Mr. Brooks was an Operations Manager in charge of the production and assembly of servers and desktops. While at Mars, he led efforts to implement lean manufacturing in their North American facilities. Mr. Brooks received a B.S. in Industrial Engineering and Master of Engineering from Cornell University in 1999, a Master of Engineering Management from Northwestern University and an MBA from Northwestern's Kellogg School of Management in 2006.

Thomas L. Dubinski, Vice President and Chief Financial Officer

Thomas L. Dubinski joined Dyadic in August 2014 as our Vice President and Chief Financial Officer. Mr. Dubinski has held various financial positions of increasing responsibility in the healthcare and biotechnology industries. Prior to Dyadic, Mr. Dubinski served as a management consultant where he advised public and private clients on financial strategy and operations. He has also held

senior finance and accounting positions at Walgreens, Novartis Medical Nutrition, MTS and Abbott Laboratories. Mr. Dubinski earned his B.S. degree in Accounting from the University of Illinois, Urbana-Champaign and he is a certified public accountant in the state of Illinois.

Michael J. Faby, Vice President, Finance

Michael J. Faby has been Dyadic's Vice President of Finance since joining the Company in December 2009 and was Chief Financial Officer from February 2012 to August 2014. Mr. Faby has over 24 years of financial, accounting and operational experience. Prior to joining the Company, he served in various financial capacities of increasing responsibility for Perry Slingsby Systems, Inc. (f/k/a Perry Tritech Inc.), a multi-national designer and manufacturer of remotely operated vehicles for the international offshore oil and gas, telecommunications, military and defense industries including, most recently, as its Chief Financial Officer. Mr. Faby is also a member of the board of directors for the Palm Beach County Workforce Alliance. Mr. Faby earned his B.S degree in accounting from Florida State University in 1988 and an MBA from the Florida Institute of Technology. Mr. Faby is a certified public accountant in Florida and a member of the American Institute of Certified Public Accountants and the Florida Institute of Certified Public Accountants.

Richard H. Jundzil, Vice President, Operations

Richard H. Jundzil has been Dyadic's Vice President of Operations since May 2010, Director of Development & Quality since September 2008 and has held various laboratory, quality and regulatory positions of increasing responsibility since joining the company in August 2003. Mr. Jundzil has over 20 years of quality and operations experience in the biotechnology industry. He is also able to use his significant experience in process engineering and project management in the management of Dyadic's production and distribution of industrial enzyme products. Prior to joining Dyadic, Mr. Jundzil worked for 10 years at Genzyme Corporation as both a researcher and process engineer producing enzymes for patients with rare genetic diseases. Mr. Jundzil earned a certificate as a Biotechnology Technician from Middlesex College in 1993 and also studied biomedical/clinical sciences at Boston University and earned a B.S. degree in Quality Systems Management from The National Graduate School.

Thomas M. O'Shaughnessy, Vice President, Sales and Marketing

Thomas M. O'Shaughnessy has been Dyadic's Vice President of Sales & Marketing since joining the company in May 2010. Mr. O'Shaughnessy has over 23 years of sales, marketing and business development experience in the chemical industry. He began his career with the General Electric Company where he spent 12 years in various sales and marketing positions of increasing responsibility and leadership. From 1996 to 2002, he served as Business Development Manager at Occidental Chemical Corporation, one of the largest chemical companies in the United States. For the past eight years prior to joining the Company, Mr. O'Shaughnessy served as the Global Business Manager for Momentive Specialty Chemicals (formerly Hexion Specialty Chemicals), the world's largest producer of thermosetting resins, performance adhesives, UV-curable coatings and the building-block chemical, formaldehyde, for various wood and industrial markets. He is Six Sigma certified and earned a B.S. degree in computer sciences with a minor in marketing from Plattsburgh State University in 1982.

KEY CONSULTANT

Wim van der Wilden, General Manager, Dyadic Netherlands

Wim van der Wilden has been General Manager of Dyadic Netherlands since its founding in 2002 and leads our R&D operations. Dr. Wilden serves as a full-time consultant to Dyadic. Prior to joining Dyadic, he worked at The Netherlands Organization for Applied Scientific Research (TNO) as Director of the Food and Biotechnology division and Director of Marketing and Sales. Prior to TNO, he co-founded Cosmoferm, a spin-off company of Gist-brocades, which was acquired by Evonik in 1998. Dr. van der Wilden began his career in the industry at Gist-brocades (later part of DSM), where he held senior level positions in charge of R&D for Baking and Pharmaceuticals. Dr. van der Wilden received a B.S. in Biology and Chemistry from Wageningen University in the Netherlands in 1973 and a PhD at ETH-Zurich, Switzerland in 1977. He performed his post-doctoral studies at the University of California San Diego and Ruhr-Universitat Bochum in Germany. Dr. van der Wilden is also active as Business Director of the Kluyver Centre for Genomics and Industrial Fermentation and a member of the International Nomenclature Committee of the Personal Care Products Council.

NON-EMPLOYEE DIRECTORS

Robert D. Burke, MD, Director

Robert D. Burke, MD has been on Dyadic's board of directors since June 2008 and is a board certified neuroradiologist. Dr. Burke is the founder and, from 1991 until July 2008, was the President of Midtown Imaging, LLC, an imaging center with multiple locations throughout Palm Beach County, Florida. From 1994 to 1996, Dr. Burke was the co-Founder and President of U.S. Diagnostic Inc., a publicly traded national diagnostic imaging company. Dr. Burke is on the board of directors of Stonegate Bank, a publicly traded bank serving Southeast Florida. Dr. Burke also serves on the board of directors and is the President of the Palm Beach

County Chapter of the Leukemia & Lymphoma Society. He is also a member of the Scripps Clinic and Research Foundations Board of Scripps Florida. Dr. Burke earned his B.A. degree from the University of Louisville in 1977 and his medical degree from the University of Louisville School of Medicine in 1981. Dr. Burke completed his radiology residency at the University of Chicago and a fellowship in neuroradiology at the University of Rochester. We believe that Dr. Burke is qualified to serve on our board of directors due to his experience in the biotechnology and life science industries and as an entrepreneur executive and board member of publicly traded companies.

Frank P. Gerardi, Director

Frank P. Gerardi has been on Dyadic's board of directors since June 2008. From February 2007 to the present, Mr. Gerardi has been a managing partner at QuantWorks, LLC, a registered investment advisor. From June 2003 to December 2006, Mr. Gerardi was the Chief Executive Officer of IGI, Inc. (now known as IGI Laboratories, Inc.), a public company that engages in the development, manufacture, filling, and packaging of topical, semi-solid, and liquid products for pharmaceutical, cosmeceutical, and cosmetic companies. Since 1986, he has also served as the President of Univest Management, Inc., a private management consulting company. Mr. Gerardi was a member of the New York Stock Exchange from 1969 to 1986. Mr. Gerardi has served on the boards of numerous New York Stock Exchange member firms and was a registered principal with the National Association of Securities Dealers (NASD). We believe that Mr. Gerardi is qualified to serve on our board of directors due to his experience in the pharmaceutical and biotechnology industries and his service on the board of other poublicly traded comapies.

Seth J. Herbst, MD, Director

Seth J. Herbst, MD has been on Dyadic's board of directors since June 2008 and is a board certified obstetrician/gynecologist who is also board certified in advanced laparoscopic and minimally invasive gynecologic surgery. Dr. Herbst is the founder and President of the Institute for Women's Health and Body, an OB/GYN practice with multiple locations in Palm Beach County, Florida. He is the co-founder of Visions Clinical Research, which performs medical and surgical clinical trials throughout the United States. Dr. Herbst is also a consultant for multiple medical device companies in the United States and a member of medical advisory boards for these and other companies. He received his B.S. degree from American University in 1978 and his medical degree from Universidad del Noreste School of Medicine in Tampico, Mexico in 1983. Dr. Herbst completed his OB/GYN residency and was Chief Resident at Long Island College Hospital in Brooklyn, New York. We believe Dr. Herbst is qualified to serve on our board of directors due to his scientific experties and extensive research experience.

Stephen J. Warner, Director

Stephen J. Warner has been on Dyadic's board of directors since October 2004, and a director of the Company's wholly owned subsidiary, Dyadic International (USA), Inc. since August 2004. From June 2010 through February 2012, Mr. Warner served as the Chief Financial Officer of Gulfstar Energy Corporation, a public and, later, private oil and gas production company based in Kentucky. Since 2012, he has been a Managing Member and Chief Financial Officer of Search Automotive Technologies, LLC, a Florida based automotive aftermarket company. Mr. Warner has over 30 years of venture capital experience. In 1981, Mr. Warner founded Merrill Lynch Venture Capital Inc., a wholly owned subsidiary of Merrill Lynch & Co. Inc. in New York, and served as its President and Chief Executive Officer from 1981 to 1990. Under his leadership, Merrill Lynch Venture Capital managed over $250 million and made over 50 venture capital investments. From 1999 until 2004, Mr. Warner co-founded and served as Chairman and Chief Executive Officer of Crossbow Ventures Inc., a venture capital and private equity fund that invested in early and expansion stage technology companies primarily located in Florida and the Southeast, with over 20 venture capital investments in Florida. Mr. Warner is on the board of directors of Brookhaven Medical, Inc., a private, Atlanta based medical device company. Mr. Warner earned a B.S. degree from the Massachusetts Institute of Technology in 1962, an MBA from the Wharton School of Business at the University of Pennsylvania in 1966, an LLB from the Blackstone School of Law (Correspondence) in 1967. We believe that Mr. Warner is qualified to serve on our board of director due to his experience in the various industries as a venture capitalist and his service on the baord of other biotechnology companies.

Michael P. Tarnok, Director

Michael Tarnok has been on Dyadic's board of directors since June 2014. He is the current Chairman and former Interim CEO of Keryx Biopharmaceuticals, Inc., a biotechnology company focused on the development of therapeutics for renal disease. Prior to joining Keryx in 2007, Mr. Tarnok spent the majority of his career at Pfizer Inc., joining in 1989 as Director of Finance for U.S. Manufacturing. From 2000-2007, he served as Senior Vice President in Pfizer's U.S. Pharmaceuticals Division. Prior to joining Pfizer, he worked primarily in financial disciplines for ITT Rayonier, Inc., Celanese Corporation, and Olivetti Corporation of America. Mr. Tarnok earned an MBA in marketing from New York University and a Bachelors of Science in accounting from St. John's University. He also serves on the Board of the Global Health Counsel, a Washington, D.C.-based NGO. We believe that Mr. Tarnok is qualified to serve on our board of directors due to his substantial leadership experience in the biotechnology industry.

Involvement in Certain Legal Proceedings

None of our directors or executive officers have been convicted in any criminal proceeding during the past 10 years and none of them have been parties to any judicial or administrative proceeding during the past 10 years that resulted in a judgment, decree or final order enjoining them from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws or commodities laws. Similarly, no bankruptcy petitions have been filed by or against

any business or property of any of our directors or officers, nor has any bankruptcy petition been filed against a partnership or business association in which these persons were general partners, directors or executive officers, except that Dr. Herbst was a partner in a company called Physician Billing Solutions, Inc., which filed for bankruptcy protection under Chapter 7 in December 2007.

Related Party Relationships

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

There are no arrangements or understandings between any two or more of our directors or executive officers, and there is no arrangement, plan or understanding as to whether non-management stockholders will exercise their voting rights to continue to elect the current board of directors. There are also no arrangements, agreements or understandings between non-management stockholders that may directly or indirectly participate in or influence the management of our affairs.

Board Committees

Our board of directors has four standing committees to assist it with its responsibilities. These committees are described below.

The Audit Committee, is governed by a board-approved charter that contains, among other things, the committee's membership requirements and responsibilities. The Audit Committee oversees our accounting, financial reporting process, internal controls and audits, and consults with management and our independent registered public accounting firm on, among other items, matters related to the annual audit, the published financial statements and the accounting principles applied. As part of its duties, the Audit Committee appoints, evaluates and retains our independent registered public accounting firm. It maintains direct responsibility for the compensation, termination and oversight of our independent registered public accounting firm and evaluates its qualifications, performance and independence. The Audit Committee also monitors compliance with our policies on ethical business practices and reports on these items to the board of directors. The Audit Committee has established policies and procedures for the pre-approval of all services provided by our independent registered public accounting firm. Our Audit Committee is comprised of Messrs. Gerardi, Burke, Warner and Tarnok. Mr. Gerardi is the Chairman of the Audit Committee.

The board of directors has determined that Mr. Gerardi is the Audit Committee financial expert, as defined under the Exchange Act. The board of directors made a qualitative assessment of Mr. Gerardi's level of knowledge and experience based on a number of factors, including his experience serving on various corporate boards and financial sophistication from his years managing public companies and investment funds. The audit committee has engaged the consulting services of Sunera LLC which it has determined is an audit committee financial expert. All members of the committee understand financial statements.

The Compensation Committee, determines all compensation for our Chief Executive Officer; reviews and approves corporate goals relevant to the compensation of our Chief Executive Officer and evaluates our Chief Executive Officer's performance in light of those goals and objectives; reviews and approves objectives relevant to other executive officer compensation; reviews and approves the compensation of other executive officers in accordance with those objectives; administers our stock option plan; approves severance arrangements and other applicable agreements for executive officers; and consults generally with management on matters concerning executive compensation and on pension, savings and welfare benefit plans where board of directors or stockholder action is contemplated with respect to the adoption of or amendments to such plans. The Compensation Committee makes recommendations on organization, succession, the election of officers, consultantships and similar matters where board of directors approval is required. Our Compensation Committee is comprised of Messrs. Burke, Gerardi and Tarnok. Dr. Burke is the Chairman of the Compensation Committee.

The Nominating Committee considers and makes recommendations on matters related to the practices, policies and procedures of the board of directors and takes a leadership role in shaping our corporate governance. The Nominating Committee's functions include: establishing criteria for the selection of new directors to serve on the board of directors; identifying individuals believed to be qualified as candidates to serve on board of directors; recommending for selection by the board of directors the candidates for all directorships to be filled by the board of directors or by the stockholders at an annual or special meeting; reviewing the board of directors committee structure and recommending to the Board the directors to serve on the committees of the board of directors; recommending members of the board of directors to serve as the respective chairs of the committees of the board of directors; developing and recommending to the board of directors, for its approval, an annual self-evaluation process of the board of directors and its committees and, based on those results, making recommendations to the board of directors regarding those board of directors processes; and performing any other activities consistent with the committee's charter, our bylaws and applicable law as the committee or the board of directors deems appropriate. The Nominating Committee does not currently have any formal minimum qualification requirements that must be met by a nominee to serve as a member of the board of directors. The Nominating Committee will take into account all factors it considers appropriate, which may include experience, accomplishments, education, diversity, understanding of the business, and the industries

in which we operate, specific skills, general business acumen and the highest personal and professional integrity. The Nominating Committee generally seeks individuals with broad experience at the policy-making level in business, or with particular industry expertise. The Nominating Committee currently has no fixed process for identifying new nominees for election as a director, thereby retaining the flexibility to adapt its process to the circumstances. The Nominating Committee has the ability, if it deems it necessary or appropriate, to retain the services of an independent search firm to identify new director candidates. The Nominating Committee has determined that it will give consideration to any potential candidate proposed by a member of our board of directors or senior management. Any director candidate so proposed will be personally interviewed by at least one member of the Nominating Committee and our Chief Executive Officer and their assessment of his or her qualifications will be provided to the full Nominating Committee. The Nominating Committee uses the same criteria for evaluating candidates nominated by stockholders and self-nominated candidates as it does for those proposed by other board of directors members, management and search companies. Our Nominating Committee is comprised of Mr. Emalfarb and Dr. Herbst. Mr. Emalfarb is the chairman of the Nominating Committee.

The Conflicts Committee considers and makes recommendations on matters related to the practices, policies and procedures of the board of directors relating to conflicts of interest. The purpose of the Conflicts Committee is to assess, with the power and authority to resolve on behalf of the Company, all pending and future claims between the Company and any of Mark A. Emalfarb, the Company's President and Chief Executive Officer, his children, and any and all trusts under which Mr. Emalfarb or any of his children is a beneficiary. Our Conflicts Committee is comprised of Messrs. Warner and Herbst. Mr. Warner is the chairman of the Conflicts Committee.

Board Independence

We are not currently listed on any national securities exchange that has a requirement that any members of the board of directors be independent. However, in evaluating the independence of its members and the composition of the committees of the board of directors, the board of directors utilizes the definition of "independence" as that term is defined by the rules promulgated by the SEC. We believe that Drs. Burke and Herbst as well as Messrs. Gerardi, Warner and Tarnok qualify as "independent" directors, as that term is defined by SEC rules.

Code of Conduct and Ethics

Our board of directors has adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, including our chief executive officer, chief financial officer, and persons performing senior executive level functions. The Code of Business Conduct and Ethics is available at our website at www.dyadic.com.

Item 6. Executive Compensation

Philosophy and Objectives

The philosophy underlying our executive compensation program is to provide an attractive, flexible and market-based total compensation program tied to performance and aligned with the interests of our shareholders. Our objective is to recruit and retain the caliber of executive officers and other key employees necessary to deliver sustained high performance to our shareholders, customers, and communities where we have a strong presence. Our executive compensation program is an important component of these overall human resources policies. Equally important, we view compensation practices as a means for communicating our goals and standards of conduct and performance and for motivating and rewarding employees in relation to their achievements. The organization's executive compensation program is designed to:

- Encourage the attraction and retention of high-caliber executives.
- Provide a competitive total compensation package, including benefits.
- Reinforce the goals of the organization by supporting teamwork and collaboration.
- Ensure that pay is perceived to be fair and equitable.
- Be flexible to potentially reward individual accomplishments as well as organizational success.
- Ensure that the program is easy to explain, understand, and administer.
- Balance the needs of the both the Company and Employees to be competitive with the limits of available financial resources.
- Ensure that the program complies with state and federal legislation.

From time to time, Company will employ a reputable compensation specialist to determine whether its overall compensation practices and policies are appropriate for the specific market conditions for the Company and the industries in which it operates.

Employment Agreements

Mark A. Emalfarb

We entered into an Employment Agreement with Mr. Emalfarb dated as of October 23, 2013 (the "Emalfarb Employment Agreement"). Pursuant to the Emalfarb Employment Agreement, Mr. Emalfarb has agreed to serve as our President and Chief Executive Officer. The Emalfarb Employment Agreement has an initial term of three years and automatic renewals of two years at the end of each term, unless either party provides a notice of non-renewal. Mr. Emalfarb's base salary is $425,000 and he is eligible for a discretionary annual bonus. Additionally, Mr. Emalfarb is entitled to a performance bonus equal to (i) 20% of the value of the first $4,000,000 of any new revenue streams generated by the Company during his employment, for a maximum of $800,000. Mr. Emalfarb is also eligible to receive benefits at the same level as other similarly situated employees of the Company. Mr. Emalfarb has agreed to certain restrictive covenants, including non-disclosure, non-solicitation for three years following termination of employment and non-competition for three years following termination of employment.

Upon a termination by the Company without cause or a resignation by Mr. Emalfarb for good reason, in each case as defined in the Emalfarb Employment Agreement, subject to his timely execution of a release of claims in favor of the Company, Mr. Emalfarb will be entitled to the following severance benefits: (i) continued payment of his base salary and provision of other benefits for a period of three years following termination of employment and (ii) full vesting acceleration of all stock options.

Danai E. Brooks

We entered into an Employment Agreement with Mr. Brooks dated as of April 29, 2013 (the "Brooks Employment Agreement"). Pursuant to the Brooks Employment Agreement, Mr. Brooks has agreed to serve as our Executive Vice President and Chief Operating Officer. The Brooks Employment Agreement does not have a specific term, but will renew daily such that it remains effective for a 12 month period at all times, unless we or Mr. Brooks provides notice of non-renewal. Mr. Brooks' base salary is $275,000 and he is eligible for an annual target bonus of up to 40% of his base salary. On April 29, 2013, in accordance with the terms of the Brooks Employment Agreement, our compensation committee of the board of directors granted Mr. Brooks (i) an option to purchase 400,000 shares of common stock at an exercise price of $1.83 per share that vests as to 1/48 of the shares subject to the option each monthly anniversary of the date Mr. Brooks commenced employment with us (the "Brooks Start Date"), subject to his continued service through each vesting date; and (ii) 69,000 restricted stock units that vests as to 1/36 of the restricted stock units each monthly anniversary of the Brooks Start Date, subject to his continued service through each vesting date. Under the Brooks Employment Agreement, Mr. Brooks is entitled to a retention bonus of $100,000 that is paid 50% on each of the first and second anniversaries of the Brooks Start Date. Mr. Brooks is also eligible to receive benefits at the same level as other similarly situated employees of the Company. Mr. Brooks has agreed to certain restrictive covenants, including non-disclosure for three years following termination of employment, non-solicitation for one year following termination of employment and non-competition for one year following termination of employment.

Upon a change of control of the company, as defined in the Brooks Employment Agreement, if Mr. Brook's is still employed by the Company, he is entitled to (i) full vesting acceleration on all outstanding equity awards and (ii) a lump sum payment within 30 days of the closing of the change in control in an amount equal to the sum of one year of base salary and annual target bonus (assuming 100% satisfaction of all performance goals), in each case in effect for the year of the change of control.

Upon a termination by the Company without cause or a resignation by Mr. Brooks for good reason, in each case as defined in the Brooks Employment Agreement, subject to his timely execution of a release of claims in favor of the Company, Mr. Brooks will be entitled to the following severance benefits: (i) payment of full annual bonus potential for the year prior to termination and the year of termination; (ii) one year of base salary paid in 12 monthly installments; (iii) 12 months of Company-paid COBRA premiums.

Additionally, if the Company enters into a Transaction Agreement (as defined in the Brooks Employment Agreement) during Mr. Brooks employment or during the three month period following a termination without cause or a resignation for good reason, Mr. Brooks shall receive the following: (i) 2% of the aggregate licensing fee and technology transfer and/or access fees, paid in a lump sum within 30 days of the Company's receipt of payment and (ii) if the Company forms a joint venture and the other entity contributes capital in the form of cash to the joint venture, 2% of such cash capital contribution paid in a single lump sum within 30 days of such capital contribution.

Richard H. Jundzil

We entered into an Employment Agreement with Mr. Jundzil dated as of June 1, 2011 (the "Jundzil Employment Agreement"). Pursuant to the Jundzil Employment Agreement, Mr. Jundzil has agreed to serve as our Vice President Operations. The Jundzil Employment Agreement does not have a specific term, but will renew daily such that it remains effective for a twelve (12)-month period at all time, unless we or Mr. Jundzil provides notice of non-renewal. Mr. Jundzil's base salary is $206,000 and

he is eligible for an annual target bonus of up to 40% of his base salary. Mr. Jundzil is also eligible to receive benefits at the same level as other similarly situated employees of the Company. Mr. Jundzil has agreed to certain restrictive covenants, including non-disclosure for three years following termination of employment, non-solicitation for two years following termination of employment and non-competion for one year following termination of employment.

Upon a termination by the Company without cause, as defined in the Jundzil Employment Agreement, subject to his timely execution of a release of claims in favor of the Company, Mr. Jundzil will be entitled to the following severance benefits: (i) pro rata annual bonus for the year of termination based on actual achievement and (ii) one year of base salary paid in twelve monthly installments.

Summary Compensation Table

The following table sets forth information regarding compensation earned by our principal executive officer and two other most highly compensated executive officers who were serving as executive officers at the end of 2013 (collectively, the "Named Executive Officers").

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(4)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Mark A. Emalfarb(*)(5)	2013	$ 385,417	-	-	-	-	-	$ 15,586	$ 401,003
Danai E. Brooks	2013	$ 160,417	$ 35,000	$ 133,170	$ 536,000	-	-	-	$ 864,587
Richard H. Jundzil	2013	$ 200,000	$ 25,000	-	-	-	-	-	$ 225,000

(*) Mr. Emalfarb also serves as Chairman to the Board of Directors for which he receives no direct, indirect or incremental compensation.
(1) The bonuses in the column paid to Mr. Brooks and Mr. Jundzil were earned in 2013, but paid in April, 2014.
(2) This column represents the aggregate grant date fair value of the stock awards granted in 2013, in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that will be recognized by the named executive officers. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our consolidated financial statements.
(3) This column represents the grant date fair market value of each option granted in 2013, computed in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that will be recognized by the named executive officers. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our consolidated financial statements.
(4) The compensation paid to Mr. Emalfarb represents the sum of $12,891 for a car allowance and $2,695 for fuel reimbursement.
(5) Bonuses are normally given on a discretionary basis, however, given current liquidity, the Board of Directors decided not award Mr. Emalfarb a bonus for 2013.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the outstanding equity award holdings held by the Named Executive Officers at December 31, 2013.

Outstanding Equity Awards at Fiscal Year-End

		Option Awards					Stock Awards			
Name		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Mark A. Emalfarb	(1)	225,000	75,000	-	$ 2.28	3/22/2015	-	-	-	-
	(2)	75,000	75,000	-	$ 2.12	2/27/2016	-	-	-	-
	(3)	25,000	75,000	-	$ 1.33	2/27/2017	-	-	-	-
Danai E. Brooks	(4)	58,333	341,667	-	$ 1.83	4/30/2023	(8) 58,938	(9) $113,750	-	-
Richard H. Jundzil	(5)	48,750	16,250	-	$ 2.08	3/22/2020	-	-	-	-
	(6)	50,000	50,000	-	$ 1.93	2/27/2021	-	-	-	-
	(7)	25,000	75,000	-	$ 1.21	2/27/2022	-	-	-	-

(1) The options award date was March 23, 2010, and will vest in equal installments over four years.
(2) The options award date was February 28, 2011 and will vest in equal installments over four years.
(3) The options award date was February 28, 2012 and will vest in equal installments over four years.
(4) The options award date was May 1, 2013 and will vest in equal installments over four years.
(5) The options award date was March 23, 2010 and will vest in equal installments over four years.
(6) The options award date was February 28, 2011 and will vest in equal installments over four years.
(7) The **options** award date was February 28, 2012 and will vest in equal installments over four years.
(8) The restricted stock units were awarded on May 1, 2013 and vest in equal installments over three years.
(9) The value was determined based on the number of units (58,938) multiplied by $1.93 for fair market value of a share on December 31, 2013.

Pension Benefits

On October 1, 2009, the Company instituted a 401(k) defined contribution plan (the "401(k) Plan") under which participants may elect to defer up to 100% of their compensation up to a maximum amount determined annually pursuant to Internal Revenue Service regulations. Employee contributions may begin 90 days after the date of hire and are immediately vested. The 401(k) Plan provides a safe harbor basic match contribution for all eligible employees who make salary deferrals. The match contribution is equal to 100% of the employee's salary deferral up to 4% of such employee's annual deferred compensation. This match contribution is credited to the employee's account plans and is 100% vested.

Stock Plans

The Company maintains the Dyadic International, Inc. 2006 Stock Option Plan, as amended (the "2006 Stock Option Plan") and the Dyadic International, Inc. 2011 Equity Incentive Award Plan (the "2011 Equity Incentive Plan") (the 2006 Stock Option Plan and the 2011 Equity Incentive Plan are hereinafter collectively referred to as the "Equity Compensation Plans"). All options granted under the Equity Compensation Plans are service-based and typically vest over a four year period.

2006 Stock Option Plan

The 2006 Stock Option Plan was adopted by our board of directors in April 2006, which became effective upon approval by our stockholders and was last amended in December, 2009. The purpose of the 2006 Stock Option Plan is to retain and attract key management, employees, non-employee directors and consultants by providing those persons with a proprietary interest in the Company.

The Compensation Committee of the Board administers the 2006 Stock Option Plan and may grant incentive stock options to our employees (and employees of our subsidiaries) or nonqualified stock options that do not comply with Section 422 of the Internal Revenue Code to our employees, directors and consultants (and employees and consultants of our subsidiaries). As administrator, the Compensation Committee has the power and authority to determine the terms of the awards, including eligibility, the exercise price, the number of shares, the vesting schedule and exercisability of awards and the form of consideration payable upon exercise and to construe and interpret the 2006 Plan and awards. After a participant's termination of service, the participant may exercise his or her option, to the extent vested as of the date of termination, for a period of ninety days (or twelve months in the case of termination due to death or disability) following such termination, or such longer period of time specified in the individual option agreement, but in no event beyond the expiration of its term.

Under the 2006 Stock Option Plan, 4,700,000 shares of common stock have been reserved for issuance. As of September 30, 2013, there were 2,345,125 stock options outstanding and 837,125 available for grant under the 2006 Stock Option Plan, which were rolled into the share reserve for the 2011 Equity Incentive Plan. The term of the stock options outstanding under the 2006 Option Plan is no more than ten years. No new awards will be granted under our 2006 Stock Option Plan following the approval of the 2011 Equity Incentive Plan by the Company's stockholders, but all outstanding stock option awards previously granted under the 2006 Stock Option Plan will continue to be subject to the terms and conditions set forth in the agreements evidencing such stock option awards and the 2006 Stock Option Plan and shall be unaffected by the approval of the 2011 Equity Incentive Plan by the Company's stockholders.

Unless otherwise determined by the administrator, the 2006 Stock Option Plan generally does not allow for the sale or transfer of awards under the 2006 Stock Option Plan other than by will or the laws of descent and distribution, and may be exercised during the lifetime of the participant only by such participant.

In the event of certain changes made in our common stock, appropriate adjustments will be made in the number and class of shares that may be delivered under the 2006 Stock Option Plan and/or the number, class and price of shares covered by each outstanding award and the numerical share limits contained in the 2006 Stock Option Plan. In the event of our dissolution or liquidation, all outstanding awards will terminate immediately prior to the consummation of such proposed transaction.

In the event of certain change in control transactions, including our merger with or into another corporation or the sale of substantially all of our assets, the administrator may (1) provide for the assumption or substitution of, or adjustment to, each outstanding award; (2) accelerate the vesting and termination of outstanding awards; and/or (3) provide for termination of awards on such terms and conditions as it deems appropriate, including providing for the cancellation of options or stock purchase rights for a cash payment to the plan participants.

Our board of directors may at any time amend, suspend or terminate the 2006 Stock Option Plan, provided such action does not impair the existing rights of any participant.

2011 Equity Incentive Plan

The 2011 Equity Incentive Plan was adopted by the Company's Board on April 28, 2011, and approved by the Company's stockholders on June 15, 2011. The principal purpose of the 2011 Equity Incentive Plan is to attract, retain and motivate selected employees, consultants and directors through the granting of stock-based compensation awards and cash-based performance bonus awards. The 2011 Equity Incentive Plan is also designed to permit the Company to make cash-based awards and equity-based awards intended to qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code of 1986, as amended.

Authorized Shares

Under the 2011 Equity Incentive Plan, 3,000,000 shares of the Company's common stock have been initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights ("SARs"), restricted stock awards, restricted stock unit awards, deferred stock awards, dividend equivalent awards, stock payment awards and performance awards and other stock-based awards, in addition to the number of shares remaining available for future awards under the 2006 Stock Option Plan. The number of shares initially reserved for issuance or transfer pursuant to awards under the 2011 Equity Incentive Plan will be increased by (i) any shares available for issuance under the 2006 Stock Option Plan or are subject to awards under the 2006 Stock Option Plan that are forfeited or lapse unexercised and which following the effective date of the 2011 Equity Incentive Plan are not issued under the 2006 Stock Option Plan and (ii) an annual increase on the first day of each fiscal year beginning in 2012 and ending in 2021, equal to either 1,500,000 shares or such smaller number of shares of stock as determined by our Board of Directors. Shares issued pursuant to awards under the 2011 Equity Incentive Plan that we repurchase or that are forfeited, will become available for future grant under the 2011 Equity Incentive Plan on the same basis as the award initially counted against the share reserve. In addition, to the extent that an award is paid out in cash rather than shares, such cash payment will not reduce the number of shares available for issuance under the 2011 Equity Incentive Plan.

As of September 30, 2013, there were 1,344,000 stock options outstanding under the 2011 Equity Incentive Plan and 1,656,100 stock options were available for grant under the 2011 Equity Incentive Plan. As of December 31, 2012, there were 919,000 stock options outstanding under the 2011 Equity Incentive Plan and 2,081,000 stock options were available for grant. The term of any stock option awards under the 2011 Equity Incentive Plan is no more than ten years.

Plan Administration

The 2011 Equity Incentive Plan will be administered by our compensation committee (or another committee or a subcommittee of the board of directors). In the case of awards intended to qualify as "performance-based compensation" within the meaning of Code Section 162(m), the compensation committee will consist of two or more "outside directors" within the meaning of Code Section 162(m).

Subject to the provisions of our 2011 Equity Incentive Plan, the administrator has the power to determine the terms of awards, including the recipients, the exercise price, if any, the number of shares subject to each award, the fair market value of a share of our common stock, the vesting schedule applicable to the awards, together with any vesting acceleration, and the form of consideration, if any, payable upon exercise of the award and the terms of the award agreement for use under the 2011 Equity Incentive Plan. The administrator also has the authority, subject to the terms of the 2011 Equity Incentive Plan, to amend existing awards, to prescribe rules and to construe and interpret the 2011 Equity Incentive Plan and awards granted thereunder.

Stock Options

The administrator may grant incentive and/or nonstatutory stock options under our 2011 Equity Incentive Plan; provided that incentive stock options are only granted to employees. The exercise price of such options must equal at least the fair market value of our common stock on the date of grant. The term of an option may not exceed ten years. Provided, however, that an incentive stock option held by a participant who owns more than 10% of the total combined voting power of all classes of our stock, or of certain of our subsidiary corporations, may not have a term in excess of five years and must have an exercise price of at least 110% of the fair market value of our common stock on the grant date. The administrator will determine the methods of payment of the exercise price of an option, which may include cash, shares or other property acceptable to the plan administrator. Subject to the provisions of our 2011 Equity Incentive Plan, the administrator determines the remaining terms of the options (e.g., vesting). After the termination of service of an employee, director or consultant, the participant may exercise his or her option, to the extent vested as of such date of termination, for the period of time stated in his or her option agreement. Generally, if termination is due to death or disability, the option will remain exercisable for twelve months. In all other cases, the option will generally remain exercisable for three months following the termination of service. However, in no event may an option be exercised later than the expiration of its term.

Stock Appreciation Rights

Stock appreciation rights may be granted under our 2011 Equity Incentive Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of our common stock between the exercise date and the date of grant. Subject to the provisions of our 2011 Equity Incentive Plan, the administrator determines the terms of stock appreciation rights, including when such rights vest and become exercisable and whether to settle such awards in cash or with shares of our common stock, or a combination thereof, except that the per share exercise price for the shares to be issued pursuant to the exercise of a stock appreciation right will be no less than 100% of the fair market value per share on the date of grant. The specific terms will be set forth in an award agreement.

Restricted Stock

Restricted stock may be granted under our 2011 Equity Incentive Plan. Restricted stock awards are grants of shares of our common stock that are subject to various restrictions, including restrictions on transferability and forfeiture provisions. Shares of restricted stock will vest and the restrictions on such shares will lapse, in accordance with terms and conditions established by the administrator. Such terms may include, among other things, vesting upon the achievement of specific performance goals determined by the administrator and/or continued service to us. The administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Recipients of restricted stock awards generally will have voting and dividend rights with respect to such shares upon grant without regard to vesting, unless the administrator provides otherwise. Shares of restricted stock that do not vest for any reason will be forfeited by the recipient and will revert to us. The specific terms will be set forth in an award agreement.

Restricted Stock Units

Restricted stock units may be granted under our 2011 Equity Incentive Plan, which may include the right to dividend equivalents, as determined in the discretion of the administrator. Each restricted stock unit granted is a bookkeeping entry representing an amount equal to the fair market value of one share of our common stock. The administrator determines the terms and conditions of restricted stock units including the vesting criteria, which may include achievement of specified performance criteria or continued service to us, and the form and timing of payment. The administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. The administrator determines in its sole discretion whether an award will be settled in stock, cash or a combination of both. The specific terms will be set forth in an award agreement.

Performance Awards

Performance awards may be granted under our 2011 Equity Incentive Plan. Performance awards are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The administrator will establish organizational or individual performance goals in its discretion, which, depending on the extent to which they are met, will determine the value of performance awards to be paid out to participants. The specific terms will be set forth in an award agreement, including the performance goals, which may be based on the performance criteria set forth in the 2011 Equity Incentive Plan.

Transferability of Awards

Unless the administrator provides otherwise, our 2011 Equity Incentive Plan generally does not allow for the transfer of awards and only the recipient of an option or stock appreciation right may exercise such an award during his or her lifetime.

Certain Adjustments

In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under the 2011 Equity Incentive Plan, the administrator will make adjustments to one or more of the number and class of shares that may be delivered under the plan and/or the number, class and price of shares covered by each outstanding award and the numerical share limits contained in the plan.

Merger or Change in Control

Our 2011 Equity Incentive Plan provides that in the event of a merger or change in control, as defined under the 2011 Equity Incentive Plan, each outstanding award will be treated as the administrator determines, except that if a successor corporation or its parent or subsidiary does not assume or substitute an equivalent award for any outstanding award, then such award will fully vest, all restrictions on such award will lapse, and such award will become fully exercisable, if applicable, for a specified period prior to the transaction. The award will then terminate upon the expiration of the specified period of time.

Plan Amendment, Termination

Our board of directors has the authority to amend, suspend or terminate the 2011 Equity Incentive Plan provided such action does not impair the existing rights of any participant. Our 2011 Equity Incentive Plan will automatically terminate in 2021, unless we terminate it sooner.

Director Compensation

In January 2005, our board of directors adopted a director compensation policy. Directors who are also employees or officers of the Company or any of its subsidiaries do not receive any separate compensation as a director. Non-employee directors receive $3,000 per month and stock options (described below) to purchase shares of our common stock. The chairman of the audit committee receives an additional $800 per month. All nonemployee directors also are reimbursed for their reasonable travel costs related to attendance at board and committee meetings. Upon joining our board, a non-employee director receives a stock option to purchase 30,000 shares of the Company's common stock at an exercise price equal to the fair market value of the stock on the date of grant. Twenty-five percent (25%) of these options vest upon grant, while the remaining portion vests in equal installments over a four-year period subject to the director's continued service. The stock options generally expire 10 years from the date of grant or earlier in the event service as a director ceases. At the beginning of each year, non-employee directors will receive additional stock options to purchase 25,000 shares of our common stock, or a pro rata portion based on the number of months that the director served on the board of directors during the preceding year, subject to the same vesting provisions and other conditions as described above. On November 12, 2008, all of the members of the board of directors received a stock option to purchase 250,000 shares of the Company's common stock at an exercise price of $.15 per share ($.16 per share with respect to Mr. Emalfarb) based on the fair market value of the Company's common stock and subject to the same terms and conditions as the other stock options granted to directors described above. The 2008 stock option grants took into account the need to provide an additional incentive and inducement to the directors to serve on the board following the corporate events involving the Company beginning in the spring of 2007 and running through the summer of 2008. On February 28, 2012, the Company granted stock options to its non-employee directors to purchase 100,000 shares of the Company's common stock at an exercise price of $1.21 per share for serving on the board of directors in the 2011 fiscal year. On March 3, 2013, the Company granted stock options to its non-employee directors to purchase 100,000 shares of the Company's common stock at an exercise price of $1.75 per share. On March 4, 2013, the Company granted stock options to its non-employee directors to purchase 100,000 shares of the Company's common stock at an exercise

price of $1.76 per share.

The following table sets forth a summary of the compensation we paid to our non-employee directors during 2013.

Director Compensation

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compen-sation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Frank P. Gerardi.	$ 40,600	-	$ 32,250	-	-	-	$ 72,850
Robert D. Burke, MD	$ 31,000	-	$ 32,250	-	-	-	$ 63,250
Seth J. Herbst, MD	$ 31,000	-	$ 32,250	-	-	-	$ 63,250
Stephen J. Warner	$ 31,000	-	$ 32,250	-	-	-	$ 63,250

Compensation Committee Interlocks and Insider Participation

The amounts in the "Option Awards" column reflect the aggregate grant fair value of the stock option awards, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification 718. Assumptions made in the calculation of the grant date fair value of the stock option awards are included in the Company's audited consolidated financial statements for the fiscal year ended December 31, 2013. The option award date was March 4, 2013. Each director was awarded 25,000 options that vest generally over four years.

During the fiscal year ended December 31, 2013, none of our executive officers served as (1) a member of the compensation committee (or other board of director committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Compensation Committee, (2) a director of another entity, one of whose executive officers served on our Compensation Committee or (3) a member of the compensation committee (or other board of director committee performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served as one of our directors. In addition, none of the members of our Compensation Committee (1) was an officer or employee of us or any of our subsidiaries in fiscal year ended December 31, 2013, or (2) was formerly an officer or employee of us or any of our subsidiaries.

Item 7. Certain Relationships and Related Transactions, and Director Independence

The following is a description of transactions since January 1, 2011 to which we have been a party, in which the amount involved exceeded or will exceed the lesser of $120,000 or 1% of the average of our total assets at year end for the last two years, and in which any of our executive officers, directors or holders of more than 5% of our common stock, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest, other than compensation, termination and change in control arrangements, which are described above under "Executive Compensation."

2010 Convertible Notes

On August 23, 2010, the Company completed the 2010 Notes private placement of $4,000,000 aggregate principal of convertible subordinated secured promissory notes with ten investors, some of whom are related parties. Mark A. Emalfarb, our founder and chief executive officer, was issued an aggregate amount of $1,000,000 of 2010 Notes. Michael J. Faby, our former Chief Financial Officer was issued an aggregate amount of $100,000 of 2010 Notes. Lisa Joy Emalfarb, the sister in law of our founder and chief executive officer, was issued an aggregate amount of $100,000 of 2010 Notes. As of June 30, 2014, $1,000,000 of principal and accrued interest was outstanding on the MAE Trust 2010 Convertible Note, $100,000 of principal and accrued interest was outstanding on the Lisa Joy Emalfarb 2010 Convertible Note and $150,000 of principal and accrued interest was outstanding on the Michael J. Faby 2010 Convertible Note.

The 2010 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option into unregistered shares of the Company's common stock at a price of $1.82 per share, which represents 120% of the average closing price of the Company's common stock for the 30-day period preceding August 23, 2010. The Company will not effect any conversion of the 2010 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock (the "Beneficial Ownership Limitation"). The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice. The 2010 Notes are subordinated to the Note (as defined below), and are collateralized by the assets of the Company. On October 7, 2013, the Company extended the maturity date of the 2010 Notes to January 1, 2015. The amended 2010 Notes include a provision that allows the Company to prepay all or part of the outstanding principal, without penalty, any time after March 31, 2014.

2011 Convertible Notes

In October 2011, the Company completed the 2011 Notes private placement of $3,000,000 aggregate principal of convertible subordinated secured promissory notes with five investors, some of whom are related parties. The Francisco Trust, under agreement dated February 28, 1996, as amended (the "Francisco Trust"), a trust administered by Morley Alperstein, the father-in-law of Mark A. Emalfarb, our founder and chief executive officer, was issued an aggregate amount of $500,000 of 2010 Notes. Michael J. Faby, our former Chief Financial Officer was issued an aggregate amount of $50,000 of 2010 Notes. As of June 30, 2014, $500,000 of principal and accrued interest was outstanding on the Francisco Trust 2011 Convertible Note and $150,000 of principal and accrued interest was outstanding on the Michael J. Faby 2011 Convertible Note.

The 2011 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option into unregistered shares of the Company's common stock at a price equal to the lesser of $1.28 per share. The Company will not affect any conversion of the 2011 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock. The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice. The 2011 Notes are subordinated to the Note (as defined below), and are collateralized by the assets of the Company. On October 7, 2013, the Company extended the maturity date of the 2011 Notes to January 1, 2015. The amendment includes a provision that allows the Company to prepay all or part of the outstanding principal, without penalty, any time after March 31, 2014.

Note Payable to Mark A. Emalfarb Trust

On November 14, 2008, the Company entered into the Amended and Restated Note (the "Note") payable to the Mark A. Emalfarb Trust under agreement dated October 1, 1987, as amended (the "MAE Trust"), a related party. Mr. Emalfarb, our founder and chief executive officer, is the trustee and beneficiary of the MAE Trust. As of June 30, 2014, $1,424,941 of principal and accrued interest was outstanding on the Note. The Note was scheduled to mature on January 1, 2009. On January 12, 2009, the Company repaid $1.0 million of principal of the Note leaving an outstanding principal amount of approximately $1.4 million. To date, the MAE Trust has not requested any further repayment of the Note. As of January 1, 2010, the MAE Trust and the Company agreed to reduce the interest rate on the outstanding principal balance of the Note from 14% to 9.5% per annum. The Note is collateralized by the assets of the Company. On October 11, 2013, the maturity date of the Note was extended to January 1, 2015. All other provisions of the Note remain unchanged. Pursuant to a divorce decree dated March 18, 2014, the $1.4 million note was transferred to Lisa K. Emalfarb, a stockholder, on April 1, 2014. Under certain conditions, Mr. Emalfarb has the right to assume the Note at maturity should Lisa K. Emalfarb be unwilling or unable to extend the maturity date of the Note, if requested by the Company.

Interest in Litigation Proceeds

In consideration for the October 22, 2013 dismissal of arbitration proceedings initiated by our founder and chief executive officer Mark A. Emalfarb against the Company, the Company agreed to reimburse Mr. Emalfarb approximately $313,000 for past expenses incurred. In addition to this reimbursement, Mr. Emalfarb will be entitled to receive 5% of the proceeds to the Company net of legal expenses up to $25 million and 8% of any net proceeds in excess of $25 million, but in any case the maximum amount payable will be $6 million of the net proceeds, if any, received by the Company related to the professional liability lawsuit against the Company's former outside legal counsel discussed under "Item 8. Legal Proceedings—Professional Liability Lawsuit."

Stock Options Granted to Executive Officers and Directors

We have granted stock options to our executive officers and directors, as more fully described in the section above entitled "Executive Compensation."

Indemnification Agreements

We have earned, and intend to continue to enter, into separate indemnification agreements with each of our directors and executive officers.

Related Party Transactions Policy

Our written audit committee charter requires that our board of directors review and approve, if the duty is not delegated to a comparable body of the board of directors, all related party transactions in accordance with the regulations of the SEC.

Director Independence

Our common stock is not listed on any national securities exchange [or quoted on any inter-dealer quotation service] that imposes independent standards on our board of directors or any committee thereof. However, in evaluating the independence of its members and the composition of the committees of the board of directors, the board utilizes the definition of "independence" as that term is defined by the rules promulgated by the SEC. We believe that Drs. Burke and Herbst as well as Messrs. Gerardi, Warner and Tarnok qualify as "independent" directors, as that term is defined by SEC rules.

Item 8. Legal Proceedings

We are involved in various claims, legal actions and regulatory proceedings arising from time to time in the ordinary course of business. Other than the matters set forth below, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our combined financial position, results of operations or cash flows. The Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Litigation is inherently unpredictable and costly. While the Company believes that it has valid defenses with respect to the legal matters pending against it, protracted litigation and/or an unfavorable resolution of one or more of such proceedings, claims or investigations against the Company could have a material adverse effect on the Company's consolidated financial position, cash flows or results of operations.

Professional Liability Proceedings

On March 26, 2009, the Company filed a complaint in the Circuit Court of the 15th Judicial Circuit in and for Palm Beach County, Florida against Ernst & Young LLP and Ernst & Young-Hong Kong, L.P., alleging professional negligence/malpractice, breach of fiduciary duty and constructive fraud in connection with the accounting, advisory, auditing, consulting, financial and transactional services they provided to the Company.

On April 14, 2009, the Company amended the complaint (the "Amended Complaint") by naming as additional defendants the Company's former outside legal counsel consisting of the law firms of Greenberg Traurig, LLP, Greenberg Traurig, P.A. (collectively, "Greenberg Traurig"), Jenkens & Gilchrist, P.C. ("Jenkens & Gilchrist") and Bilzin Sumberg Baena Price & Axelrod LLP ("Bilzin Sumberg") as well as attorney Robert I. Schwimmer who previously represented the Company while an attorney at Jenkens & Gilchrist and later at Greenberg Traurig. Jenkens & Gilchrist went out of business in 2007 and is in the process of winding up its business and affairs. The Company also named as defendants the law firm of Moscowitz & Moscowitz, P.A. and its attorneys Norman A. Moscowitz and Jane W. Moscowitz (collectively, the "Moscowitz Defendants") who conducted the investigation and authored the investigative report requested by the Company's Audit Committee following the discovery of alleged improprieties at the Company's Asian subsidiaries. The claims against the Company's former outside legal counsel are for breach of fiduciary duty and professional negligence. In addition to these claims, the Amended Complaint contains a claim of civil conspiracy against Ernst & Young LLP, Greenberg Traurig and Mr. Schwimmer.

The claims against Ernst & Young LLP and Ernst & Young-Hong Kong, L.P. were subsequently stayed in the Circuit Court action and submitted to binding arbitration. A final hearing before the arbitration tribunal was completed on May 27, 2011. On February 29, 2012, the arbitration tribunal issued a Final Award which found no auditor negligence, denied the Company any recovery against Ernst & Young LLP and Ernst & Young Hong Kong L.P., and further provided that each party shall bear its own attorneys' fees and costs.

On July 11, 2011, defendants Jenkens & Gilchrist, Bilzin Sumberg and the Moscowitz Defendants filed a counterclaim in the Circuit Court against the Company and a Third Party Complaint against its President and Chief Executive Officer, Mark Emalfarb, individually, for abuse of process. The counterclaim and Third Party Complaint filed by Jenkens & Gilchrist and Bilzin Sumberg also included claims for common law indemnity against the Company and Mr. Emalfarb. In addition, Jenkens & Gilchrist made a claim against the Company for breach of the implied covenant of good faith and fair dealing. On July 18, 2011, the Moscowitz Defendants filed a motion for summary judgment which the Circuit Court denied in its entirety. On September 9, 2011, Jenkens & Gilchrist and Bilzin Sumberg amended their counterclaim and Third Party Complaint which dropped their claims for abuse of process but retained their claims for common law indemnity against the Company and Mr. Emalfarb. Bilzin Sumberg also added claims against the Company and Mr. Emalfarb for breach of its retainer agreements and for declaratory relief. Also on September 9, 2011, the Moscowitz Defendants dropped their claims for abuse of process against the Company and Mr. Emalfarb.

On December 8, 2011, the Circuit Court dismissed without prejudice all counterclaims against the Company and all third party claims against Mr. Emalfarb.

On July 18, 2012, the Company filed a Second Amended Complaint which expanded and amplified the Company's prior allegations of negligent acts and omissions by the defendants in the Circuit Court proceedings. All of the defendants have filed and served their answers and affirmative defenses.

On August 8, 2012, the Company, Jenkens & Gilchrist and Mr. Schwimmer entered into a Settlement Agreement and General Releases (the "J&G Settlement Agreement") whereby Jenkens & Gilchrist paid the Company $525,000 for the mutual release and discharge of (1) all causes of action between the Company and Jenkens & Gilchrist, and (2) causes of action between the Company and Mr. Schwimmer including, but not limited to, those in the professional liability lawsuit, but only those which occurred while Mr. Schwimmer served as an attorney at Jenkens & Gilchrist and not while he served as an attorney at Greenberg Traurig or any other time. Pursuant to the J&G Settlement Agreement, the Company, Jenkens & Gilchrist and Mr. Schwimmer have filed a Stipulation of Settlement with the Court to enforce the terms of the J&G Settlement Agreement including, but not limited to, the dismissal of Counts I and II of the Second Amended Complaint against Jenkens & Gilchrist and Mr. Schwimmer with prejudice.

On January 24, 2013, each of the remaining defendants served their amended affirmative defenses to the Second Amended Complaint. On February 11, 2013, the Company served its reply to such amended affirmative defenses.

On November 26, 2013, the Court entered a Case Management Order. Pursuant to the Order, all pretrial motions and other litigation activities are to be concluded by the end of 2014. The Court ordered mediation, which originally scheduled for September 30, 2014, has now been scheduled for November 10th and 11th, 2014. The Court has not yet set a trial date for 2015.

On April 9, 2014, the Court amended its Case Management Order by requiring that all summary judgment motions be served on or before April 30, 2014.

The parties to the suit have completed written discovery. With the exception of one witness, depositions of fact witnesses are complete. The parties are presently engaged in deposing opposing expert witnesses.

Mark A. Emalfarb Arbitration and Settlement

On September 25, 2007, Mark A. Emalfarb commenced an arbitration proceeding (the "Emalfarb Arbitration") against the Company before the American Arbitration Association seeking monetary damages resulting from his termination for cause related to the matters identified above. In October 2013, Mr. Emalfarb and the Company reached a settlement on these matters and in consideration for the dismissal of the arbitration proceedings, the Company agreed to reimburse Mr. Emalfarb approximately $313,000 for past legal expenses incurred. In addition to this reimbursement, Mr. Emalfarb is entitled to receive a percentage of the net proceeds, if any, received by the Company related to the professional liability lawsuit against the Company's former outside legal counsel discussed above.

Item 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

Market Information

Our common stock is quoted under the symbol "DYAI" on the OTCQX U.S. Premier operated by OTC Markets Group. There is no assurance that our common stock will continue to be traded on the OTC or that any liquidity for our stockholder exists.

Market Price

The following table shows the high and low closing bid quotations for our common stock as reported by the OTC Markets Group for the periods indicated. These quotations reflect inter-dealer prices, without retail markup, markdown or commissions. Trading on the OTC markets is limited and the prices quoted by brokers are not a reliable indication of the value of our common stock.

	High	Low
Year ended December 31, 2014		
First Quarter	$ 1.79	$ 1.25
Second Quarter	$ 1.79	$ 1.29
Third Quarter (through August 14, 2014)	$ 1.79	$ 1.56
Year ended December 31, 2013		
First Quarter	$ 2.25	$ 1.50
Second Quarter	$ 2.18	$ 0.90
Third Quarter	$ 2.00	$ 1.52
Fourth Quarter	$ 1.80	$ 1.40
Year ended December 31, 2012		
First Quarter	$ 1.30	$ 0.80
Second Quarter	$ 1.48	$ 0.77
Third Quarter	$ 1.99	$ 0.90
Fourth Quarter	$ 2.14	$ 1.48

Holders

As of August 1, 2014, 2014 there were 2,705 holders of record of our issued and outstanding common stock. We believe there are significantly more beneficial holders of our stock.

Dividends

While there are no restrictions on the payment of dividends, we have not declared or paid any cash dividends on shares of Dyadic common stock in the last two fiscal years, and we presently have no intention of paying any cash dividend in the foreseeable future. The Company's current policy is to retain earnings, if any, to finance the expansion of its business. The future payment of dividends will depend on the results of operations, financial condition, capital expenditure plans and other factors that we deem relevant and will be at the sole discretion of the board of directors.

Equity Compensation Plan Information

The following table summarizes information about our equity compensation plans as of December 31, 2013:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column
Equity compensation plans approved by security holders	3,309,125	$ 1.95	6,499,100

Item 10. Recent Sales of Unregistered Securities

Equity Awards

During the last three fiscal years, the Company has granted stock options to purchase 1,945,000 shares of its common stock, to key employees, directors and consultants at a weighted average price of $2.02 per share under its 2006 Stock Option Plan and 2011 Equity Incentive Plan (the "Stock Plans"). In May 2013, the Company issued 69,000 restricted stock units under the Stock Plans to an officer of the Company. The issuances of these securities were exempt from registration in reliance on Rule 701 of the Securities Act, pursuant to compensatory plans approved by the Company's board of directors and stockholder.

The following table reflects issuances of our common stock during the last three fiscal years upon the issuance of options granted pursuant to our Stock Plans. In total, 1,516,750 shares of our common stock were issued to key employees, officers and directors of the Company upon their exercise of stock options. We received $289,313 in total exercise price proceeds paid by option holders. All of such shares were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act, as the shares were issued in transactions not involving any public offering or distribution.

Date of Issuance	Number of Shares Issued Pursuant to Option Exercise	Exercise Price	Total Exercise Price Paid
1/10/2012	25,000	$ 0.15	$ 3,750.00
1/30/2012	25,000	$ 0.15	$ 3,750.00
1/30/2012	15,625	$ 0.15	$ 2,343.75
3/6/2012	57,500	$ 0.23	$ 13,225.00
3/6/2012	1,250	$ 0.15	$ 187.50
3/26/2012	18,750	$ 0.23	$ 4,312.50
4/9/2012	1,250	$ 0.15	$ 187.50
4/26/2012	15,625	$ 0.15	$ 2,343.75
5/29/2012	1,875	$ 0.23	$ 431.25
6/19/2012	37,500	$ 0.23	$ 8,625.00
8/16/2012	2,500	$ 0.15	$ 375.00
8/16/2012	3,750	$ 0.23	$ 862.50
9/20/2012	1,875	$ 0.23	$ 431.25
2/13/2013	332,500	$ 0.15	$ 49,875.00
3/19/2013	37,500	$ 0.23	$ 8,625.00
6/19/2013	11,250	$ 0.23	$ 2,587.50
6/19/2013	20,000	$ 0.60	$ 12,000.00
6/19/2013	100,000	$ 0.23	$ 23,000.00
10/2/2013	250,000	$ 0.15	$ 37,500.00
10/30/2013	250,000	$ 0.15	$ 37,500.00
10/31/2013	12,500	$ 0.23	$ 2,875.00
11/27/2013	25,000	$ 1.21	$ 30,250.00
12/27/2013	250,000	$ 0.16	$ 40,000.00
2/18/2014	5,000	$ 0.23	$ 1,150.00
2/18/2014	1,250	$ 0.15	$ 187.50
2/18/2014	1,500	$ 0.15	$ 225.00
2/18/2014	5,000	$ 0.23	$ 1,150.00
2/18/2014	1,250	$ 0.15	$ 187.50
2/18/2014	1,500	$ 0.15	$ 225.00
7/16/2014	5,000	$ 0.23	$ 1,150.00
No further activity			

Convertible Notes

In the last three fiscal years, the Company has issued convertible notes to raise capital to finance its operations. In August 2010, the Company issued an aggregate of $4,000,000 convertible subordinated secured promissory notes (the "2010 Notes") to ten investors in a private placement. The 2010 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option into unregistered shares of the Company's common stock at a price of $1.82 per share. The On January 22-23, 2013, a holder converted $182,000 of such notes into an aggregate of 100,000 shares of the Company's common's stock, and as of December 31, 2013, the outstanding principal balance of the 2010 Notes was $3,818,000. On October 7, 2013, the Company extended the maturity date of the 2010 Notes to January 1, 2015. The amendment includes a provision that allows the Company to prepay all or part of the outstanding principal, without penalty, any time after March 31, 2014. The 2010 Notes, and the shares of common stock issued upon conversion of the 2010 Notes were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act, as the securities were issued in transactions not involving any public offering or distribution.

In October 2011, the Company completed the private placement of $3,000,000 aggregate principal of convertible subordinated secured promissory notes (the "2011 Notes") to five investors in a private placement. The 2011 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option into unregistered shares of the Company's common stock at a price equal to $1.28 per share. On October 7, 2013, the Company extended the maturity date of the 2011 Notes to January 1, 2015. The amendment includes a provision that allows the Company to prepay all or part of the outstanding principal, without penalty, any time after March 31, 2014. The 2011 Notes were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act, as the securities were issued in transactions not involving any public offering or distribution.

Warrants

No warrants to purchase shares of either our common or preferred shares of stock have been issued in the last three years.

The following table reflects issuances of our common stock during the last three fiscal years upon the exercise of warrants. In total, 1,979,000 shares of our common stock were issued upon the exercise of such warrants. All of such shares were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act, as the shares were issued in transactions not involving any public offering or distribution.

Date of Issuance	Number of Shares Issued Pursuant to Warrant Exercise	Exercise Price	Total Exercise Price Paid
4/11/2011	100,000	$ 0.15	$ 15,000.00
5/24/2013	12,500	$ 0.15	$ 1,875.00
6/12/2013	983,250	$ 0.16	$ 157,320.00

Item 11. Description of Registrant's Securities to Be Registered

Our authorized capital stock currently consists of 100,000,000 shares of Common Stock, par value $0.001 per share, and 5,000,000 shares of preferred stock, par value $0.0001 per share, the rights and preferences of which may be established from time to time by our board of directors. As of August 1, 2014, 34,048,745 shares of our common stock were issued and outstanding.

The description of our securities contained herein is a summary only and may be exclusive of certain information that may be important to you. For more complete information, you should read our Certificate of Incorporation and its restatements, together with our corporate bylaws which have been filed with the SEC as exhibits to this registration statement.

Common Stock

Holders of our Common Stock are entitled to receive ratably, from funds legally available for the payment thereof, dividends when and as declared by resolution of the board of directors, subject to any preferential dividend rights which may be granted to holders of any preferred stock authorized and issued by the board of directors. Holders of our common stock do not have cumulative voting rights and are entitled to one vote per share on all matters to be voted upon by stockholders. Our common stock is not entitled to preemptive rights and is not subject to redemption, including sinking fund provisions, or conversion. Upon our liquidation, dissolution or winding up, the assets, if any, legally available for distribution to stockholders are distributable ratably among the holders of our common stock after payment of all classes or series of our preferred stock. All outstanding shares of our common stock are validly issued, fully-paid and non-assessable. The rights, preferences and privileges of holders of our common stock are subject to the preferential rights of all classes or series of preferred stock that we may issue in the future.

Preferred Stock

Our Restated Certificate of Incorporation permits us to issue up to 5,000,000 shares of preferred stock, par value $0.0001 per share. The preferred stock may be issued in any number of series as determined by the board of directors. The board of directors may by resolution fix the designation and number of shares of any such series of preferred stock and may determine, alter or revoke the rights, preferences, privileges and restrictions pertaining to any wholly unissued series and the board of directors may increase or decrease the number of shares of any such series (but not below the number of shares of that series then outstanding).

We have no preferred stock issued or outstanding.

Transfer Agent and Registrar

The transfer agent and registrar for the Company's common stock is Continental Stock Transfer & Trust Company.

Anti-Takeover Effects of Certificate of Incorporation and Bylaws

Certain provisions in our Restated Certificate of Incorporation and our bylaws could have the effect of impeding or discouraging the acquisition of control of us by means of a merger, tender offer, proxy contest or otherwise, including a transaction in which our stockholders would receive a premium over the market price for their shares, and thereby protects the continuity of our management. Specifically, our Restated Certificate of Incorporation or bylaws contain the following provisions:

- Our board of directors is composed of three classes of directors who serve staggered three-year terms so that only one-third of the directors are eligible for election at any annual meeting of stockholders, and cumulative voting in the election of directors is specifically denied.
- Any action permitted to be taken by our stockholders is required to be effected at a duly called annual or special meeting of stockholders and cannot be effected by a written consent.
- Our stockholders will not be permitted to call a special meeting of stockholders, and the only business matters permitted to be conducted at any annual or special meeting of stockholders will be business matters properly brought before that meeting in accordance with specified procedures.
- Specific procedures are established for stockholder nominations for directors and stockholder proposals of business to be considered at an annual or special meeting of stockholders.
- Our board of directors establishes the number of directors, and vacancies on our board of directors must be filled by a majority approval of the remaining directors, and directors may not be removed by stockholder action without cause.
- Our board of directors is empowered to adopt, amend or repeal our bylaws, while our stockholders may adopt, amend or repeal our bylaws only upon an affirmative vote of the holders of at least two-thirds of the voting power of all then outstanding shares of stock entitled to vote.
- Our board of directors has the power to designate and establish new classes of preferred stock having terms that the board of directors determines to be advisable.
- With respect to extraordinary matters that are brought to our stockholders for a vote, including the sale of all or substantially all of our assets, a merger, a consolidation, the conversion of us into another type of entity or the

amendment of our Restated Certificate of Incorporation, unless that matter is affirmatively recommended by our board of directors, its approval will require the affirmative vote of the holders of at least two-thirds of the voting power of all then outstanding shares of stock entitled to vote.

The foregoing provisions of our Restated Certificate of Incorporation and bylaws and other provisions pertaining to the limitation of liability and indemnification of directors may be amended or repealed only with the affirmative vote of the holders of at least two-thirds of the voting power of all then outstanding shares of stock entitled to vote.

In addition, if in the due exercise of its fiduciary obligations, the board of directors were to determine that a takeover proposal was not in our best interest, shares of common stock or preferred stock could be issued by the board of directors without stockholder approval in one or more transactions that might prevent or render more difficult or costly the completion of the takeover by:

- diluting the voting or other rights of the proposed acquirer or insurgent stockholder group;
- putting a substantial voting block in institutional or other hands that might undertake to support the incumbent board of directors; or
- effecting an acquisition that might complicate or preclude the takeover.

The effect of all of the foregoing provisions may be to delay or prevent a tender offer or takeover attempt that a stockholder may determine to be in his or her best interest, including attempts that might result in a premium over the market price for the shares held by the stockholders.

Delaware Anti-Takeover Law

We are not currently subject to the provisions of Section 203 of the Delaware General Corporation Law concerning corporate takeovers. If we become listed on a national stock exchange or have a class of voting stock held by more than 2000 record holders, we will be governed by the provisions of Section 203 of the General Corporation Law of Delaware. In general, such law prohibits a Delaware public corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless it is approved in a prescribed manner.

As a result of Section 203 of the General Corporation Law of Delaware, potential acquirers may be discouraged from attempting to effect acquisition transactions with us, thereby possibly depriving holders of our securities of certain opportunities to sell or otherwise dispose of such securities at above-market prices pursuant to such transactions.

Reports to Stockholders

We intend to comply with the periodic reporting requirements of the Securities Exchange Act of 1934. We plan to furnish our stockholders with an annual report for each fiscal year beginning for the fiscal year ending December 31, 2014 containing financial statements audited by our independent registered public accounting firm. The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The public may also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 (call 1-800-SEC-0330 for information).

Item 12. Indemnification of Directors and Officers

Our certificate of incorporation eliminates the personal liability of our directors for monetary damages arising from a breach of their fiduciary duty as directors to the fullest extent permitted by Delaware law. This limitation does not affect the availability of equitable remedies, such as injunctive relief or rescission. Our certificate of incorporation and bylaws require us to indemnify our directors and officers to the fullest extent permitted by Delaware law, including in circumstances in which indemnification is otherwise discretionary under Delaware law.

Under Delaware law, we may indemnify our directors or officers or other persons who were, are or are threatened to be made a party to an action, suit or proceeding because the person is or was our director, officer, employee or agent, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by them in connection with the action, suit or proceeding if the person:

- acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and

- with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful.

If the person is found liable to the corporation, no indemnification shall be made unless the court in which the action was brought determines that the person is fairly and reasonably entitled, under the circumstances and despite the adjudication of liability, to indemnity for an amount of expenses that the court deems proper.

Insofar as indemnification for liabilities under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Item 13. Financial Statements and Supplementary Data

Condensed Consolidated Financial Statements for June 30, 2014

Consolidated Financial Statements for December 31, 2013 and 2012

DYADIC INTERNATIONAL, INC.
AND SUBSIDIARIES

Condensed Consolidated Financial Statements

June 30, 2014

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
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June 30, 2014

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 4,300,494	$ 8,892,396
Restricted Cash	171,329	200,378
Accounts Receivable, Net	1,394,651	1,677,338
License Fee Receivable	-	110,693
Inventory, Net	3,830,807	2,800,090
Prepaid Expenses and Other Current Assets	296,981	171,601
Total Current Assets	9,994,262	13,852,496
Fixed Assets, Net	557,009	504,781
Intangible Assets, Net	581,896	566,867
Other Assets	35,222	16,173
	$ 11,168,389	$ 14,940,317
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts Payable	$ 2,051,353	$ 2,573,106
Accrued Expenses	439,921	469,681
Accrued Interest Payable	169,736	171,601
Note Payable to Stockholder	1,424,941	-
Deferred Research and Development Obligation	508,948	914,769
Convertible Subordinated Debt	6,818,000	-
Total Current Liabilities	11,412,899	4,129,157
Note Payable to Stockholder	-	1,424,941
Convertible Subordinated Debt	-	6,818,000
	11,412,899	12,372,098
COMMITMENTS AND CONTINGENCIES		
Stockholders' Equity (Deficit):		
Preferred Stock, $.0001 Par Value:		
Authorized Shares – 5,000,000; None Issued and Outstanding	-	-
Common Stock, $.001 par value,		
Authorized Shares – 100,000,000; Issued and Outstanding – 34,043,745 and 34,028,245, Respectively	34,044	34,028
Additional Paid-in Capital	81,585,621	81,209,585
Stock Subscriptions Receivable	(145,963)	(182,838)
Stock to be Issued	49,964	27,769
Accumulated Deficit	(81,768,176)	(78,520,325)
Total Stockholders' Equity (Deficit)	(244,510)	2,568,219
	$ 11,168,389	$ 14,940,317

The Accompanying Notes are an Integral Part of these Unaudited Condensed Consolidated Financial Statements

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Six Months Ended June 30,		Three Months Ended June 30,	
	2014	2013	2014	2013
Revenue:	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Product Related Revenue, Net	$ 4,916,724	$ 3,837,358	$ 2,457,564	$ 1,742,286
License Fee Revenue	-	5,000,000	-	5,000,000
Research and Development Revenue	1,129,991	725,248	604,119	338,512
Total Revenue	6,046,715	9,562,606	3,061,683	7,080,798
Cost of Goods Sold:	4,137,304	3,898,002	2,158,339	1,936,610
Gross Profit	1,909,411	5,664,604	903,344	5,144,188
Expenses:				
General and Administrative	3,628,587	2,405,739	1,732,880	1,147,375
Sales and Marketing	582,970	419,612	341,550	215,682
Research and Development	655,171	569,494	321,987	279,910
Foreign Currency Exchange Loss (Gain), Net	(12,000)	33,050	30,852	(27,243)
Total Expenses	4,854,728	3,427,895	2,427,269	1,615,724
Income (Loss) from Operations	(2,945,317)	2,236,709	(1,523,925)	3,528,464
Other Income (Expense)				
Interest Income	16,533	3,016	6,882	1,738
Interest Expense	(338,822)	(339,641)	(169,979)	(169,924)
Gain on Sale of Fixed Assets	19,755	-	8,155	-
Total Other Income (Expense)	(302,534)	(336,625)	(154,942)	(168,186)
Income (Loss) Before Provision for Income Taxes	(3,247,851)	1,900,084	(1,678,867)	3,360,278
Provision for Income Taxes	-	(38,000)	-	(38,000)
Net Income (Loss)	$ (3,247,851)	$ 1,862,084	$ (1,678,867)	$ 3,322,278
Net Income (Loss) per Common Share				
Basic	$ (0.10)	$ 0.06	$ (0.05)	$ 0.10
Diluted	$ (0.10)	$ 0.05	$ (0.05)	$ 0.10
Weighted Average Common Shares Used in Calculating Net Income (Loss) Per Share:				
Basic	34,036,295	32,135,525	34,043,745	32,232,003
Diluted	34,036,295	34,175,467	34,043,745	34,136,986

The Accompanying Notes are an Integral Part of these Unaudited Condensed Consolidated Financial Statements

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Additional	Stock Subscriptions	Stock to Be	Accumulated	
	Shares	Amount	Paid In Capital	Receivable	Issued	Deficit	Total
Balance at December 31, 2013	34,028,245	$ 34,028	$ 81,209,585	$ (182,838)	$ 27,769	$ (78,520,325)	$ 2,568,219
Amortization of Deferred Compensation on Employee and Nonemployee Stock Options	-	-	372,927	-	-	-	372,927
Issuance of Stock for Stock Options Exercised	15,500	16	3,109	(3,125)	-	-	-
Stock to be Issued for Restricted Stock Units	-	-	-	-	22,195	-	22,195
Proceeds from Repayment of Stock Subscriptions	-	-	-	40,000	-	-	40,000
Net (Loss)	-	-	-	-	-	(3,247,851)	(3,247,851)
Balance at June 30, 2014	34,043,745	$ 34,044	$ 81,585,621	$ (145,963)	$ 49,964	$ (81,768,176)	$ (244,510)

The Accompanying Notes are an Integral Part of these Unaudited Condensed Consolidated Financial Statements

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2014	2013
	(Unaudited)	(Unaudited)
Operating Activities		
Net Income (Loss)	$ (3,247,851)	$ 1,862,084
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By (Used In) Operating Activities:		
Depreciation and Amortization of Fixed Assets	114,988	96,171
Amortization of Intangible and Other Assets	30,344	24,762
Gain on Sale of Fixed Assets	(19,755)	-
Reserve (Recovery) of Doubtful Accounts	30,072	(315,567)
Increase (Decrease) in Inventory Reserve	(52,000)	224,000
Share-Based Compensation Expense	395,122	318,597
Changes in Operating Assets and Liabilities:		
Accounts Receivable	252,615	14,865
License Fee Receivable	110,693	208,750
Inventory	(978,717)	370,366
Prepaid Expenses and Other Current Assets	(125,380)	45,518
Other Assets	(19,049)	-
Accounts Payable	(521,753)	89,522
Accrued Expenses	(29,760)	27,476
Accrued Interest Payable	(1,865)	167,991
Income Taxes Payable	-	38,000
Deferred Research and Development Obligation	(405,821)	(105,767)
Net Cash Provided By (Used In) Operating Activities	(4,468,117)	3,066,768
Investing Activities		
Purchases of Fixed Assets	(167,216)	(100,077)
Proceeds from Sale of Fixed Assets	19,755	-
Cost of Patents	(45,373)	(34,924)
Restricted Cash	29,049	3,024
Net Cash (Used In) Investing Activities	(163,785)	(131,977)
Financing Activities		
Proceeds from Stock Warrant Exercises	-	64,803
Proceeds from Stock Option Exercises	-	58,500
Proceeds from Repayment of Stock Subscriptions Receivable	40,000	-
Net Cash Provided by Financing Activities	40,000	123,303
Net Increase (Decrease) in Cash and Cash Equivalents	(4,591,902)	3,058,094
Cash and Cash Equivalents at Beginning of Period	8,892,396	3,990,062
Cash and Cash Equivalents at End of Period	$ 4,300,494	$ 7,048,156
Supplemental Cash Flow Information:		
Cash Paid for Interest	$ 340,687	$ 169,745
Non-Cash Item:		
Conversion of Convertible Debt into Shares of Common Stock	$ -	$ 182,000
Non-Cash Advances to Employees for Stock Warrant and Stock Option Exercises	$ 3,125	$ 131,980

The Accompanying Notes are an Integral Part of these Unaudited Condensed Consolidated Financial Statements

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation

General

The accompanying unaudited interim condensed consolidated financial statements for Dyadic International, Inc. and Subsidiaries (collectively, "Dyadic" or the "Company") have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial reporting. Accordingly, certain information and footnote disclosures normally included in annual consolidated financial statements have been condensed or omitted. In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments and the elimination of intra-entity accounts) considered necessary for a fair statement of all periods presented. The results of Dyadic's operations for any interim periods are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year. These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes for the year ended December 31, 2013.

Liquidity

As of June 30, 2014, the Company has liabilities that exceed its assets, negative working capital, and cash flow deficiencies. In order to address these indicators, the Company's management is exploring several value-creating transactions, including, but not limited to, licensing its C1 technologies to new collaborators, expanding applicable technical or geographical constraints, raising additional debt or equity financing, and extending the maturity dates of its existing convertible subordinated debt and its note. In addition, the Company expects to reduce its professional fee expenditures by approximately $750,000 in aggregate for the remaining six months of 2014 as compared to the first six months of 2014. The Company is also actively drawing down inventory and targeting a $1.0 million reduction from the June 30, 2014 inventory levels.

However, there is no assurance that the Company will be successful in obtaining the necessary funding to meet its business objectives or reduce its operating costs to a level sufficient to provide positive cash flow. In addition, the Company's ability to extend the maturity dates of its convertible subordinated debt as well as its note payable to stockholder cannot be assured and represents a future unknown contingency. The financial statements do not include any adjustments to reflect future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result if the Company's plans are unsuccessful.

Net Income (Loss) Per Common Share

Basic income (loss) per share excludes any dilution. It is based upon the weighted average number of common shares outstanding during the period. Diluted income per share includes the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. During both of the three and six months periods ended June 30, 2014, 8,291,218 common stock equivalents related to stock options and convertible debt, respectively, were not included in computing diluted earnings per share because their effects were anti-dilutive.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation (continued)

Research and Development Revenue Recognition

The Company applies a proportional-performance model using the percentage-of-completion method of revenue recognition associated with activities performed under certain research and development agreements. Since the expected cost to perform the activities can be reasonably estimated, the Company believes a proportional-performance methodology of revenue recognition is appropriate. Under this method, revenue in any period is recognized as a percentage of the total actual cost expended relative to the total estimated costs required to satisfy the performance obligations under the research and development arrangements. Revenue recognized is limited to the amounts that are non-refundable and that the other party to the agreement is contractually obligated to pay to the Company. A change in the period of time expected to complete the activities is accounted for as a change in estimate on a prospective basis.

Deferred Research and Development Obligation

The deferred research and development obligation represents payments received or receivable for certain research and development activities which are deferred until revenue can be recognized under the Company's revenue recognition policy. Deferred revenue is classified as current if management believes the Company will be able to recognize the deferred amount as revenue within 12 months of the balance sheet date. At June 30, 2014, the total deferred research and development obligation was approximately $509,000.

Multiple Deliverable Arrangements Revenue Recognition

The Company evaluates multiple deliverable arrangements contained in its collaboration and license agreements to determine whether the delivered elements that are the obligation of the Company have value to other parties to the agreement on a stand-alone basis and whether objective reliable evidence of fair value of the undelivered items exists. Deliverables that meet these criteria are considered a separate unit of accounting. Deliverables that do not meet these criteria are combined and accounted for as a single unit of accounting. The appropriate recognition of revenue is then applied to each unit of accounting.

On April 23, 2012, the Company's non-exclusive license agreement with Abengoa Bioenergy New Technologies, Inc. ("Abengoa") was amended and restated (the "Amended Abengoa License Agreement") to provide Abengoa with additional rights which include, among other things, the granting to Abengoa of worldwide rights to use the Company's C1 Platform Technology in the licensed fields. The Amended Abengoa License Agreement also further clarifies Abengoa's rights to sell enzymes produced using the Company's C1 Platform Technology to third parties for use in both first and second generation biorefining processes for the production of fuels, chemicals and/or power. In exchange for entering into the Amended Abengoa License Agreement, Abengoa agreed to pay the Company a non-refundable license fee of $5,500,000, payable as follows: $2,000,000 in October 2012, $1,000,000 in January 2013, and $2,500,000 in July 2013. The final payment of $2,500,000 was received on July 15, 2013.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation (Continued)

On May 6, 2013, the Company entered into a non-exclusive worldwide research, development and license agreement with BASF SE ("BASF"). Under the terms of the agreement, BASF will be able to use Dyadic's patented and proprietary C1 Platform Technology to develop, produce, distribute and sell industrial enzymes in certain fields for a variety of applications. BASF will fund research and development at Dyadic's research lab in The Netherlands. In addition to this funding, BASF agreed to pay Dyadic a non-refundable upfront license fee of $6,000,000, as well as certain research and commercial milestone fees and royalties upon commercialization. On January 6, 2014, the Company received approximately $111,000 of the remaining upfront license fee.

Note 2: Accounts Receivable

Accounts receivable are recorded at their net realizable value on the date revenue is recognized or the Company has a contractual right to receive money, either on demand or at fixed or determinable dates. The Company provides allowances for doubtful accounts for estimated losses resulting from the inability of its customers to repay their obligations. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to pay, additional allowances may be required.

The Company provides for potential uncollectible accounts receivable based on specific customer identification and historical collection experience, adjusted for existing market conditions. If market conditions decline or the Company's customers experience economic difficulties, actual collections may not meet expectations and may result in decreased cash flows and increased bad debt expense.

The policy for determining past due status is based on the contractual payment terms of each customer, which are generally net 30 or net 60 days. Once collection efforts by the Company are exhausted, the determination for charging off uncollectible receivables is made. The Company does not accrue finance or interest charges on past due accounts receivable.

Accounts receivable consisted of the following:

	June 30, 2014	December 31, 2013
	(Unaudited)	
Accounts receivable	$ 1,459,033	$ 1,711,648
Less: allowance for doubtful accounts	(64,382)	(34,310)
	$ 1,394,651	$ 1,677,338

Note 3: Inventory

Inventory consists of raw materials and finished goods including industrial enzymes used in the industrial, chemical, and agricultural markets, and are stated at the lower of cost or market using the average cost method. The value of finished goods is comprised of raw materials and manufacturing costs, substantially all of which are incurred pursuant to agreements with independent manufacturers. Provisions have been made to reduce excess or obsolete inventory to net realizable value.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Inventory (Continued)

Inventory consisted of the following:

	June 30, 2014	December 31, 2013
	(Unaudited)	
Finished goods	$ 3,992,807	$ 3,014,090
Less: reserve for obsolescence	(162,000)	(214,000)
	$ 3,830,807	$ 2,800,090

Note 4: Notes Payable

Note Payable to Stockholder

The Amended and Restated Note dated November 14, 2008 (the "Note") payable to the Mark A. Emalfarb Trust under agreement dated October 1, 1987, as amended (the "MAE Trust"), matured on January 1, 2009. On January 12, 2009, the Company repaid $1.0 million of principal of the Note leaving an outstanding principal amount of approximately $1.4 million. As of January 1, 2010, the MAE Trust and the Company agreed to reduce the interest rate on the outstanding principal balance of the Note from 14% to 9.5% per annum. On October 11, 2013, the maturity date of the Note was extended to January 1, 2015. All other provisions remain unchanged. Pursuant to a divorce decree dated March 18, 2014, the $1.4 million note was transferred to Lisa K. Emalfarb, a stockholder, on April 1, 2014.

Under certain conditions, Mr. Emalfarb has the right to assume the Note at maturity should Lisa K. Emalfarb be unwilling or unable to extend the maturity date of the Note, if requested by the Company.

Interest expense on the Note amounted to approximately $33,000 and $67,000 for both the three and six months ended June 30, 2014 and 2013, respectively.

Convertible Subordinated Debt

On August 23, 2010, the Company completed the private placement of $4,000,000 aggregate principal of convertible subordinated secured promissory notes (the "2010 Notes") with ten investors. The 2010 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option after January 1, 2011 into unregistered shares of the Company's common stock at a conversion price of $1.82 per share. The Company will not effect any conversion of the 2010 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock (the "Beneficial Ownership Limitation"). The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice. The 2010 Notes are subordinated to the Note, collateralized by the assets of the Company and mature on January 1, 2015.

One of the Company's third party note holders converted $182,000 of the 2010 Notes during the six months ended June 30, 2013 into an aggregate of 100,000 shares of the Company's common stock at a conversion price of $1.82 per share. As a result of this conversion, the outstanding principal balance of the 2010 Notes was $3,818,000 at June 30, 2014 *(Note 6)*.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Notes Payable *(Continued)*

Convertible Subordinated Debt (Continued)

In October 2011, the Company completed the private placement of $3,000,000 aggregate principal of convertible subordinated secured promissory notes (the "2011 Notes") with five investors. The 2011 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option into unregistered shares of the Company's common stock at a conversion price equal to $1.28 per share. The Company will not effect any conversion of the 2011 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock. The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice. The 2011 Notes are subordinated to the Note and the 2010 Notes, collateralized by the assets of the Company and mature on January 1, 2015.

Approximately $1,900,000 of the 2010 Notes and 2011 Notes are held by four related party interests which includes members of management and the Board of Directors, as well as another related party. Interest expense on the convertible subordinated debt for the three months ended June 30, 2014 and 2013, was approximately $137,000 and $136,000, respectively. Interest expense on the convertible debt for the six months ended June 30, 2014 and 2013, was approximately $270,000 and $273,000, respectively.

Note 5: Commitments and Contingencies

Manufacturing Commitment

The Company manufactures its enzymes with a third party manufacturer which the Company believes is sufficient to meet its current needs. In order to grow its business, the Company will require additional manufacturing capacity. There is no assurance that the Company will be able to maintain its current manufacturing capacity or be able to secure additional capacity on acceptable terms and conditions as and when needed by the Company. Any interruption in or failure to secure such manufacturing capacity could have a material adverse effect on the Company's results of operations.

Litigation, Claims and Assessments

Pending Actions

Professional Liability Lawsuit

On March 26, 2009, the Company filed a complaint in the Circuit Court of the 15 th Judicial Circuit in and for Palm Beach County, Florida against Ernst & Young LLP and Ernst & Young-Hong Kong, L.P., alleging professional negligence/malpractice, breach of fiduciary duty and constructive fraud in connection with the accounting, advisory, auditing, consulting, financial and transactional services they provided to the Company.

On April 14, 2009, the Company amended the complaint (the "Amended Complaint") by naming as additional defendants the Company's former outside legal counsel consisting of the law firms of Greenberg Traurig, LLP, Greenberg Traurig, P.A. (collectively, "Greenberg Traurig"), Jenkens & Gilchrist, P.C. ("Jenkens & Gilchrist") and Bilzin Sumberg Baena Price & Axelrod LLP ("Bilzin Sumberg") as well as attorney Robert I. Schwimmer who previously represented the Company while an

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Commitments and Contingencies (Continued)

Litigation, Claims and Assessments (Continued)

Pending Actions (Continued)

Professional Liability Lawsuit (Continued)

attorney at Jenkens & Gilchrist and later at Greenberg Traurig. Jenkens & Gilchrist went out of business in 2007 and is in the process of winding up its business and affairs. The Company also named as defendants the law firm of Moscowitz & Moscowitz, P.A. and its attorneys Norman A. Moscowitz and Jane W. Moscowitz (collectively, the "Moscowitz Defendants") who conducted the investigation and authored the investigative report requested by the Company's Audit Committee following the discovery of alleged improprieties at the Company's Asian subsidiaries. The claims against the Company's former outside legal counsel are for breach of fiduciary duty and professional negligence. In addition to these claims, the Amended Complaint contains a claim of civil conspiracy against Ernst & Young LLP, Greenberg Traurig and Mr. Schwimmer.

The claims against Ernst & Young LLP and Ernst & Young-Hong Kong, L.P. were subsequently stayed in the Circuit Court action and submitted to binding arbitration. A final hearing before the arbitration tribunal was completed on May 27, 2011. On February 29, 2012, the arbitration tribunal issued a Final Award which found no auditor negligence, denied the Company any recovery against Ernst & Young LLP and Ernst & Young Hong Kong L.P., and further provided that each party shall bear its own attorneys' fees and costs.

On July 11, 2011, defendants Jenkens & Gilchrist, Bilzin Sumberg and the Moscowitz Defendants filed a counterclaim in the Circuit Court against the Company and a Third Party Complaint against its President and Chief Executive Officer, Mark Emalfarb, individually, for abuse of process. The counterclaim and Third Party Complaint filed by Jenkens & Gilchrist and Bilzin Sumberg also included claims for common law indemnity against the Company and Mr. Emalfarb. In addition, Jenkens & Gilchrist made a claim against the Company for breach of the implied covenant of good faith and fair dealing. On July 18, 2011, the Moscowitz Defendants filed a motion for summary judgment which the Circuit Court denied in its entirety. On September 9, 2011, Jenkens & Gilchrist and Bilzin Sumberg amended their counterclaim and Third Party Complaint which dropped their claims for abuse of process but retained their claims for common law indemnity against the Company and Mr. Emalfarb. Bilzin Sumberg also added claims against the Company and Mr. Emalfarb for breach of its retainer agreements and for declaratory relief. Also on September 9, 2011, the Moscowitz Defendants dropped their claims for abuse of process against the Company and Mr. Emalfarb.

On December 8, 2011, the Circuit Court dismissed without prejudice all counterclaims against the Company and all third party claims against Mr. Emalfarb.

On July 18, 2012, the Company filed a Second Amended Complaint which expanded and amplified the Company's prior allegations of negligent acts and omissions by the defendants in the Circuit Court proceedings. All of the defendants have filed and served their answers and affirmative defenses.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Commitments and Contingencies (Continued)

Litigation, Claims and Assessments (Continued)

Pending Actions (Continued)

Professional Liability Lawsuit (Continued)

On August 8, 2012, the Company, Jenkens & Gilchrist and Mr. Schwimmer entered into a Settlement Agreement and General Releases (the "J&G Settlement Agreement") whereby Jenkens & Gilchrist paid the Company $525,000 for the mutual release and discharge of (1) all causes of action between the Company and Jenkens & Gilchrist, and (2) causes of action between the Company and Mr. Schwimmer including, but not limited to, those in the professional liability lawsuit, but only those which occurred while Mr. Schwimmer served as an attorney at Jenkens & Gilchrist and not while he served as an attorney at Greenberg Traurig or any other time. Pursuant to the J&G Settlement Agreement, the Company, Jenkens & Gilchrist and Mr. Schwimmer have filed a Stipulation of Settlement with the Court to enforce the terms of the J&G Settlement Agreement including, but not limited to, the dismissal of Counts I and II of the Second Amended Complaint against Jenkens & Gilchrist and Mr. Schwimmer with prejudice.

On January 24, 2013, each of the remaining defendants served their amended affirmative defenses to the Second Amended Complaint. On February 11, 2013, the Company served its reply to such amended affirmative defenses.

On November 26, 2013, the Court entered a Case Management Order. Pursuant to the Order, all pretrial motions and other litigation activities are to be concluded by the end of 2014. The Court ordered mediation is to occur no later than September 30, 2014. The Court has not yet set a trial date for 2015.

On April 9, 2014, the Court amended its Case Management Order by requiring that all summary judgment motions be served on or before April 30, 2014.

The parties to the suit have completed written discovery. With the exception of one witness, depositions of fact witnesses are complete. The parties are presently engaged in deposing opposing expert witnesses.

Other

In addition to the matters noted above, from time to time, the Company is subject to legal proceedings, asserted claims and investigations in the ordinary course of business, including commercial claims, employment and other matters, which management considers immaterial, individually and in the aggregate.

The Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Litigation is inherently unpredictable and costly. While the Company believes that it has valid defenses with respect to the legal matters pending against it, protracted litigation and/or an unfavorable resolution of one or more of such proceedings, claims or investigations against the Company could have a material adverse effect on the Company's consolidated financial position, cash flows or results of operations.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Common Stock

Issuances of Common Stock

During the six months ended June 30, 2014, stock options to purchase 15,500 shares of common stock were exercised at exercise prices ranging from $0.15 to $0.23 per share. The options were exercised under the Company's 2013 Employee Loan Program (the Loan Program); therefore no cash was received during the six months ended June 30, 2014.

As of June 30, 2014, there were no outstanding warrants to purchase any shares of common stock. At June 30, 2014, 12,500 shares of common stock from warrant exercises had not yet been issued.

During the six months ended June 30, 2014, the Company advanced certain employees $3,125 under the Loan Program, in connection with their exercise of stock options to purchase 15,500 shares of common stock. In addition, $40,000 of amounts previously advanced under the Loan Program was repaid. Amounts borrowed under the Loan Program bear interest at 3% per annum and are payable within 24 months from the date of the loan agreement. The loans are collateralized by the shares of common stock issued in connection with the exercise of the stock options and warrants. At June 30, 2014, advances to employees under the Loan Program were approximately $146,000 and are included in Stockholders' Equity in the June 30, 2014 condensed consolidated balance sheet.

Conversion of Convertible Subordinated Debt

A third party debt holder converted a portion of its 2010 Notes during the six months ended June 30, 2013 into an aggregate of 100,000 shares of common stock at a conversion price of $1.82.

Note 7: Share-Based Compensation and Subsequent Event

On March 3, 2014, the Company granted to its employees and non-employee directors stock options to purchase 310,000 shares of the Company's common stock at an exercise price of $1.76 per share. The stock options vest over four years and expire on March 2, 2024. The fair market value of such stock options was $1.24 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.60%
Dividend Yield	0.00%
Average Volatility Factor	78.412%
Average Option Life	6.5 years

On April 14, 2014, the Company granted to its employees stock options to purchase 75,000 shares of the Company's common stock at an exercise prices ranging from $1.55 to $1.71 per share. The stock options vest over four years and expire on various dates through April 13, 2024. The fair market value of such stock options was $1.10 and $1.09 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.65%
Dividend Yield	0.00%
Average Volatility Factor	78.027%
Average Option Life	5-6.5 years

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Share-Based Compensation and Subsequent Event (Continued)

On April 24, 2014, the Company granted to an employee stock options to purchase 50,000 shares of the Company's common stock at an exercise price of $1.53 per share. The stock options vest over four years and expire on April 24, 2024. The fair market value of such stock options was $1.08 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.70%
Dividend Yield	0.00%
Average Volatility Factor	77.78%
Average Option Life	6.5 years

On May 1, 2014, the Company granted to a consultant options to purchase 100,000 shares of the Company's common stock at an exercise price of $1.41 per share. The stock options vest over four years and expire on May 1, 2024. The fair market value of such stock options was $0.99 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.63%
Dividend Yield	0.00%
Average Volatility Factor	77.794%
Average Option Life	6.5 years

On June 12, 2014, the Company granted to its non-employee director stock options to purchase 30,000 shares of the Company's common stock at an exercise price of $1.36 per share. The stock options vest over four years and expire on June 11, 2024. The fair market value of such stock options was $0.95 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.58%
Dividend Yield	0.00%
Average Volatility Factor	77.385%
Average Option Life	6.5 years

On July 9, 2014, the Company granted to an advisor stock options to purchase 60,000 shares of the Company's common stock at an exercise price of $1.66 per share. The stock options vest over twelve months and expire on July 8, 2024. The fair market value of such stock options was $1.16 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.57%
Dividend Yield	0.00%
Average Volatility Factor	77.006%
Average Option Life	6.5 years

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Share-Based Compensation and Subsequent Event (Continued)

No stock options expired or were cancelled during the six months ended June 30, 2014. There were 325,000 stock options that expired or were cancelled during the six months ended June 30, 2013. As of June 30, 2014, there were stock options outstanding under the Company's equity plans to purchase 3,858,625 shares of common stock.

On May 6, 2013, the Company granted 69,000 Restricted Stock Units ("RSU's") to an officer pursuant to the Company's 2011 Equity Incentive Award Plan. The value of the award per share was $1.93. The RSU's vest in equal monthly amounts over a three year period. During the three and six month periods ended June 30, 2014, the Company recognized approximately $11,000 and $22,000, respectively, in non-cash share-based compensation expense related to these RSU's. The Company will recognize approximately $85,000 in additional non-cash share-based compensation expense related to the RSU's over the remaining vesting period.

The Company recognized non-cash share-based compensation expense for its share-based awards of approximately $223,000 and $125,000 for the three months ended June 30, 2014 and 2013, respectively, and approximately $395,000 and $319,000 for the six months ended June 30, 2014 and 2013, respectively. These charges had no impact on the Company's reported cash flows. Total non-cash share-based compensation expense was allocated among the following expense categories:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2014	2013	2014	2013
General and administrative	$ 301,417	$ 190,899	$ 169,765	59,061
Research and development	17,704	49,896	8,653	24,948
Cost of goods sold	30,442	37,765	15,545	18,905
Sales and marketing	45,559	40,037	28,891	21,907
	$ 395,122	$ 318,597	$ 222,854	$ 124,821

Note 8: Income Taxes

As of June 30, 2014, the Company had significant net operating loss carryforwards remaining that expire beginning in 2022. The Company has determined that a full valuation allowance against its net deferred taxes is necessary as of June 30, 2014.

The Company is subject to income taxes in the U.S. federal jurisdiction, various state jurisdictions and certain other international jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company is not subject to U.S. federal, state and local tax examinations by tax authorities for the years before 2010.

If the Company were to subsequently record an unrecognized tax benefit, associated penalties and tax related interest expense would be reported as a component of income tax expense.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Income Taxes (Continued)

The provision for income taxes for both the three and six month periods ended June 30, 2013 was calculated based on the estimated annual effective rate for the full 2013 calendar year, adjusted for an income tax benefit from the expected utilization of net operating loss carryforwards.

Note 9: Segment Data Information

Summarized financial information for the Company's segments are as follows:

	Six Months Ended June 30, 2014			
	U.S. Operating Segment	Netherlands Operating Segment	Eliminations	Total
Net Revenue	$ 4,916,724	$ 2,505,792	$ (1,375,801)	$ 6,046,715
Income (Loss) from Operations	(3,625,215)	679,898	-	(2,945,317)
Interest Income	15,561	972	-	16,533
Interest Expense	(338,822)	-	-	(338,822)
Share-Based Compensation	(355,096)	(40,026)	-	(395,122)
Capital Expenditures	(3,204)	(164,012)	-	(167,216)
Depreciation and Amortization	(43,365)	(101,967)	-	(145,332)
Total Assets	7,325,155	(5,051,779)	8,895,013	11,168,389

	Six Months Ended June 30, 2013			
	U.S. Operating Segment	Netherlands Operating Segment	Eliminations	Total
Net Revenue	$ 8,837,358	$ 1,140,738	$ (415,490)	$ 9,562,606
Income from Operations	2,495,583	(258,874)	-	2,236,709
Interest Income	1,504	1,512	-	3,016
Interest Expense	(339,641)	-	-	(339,641)
Share-Based Compensation	(241,169)	(77,428)	-	(318,597)
Capital Expenditures	-	(100,077)	-	(100,077)
Depreciation and Amortization	(39,868)	(81,065)	-	(120,933)
Total Assets	11,709,659	(6,011,080)	9,835,653	15,534,232

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Segment Data Information (Continued)

	Three Months Ended June 30, 2014			
	U.S. Operating Segment	Netherlands Operating Segment	Eliminations	Total
Net Revenue	$ 2,457,564	$ 1,304,652	$ (700,533)	$ 3,061,683
Income (Loss) from Operations	(1,844,199)	320,274	-	(1,523,925)
Interest Income	6,461	421	-	6,882
Interest Expense	(169,979)	-	-	(169,979)
Share-Based Compensation	(197,610)	(25,244)	-	(222,854)
Capital Expenditures	(3,204)	(80,096)	-	(83,300)
Depreciation and Amortization	(21,612)	(53,463)	-	(75,075)

	Three Months Ended June 30, 2013			
	U.S. Operating Segment	Netherlands Operating Segment	Eliminations	Total
Net Revenue	$ 6,742,286	$ 551,308	$ (212,796)	$ 7,080,798
Net (Loss) from Operations	3,708,853	(180,389)	-	3,528,464
Interest Income	1,059	679	-	1,738
Interest Expense	(169,924)	-	-	(169,924)
Share-Based Compensation	(86,106)	(38,715)	-	(124,821)
Capital Expenditures	-	(11,909)	-	(11,909)
Depreciation and Amortization	(20,247)	(40,872)	-	(61,119)

Note 10: Subsequent Events

The Company has evaluated these unaudited condensed consolidated financial statements for subsequent events through August 12, 2014, the date of issuance of these unaudited condensed consolidated financial statements. Except as noted in Note 7, management is not aware of any other events that have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in the unaudited condensed consolidated financial statements.

DYADIC INTERNATIONAL, INC.
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2013 and 2012

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
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DECEMBER 31, 2013 AND 2012

Mayer Hoffman McCann P.C.
An Independent CPA Firm
1675 N. Military Trail, Fifth Floor
Boca Raton, Florida 33486
561.994.5050 ph
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

We have audited the accompanying consolidated financial statements of Dyadic International, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board (United States) and in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dyadic International, Inc. and Subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Boca Raton, Florida
March 12, 2014

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash	$ 8,892,396	$ 3,990,062
Restricted Cash	200,378	192,355
Accounts Receivable, Net	1,677,338	1,260,798
License Fee Receivable	110,693	3,500,000
Inventory, Net	2,800,090	2,765,187
Prepaid Expenses and Other Current Assets	171,601	237,389
Total Current Assets	13,852,496	11,945,791
Fixed Assets, Net	504,781	393,860
Intangible Assets, Net	566,867	525,224
Other Assets	16,173	16,173
	$ 14,940,317	$ 12,881,048
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 2,573,106	$ 1,687,177
Accrued Expenses	469,681	412,483
Accrued Interest Payable	171,601	1,905
Note Payable to Stockholder	-	1,424,941
Deferred Research and Development Obligation	914,769	567,400
Total Current Liabilities	4,129,157	4,093,906
Note Payable to Stockholder	1,424,941	-
Convertible Subordinated Debt	6,818,000	7,000,000
Total Liabilities	12,372,098	11,093,906
COMMITMENTS AND CONTINGENCIES		
Stockholders' Equity:		
Preferred Stock, $.0001 Par Value:		
Authorized Shares – 5,000,000; None Issued and Outstanding	-	-
Common Stock, $.001 Par Value,		
Authorized Shares – 100,000,000; Issued and Outstanding – 34,028,245 and 31,656,245, Respectively	34,028	31,656
Additional Paid-In Capital	81,209,585	79,847,761
Stock Subscriptions Receivable	(182,838)	-
Stock to be Issued	27,769	-
Accumulated Deficit	(78,520,325)	(78,092,275)
Total Stockholders' Equity	2,568,219	1,787,142
	$ 14,940,317	$ 12,881,048

The Accompanying Notes are an Integral Part of these Consolidated Financial Statements

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2013	2012
Revenue:		
Product Related Revenue, Net	$ 9,800,767	$ 7,819,547
License Fee Revenue	6,000,000	5,500,000
Research and Development Revenue	1,333,974	2,282,173
Total Revenue	17,134,741	15,601,720
Cost of Goods Sold	9,103,957	7,616,222
Gross Profit	8,030,784	7,985,498
Expenses:		
General and Administrative	5,546,999	4,802,653
Sales and Marketing	944,124	700,778
Research and Development	1,066,471	921,714
Foreign Currency Exchange (Gains), Net	(83,312)	(27,989)
Total Expenses	7,474,282	6,397,156
Income from Operations	556,502	1,588,342
Other Income (Expense)		
Interest Income	14,613	5,245
Interest Expense	(686,022)	(701,090)
Gain (Loss) on Settlement of Litigation	(313,143)	525,000
Total Other Income (Expense)	(984,552)	(170,845)
Income (Loss) before Provision for Income Taxes	(428,050)	1,417,497
Provision for Income Taxes	-	(68,000)
Net Income (Loss)	$ (428,050)	$ 1,349,497
Net Income (Loss) per Common Share:		
Basic	$ (0.01)	$ 0.04
Diluted	$ (0.01)	$ 0.04
Weighted Average Common Shares Used in Calculating Net Income (Loss) per Share:		
Basic	32,797,253	31,608,841
Diluted	32,797,253	34,225,590

The Accompanying Notes are an Integral Part of these Consolidated Financial Statements

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional	Stock	Stock to Be	Accumulated	
	Shares	Amount	Paid-In Capital	Subscriptions	Issued	Deficit	Total
Balance at December 31, 2011	31,448,745	$ 31,449	$ 78,608,586	$ -	$ 3,750	$ (79,441,772)	$ (797,987)
Amortization of Deferred Compensation on Employee and Nonemployee Stock Options	-	-	1,198,559	-	-	-	1,198,559
Issuance of Stock for Stock Options Exercised	207,500	207	40,616	-	(3,750)	-	37,073
Net Income	-	-	-	-	-	1,349,497	1,349,497
Balance at December 31, 2012	31,656,245	31,656	79,847,761	-	-	(78,092,275)	1,787,142
Amortization of Deferred Compensation on Employee and Nonemployee Stock Options	-	-	780,663	-	-	-	780,663
Issuance of Stock for Subordinated Debt Conversion	100,000	100	181,900	-	-	-	182,000
Issuance of Stock for Stock Options Exercised	1,288,750	1,289	242,924	(182,838)	-	-	61,375
Issuance of Stock for Warrants Exercised	983,250	983	156,337	-	1,875	-	159,195
Stock to Be Issued for Restricted Stock Units	-	-	-	-	25,894	-	25,894
Net (Loss)	-	-	-	-	-	(428,050)	(428,050)
Balance at December 31, 2013	34,028,245	$ 34,028	$ 81,209,585	$ (182,838)	$ 27,769	$ (78,520,325)	$ 2,568,219

The Accompanying Notes are an Integral Part of these Consolidated Financial Statements

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2013	2012
Operating Activities		
Net Income (Loss)	$ (428,050)	$ 1,349,497
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Provided By Operating Activities:		
Depreciation and Amortization of Fixed Assets	201,224	204,176
Amortization of Intangible and Other Assets	52,279	52,305
Increase (Decrease) in Allowance for Doubtful Accounts	(380,507)	320,573
Increase (Decrease) in Inventory Reserve	(81,000)	245,000
Compensation Expense on Stock Option Grants	806,557	1,198,559
Change in Operating Assets and Liabilities		
Accounts Receivable	(36,033)	193,402
License Fee Receivable	3,389,307	(3,500,000)
Inventory	46,097	266,195
Prepaid Expenses and Other Current Assets	65,788	43,423
Accounts Payable	885,929	(348,076)
Accrued Expenses	57,198	(26,557)
Accrued Interest Payable	169,696	(171,591)
Deferred Research and Development Obligation	347,369	538,266
Net Cash Provided by Operating Activities	5,095,854	365,172
Investing Activities		
Purchases of Fixed Assets	(312,145)	(45,815)
Patent Costs	(93,922)	(80,144)
Restricted Cash	(8,023)	22,021
Net Cash (Used In) Investing Activities	(414,090)	(103,938)
Financing Activities		
Proceeds from Stock Warrant Exercises	159,195	-
Proceeds from Stock Option Exercises	61,375	37,073
Net Cash Provided by Financing Activities	220,570	37,073
Net Increase in Cash	4,902,334	298,307
Cash at Beginning of Year	3,990,062	3,691,755
Cash at End of Year	$ 8,892,396	$ 3,990,062
Supplement Cash Flow Information:		
Cash Paid for Interest	$ 516,326	$ 872,681
Cash Paid for Income Taxes	$ -	$ 68,000
Non-Cash Items:		
Conversion of Convertible Debt into Share of Common Stock	$ 182,000	$ -
Non-Cash Advances to Employees for Stock Options and Stock Warrant Exercises	$ 182,838	$ -

The Accompanying Notes are an Integral Part of these Consolidated Financial Statements

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Organization and Operations and Subsequent Event

General

Dyadic International, Inc. (the "Company" or "Dyadic") is a global biotechnology company headquartered in Jupiter, Florida with operations in the United States ("U.S.") and The Netherlands. Dyadic has 39 full-time employees, 24 of which are dedicated to research and development ("R&D") activities at the Company's laboratories in Florida, North Carolina and The Netherlands.

Dyadic uses its patented and proprietary technologies to conduct R&D and commercial activities for the discovery, development, manufacture and sale of enzymes and other proteins for the bioenergy, bio-based chemicals, biopharmaceuticals, and industrial enzymes industries. Dyadic recognizes substantially all of its revenues from (1) licensing its patented and proprietary technologies; (2) selling its proprietary enzymes; and (3) conducting R&D activities for third parties.

Dyadic's R&D activities focus on its patented and proprietary fungal strains and associated technologies. In particular, Dyadic uses its *Trichoderma* and C1 fungal strains in the production of its industrial enzymes. Dyadic manufactures and sells liquid and dry enzyme products to global customers for use within the animal feed, pulp and paper, starch and alcohol, food and brewing, textiles, and biofuels industries.

Dyadic also utilizes an integrated technology platform based on its patented and proprietary C1 fungus (the "C1 Platform Technology") which enables the development and large-scale manufacture of low cost enzymes and other proteins for diverse market opportunities. The C1 Platform Technology can also be used to screen for the discovery of novel genes and proteins. Dyadic actively pursues licensing arrangements and other commercial opportunities to leverage the value of these technologies by providing its partners and collaborators with the benefits of developing, manufacturing and/or utilizing the enzymes and other proteins, which these technologies help produce.

In the biofuels and bio-based chemicals industries, Dyadic's primary focus is to continuously improve its C1 Platform Technology for the development of novel enzymes that will efficiently convert biomass into the maximum quantity of fermentable sugars at the lowest cost. These fermentable sugars, derived from agricultural residues and energy crops, can be used to produce biofuels such as cellulosic ethanol and butanol as well as bio-based chemicals including polymers and plastics and may provide a renewable cost-effective alternative to petroleum and petroleum-based products in a variety of industries.

In addition to facilitating the development and production of enzymes and other proteins, the C1 Platform Technology also has the potential of developing and producing other biological products such as antibodies, vaccines, proteins and polypeptides for the biopharmaceutical industry. By utilizing a proprietary host organism, the C1 Platform Technology may be used as a "one-stop shop" to discover, develop, and express the genes of complex living organisms which can be manufactured for commercial applications.

The Company's current patent portfolio consists of 13 U.S. and 41 foreign patents, 34 pending U.S. and foreign patent applications as well as numerous U.S. and foreign publications, including, but not limited to, five international patent cooperation treaty publications. The Company, as it deems appropriate based on a cost-benefit analysis, may periodically decide to abandon or forego pursuing certain patent applications. In addition, the Company has developed an extensive body of

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Organization and Operations and Subsequent Event (Continued)

General (Continued)

technical know-how regarding R&D of various fermentation technologies from scale-up to large-scale commercialization which the Company protects through confidentiality and other agreements which contain restrictive covenants.

Dyadic anticipates that its products and technologies will become more widely accepted and utilized as awareness grows of the financial, operational, environmental and other advantages of applying enzymes and other biological solutions to improve manufacturing processes.

The Company may incur losses over the next few years as it continues to develop its products and technologies. However, there can be no assurance that the Company's efforts with regard to such development will be successful.

There is no assurance that the Company will be able to secure licensing transactions or other collaborations, or the timing of those transactions going forward. This uncertainty may cause revenues to vary significantly from period to period, affecting the comparability of the consolidated financial statements.

Organizational History

The Company was incorporated in the State of Delaware in September 2002 under its former name, CCP Worldwide, Inc. The Company is a holding company that holds all of the outstanding stock of Dyadic International (USA), Inc., a Florida corporation (“Dyadic-Florida”). Dyadic-Florida owns all of the outstanding stock of Geneva Investment Holdings Limited, a company organized under the laws of the British Virgin Islands (“Geneva”), Dyadic Nederland BV, a company organized under the laws of the Netherlands (“Dyadic NL”) and Dyadic International Sp. z o.o., a company organized under the laws of Poland (“Dyadic-Poland”).

In April 2001, Dyadic-Florida formed Dyadic-Poland for the purpose of managing and coordinating the Company's contract manufacturing of industrial enzymes in Poland and to assist in the marketing and distribution of those products. Dyadic-Poland ceased operations in 2010 and is now a dormant company under Polish law.

In January 2003, Dyadic-Florida formed Dyadic NL for the development, use and marketing of the C1 Platform Technology.

Historical Results of Operations

The Company incurred a net loss for the year ended December 31, 2013 of approximately $428,000, or ($0.01) basic and fully diluted earnings per share. The Company generated net income during the year ended December 31, 2012 of approximately $1,349,000 or $0.04 per basic and fully-diluted earnings per share. The Company attributes the majority of its net loss during the year ended December 31, 2013 to decreased revenues associated with research and development activities and certain legal expenses related to its lawsuit against its former outside legal counsel. The Company attributes the majority of its net income during the year ended December 31, 2012 to increased licensing activities related to the C1 Platform Technology. In prior years, the Company has incurred losses from operations which have resulted in an accumulated deficit of approximately $78,520,000 as of December 31, 2013. In order to advance its technologies and to develop new products, the Company has continued to incur discretionary R&D expenditures which the Company believes will continue in 2014 and beyond.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Organization and Operations and Subsequent Event (Continued)

Market for Common Stock

On March 11, 2014, the Company's common stock began trading on OTCQX U.S. Premier, a segment of the OTCQX marketplace, an electronic quotation and trading system for securities traded over-the-counter, under the ticker symbol "DYAI". The Company has no influence or control over quotations or trading on the OTC Markets or activities of market makers, and there can be no assurance that any purchases or sales of the Company's common stock on the OTC Markets has or will reflect true value. There also can be no assurance that a market in the Company's shares (whether on the OTC Markets or any other trading or quotation system) will develop or, if such a market develops, that it will continue.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intra-entity transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities, at the date of and for the period of the consolidated financial statements. Actual results could differ from those estimates, and those differences could be material. Significant estimates include the allowance for doubtful accounts, inventories, intangibles, income and other tax accruals, stock-based compensation, the realization of long-lived assets, and contingencies and litigation.

Cash and Cash Equivalents

The Company considers all interest-bearing deposits or investments with original maturities of three months or less to be cash equivalents. The Company had no cash equivalents as of December 31, 2013 or 2012.

Restricted Cash

The Company had restricted cash of approximately $200,000 and $192,000 at December 31, 2013 and 2012, respectively, which was used as security for the build-out of the Company's laboratory in the Netherlands *(Note 5)*. Twenty percent of the outstanding restricted cash balance is refunded to the Company each year on the lease anniversary date through its expiration. The five year lease term expires on October 31, 2017.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are recorded at their net realizable value on the date revenue is recognized or the Company has a contractual right to receive money, either on demand or at fixed or determinable dates. The Company provides allowances for doubtful accounts for estimated losses resulting from the inability of its customers to repay their obligations. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to pay, additional allowances may be required.

The Company provides for potential uncollectible accounts receivable based on specific customer identification and historical collection experience, adjusted for existing market conditions. If market conditions decline or the Company's customers experience economic difficulties, actual collections may not meet expectations and may result in decreased cash flows and increased bad debt expense.

The policy for determining past due status is based on the contractual payment terms of each customer, which are generally net 30 or net 60 days. Once collection efforts by the Company are exhausted, the determination for charging off uncollectible receivables is made. The Company does not accrue finance or interest charges on past due accounts receivable.

Accounts receivable consisted of the following at December 31:

	2013	2012
Accounts receivable	$ 1,711,648	$ 1,675,615
Less: allowance for doubtful accounts	(34,310)	(414,817)
	$ 1,677,338	$ 1,260,798

Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk include cash and uncollateralized accounts receivable *(Note 9)*. The Company invests its excess cash in money market funds.

Inventory

Inventory consists of raw materials and finished goods, including industrial enzymes used in the industrial, chemical, and agricultural markets, and are stated at the lower of cost or market using the weighted average cost method. The value of finished goods is comprised of raw materials and manufacturing costs, substantially all of which are incurred pursuant to agreements with independent manufacturers. Provisions have been made to reduce excess or obsolete inventory to net realizable value.

Inventory consisted of the following at December 31:

	2013	2012
Finished goods	$ 3,014,090	$ 3,052,798
Raw materials	-	7,389
	3,014,090	3,060,187
Less: reserve for obsolescence	(214,000)	(295,000)
	$ 2,800,090	$ 2,765,187

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Summary of Significant Accounting Policies (Continued)

Fixed Assets

Fixed assets are recorded at historical cost and depreciated and amortized using the straight-line method over their estimated useful lives, which range from three to ten years. Leasehold improvements are amortized over the lesser of their useful lives or the lease terms. Upon sale or retirement, the cost and related accumulated depreciation and amortization are eliminated from their respective accounts, and the resulting gain or loss is included in the results of operations. Repairs and maintenance charges, which do not increase the useful lives of the assets, are charged to operations as incurred.

Fixed assets consisted of the following at December 31:

	Estimated Useful Life (Years)	2013	2012
Lab and manufacturing equipment	3 – 10	$ 2,963,620	$ 3,200,446
Furniture and fixtures	3 – 7	150,564	305,978
Leasehold improvements	5	97,752	93,278
		3,211,936	3,599,702
Less: accumulated depreciation and amortization		(2,707,155)	(3,205,842)
		$ 504,781	$ 393,860

Depreciation and amortization expense of fixed assets for the years ended December 31, 2013 and 2012 was approximately $201,000 and $204,000, respectively, of which approximately $192,000 and $194,000, respectively, was included in cost of goods sold and approximately $9,000 and $10,000, respectively, was included in general and administrative costs in the accompanying consolidated statements of operations

Intangible Assets

Intangible assets include patent and technology acquisition costs which are being amortized using the straight-line method over the estimated useful lives of the patents, determined to be twelve years. Capitalized patent and technology costs during the years ended December 31, 2013 and 2012 were approximately $94,000, and $80,000, respectively. Amortization expense for both of the years ended December 31, 2013 and 2012 was approximately $52,000.

Intangible assets consisted of the following at December 31:

	2013	2012
Patents	$ 1,291,592	$ 1,197,671
Less: accumulated amortization	(724,725)	(672,447)
	$ 566,867	$ 525,224

Estimated annual amortization expense for each of the next five years is approximately $63,000.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Summary of Significant Accounting Policies (Continued)

Long-Lived Assets

The Company reviews its long-lived assets for impairment, including fixed assets that are held and used in its operations, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such an event or change in circumstances occurs, the Company will estimate the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted future cash flows is less than the carrying amount of the related assets, the Company will recognize an impairment loss if the carrying value exceeds the fair value. Assets to be disposed of are reclassified as assets held for sale at the lower of their carrying amount or fair value less costs to sell. Write-downs to fair value less disposal costs are reported as a part of loss from operations.

The Company does not believe that there were any events or changes in circumstances which indicate that the carrying amounts of its long-lived assets may not be recoverable as of December 31, 2013 and 2012, respectively.

Accrued Expenses

Accrued expenses consisted of the following at December 31:

	2013	2012
Accrued bonuses, wages, and benefits	$ 187,685	$ 118,089
Accrued expenses relating to vendors and others	281,996	294,394
	$ 469,681	$ 412,483

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash, restricted cash, accounts receivable, license fee receivable, inventory, accounts payable, accrued expenses, deferred research and development obligation and accrued interest payable, approximate their fair values due to the short-term nature of these assets and liabilities. The note payable to stockholder and convertible subordinated debt approximate fair value based upon their short maturities and current rates available to the Company for loans with similar maturities.

Revenue Recognition

Revenue is recognized when (1) persuasive evidence of an arrangement exists; (2) services have been rendered or product has been delivered; (3) price to the customer is fixed and determinable; and (4) collection of the underlying receivable is reasonably assured.

The Company recognizes revenue on product sales when title passes to the customer based upon the specified freight terms of the respective sale. Revenues are comprised of gross sales less provisions for expected customer returns, if any. Reserves for estimated returns and inventory credits are established by the Company, if necessary, concurrently with the recognition of revenue. The amounts of reserves are established based upon consideration of a variety of factors including estimates based on historical returns. Amounts billed to customers in sales transactions related to shipping and handling represent revenue earned for the goods provided and are included in net product related revenue in the accompanying consolidated statements of operations. Costs of shipping and handling are included in cost of goods sold.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The Company may be subjected to various product liability claims. Although there have been no claims to date against the Company, it is possible that future liability claims could have a material adverse effect on its consolidated financial position, consolidated results of operations and liquidity.

Revenues derived from license agreements typically include multiple deliverables and milestone payments. The Company recognizes revenue based on the terms of each respective license agreement. Upfront and milestone payments received are recognized as revenue when products are delivered, services rendered ratably over the requisite service period and/or performance criteria are met. The Company recognized license fee revenue during the years ended December 31, 2013 and 2012 in the amount of $6,000,000 and $5,500,000, respectively *(Note 3)*.

The Company recognizes revenue from research funding under collaboration agreements when earned on a "proportional performance" basis as research hours are incurred. The Company performs services as specified in each respective agreement on a best efforts basis, and is reimbursed based on labor hours incurred on each contract. The Company initially defers revenue for any amounts billed, or payments received, in advance of any services performed, and recognizes revenue pursuant to the related pattern of performance based on total labor hours incurred relative to total labor hours estimated under the contract. As of December 31, 2013 and 2012, the deferred research and development obligation totaled approximately $915,000 and $567,000, respectively.

The Company recognizes milestone payments when earned, as evidenced by written acknowledgement from the collaborator, provided that (i) the milestone event is substantive and its achievability was not reasonably assured at the inception of the agreement, (ii) the milestone represents the culmination of an earnings process, (iii) the milestone payment is non-refundable and (iv) the Company's past research and development services, as well as its ongoing commitment to provide research and development services under the collaboration, are charged at fees that are comparable to the fees that the Company customarily charges for similar research and development services.

The Company recognized research and development revenue during the years ended December 31, 2013 and 2012 in the amount of approximately $1,334,000 and $2,282,000, respectively.

Research and Development Costs

R&D costs related to both present and future products are charged to operations when incurred.

R&D costs incurred by type of project during the years ended December 31, 2013 and 2012 were approximately as follows:

	2013	2012
Internal R&D	$ 970,500	$ 822,300
Collaborations with third parties	96,000	99,400
	$ 1,066,500	$ 921,700

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Summary of Significant Accounting Policies (Continued)

Research and Development Costs (Continued)

R&D expense based upon type of cost incurred during the years ended December 31, 2013 and 2012 were approximately as follows:

	2013	2012
Personnel related	$ 830,400	$ 688,700
Laboratory and supplies	1,800	15,100
Outside services	185,300	170,200
Facilities, overhead and other	49,000	47,700
	$ 1,066,500	$ 921,700

Foreign Currency Translation

The financial statements of the Company's foreign subsidiaries have been translated into U.S. dollars. Assets and liabilities of the Company's foreign subsidiaries are translated at period-end exchange rates, and revenues and expenses are translated at average rates prevailing during the period. Certain accounts receivable from customers are collected and certain accounts payable to vendors are payable in currencies other than the functional currencies of the Company and its subsidiaries. These amounts are adjusted to reflect period-end exchange rates.

Share-based Compensation

The Company values its stock options on the date of grant using the Black-Scholes valuation model. Any stock options with modified terms are re-valued using the Black-Scholes valuation model based on the new terms at the date the modifications are approved by the Company's compensation committee (the "Compensation Committee") of its Board of Directors (the "Board"). Any incremental cost resulting from the revised valuations is charged to results of operations, and the remaining unvested portions of the options are amortized over the modified remaining vesting period.

The Company accounts for equity instruments issued to non-employees by calculating the fair value of the equity instrument using the Black-Scholes valuation model at each reporting period with charges amortized to the results of operations over the instrument's vesting period.

Income Taxes

The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A deferred tax asset valuation allowance is established if, in management's opinion, it is more likely than not that all or a portion of the Company's deferred tax assets will not be realized.

GAAP requires that a position taken or expected to be taken in a tax return be recognized in the consolidated financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the years ended December 31, 2013 or 2012. The Company's management believes it is no longer subject to income tax examinations for years prior to December 31, 2010.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Summary of Significant Accounting Policies (Continued)

Net Income (Loss) Per Share

Basic income (loss) per share excludes any dilution. It is based upon the weighted average number of common shares outstanding during the period. Diluted income (loss) per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. During the years ended December 31, 2013 and 2012, 7,867,496 and 4,211,784, respectively, of common stock equivalents related to stock options and convertible debt were not included in computing diluted earnings per share because their effects would be anti-dilutive.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") number 2013-11 (Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists), which provides that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available, in which case the unrecognized tax benefit should be presented in the financial statements as a liability. This update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, with early adoption permitted. The Company believes that the implementation of this guidance will have no material impact its consolidated financial statements.

Note 3: Significant Agreements and Subsequent Events

Abengoa Agreement

On February 18, 2009, the Company and Abengoa Bioenergy New Technologies, Inc. ("Abengoa") entered into a non-exclusive license agreement (the "Abengoa License Agreement"). Under the Abengoa License Agreement, the Company granted Abengoa the right to use certain patent rights and know-how owned by the Company relating to the C1 Platform Technology for the large-scale production of enzymes for use in manufacturing biofuels (including cellulosic ethanol and butanol), power and/or chemicals. The Abengoa License Agreement provides for facility fees and royalties to be paid to Dyadic upon the commercialization of biofuels and other products which utilize the Company's materials and technologies.

On April 23, 2012, the Abengoa License Agreement was amended and restated (the "Amended Abengoa License Agreement") to provide Abengoa with additional rights which include, among other things, worldwide rights to use the Company's C1 Platform Technology in the licensed fields. The Amended Abengoa License Agreement also further clarifies Abengoa's rights to sell enzymes produced using the Company's C1 Platform Technology to third parties for use in both first and second generation biorefining processes for the production of fuels, chemicals and/or power. In exchange for entering into the Amended Abengoa License Agreement, Abengoa agreed to pay the Company a non-refundable license fee of $5,500,000, payable as follows: $2,000,000 in October 2012, $1,000,000 in January 2013, and $2,500,000 in July 2013. Accordingly, a license fee receivable of $3,500,000 was classified as a current asset in the accompanying December 31, 2012 consolidated balance sheet.

Note 3: Significant Agreements and Subsequent Events (Continued)

BASF Agreement

On May 6, 2013, the Company entered into a non-exclusive worldwide research, development and license agreement with BASF SE ("BASF"). Under the terms of the agreement, BASF will be able to use Dyadic's patented and proprietary C1 Platform Technology to develop, produce, distribute and sell industrial enzymes in certain fields for a variety of applications. BASF will fund research and development at Dyadic's research lab in The Netherlands. In addition to this funding, BASF agreed to pay Dyadic a non-refundable upfront license fee of $6,000,000, as well as certain research and commercial milestone fees and royalties upon commercialization. During the year ended December 31, 2013, the Company recognized license fee revenue in the amount of $6,000,000 related to this agreement. As of December 31, 2013, the Company has received approximately $5,889,000 of the license fee revenue and the remaining $111,000 is included in license fee receivable in the accompanying December 31, 2013 consolidated balance sheet. The Company received the remaining balance on January 6, 2014.

Codexis License Agreement

On November 14, 2008, the Company entered into a non-exclusive license agreement (the "Codexis License Agreement") with Codexis, Inc. ("Codexis") which granted to Codexis the non-exclusive right to use Dyadic's C1 Platform Technology for the development, production and sale of enzymes in the fields of biofuels, certain pharmaceuticals, chemicals, air treatment, water treatment and the conversion of biomass into fermentable sugars for use in certain non-fuel products. Codexis also obtained access to specified materials of Dyadic relating to the C1 Platform Technology. In the field of biofuels, the license is sublicenseable to Equilon Enterprises LLC dba Shell Oil Products US ("Shell") or any affiliate of Shell in which it holds a 50% or greater ownership interest, and sublicensable to third parties in certain pharmaceuticals, chemicals, air treatment, water treatment and the conversion of biomass into fermentable sugars for non-fuel products. Dyadic and Codexis each agreed that neither it nor its affiliates or sublicensees will assert any claim of infringement of any patent covering improvements to the Dyadic materials that were made by that party or its affiliates or sublicensees against the other party, or its affiliates, sublicensees, successors, distributors, or customers.

The Codexis License Agreement provides for Codexis to pay Dyadic certain license issuance fees, milestone payments, and fees based on the volume of products sold or manufactured using the C1 Platform Technology. In accordance with t he Codexis License Agreement, Codexis paid Dyadic an upfront payment of $10 million (the "Codexis Upfront Payment") during the year ended December 31, 2009 after Dyadic satisfied certain performance criteria. The Company did not recognize any license revenue from the Codexis License Agreement during the years ended December 31, 2013 or 2012, respectively.

Contemporaneously with entering into the Codexis License Agreement, the Company also entered into a Non-Disturbance Agreement (the "Non-Disturbance Agreement") with the Mark A. Emalfarb Trust under agreement dated October 1, 1987, as amended (the "MAE Trust"), the Francisco Trust under agreement dated February 29, 1996 (the "Francisco Trust"), and Mark A. Emalfarb, individually (collectively, the "Secured Parties"). Among other things, the Non-Disturbance Agreement provides that the Secured Parties shall not take any action against the Company or its affiliates which could diminish, disturb or interfere with (i) the Company's rights to the intellectual property or other materials licensed to Codexis under the Codexis License Agreement or (ii) Codexis's rights to the licensed intellectual property and other materials under the Codexis License Agreement. The MAE Trust

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Significant Agreements and Subsequent Events (Continued)

Codexis License Agreement (Continued)

is a stockholder of the Company whose trustee and beneficiary is the Company's President, Chief Executive Officer and Chairman of the Board, Mark A. Emalfarb. The Francisco Trust is an entity created for the primary benefit of the wife and children of Mark A. Emalfarb.

On March 10, 2014, the Company withdrew a notice of breach dated July 30, 2013, that it provided to Codexis in connection with the Codexis License Agreement with the Company. Under the terms of the Codexis License Agreement, Codexis obtained a non-exclusive license relating to the Company's C1-based proprietary fungal expression technology for use in certain fields with certain restrictions

Animal Health and Nutrition License Agreement

The Company entered into a non-exclusive license agreement with a major global provider of animal nutritional solutions, to develop, manufacture and commercialize animal feed enzyme products. Under the agreement, Dyadic's partner will continue its research cooperation with Dyadic's R&D arm, Dyadic NL, and utilize Dyadic's patented and proprietary C1 Platform Technology to develop fungal strains that will produce high levels of enzymes for animal health and nutrition applications.

As part of this agreement, Dyadic has granted its partner a worldwide license to use the developed C1 fungal strains to manufacture and sell animal feed enzyme products. Dyadic will be eligible to receive additional research, development and commercial milestone payments as well as royalties based on its partner's worldwide sales of products, which utilize the C1 Platform Technology. The Company anticipates that this licensee will begin filing to register a product for animal nutrition shortly; however, there is always a risk of delay of approval and/or non-registration due to unforeseen circumstances.

Note 4: Notes Payable

Note Payable to Stockholder

The Amended and Restated Note dated November 14, 2008 (the "Note") payable to the MAE Trust under agreement dated October 1, 1987, as amended, matured on January 1, 2009. On January 12, 2009, the Company repaid $1.0 million of principal of the Note leaving an outstanding principal amount of approximately $1.4 million. To date, the MAE Trust has not requested any further repayment of the Note. As of January 1, 2010, the MAE Trust and the Company agreed to reduce the interest rate on the outstanding principal balance of the Note from 14% to 9.5% per annum. The Note is collateralized by the assets of the Company. On October 11, 2013, the maturity date of the Note was extended to January 1, 2015. All other provisions of the Note remain unchanged. Consequently, the Note is classified as long-term in the accompanying December 31, 2013 consolidated balance sheet. Interest expense on the Note amounted to approximately $135,000 for both of the years ended December 31, 2013 and 2012.

Note 4: Notes Payable (Continued)

Convertible Subordinated Debt

On August 23, 2010, the Company completed the private placement of $4,000,000 aggregate principal of convertible subordinated secured promissory notes (the "2010 Notes") with ten investors. The 2010 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option after January 1, 2011, into unregistered shares of the Company's common stock at a price of $1.82 per share, which represents 120% of the average closing price of the Company's common stock for the 30-day period preceding August 23, 2010. The Company will not effect any conversion of the 2010 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock (the "Beneficial Ownership Limitation"). The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice. The 2010 Notes are subordinated to the Note, and are collateralized by substantially all of the assets of the Company. On October 7, 2013, the Company extended the maturity date of the 2010 Notes to January 1, 2015. The amendment includes a provision that allows the Company to prepay all or part of the outstanding principal, without penalty, any time after March 31, 2014. Consequently, the 2010 Notes have been classified as long-term in the accompanying December 31, 2013 consolidated balance sheet.

One of the Company's third party note holders converted $182,000 of its 2010 Notes during the year ended December 31, 2013 into an aggregate of 100,000 shares of the Company's common stock at a conversion price of $1.82 per share. As a result of this conversion, the outstanding principal balance of the 2010 Notes was $3,818,000 at December 31, 2013. At December 31, 2012, the outstanding principal balance of the 2010 Notes was $4,000,000.

In October 2011, the Company completed the private placement of $3,000,000 aggregate principal of convertible subordinated secured promissory notes (the "2011 Notes") with five investors. The 2011 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option into unregistered shares of the Company's common stock at a price equal to $1.28 per share. The Company will not affect any conversion of the 2011 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock. The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice.

The 2011 Notes are subordinated to the Note, and are collateralized by substantially all of the assets of the Company. On October 7, 2013, the Company extended the maturity date of the 2011 Notes to January 1, 2015. The amendment includes a provision that allows the Company to prepay all or part of the outstanding principal, without penalty, any time after March 31, 2014. Consequently, the 2011 Notes have been classified as long-term in the accompanying December 31, 2013 consolidated balance sheet.

Approximately $1,900,000 of the 2010 Notes and the 2011 Notes are held by four related party interests, which include members of management and the Board, as well as another related party. Interest expense on the convertible subordinated debt for the years ended December 31, 2013 and 2012 was approximately $546,000 and $562,000, respectively.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Commitments and Contingencies

Leases

Jupiter, Florida Headquarters

The Company's corporate headquarters are located in Jupiter, Florida. The Company occupies approximately 4,900 square feet with a monthly rental rate and common area maintenance charges of approximately $8,400. The lease expires on December 31, 2015.

Jupiter, Florida Laboratory

The Company leases a laboratory facility in Jupiter, Florida which consists of approximately 3,500 square feet with a monthly rental rate of approximately $4,000. The lease is currently on a month-to-month basis.

Greensboro, North Carolina Laboratory

The Company leases a laboratory facility and a storage building in Greensboro, North Carolina which consists of approximately 3,150 square feet with a monthly rental rate of approximately $2,100. The lease is currently on a month-to-month basis.

The Netherlands Office and Laboratory

Dyadic NL leases office and laboratory space in Wageningen, The Netherlands, which consists of approximately 9,400 square feet with a monthly rental rate of approximately $21,000. The lease expires on December 31, 2018. The lease is secured by Restricted Cash *(Note 2)* of approximately $200,000 and $192,000 at December 31, 2013 and 2012, respectively.

Future minimum lease commitments due for facilities and equipment leases under non-cancellable operating leases at December 31, 2013 are approximately as follows:

2014	$	317,000
2015		320,000
2016		260,000
2017		260,000
2018		260,000
	$	1,417,000

Rent expense under all operating leases for the years ended December 31, 2013 and 2012 totaled approximately $374,000 and $369,000, respectively, of which approximately $43,000 for each year is included in cost of goods sold and approximately $331,000 and $326,000 is included in general and administrative expenses, respectively, in the accompanying consolidated statements of operations. The Company expanded its Netherlands Research Laboratory during the year ended December 31, 2013, which may result in increased spending and higher losses in the future.

Note 5: Commitments and Contingencies (Continued)

Manufacturing Commitment

The Company manufactures all of its enzymes with a third party manufacturer which the Company believes is sufficient to meet its current and projected future needs. In order to further grow its business, the Company will require additional manufacturing capacity. There is no assurance that the Company will be able to maintain its current manufacturing capacity or be able to secure additional capacity on acceptable terms and conditions as and when needed by the Company. Any interruption in or failure to secure such manufacturing capacity could have a material adverse effect on the Company's results of operations.

Litigation, Claims and Assessments

Pending Actions

Professional Liability Lawsuit

On March 26, 2009, the Company filed a complaint in the Circuit Court of the 15 th Judicial Circuit in and for Palm Beach County, Florida against Ernst & Young LLP and Ernst & Young-Hong Kong, L.P., alleging professional negligence/malpractice, breach of fiduciary duty and constructive fraud in connection with the accounting, advisory, auditing, consulting, financial and transactional services they provided to the Company.

On April 14, 2009, the Company amended the complaint (the "Amended Complaint") by naming as additional defendants the Company's former outside legal counsel consisting of the law firms of Greenberg Traurig, LLP, Greenberg Traurig, P.A. (collectively, "Greenberg Traurig"), Jenkens & Gilchrist, P.C. ("Jenkens & Gilchrist") and Bilzin Sumberg Baena Price & Axelrod LLP ("Bilzin Sumberg") as well as attorney Robert I. Schwimmer who previously represented the Company while an attorney at Jenkens & Gilchrist and later at Greenberg Traurig. Jenkens & Gilchrist went out of business in 2007 and is in the process of winding up its business and affairs. The Company also named as defendants the law firm of Moscowitz & Moscowitz, P.A. and its attorneys Norman A. Moscowitz and Jane W. Moscowitz (collectively, the "Moscowitz Defendants") who conducted the investigation and authored the investigative report requested by the Company's Audit Committee following the discovery of alleged improprieties at the Company's Asian subsidiaries. The claims against the Company's former outside legal counsel are for breach of fiduciary duty and professional negligence. In addition to these claims, the Amended Complaint contains a claim of civil conspiracy against Ernst & Young LLP, Greenberg Traurig and Mr. Schwimmer.

The claims against Ernst & Young LLP and Ernst & Young-Hong Kong, L.P. were subsequently stayed in the Circuit Court action and submitted to binding arbitration. A final hearing before the arbitration tribunal was completed on May 27, 2011. On February 29, 2012, the arbitration tribunal issued a Final Award which found no auditor negligence, denied the Company any recovery against Ernst & Young LLP and Ernst & Young Hong Kong L.P., and further provided that each party shall bear its own attorneys' fees and costs.

On July 11, 2011, defendants Jenkens & Gilchrist, Bilzin Sumberg and the Moscowitz Defendants filed a counterclaim in the Circuit Court against the Company and a Third Party Complaint against its President and Chief Executive Officer, Mark Emalfarb, individually, for abuse of process. The counterclaim and Third Party Complaint filed by Jenkens & Gilchrist and Bilzin Sumberg also included

Note 5: Commitments and Contingencies (Continued)

Litigation, Claims and Assessments (Continued)

Pending Actions (Continued)

claims for common law indemnity against the Company and Mr. Emalfarb. In addition, Jenkens & Gilchrist made a claim against the Company for breach of the implied covenant of good faith and fair dealing. On July 18, 2011, the Moscowitz Defendants filed a motion for summary judgment which the Circuit Court denied in its entirety. On September 9, 2011, Jenkens & Gilchrist and Bilzin Sumberg amended their counterclaim and Third Party Complaint which dropped their claims for abuse of process but retained their claims for common law indemnity against the Company and Mr. Emalfarb. Bilzin Sumberg also added claims against the Company and Mr. Emalfarb for breach of its retainer agreements and for declaratory relief. Also on September 9, 2011, the Moscowitz Defendants dropped their claims for abuse of process against the Company and Mr. Emalfarb. On December 8, 2011, the Circuit Court dismissed without prejudice all counterclaims against the Company and all third party claims against Mr. Emalfarb.

On July 18, 2012, the Company filed a Second Amended Complaint which expanded and amplified the Company's prior allegations of negligent acts and omissions by the defendants in the Circuit Court proceedings. All of the defendants have filed and served their answers and affirmative defenses.

On August 8, 2012, the Company, Jenkens & Gilchrist and Mr. Schwimmer entered into a Settlement Agreement and General Releases (the "J&G Settlement Agreement") whereby Jenkens & Gilchrist paid the Company $525,000 for the mutual release and discharge of (1) all causes of action between the Company and Jenkens & Gilchrist, and (2) causes of action between the Company and Mr. Schwimmer including, but not limited to, those in the professional liability lawsuit, but only those which occurred while Mr. Schwimmer served as an attorney at Jenkens & Gilchrist and not while he served as an attorney at Greenberg Traurig or any other time. Such amount is included in other income in the consolidated statement of operations for the year ended December 31, 2012. Pursuant to the J&G Settlement Agreement, the Company, Jenkens & Gilchrist and Mr. Schwimmer have filed a Stipulation of Settlement with the Court to enforce the terms of the J&G Settlement Agreement including, but not limited to, the dismissal of Counts I and II of the Second Amended Complaint against Jenkens & Gilchrist and Mr. Schwimmer with prejudice.

On January 24, 2013, each of the remaining defendants served their amended affirmative defenses to the Second Amended Complaint. On February 11, 2013, the Company served its reply to such amended affirmative defenses.

The Company and the defendants in the Circuit Court proceedings are continuing to engage in written discovery, oral depositions and motion practice.

On November 26, 2013, the Court entered a Case Management Order. Pursuant to the Order, all pretrial motions and other litigation activities are to be concluded by the end of 2014. The Court ordered mediation is to occur no later than September 30, 2014. The Court has not yet set a trial date for 2015.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Commitments and Contingencies (Continued)

Litigation, Claims and Assessments (Continued)

Other

In addition to the matters noted above, from time to time, the Company is subject to legal proceedings, asserted claims and investigations in the ordinary course of business, including commercial claims, employment and other matters, which management considers immaterial, individually and in the aggregate. The Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Litigation is inherently unpredictable and costly. While the Company believes that it has valid defenses with respect to the legal matters pending against it, protracted litigation and/or an unfavorable resolution of one or more of such proceedings, claims or investigations against the Company could have a material adverse effect on the Company's consolidated financial position, cash flows or results of operations.

Resolved Actions

Mark A. Emalfarb Arbitration

On September 25, 2007, Mark A. Emalfarb commenced an arbitration proceeding (the "Emalfarb Arbitration") against the Company before the American Arbitration Association seeking monetary damages resulting from his termination for cause pursuant to his employment agreement dated as of April 1, 2001 (as amended, the "Employment Agreement"). This arbitration action asserts, among other things, that "cause" as defined in the Employment Agreement, did not exist and that his reputation had been damaged by the Company. On October 22, 2007, the Company filed an answering statement and motion to dismiss the arbitration. On April 1, 2008, Mr. Emalfarb responded to Dyadic's answering statement and motion to dismiss and filed a Supplemental Demand for Arbitration against Dyadic asserting various counts and demanding full recompense from the Company for damages relating to such termination. The Company's primary and excess insurance carriers denied coverage for the Emalfarb Arbitration based on their interpretation of exclusions and assertion of other coverage defenses contained in the Company's insurance policies. In consideration for the contribution by the insurance carriers to the resolution of a stockholder class action litigation against the Company, which was resolved on July 27, 2010, all pending claims with such insurance carriers with respect to the Emalfarb Arbitration were released.

On October 22, 2013, in consideration for the dismissal of the arbitration proceedings, the Company agreed to reimburse Mr. Emalfarb approximately $313,000 for past expenses incurred. Such amount is included in other expense in the consolidated statement of operations for the year ended December 31, 2013. In addition to this reimbursement, Mr. Emalfarb will be entitled to receive a percentage of the net proceeds, if any, received by the Company related to the professional liability lawsuit against the Company's former outside legal counsel discussed above.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Capital Structure

Since 2001, the Company has raised approximately $81 million in equity capital including, but not limited to, the following transactions:

Issuances of Common Stock

The Company issued 1,288,750 shares of its common stock during the year ended December 31, 2013 for stock options exercised at prices ranging from $0.15 to $1.21 per share. Cash received from stock option exercises during the year ended December 31, 2013 was approximately $61,400. The Company issued 207,500 shares of its common stock during the year ended December 31, 2012 for stock options exercised at prices ranging from $0.15 to $0.23 per share. Cash received from stock option exercises during the year ended December 31, 2012 was approximately $37,000, net of $3,750 for common shares that were exercised but not issued as of December 31, 2011 *(Note 7)*.

During the year ended December 31, 2013, warrants to purchase 995,750 shares of common stock were exercised at exercise prices ranging from $0.15 to $0.16 per share. Cash received from stock warrants exercises during the year ended December 31, 2013 was approximately $159,000. At December 31, 2013, 12,500 shares of common stock from warrant exercises had not yet been issued. There were no exercises of warrants during the year ended December 31, 2012 (*Note 7*).

During the year ended December 31, 2013, the Company advanced certain employees and directors approximately $183,000 under the 2013 Employee Loan Program (the "Loan Program"), in connection with their exercise of stock options to purchase 906,250 shares of common stock. During the year ended December 31, 2013, the Company also advanced a member of management approximately $94,000 under the Loan Program in connection with his exercise of warrants to purchase 589,950 shares of common stock, which was repaid as of December 31, 2013. Amounts borrowed under the Loan Program bear interest at 3% per annum and are payable within 24 months from the date of the loan agreement. The loans are collateralized by the shares of common stock issued in connection with the exercise of the stock options and warrants. At December 31, 2013, outstanding advances to employees under the Loan Program were approximately $183,000 and are included in stock subscriptions receivable in the December 31, 2013 consolidated balance sheet.

Conversion of Convertible Subordinated Debt

A third party debt holder converted a portion of its 2010 Notes during the year ended December 31, 2013 into an aggregate of 100,000 shares of common stock at a conversion price of $1.82 *(Note 4)*.

Note 7: Share-Based Compensation

Warrants

At December 31, 2013, there were no shares of common stock reserved for the issuance of warrants. At December 31, 2012, approximately 1,045,750 shares of common stock were reserved for issuance under outstanding warrants.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Share-Based Compensation

Warrants

All of the warrants were fully vested and were exercised prior to, or expired on, May 29, 2013. Information concerning the Company's warrant activity is as follows:

	2013		2012	
	Warrants	Weighted-Average Exercise Price	Warrants	Weighted-Average Exercise Price
Outstanding at the beginning of the year	1,045,750	$ 0.15	1,045,750	$ 0.15
Retired	(50,000)	$ 0.15	-	-
Exercised	(995,750)	$ 0.15	-	-
Outstanding at the end of the Year	-		1,045,750	$ 0.15

Repricing of Specified Warrants

On November 12, 2008, the Board approved the resetting of the exercise prices of certain warrants issued prior to November 12, 2008, that were not exercised as of such date, to the Company's officers, directors, advisors or consultants or any other person who was then employed by or serving the Company or its subsidiaries, or as otherwise specified by the Company. The reset exercise price was based upon a specific formula which resulted in a reset price of $0.15 per share or $0.16 per share with respect to the warrants previously granted to the MAE Trust.

Description of Equity Plans

The Company maintains the Dyadic International, Inc. 2006 Stock Option Plan, as amended (the "2006 Stock Option Plan") and the Dyadic International, Inc. 2011 Equity Incentive Award Plan (the "2011 Equity Incentive Plan") (the 2006 Stock Option Plan and the 2011 Equity Incentive Plan are hereinafter collectively referred to as the "Equity Compensation Plans"). All options granted under the Equity Compensation Plans are service-based and typically vest over a four year period.

2006 Stock Option Plan

The 2006 Stock Option Plan was adopted by the Company in April 2006 and amended in December, 2009. The purpose of the 2006 Stock Option Plan is to retain and attract key management, employees, non-employee directors and consultants by providing those persons with a proprietary interest in the Company. The Compensation Committee of the Board administers the 2006 Stock Option Plan and may grant incentive stock options or nonqualified stock options that do not comply with Section 422 of the Internal Revenue Code. Under the 2006 Option Plan, 4,700,000 shares of common stock have been reserved for issuance.

As of December 31, 2013, there were 2,019,125 stock options outstanding and 851,878 available for grant under the 2006 Stock Option Plan. As of December 31, 2012, there were 3,571,375 stock options outstanding and 745,845 available for grant under the 2006 Stock Option Plan. The term of the stock options outstanding under the 2006 Option Plan is no more than ten years. All outstanding stock option awards granted under the 2006 Stock Option Plan will continue to be subject to the terms and conditions set forth in the agreements evidencing such stock option awards and the 2006 Stock Option Plan and shall be unaffected by the approval of the 2011 Equity Incentive Plan by the Company's stockholders.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Share-Based Compensation (continued)

Description of Equity Plans (continued)

2011 Equity Incentive Plan

The 2011 Equity Incentive Plan was adopted by the Company's Board on April 28, 2011, and approved by the Company's stockholders on June 15, 2011. The principal purpose of the 2011 Equity Incentive Plan is to attract, retain and motivate selected employees, consultants and directors through the granting of stock-based compensation awards and cash-based performance bonus awards. The 2011 Equity Incentive Plan is also designed to permit the Company to make cash-based awards and equity-based awards intended to qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code of 1986, as amended.

Under the 2011 Equity Incentive Plan, 3,000,000 shares of the Company's common stock have been initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights ("SARs"), restricted stock awards, restricted stock unit awards, deferred stock awards, dividend equivalent awards, stock payment awards and performance awards and other stock-based awards, in addition to the number of shares remaining available for future awards under the 2006 Stock Option Plan. The number of shares initially reserved for issuance or transfer pursuant to awards under the 2011 Equity Incentive Plan will be increased by (i) any shares available for issuance under the 2006 Stock Option Plan or are subject to awards under the 2006 Stock Option Plan that are forfeited or lapse unexercised and which following the effective date of the 2011 Equity Incentive Plan
are not issued under the 2006 Stock Option Plan and (ii) an annual increase on the first day of each fiscal year beginning in 2012 and ending in 2021, equal to either 1,500,000 shares or such smaller number of shares of stock as determined by our Board of Directors.

As of December 31, 2013, there were 1,290,000 stock options outstanding under the 2011 Equity Incentive Plan and 1,685,000 stock options were available for grant under the 2011 Equity Incentive Plan. As of December 31, 2012, there were 919,000 stock options outstanding under the 2011 Equity Incentive Plan and 2,081,000 stock options were available for grant. The term of any stock option awards under the 2011 Equity Incentive Plan is no more than ten years.

Valuation of Stock Options

Share-based compensation related to stock options is determined using the single option approach under the Black-Scholes valuation model. The fair value of options is amortized to expense over the vesting periods of the underlying options, generally four or five years.

The fair value of stock option awards for the years ended December 31, 2013 and 2012 was estimated on the date of grant using the assumptions in the following table. The expected volatility in this model is based on the historical volatility of the Company's stock. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time awards are granted, based on maturities which approximate the expected life of the stock options. The expected life of the stock options granted is estimated using the historical exercise behavior of employees. The expected dividend rate takes into account the absence of any historical payments and the Board's intention to retain all earnings, if any, for future operations and expansion.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Share-Based Compensation (Continued)

Valuation of Stock Options (Continued)

Assumptions used in the Black-Scholes valuation model for stock options granted were as follows:

	Year Ended December 31, 2013	Year Ended December 31, 2012
Average Risk-Free Interest Rate	1.61-1.88%	2.03%
Dividend Yield	0.00%	0.00%
Average Volatility Factor	81.35-84.36%	268.89 – 306.58 %
Average Option Life	6.5 years	5 – 6.5 years

Repricing of Specified Stock Options

On November 12, 2008, the Board approved the resetting of the exercise prices of certain stock options issued prior to November 12, 2008, that were not exercised as of such date, to the Company's officers, directors, advisors or consultants or any other person who was then employed by or served the Company or its subsidiaries, or as otherwise specified by the Company. The reset exercise price was based upon a specific formula which resulted in a reset price of $0.15 per share, which estimated the fair market value of the Company's common stock on the modification date, or $0.16 per share with respect to the stock options previously granted to the MAE Trust or the Company's President and Chief Executive Officer, Mark A. Emalfarb. The fair market value for such options, calculated using an average risk-free interest rate of 1.55% and an average volatility factor of 70.25%, was $0.11 per share.

Forfeiture Rate for Options

The Company is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods on a cumulative basis in the period the estimated forfeiture rate changes for all share-based awards.

During the years ended December 31, 2013 and 2012, the Company terminated four and six employees, respectively. A cumulative adjustment of approximately $205,000 and $168,000 was recorded as a reduction to non-cash share-based compensation expense in the Company's consolidated results of operations for the years ended December 31, 2013 and 2012, respectively.

The Company considered its historical experience of stock option forfeitures as the basis to arrive at its estimated average stock option forfeiture rate of 5% per year for remaining stock options for the years ended December 31, 2013 and 2012 for all stock option awards.

Non-cash Share-based Compensation Expense

The Company recognized non-cash share-based compensation expense/recovery for its share-based awards of approximately $807,000 and $1,199,000 for the years ended December 31, 2013 and 2012, respectively. These charges had no impact on the Company's reported cash flows.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Share-Based Compensation (Continued)

Non-cash Share-based Compensation Expense (continued)

Total non-cash share-based compensation expense was allocated among the following expense categories:

	Year Ended December 31, 2013	2012
General and administrative	$ 608,000	$ 608,000
Research and development	67,000	330,000
Cost of goods sold	48,000	271,000
Sales and marketing	84,000	(10,000)
	$ 807,000	$ 1,199,000

Equity Compensation Plans Awards Activity

Information with respect to the Company's Equity Compensation Plans is as follows:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2011	3,880,250	$ 1.13
Granted	1,006,000	1.20
Exercised	(182,500)	0.23
Expired	-	-
Cancelled	(213,375)	1.38
Outstanding at December 31, 2012	4,490,375	0.98
Granted	536,000	1.80
Exercised	(1,288,750)	0.32
Expired	-	-
Cancelled	(428,500)	1.60
Outstanding at December 31, 2013	3,309,125	$ 1.67
Exercisable at December 31, 2013	1,670,792	$ 1.66

The weighted average grant date fair values of stock options granted during the years ended December 31, 2013 and 2012 were $1.32 and $1.05 per share, respectively.

Cash received from stock option exercises during the years ended December 31, 2013 and 2012 was approximately $61,000 and $37,000, respectively. The Company has a net operating loss carry forward as of December 31, 2013 and, therefore, no excess tax benefits for tax deductions related to the stock options were recognized.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Share-Based Compensation (Continued)

Equity Compensation Plans Awards Activity (Continued)

A further detail of the stock options outstanding as of December 31, 2013 is set forth as follows:

Range of Exercise Prices	Options Outstanding	Weighted-Average Remaining Life in Years	Weighted-Average Exercise Price Per Share	Options Exercisable
$ 0.15	98,500	3.5	$ 0.15	98,500
$ 0.23	180,625	5.2	$ 0.23	180,625
$ 1.20	5,000	8.6	$ 1.20	1,250
$ 1.21	654,000	8.2	$ 1.21	163,500
$ 1.33	100,000	3.2	$ 1.33	25,000
$ 1.61	1,000	9.8	$ 1.61	-
$ 1.67	25,000	9.3	$ 1.67	-
$ 1.71	10,000	9.8	$ 1.71	-
$ 1.75	100,000	9.2	$ 1.75	25,000
$ 1.80	50,000	7.8	$ 1.80	25,000
$ 1.83	400,000	9.3	$ 1.83	66,667
$ 1.88	75,000	6.0	$ 1.88	75,000
$ 1.93	739,000	7.2	$ 1.93	394,500
$ 2.08	346,000	6.2	$ 2.08	259,500
$ 2.12	150,000	2.2	$ 2.12	75,000
$ 2.28	300,000	1.2	$ 2.28	225,000
$ 2.73	75,000	6.4	$ 2.73	56,250
	3,309,125			1,670,792

Unrecognized Share-Based Compensation Expense

As of December 31, 2013, there was approximately $743,000 of total unrecognized compensation expense related to non-vested share-based compensation arrangements granted under the Equity Compensation Plans. This expense is expected to be recognized over a weighted-average period of 1.8 years as follows:

2014	$ 495,000
2015	190,000
2016	53,000
2017	5,000
	$ 743,000

Note 7: Share-Based Compensation (Continued)

Unrecognized Share-Based Compensation Expense (Continued)

On February 28, 2012, the Company granted to its employees, non-employee directors and consultants stock options to purchase an aggregate of 976,000 shares of the Company's common stock at an exercise price of $1.21 per share which vest over four years and expire on February 27, 2022, except for a stock option to purchase 100,000 shares which was granted to an employee director at an exercise price of $1.33 which vest over four years and expire on February 27, 2017. One stock option grant to purchase 50,000 shares of common stock at $1.21 per share was subsequently forfeited. The fair market value of such stock options to employees, non-employee directors and consultants was $1.06 and to the employee director was $1.10, based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.03%
Dividend Yield	0.00%
Average Volatility Factor	120.25%
Average Option Life	5 - 6.5 years

On March 4, 2013, the Company granted to its non-employee directors stock options to purchase a total of 100,000 shares of the Company's common stock at an exercise price of $1.75 per share. The stock options vest over four years and expire on March 3, 2023. The fair market value of such stock options was $1.52 per stock option based on the Black-Scholes valuation model.

Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	1.88%
Dividend Yield	0.00%
Average Volatility Factor	116.622%
Average Option Life	6.5 years

On April 1, 2013, the Company granted to a new employee stock options to purchase 25,000 shares of the Company's common stock at an exercise price of $1.67 per share. The stock options vest over four years and expire on March 31, 2023. The fair market value of such stock options was $1.22 per stock option based on the Black-Scholes valuation model.

Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	1.86%
Dividend Yield	0.00%
Average Volatility Factor	83.532%
Average Option Life	6.5 years

On May 1, 2013, the Company granted to a new employee stock options to purchase 400,000 shares of the Company's common stock at an exercise price of $1.83 per share. The stock options vest over four years and expire on April 30, 2023. The fair market value of such stock options was $1.34 per stock option based on the Black-Scholes valuation model.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Share-Based Compensation (Continued)

Unrecognized Share-Based Compensation Expense (Continued)

Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	1.66%
Dividend Yield	0.00%
Average Volatility Factor	83.890%
Average Option Life	6.5 years

On October 21, 2013, the Company granted to a new employee stock options to purchase 1,000 shares of the Company's common stock at an exercise price of $1.61 per share. The stock options vest over four years and expire on October 20, 2023. The fair market value of such stock options was $1.15 per stock option based on the Black-Scholes valuation model.

Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.63%
Dividend Yield	0.00%
Average Volatility Factor	81.41%
Average Option Life	6.5 years

On October 23, 2013, the Company granted to a new employee stock options to purchase 10,000 shares of the Company's common stock at an exercise price of $1.71 per share. The stock options vest over four years and expire on October 22, 2023. The fair market value of such stock options was $1.22 per stock option based on the Black-Scholes valuation model.

Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.51%
Dividend Yield	0.00%
Average Volatility Factor	84.35%
Average Option Life	6.5 years

On May 6, 2013, the Company granted 69,000 Restricted Stock Units ("RSU's") to an officer pursuant to the Company's 2011 Equity Incentive Award Plan. The value of the award per share was $1.93. The RSU's vest in equal monthly amounts over a three year period. During the year ended December 31, 2013, the Company recognized approximately $28,000 in non-cash share-based compensation expense related to these RSU's. The Company will recognize approximately $107,000 in additional non-cash share-based compensation expense related to the RSU's over the remaining vesting period.

Note 8: Employee Benefit Plan

On October 1, 2009, the Company instituted a 401(k) defined contribution plan (the "401(k) Plan") under which participants may elect to defer up to 100% of their compensation up to a maximum amount determined annually pursuant to Internal Revenue Service regulations. Employee contributions may begin 90 days after the date of hire and are immediately vested. The 401(k) Plan provides a safe harbor basic match contribution for all eligible employees who make salary deferrals. The match contribution is equal to 100% of the employee's salary deferral up to 4% of such employee's annual deferred compensation. This match contribution is credited to the employee's account plans and is 100% vested. A total of approximately $48,000 and $54,000 of match contribution expense was reported for the years ended December 31, 2013 and 2012, respectively.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Segment Data Information and Concentrations of Business Risk

Segment Information

Operating segments are defined as components of an enterprise engaging in business activities about which separate financial information is available that is evaluated regularly by the chief operating decision maker or group in deciding how to allocate resources and in assessing performance. Utilizing these criteria, the Company has identified its reportable segments based on the geographical markets they serve, which is consistent with how the Company operates and reports internally.

The Company has two reportable segments: U.S. operations and The Netherlands operations. The U.S. reportable segment includes a subsidiary in Poland that is considered auxiliary to the U.S. operations.

The accounting policies for the segments are the same as those described in the summary of significant accounting policies. The Company accounts for intersegment sales as if the sales were to third parties, that is, at current market prices. The U.S. operating segment is a developer, manufacturer and distributor of enzyme products, proteins, peptides and other bio-molecules derived from genes and a collaborative licensor of enabling proprietary and patented technologies for the development and manufacturing of biological products and use in R&D. The Netherlands operating segment is also a developer of enzyme products, proteins, peptides and other bio-molecules derived from genes and, to date, has mainly invested in R&D activities.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Segment Data Information and Concentrations of Business Risk (Continued)

Segment Information (Continued)

The following tables summarize the Company's segment and geographical information:

	Year Ended December 31, 2013			
	U.S. Operating Segment	The Netherlands Operating Segment	Eliminations	Total
Total net revenues	$ 15,800,767	$ 2,724,482	$ (1,390,508)	$ 17,134,741
Income from operations	535,755	20,747	-	556,502
Interest income	11,929	2,684	-	14,613
Interest expenses	(686,022)	-	-	(686,022)
Loss on settlement of litigation	(313,143)	-	-	(313,143)
Compensation expense on stock option grants	(710,897)	(95,660)	-	(806,557)
Capital expenditures	-	(312,145)	-	(312,145)
Depreciation and amortization	(80,866)	(172,637)	-	(253,503)
Total assets at December 31, 2013	10,379,077	(5,186,813)	9,748,053	14,940,317

	Year Ended December 31, 2012			
	U.S. Operating Segment	The Netherlands Operating Segment	Eliminations	Total
Total net revenues	$ 13,319,547	$ 2,604,780	$ (322,607)	$ 15,601,720
Income (loss) from operations	1,727,359	(139,021)	-	1,588,342
Interest income	1,648	3,597	-	5,245
Interest expenses	(701,090)	-	-	(701,090)
Gain on settlement of litigation	525,000	-	-	525,000
Compensation expense on stock option grants	(947,879)	(250,680)	-	(1,198,559)
Capital expenditures	-	(45,815)	-	(45,815)
Depreciation and amortization	(86,980)	(169,591)	-	(256,481)
Total assets at December 31, 2012	8,964,724	(5,682,990)	9,599,314	12,881,048

Note 9: Segment Data Information and Concentrations of Business Risk (Continued)

Concentrations

The Company's credit risks consist primarily of cash and cash equivalents and uncollateralized accounts receivables. The Company performs periodic credit evaluations of its customers' financial condition and provides allowances for doubtful accounts as required.

At times, the Company has cash and cash equivalents at financial institutions exceeding the Federal Depository Insurance Company ("FDIC") insured limit. The Company has not experienced any losses on these accounts. At December 31, 2013 and 2012, amounts on deposit at financial institutions exceeded the FDIC insured limit by approximately $7,714,000 and $1,781,000, respectively.

For the year ended December 31, 2013, there were two customers that accounted for approximately 18% and 11%, respectively, of net product sales. For the year ended December 31, 2013, there were four customers that accounted for approximately 23%, 22%, 21% and 16%, respectively, of research and development revenue.

For the year ended December 31, 2012, there were two customers that accounted for approximately 14% and 11%, respectively, of net product sales. For the year ended December 31, 2012, there were four customers that accounted for approximately 25%, 22%, 18% and 12%, respectively, of research and development revenue.

As of December 31, 2013, there were two customers that accounted for approximately 14% and 13%, respectively, of total accounts receivable. As of December 31, 2012, there were three customers that accounted for approximately 14%, 11% and 10%, respectively, of total accounts receivable.

The Company conducts operations in The Netherlands through its foreign subsidiary (*Note 1*). The net assets of the Company as of December 31, 2013 had a favorable foreign currency exchange difference of approximately 84,000 Euros.

The Company generates a large portion of its product sales to customers that are located outside the U.S. Sales to external customers whose corporate offices are outside the U.S., totaled approximately $7,279,000 and $6,065,000 for the years ended December 31, 2013 and 2012, respectively *(Note 5).*

The Company does not own enzyme manufacturing facilities and relies on third party contract manufacturers to produce all of its enzymes. The Company has and will continue to utilize third party manufacturers to fulfill its current and future production needs. In order to address future growth, the Company will require additional manufacturing capacity. There is no assurance that the Company will be able to maintain its current manufacturing capacity or be able to secure additional capacity on acceptable terms and conditions as and when needed by the Company. Any interruption in or failure to secure such manufacturing capacity could have a material adverse effect on the Company's results of operations.

For the years ended December 31, 2013 and 2012, there was one vendor that accounted for 10% or greater of purchases, which represented approximately 71% and 42%, respectively, of total purchases. This vendor accounted for approximately 73% and 68% of total accounts payable balance as of December 31, 2013 and 2012, respectively.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Income Taxes

There was no current U.S. income tax provision recognized during the year ended December 31, 2013. The Company's current U.S. income tax provision for the year ended December 31, 2012 was $68,000. The Company has incurred operating losses and has established a full valuation allowance. The Company's operations in The Netherlands are subject to income taxes in those jurisdictions. No provision for current foreign income taxes has been recognized for either of the years ended December 31, 2013 or 2012.

There was no provision or benefit for either U.S. or foreign deferred income taxes for the years ended December 31, 2013 and 2012.

The U.S. and foreign components of income (loss) from operations before income taxes consisted of the following for the years ended December 31:

	2013	2012
United States	$ (428,050)	$ 1,371,231
Foreign	-	46,266
	$ (428,050)	$ 1,417,497

The primary difference between the Company's income tax benefit computed at the U.S. statutory rate of 35% and the effective tax rates for the years ended December 31, 2013 and 2012 is the change in the valuation allowance in the respective periods that results from the Company fully offsetting the deferred income tax benefit of its net operating losses.

A reconciliation of the Company's income tax provision (benefit) to amounts calculated at the federal statutory rate is as follows for the years ended December 31:

	2013	2012
Federal statutory taxes	35.00%	35.00%
State income taxes, net of federal tax benefit	3.58	3.58
Nondeductible items	(72.42)	34.25
Change in valuation allowance	33.84	(68.03)
	-%	4.80%

The significant components of the Company's net deferred tax assets and liabilities consisted of the following as of December 31:

	2013	2012
Current tax assets and liabilities:		
Allowance for Doubtful Accounts	$ 13,000	$ 160,000
Inventory reserves	83,000	113,000
Other items, net	138,000	60,000
Depreciation and amortization	(17,000)	(74,000)
	217,000	257,000
Non-current tax assets and liabilities:		
Net operating loss and tax credit carryforwards	$ 23,650,000	$ 23,739,000
Valuation allowance	(23,867,000)	(23,996,000)
Net deferred tax assets	$ -	$ -

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Income Taxes (continued)

GAAP requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of all the evidence, both positive and negative, management has determined that a full valuation allowance of approximately $23,867,000 and $23,996,000 against its net deferred taxes is necessary as of December 31, 2013 and 2012, respectively. The decrease in valuation allowance for the years ended December 31, 2013 and 2012 was approximately $129,000 and $1,600,000, respectively.

At December 31, 2013, the Company had approximately $61,301,000 of U.S. net operating loss carryforwards remaining, which will expire beginning in 2021. As a result of certain ownership changes, the Company may be subject to an annual limitation on the utilization of its U.S. net operating loss carryforwards pursuant to Section 382 of the Internal Revenue Code. A study to determine the effects of this change, if any, has not been undertaken.

Note 11: Subsequent Events

The Company has evaluated these consolidated financial statements for subsequent events through March 12, 2014, the date of issuance of these consolidated financial statements. Except as disclosed in Notes 1 and 3, management is not aware of any events that have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in the consolidated financial statements.

Item 14. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

There have been no changes in and/or disagreements with Mayer Hoffman McCann P.C., our independent registered public accountants, on accounting and financial disclosure matters.

Item 15. Exhibits

Exhibits required by Item 601 of Regulation S-K.

Exhibit No.	Description of Exhibit
3.1	Restated Certificate of Incorporation dated November 1, 2004
3.2	Amended and Restated Bylaws dated June 25, 2014
4.1	Specimen stock certificate evidencing shares of common stock.
10.1*	Dyadic International, Inc. 2006 Stock Option Plan.
10.2*	Dyadic International, Inc. 2011 Equity Incentive Plan.
10.3*	Form of Restricted Stock Unit Agreement Pursuant to the Dyadic International, Inc. 2011 Equity Incentive Plan.
10.4*	Employment Agreement, dated as of October 23, 2013, by and between Dyadic International, Inc. and Mark A. Emalfarb.
10.5*	Employment Agreement, dated as of April 29, 2013, by and between Dyadic International, Inc. and Danai E. Brooks.
10.6*	Amended Employment Agreement, dated as of June 1, 2011 and amended September 10, 2012, by and between Dyadic International, Inc. and Richard H. Jundzil.
10.7	Form of Director and Officer Indemnification Agreement.
10.8	Intracoastal Pointe Office Building Lease Agreement by and between Dyadic International, Inc. and Quentin Partners Co. dated as of December 30, 2010.
10.9	Lease Agreement by and between Dyadic International, Inc. and 500 West Commerce Way LLC dated as of July 1, 2008.
10.10	Lease Agreement by and between Dyadic International (USA), Inc. (f/k/a CPN International Ltd., Inc.) and Thomas & Howard Company dated as of November 18, 1997, as amended July 19, 2002, June 29, 2005, September 25, 2005, October 18, 2006, November 15, 2007, November 19, 2008 and December 17, 2009.
10.11	Lease of Office Accommodation by and among Dyadic Nederland B.V., Dyadic International, Inc. and BioPartner Center Wageningen B.V. dated as of June 8, 2007.
10.12	Second Addendum to Lease of Office Accommodation by and among Dyadic Nederland B.V., Dyadic International, Inc. and Kadans Biopartner B.V. dated as of January 31, 2012.

10.13**	Research, Development and License Agreement by and among Dyadic International (USA), Inc., Dyadic Netherland B.V. and BASF SE dated as of May 6, 2013.
10.14**	Amended and Restated License Agreement by and among Dyadic International (USA), Inc., Dyadic International, Inc. and Abengoa Bioenergy New Technologies, Inc. dated as of April 23, 2012.
10.15	Form of Convertible Subordinated Secured Promissory Note dated as of August 23, 2010.
10.16	Form of Convertible Subordinated Secured Promissory Note dated as of September 30, 2011.
10.17	Amended and Restated Note by and among Dyadic International (USA), Inc., Dyadic International, Inc. and the Mark A. Emalfarb Trust dated as of November 14, 2008, as amended April 12, 2012 and September 24, 2013.
21.1	Subsidiaries of the Registrant.

† Portions of the exhibits have been omitted pursuant to a request for confidential treatment.
* Identifies each management contract or compensatory plan or arrangement.
** To be filed by amendment.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, on August 14, 2014.

Dyadic International, Inc.

By: /s/ Mark A. Emalfarb
Mark A. Emalfarb
President and Chief Executive Officer

By: /s/ Thomas L. Dubinski
Thomas L. Dubinski
Vice President and Chief Financial Officer

By: /s/ Michael J. Faby
Michael J. Faby
Vice President of Finance

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS ON FILE OF "DYADIC INTERNATIONAL, INC. " AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTI FI ED :

CERTIFICATE OF INCORPORATION, FILED THE TWENTY -THIRD DAY OF SEPTEMBER , A .D . 2002 , AT 9 O ' CLOCK A .M .

RESTATED CERTIFICATE, CHANGING ITS NAME FROM "CCP WORLDWIDE , INC . " TO "DYADIC INTERNATIONAL , INC.", FILED THE FIRST DAY OF NOVEMBER , A . D . 2004 , AT 7:46 O ' CLOCK P.M .

RESTATED CERTIFICATE, FILED THE THIRD DAY OF NOVEMBER , A.D . 2004 AT 1 : 17 0 ' CLOCK P.M.

AND I DO HEREBY FURTHER CERTI FY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION .

Harriet Smith Windsor, Secretary of State

3571891 8100H

AUTHENTI CATION : 3761 904

050237078

DATE : 03-22 -05

RESTATED CERTIFICATE OF INCORPORATION
OF
DYADIC INTERNATIONAL, JNC.

Dyadic International, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "OCL"), hereby certifies as follows:

First: The name of the Corporation is Dyadic International, Inc. A Certificate of Incorporation of the Corporation was originally filed by the Corporation with the Secretary of State of Delaware on September 23, 2002, and an Amended and Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on November 1, 2004. The Corporation was originally incorporated under the name CCP Worldwide, Inc.

Second: This Restated Certificate of Incorporation restates and integrates, but does not further amend, the provisions of the Certificate of Incorporation of the Corporation as originally filed and heretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation. This Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Section 245 of the GCL, and was approved by unanimous written consent of the directors of the Corporation without a vote of the stockholders.

Third: The text of the Certificate of Incorporation of the Corporation is hereby restated and superseded to read in its entirety as follows:

ARTICLE I
NAME OF CORPORATION

The name of this corporation (the "Corporation") is Dyadic International, Inc.

ARTICLE II
REGISTERED OFFICE

The address, including street, number, city, and county, of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, City of Wilmington 19808, County of New Castle; and the name of the registered agent of the Corporation in the State of Delaware at such address is Corporation Service Company.

ARTICLE III
PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "GCL").

State of Delaware
Secretary of State
Division of Corporations
Delivered 01 :17 PM 11/03/2004
FILED 01:17 PM 11/03/2004.
SRV 040792475 - 3571891 FIIE

ARTICLE IV
AUTHORIZED STOCK

The total number of shares of all classes of stock which the Corporation shall have authority to issue shall be one hundred five million (105,000,000) shares, of which one hundred million (100,000,000) shares shall be common stock, par value $0.001 per share (the "Common Stock"), and five million (5,000,000) shares shall be preferred stock, par value $0.0001 per share (the "Preferred Stock"). All of the shares of Common Stock shall be of one class.

The shares of Preferred Stock shall be undesignated Preferred Stock and may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issuance and duly adopted by the Board of Directors of the Corporation, authority to do so being hereby expressly vested in the Corporation's Board of Directors. The Board of Directors is further authorized to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and to fix the number of shares of any series of Preferred Stock and the designation of any such series of Preferred Stock. The Board of Directors of the Corporation, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series, may increase or decrease (but not below the number of shares in any such series when outstanding) the number of shares of any series subsequent to the issuance of shares of that series.

The authority of the Board of Directors of the Corporation with respect to each such class or series of Preferred Stock shall include, without limitation of the foregoing, the right to determine and fix:

(a) the distinctive designation of such class or series and the number of shares to constitute such class or series;

(b) the rate at which dividends on the shares of such class or series shall be declared and paid or set aside for payment, whether dividends at the rate so determined shall be cumulative or accruing, and whether the shares of such class or series shall be entitled to any participating or other dividends in addition to dividends at the rate so determined, and if so, on what terms;

(c) the right or obligation, if any, of the Corporation to redeem shares of the particular class or series of Preferred Stock and, if redeemable, the price, terms and manner of such redemption;

(d) the special and relative rights and preferences, if any, and the amount or amounts per share, which the shares of such class or series of Preferred Stock shall be entitled to receive upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

(e) the terms and conditions, if any, upon which shares of such class or series shall be convertible into, or exchangeable for, shares of capital stock of any

other class or series, including the price or prices or the rate or rates of conversion or exchange and the terms of adjustment, if any;

(f) the obligation, if any, of the Corporation to retire, redeem or purchase shares of such class or series pursuant to a sinking fund or fund of a similar nature or otherwise, and the terms and conditions of such obligations;

(g) voting rights, if any, on the issuance of additional shares of such class or series or any shares of any other class or series of Preferred Stock;

(h) limitations, if any, on the issuance of additional shares of such class or series or any shares of any other class or series of Preferred Stock; and

(i) such other preferences, powers, qualifications, special or relative rights and privileges thereof as the Board of Directors of the Corporation, acting in accordance with this Certificate of Incorporation, may deem advisable and are not inconsistent with the law and the provisions of this Certificate of Incorporation.

ARTICLE IV
(Omitted as permitted by GCL]

ARTICLE V
ELECTION OF DIRECTORS

A. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors.

B. The election of directors of the Corporation need not be by written ballot unless otherwise required by the Bylaws of the Corporation.

C. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the Board of Directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Promptly following the effectiveness of this Section C, directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. Each class shall consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board of Directors. The term of office of the Class I directors shall expire at the annual meeting of stockholders to be held in 2005, and, at that meeting, Class I directors shall be elected for a full term of three years. At the annua1 meeting of stockholders to be held in 2006, the term of office of the Class II directors shall expire, and Class II directors shall be elected for a full term of three years. At the annual meeting of stockholders to be held in 2007, the term of office of the Class III directors shall expire, and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual

meeting. If the number of directors is changed, an increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case shall a decrease in the number of directors remove or shorten the term of any incumbent director.

D. Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal.

E. No stockholder shall be entitled to cumulate votes in the election of directors. Directors may only be removed for cause, as provided in Section 141(k)(l) of the GCL.

F. Subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors. and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

G. If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the GCL.

H. Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the series of Preferred Stock applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article VI unless expressly provided by such terms.

ARTICLE VI
BYLAWS

Subject to paragraph (h) of Section 11.01 of the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six. and two-thirds percent (66-2/3%) of the voting power of an of the then outstanding shares of the voting stock of the corporation entitled to vote. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

ARTICLE VII
NUMBER OF DIRECTORS

The number of directors that constitutes the entire Board of Directors of the Corporation shall be fixed exclusively by one or more resolutions adopted by the Board of Directors.

ARTICLE VIII
MEETINGS OF STOCKHOLDERS

A . Meetings of stockholders of the Corporation may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept (subject to any provisions of applicable statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors of the Corporation.

B. No action shall be taken by the stockholders of the Corporation except at an annual or special meeting of stockholders called in accordance with the Bylaws.

C. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws.

D . Special meetings of the stockholders of the Corporation may only be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorship at the time any such resolution is presented to the Board of Directors for adoption).

E. Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the voting stock of the Corporation required by law, this Certificate of Incorporation or the terms of any series of Preferred Stock, the affirmative vote of the holders of at least sixty six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, shall be required to approve any of the following actions if such action is not affirmatively recommended by the Board of Directors:

(1) the merger or consolidation of the Corporation with any other corporation or entity;

(2) the sale, conveyance or other disposition of all or substantially all of the assets of the Corporation; or

(3) the conversion of the Corporation into another type of corporation or entity.

ARTICLE IX
LIMITATION ON LIABILITY OF DIRECTORS;
INDEMNIFICATION OF DIRECTORS AND OFFICERS;
PERSONAL LIABILITY OF DIRECTORS

The Corporation shall indemnify each of the Corporation's directors and officers in each and every situation where, under Section 145 of the GCL, as amended from time to time ("Section 14.5"), the Corporation is permitted or empowered to make such indemnification. The Corporation may, in the sole discretion of the Board of Directors of the Corporation, indemnify any other person who may be indemnified pursuant to Section 145 to the extent that the Board of Directors deems advisable, as permitted by Section 145.

No director shall be persona11y liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided, however, that the foregoing shall not eliminate or limit the liability of a director of the Corporation (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law. (iii) under Section 174 of the GCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the GCL is subsequently amended to further eliminate or limit the liability of a director, then a director of the Corporation, in addition to the circumstances in which a director is not personally liable as set forth in the preceding sentence, shall not be liable to the fullest extent permitted by the amended GCL. For purposes of this Article X, "fiduciary duty as a director" shall include any fiduciary duty arising out of service at the Corporation's request as a director of another corporation, partnership, joint venture or other enterprise, and "personal liability to the Corporation or its stockholders" shall include any liability to such other corporation, partnership, joint venture, trust or other enterprise and any liability to the Corporation in its capacity as a security holder, joint venture, partner, beneficiary, creditor or investor of or in any such other corporation, partnership, joint venture, trust or other enterprise.

Neither any amendment nor repeal of this Article X nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article X shall eliminate or reduce the effect of this Article X in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article X, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE X
COMPROMISE OR ARRANGEMENT

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or on the application of any receiver or receivers appointed for this Corporation under Section 291 of the GCL or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under Section 279 of the GCL, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders of this Corporation as the case may be, and also on this Corporation.

ARTICLE XI
AMENDMENT OF PROVISIONS OF CERTIFICATE OF INCORPORATION

A. The corporation reserves the right at any time, and from time to time, to amend, a1ter, change or repeal any provisions contained in this Certificate of Incorporation, and other provisions authorized by the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by statute, except as provided in paragraph B. of this Article XII, and all rights conferred upon stockholders herein are granted subject to this reservation.

B. Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the voting stock of the Corporation required by law, this Certificate of Incorporation or the terms of any series of Preferred Stock, the affirmative vote of the holders of at least sixty six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, shall be required to alter, amend or repeal:

(1) Article VI, VII, VIII, IX or XII of this Certificate of Incorporation, or

(2) any other Article of this Certificate of Incorporation if such alteration, mendment or repeal is not affirmatively recommended by the Board of Directors.

In Witness Whereof, the undersigned has caused this Restated Certificate of Incorporation to be duly executed on behalf of the Corporation on November 1,

DYADIC INTERNATIONAL, INC.

By: _____
Name : Mark A. Emalfarb
Title : President

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "DYADIC INTERNATIONAL, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE NINTH DAY OF NOVEMBER, A.D. 2004.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "DYADIC INTERNATIONAL, INC." WAS INCORPORATED ON THE TWENTY-THIRD DAY OF SEPTEMBER, A.D. 2002.

AND I DO HEREBY FURTHER CERTI FY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION .

Harriet Smith Windsor, Secretary of State

3571891 8300

AUTHENTI CATION : 3466648

040808920

DATE : 11-09 -04

AMENDED AND RESTATED BYLAWS

OF

DYADIC INTERNATIONAL, INC.

(A DELAWARE CORPORATION)

EFFECTIVE AS OF JUNE 25, 2014

DYADIC

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BYLAWS

OF

DYADIC INTERNATIONAL, INC.
(A DELAWARE CORPORATION)

ARTICLE I

OFFICES

Section 1.01 Registered Office. The registered office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

Section 1.02 Other Offices. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II

STOCKHOLDERS' MEETINGS

Section 2.01 Place of Meetings. Meetings of the stockholders of the corporation shall be held at such place, either within or without the State of Delaware, as may be designated from time to time by the Board of Directors, or, if not so designated, then at the office of the corporation required to be maintained pursuant to Section 1.02 hereof.

Section 2.02 Annual Meetings.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. Nominations of persons for election to the Board of Directors of the corporation shall be, and the proposal of business to be considered by the stockholders may be, made at an annual meeting of stockholders pursuant to the corporation's notice of meeting of stockholders (i) by or at the direction of the Board of Directors; or (ii) by any stockholder of the corporation who was a stockholder of record at the time of giving of notice provided for in the following paragraph, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 2.02.

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 2.02(a) of these Bylaws, (i) the stockholder must have given timely notice thereof in writing to the Secretary of the corporation, (ii) such other business must be a proper matter for stockholder action under the Delaware General Corporation Law ("DGCL"), (iii) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made,

has provided the corporation with a Solicitation Notice (as defined in this Section 2.02(b)), such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the corporation's voting shares reasonably believed by such stockholder or beneficial owner to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice, and (iv) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section 2.02. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (A) as to each person whom the stockholder proposed to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of the proposal, at least the percentage of the corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

(c) Notwithstanding anything in the second sentence of Section 2.02(b) of these Bylaws to the contrary, in the event that the number of directors to be elected to the Board of Directors of the corporation is increased and there is no public announcement naming all of the

nominees for director or specifying the size of the increased Board of Directors made by the corporation at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 2.02 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation.

(d) Only such persons who are nominated in accordance with the procedures set forth in this Section 2.02 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.02. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

(e) Notwithstanding the foregoing provisions of this Section 2.02, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy prepared by the corporation for a stockholder's meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the 1934 Act or the disclosure obligations of the corporation arising under Regulation 14A under the 1934 Act, including without limitation those arising under Item 7 of Schedule 14A.

(f) For purposes of this Section 2.02, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

Section 2.03 Special Meetings.

(a) Special meetings of the stockholders of the corporation may only be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption).

(b) The Board of Directors shall determine the time and place of each special meeting. Upon determination of the time and place of the meeting, the Chairman of the Board, Chief Executive Officer, President or Secretary shall cause notice to be given to the stockholders entitled to vote, in accordance with the provisions of Section 2.04 of these Bylaws. No business may be transacted at a special meeting except for the business specified in the notice of the meeting.

(c) In the event a special meeting of stockholders is called for the purpose of electing one or more directors to the Board of Directors, nominations of persons for election to the Board of Directors may be made (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the corporation who is a stockholder of record at the time of giving notice provided for in these Bylaws who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in the next sentence. Any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, by giving the notice required by Section 2.02(b) of these Bylaws to the Secretary at the principal executive offices of the corporation except that such notice will be deemed to be timely received by the corporation only if it is received by the Secretary not later than the close of business on the tenth (10th) day following the earlier of (i) the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting, or (ii) the mailing by the corporation to stockholders of the notice for the meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

Section 2.04 Notice of Meetings. Except as otherwise provided by law or the Certificate of Incorporation, written notice of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, date and hour and purpose or purposes of the meeting. Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 2.05 Quorum. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting.

The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders.

Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote

by a class or classes or series is required, except where otherwise provided by statute or by the Certificate of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and, except where otherwise provided by statute or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of the votes cast by the holders of shares of such class or classes or series shall be the act of such class or classes or series.

Section 2.06 Adjournment and Notice of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares casting votes. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 2.07 Voting Rights. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 2.09 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote shall have the right to do so either in person or by an agent or agents authorized by a proxy granted in accordance with Delaware law.

An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period.

Section 2.08 Joint Owners of Stock. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect:

(a) if only one (1) votes, his act binds all;

(b) if more than one (1) votes, the act of the majority so voting binds all; or (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the DGCL, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection;

(c) shall be a majority or even-split in interest.

Section 2.09 List of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 2.10 Action Without Meeting. No action shall be taken by the stockholders except at an annual or special meeting of stockholders called in accordance with these Bylaws, and no action shall be taken by the stockholders by written consent.

Section 2.11 Organization.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

Section 2.12 Supermajority Vote Requirement. Notwithstanding any other provisions of these Bylaws or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the voting stock of the corporation required by law, the Certificate of Incorporation or the terms of any series of Preferred Stock, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, shall be required to approve any of the following actions if such action is not affirmatively recommended by the Board of Directors:

(a) the merger or consolidation of the corporation with any other corporation or entity;

(b) the sale, conveyance or other disposition of all or substantially all of the assets of the corporation;

(c) the conversion of the corporation into another type of corporation or entity; or

(d) the amendment, repeal or amendment of any provision of the Certificate of Incorporation (except that as to Articles VI, VII, VIII, IX and XII of the Certificate of Incorporation, such affirmative stockholder vote shall be required regardless of whether the Board of Directors does or does not affirmatively recommend the action).

ARTICLE III

DIRECTORS

Section 3.01 Number. The authorized number of directors of the corporation shall be fixed in accordance with the Certificate of Incorporation.

Directors need not be stockholders unless so required by the Certificate of Incorporation.

Section 3.02 Powers. The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation.

Section 3.03 Classes of Directors.

(a) Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the Board of Directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Promptly following the effectiveness of this Section 3.03, directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. Each class shall consist, as nearly as possible, of one-third (1/3) of the total number of directors constituting the entire Board of Directors. The term of office of the Class I directors shall expire at the annual meeting of stockholders to be held in 2017, and, at that meeting, Class I directors shall be elected for a full term of three years. At the annual meeting of stockholders to be held in 2015, the term of office of the Class II directors shall expire, and Class II directors shall be elected for a full term of three years. At the annual meeting of stockholders to be held in 2016, the term of office of the Class III directors shall expire, and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three (3) years to succeed the directors of the class whose terms expire at such annual meeting. If the number of directors is changed, an increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class, but in no case shall a decrease in the number of directors remove or shorten the term of any incumbent director.

(b) In the event that the corporation is unable to have a classified Board of Directors under applicable law, Section 3.03(a) of these Bylaws shall not apply and all directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting.

(c) Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal.

(d) No stockholder shall be entitled to cumulate votes in the election of directors.

(e) Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Stock issued by the corporation shall have the right, voting separately by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the series of Preferred Stock applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Section 3.03 unless expressly provided by such terms.

Section 3.04 Vacancies.

(a) Unless otherwise provided in the Certificate of Incorporation, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Section 3.04 in the case of the death, removal or resignation of any director.

(b) If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the DGCL.

Section 3.05 Resignation. Any director may resign at any time by delivering his written resignation to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the

unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have been duly elected and qualified.

Section 3.06 Removal. Directors may only be removed for cause, as provided in Section 141(k)(l) of the DGCL.

Section 3.07 Meetings.

(a) Regular Meetings. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors. No formal notice shall be required for regular meetings of the Board of Directors.

(b) Special Meetings. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the President or any two of the directors.

(c) Telephone Meetings. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(d) Notice of Meetings. Notice of the time and place of all special meetings of the Board of Directors shall be orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting, or sent in writing to each director by first class mail, charges prepaid, at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(e) Waiver of Notice. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present shall sign a written waiver of notice. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 3.08 Quorum and Voting.

(a) Unless the Certificate of Incorporation requires a greater number and except with respect to indemnification questions arising under Section 10.01 hereof, for which a quorum shall be one-third of the total number of directors fixed from time to time in accordance with the

Certificate of Incorporation, a quorum of the Board of Directors shall consist of a majority of the total number of directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation; provided, however, at any meeting whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

Section 3.09 Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 3.10 Fees and Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

Section 3.11 Committees.

(a) Executive Committee. The Board of Directors may appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any bylaw of the corporation.

(b) Other Committees. The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) Term. Each member of a committee of the Board of Directors shall serve a term on the committee coexistent with such member's term on the Board of Directors. The Board of Directors, subject to any requirements of any outstanding series of Preferred Stock and the provisions of subsections (a) or (b) of this Bylaw, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) Meetings. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 3.11 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

Section 3.12 Organization. At every meeting of the directors, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President (if a director), or if the President is absent, the most senior Vice President (if a director), or, in the absence of any such person, a chairman of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, any Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

ARTICLE IV

OFFICERS

Section 4.01 Officers Designated. The officers of the corporation shall include, if and when designated by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer, the President, one or more Vice Presidents, the Secretary, the Chief Financial Officer, the Treasurer and the Controller, all of whom shall be elected at the annual organizational meeting of the Board of Directors. The Board of Directors may also appoint one or more Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

Section 4.02 Tenure and Duties of Officers.

(a) General. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) Duties of Chairman of the Board of Directors. The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time. If there is no Chief Executive Officer or President, then the Chairman of the Board of Directors shall also serve as the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 4.02.

(c) Duties of Chief Executive Officer. If the corporation has a Chief Executive Officer, the Chief Executive Officer shall be the chief executive officer of the corporation and shall have all of the authority, powers and duties provided for or reserved to the President in paragraph (d) of this Section 4.02 in lieu of the President, and the President shall be the Chief Operating Officer of the corporation charged with the duty and power to manage the operations of the business of the corporation but subject to the overall direction of the Chief Executive Officer and the Board of Directors. In the absence or disability of the Chief Executive Officer, or in the event of his inability or refusal to act, the President shall perform the duties and have the authority and exercise the powers of the Chief Executive Officer.

(d) Duties of President. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors or the Chief Executive Officer has been appointed and is present. Unless some other person has been elected Chief Executive Officer of the corporation, the President shall be the

chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time.

(e) Duties of Chief Operating Officer. Unless the Board of Directors appoints a Chief Operating Officer that is separate from the President, the President shall be the Chief Operating Officer of the Corporation charged with the duty and power to manage the operations of the business of the Corporation but subject to the overall direction of the Chief Executive Officer and the Board of Directors. If the Board of Directors appoints a Chief Operating Officer that is separate from the President, the Board of Directors shall determine the relative duties and powers of the President and the Chief Operating Officer, and each will be subject to the overall direction of the Chief Executive Officer and the Board of Directors.

(f) Duties of Vice Presidents. The Vice Presidents may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or, in his absence or disability, the President, shall designate from time to time.

(g) Duties of Secretary. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to his office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time. The Chief Executive Officer or, in his absence or disability, the President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or, in his absence or disability, the President, shall designate from time to time.

(h) Duties of Chief Financial Officer. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the Chief Executive Officer, or, in his absence or disability, the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or, in his absence or disability, the President, shall designate from time to time. The Chief Executive Officer, or, in his absence or disability, the President, may direct the Treasurer or any Assistant Treasurer, or the Controller or any Assistant Controller to assume and perform the duties of the

Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each Controller and Assistant Controller shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or, in his absence or disability, the President, shall designate from time to time.

Section 4.03 Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 4.04 Resignations. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

Section 4.05 Removal. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written consent of the directors in office at the time, or by any committee or superior officers upon whom such power of removal may have been conferred by the Board of Directors.

ARTICLE V

EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

Section 5.01 Execution of Corporate Instruments.

(a) The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation.

(b) All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

(c) Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 5.02 Voting of Securities Owned by the Corporation. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

ARTICLE VI

SHARES OF STOCK

Section 6.01 Form and Execution of Certificates. The shares of the corporation shall be represented by certificates, provided that the Board of Directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Certificates for the shares of stock of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation represented by certificates shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, or the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. Each certificate shall state upon the face or back thereof, in full or in summary, all of the powers, designations, preferences, and rights, and the limitations or restrictions of the shares authorized to be issued or shall, except as otherwise required by law, set forth on the face or back a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this section or otherwise required by law or with respect to this section a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

Section 6.02 Direct Registration. Notwithstanding any other provision in these Bylaws, the corporation may adopt a system of issuance, recordation and transfer of shares of the corporation by electronic or other means not involving any issuance of certificates, including provisions for notice to purchasers in substitution for any required statements on certificates, and as may be required by applicable corporate securities laws, which system has been approved by the Securities and Exchange Commission. Any system so adopted shall not become effective as

to issued and outstanding certificated securities until the certificates therefor have been surrendered to the corporation.

Section 6.03 Lost Certificates. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to agree to indemnify the corporation in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

Section 6.04 Transfers.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

Section 6.05 Fixing Record Dates.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, subject to applicable law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at

the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 6.06 Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII

OTHER SECURITIES OF THE CORPORATION

Section 7.01 Execution of Other Securities. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 6.01), may be signed by the Chairman of the Board of Directors, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; provided, however, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE VIII

DIVIDENDS

Section 8.01 Declaration of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation and applicable law, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and applicable law.

Section 8.02 Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE IX

FISCAL YEAR

Section 9.01 Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE X

INDEMNIFICATION

Section 10.01 Indemnification of Directors, Officers, Employees and Other Agents.

(a) Directors and Officers. The corporation shall indemnify its directors and officers to the fullest extent not prohibited by the DGCL or any other applicable law; provided, however, that the corporation may modify the extent of such indemnification by individual contracts with its directors and officers; and, provided, further, that the corporation shall not be required to indemnify any director or officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the DGCL or any other applicable law or (iv) such indemnification is required to be made under subsection (d).

(b) Employees and Other Agents. The corporation shall have power to indemnify its employees and other agents as set forth in the DGCL or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person to such officers or other persons as the Board of Directors shall determine, to the extent not prohibited by the DGCL.

(c) Expenses. The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer, of the corporation, or is or was serving at the request of the corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts

if it should be determined ultimately that such person is not entitled to be indemnified under this Section 10.01 or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Section 10.01, no advance shall be made by the corporation to an officer of the corporation (except by reason of the fact that such officer is or was a director of the corporation in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (ii) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(d) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or officer. Any right to indemnification or advances granted by this Section 10.01 to a director or officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the DGCL or any other applicable law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by an officer of the corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the corporation) for advances, the corporation shall be entitled to raise a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his conduct was lawful. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL or any other applicable law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or officer is not entitled to be indemnified, or to such advancement of expenses, under this Section 10.01 or otherwise shall be on the corporation.

(e) Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any applicable statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the Delaware General Corporation Law, or by any other applicable law.

(f) Survival of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) Insurance. To the fullest extent permitted by the DGCL or any other applicable law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Section 10.01.

(h) Amendments. Any repeal or modification of this Section 10.01 shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(i) Saving Clause. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and officer to the full extent not prohibited by any applicable portion of this Section 10.01 that shall not have been invalidated, or by any other applicable law. If this Section 10.01 shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and officer to the full extent under any other applicable law.

(j) Certain Definitions. For the purposes of this Bylaw, the following definitions shall apply:

(i) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(ii) The term "expenses" shall be broadly construed and shall include, without limitation, court costs, attorneys' fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(iii) The term "corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees

or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Section 10.01 with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(iv) References to a "director," "executive officer," "officer," "employee," or "agent" of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, executive officer, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(v) References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Section 10.01.

ARTICLE XI

NOTICES

Section 11.01 Notices.

(a) Notice to Stockholders. Whenever, under any provisions of these Bylaws, notice is required to be given to any stockholder, it shall be given in writing, timely and duly deposited in the United States mail, postage prepaid, and addressed to his last known post office address as shown by the stock record of the corporation or its transfer agent.

(b) Notice to Directors. Any notice required to be given to any director may be given by the method stated in subsection (a), or by overnight delivery service, facsimile, telex or telegram, except that such notice other than one which is delivered personally shall be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such director.

(c) Affidavit of Mailing. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) Time Notices Deemed Given. All notices given by mail or by overnight delivery service, as above provided, shall be deemed to have been given as at the time of mailing, and all notices given by facsimile, telex or telegram shall be deemed to have been given as of the sending time recorded at time of transmission.

(e) Methods of Notice. It shall not be necessary that the same method of giving notice be employed in respect of all directors, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(f) Failure to Receive Notice. The period or limitation of time within which any stockholder may exercise any option or right, or enjoy any privilege or benefit, or be required to act, or within which any director may exercise any power or right, or enjoy any privilege, pursuant to any notice sent him in the manner above provided, shall not be affected or extended in any manner by the failure of such stockholder or such director to receive such notice.

(g) Notice to Person With Whom Communication Is Unlawful. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(h) Notice to Person With Undeliverable Address. Whenever notice is required to be given, under any provision of law or the Certificate of Incorporation or Bylaws of the corporation, to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve month period, have been mailed addressed to such person at his address as shown on the records of the corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this paragraph.

(i) Notice by Electronic Transmission. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by

electronic mail or other electronic transmission, in the manner provided in Section 232 of the DGCL.

ARTICLE XII

AMENDMENTS

Section 12.01 Amendments. Subject to paragraph (h) of Section 10.01 of the Bylaws, the Bylaws may be repealed, altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the voting stock of the corporation entitled to vote. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

ARTICLE XIII

LOANS TO OFFICERS

Section 13.01 Loans to Officers. The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these Bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

ARTICLE XIV

FORUM

Section 14.01 Forum. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (A) any derivative action or proceeding brought on behalf of the Corporation, (B) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, (C) any action or proceeding asserting a claim against the Corporation arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's Certificate of Incorporation or these Bylaws, or (D) any action or proceeding asserting a claim governed by the internal affairs doctrine, in each case subject to said Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein.

CERTIFICATE OF ADOPTION
OF AMENDED AND RESTATED BYLAWS

OF

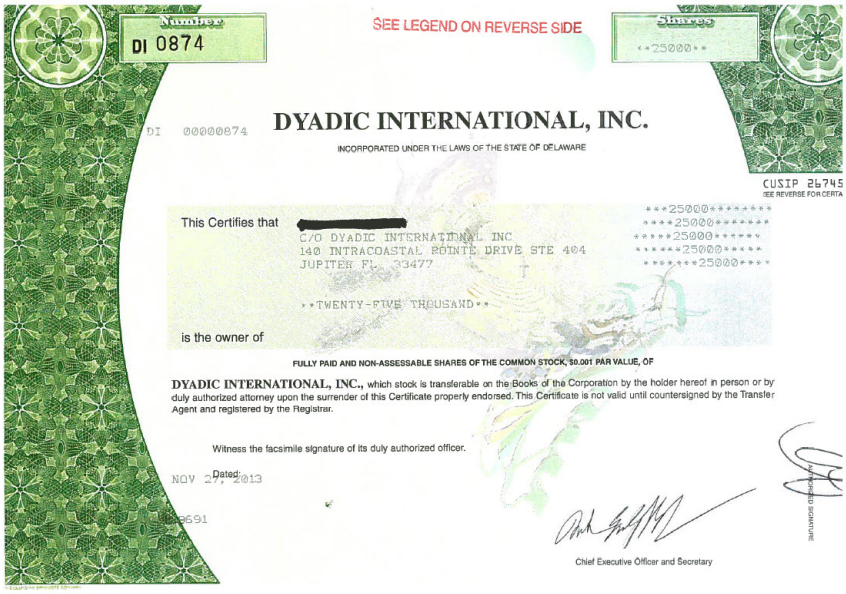
DYADIC INTERNATIONAL, INC.

CERTIFICATE BY SECRETARY OF ADOPTION

The undersigned hereby certifies that the undersigned is the duly elected, qualified, and acting Secretary of Dyadic International, Inc., a Delaware corporation, and that the foregoing Amended and Restated Bylaws were adopted as the Bylaws of the corporation pursuant to resolutions at a duly noticed and called meeting of the Board of Directors on June 25, 2014 at which a quorum was present.

Executed on June 25, 2014.

/s/ Michael J. Faby
Michael J. Faby, Secretary



Number
DI 0874

SEE LEGEND ON REVERSE SIDE

Shares
25000

DI 00000874

DYADIC INTERNATIONAL, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

CUSIP 26745
SEE REVERSE FOR CERTA

This Certifies that [redacted]
C/O DYADIC INTERNATIONAL INC
140 INTRACOASTAL POINTE DRIVE STE 404
JUPITER FL 33477

TWENTY-FIVE THOUSAND

is the owner of

25000****
****25000******
*****25000*****
******25000****
*******25000***

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK, $0.001 PAR VALUE, OF

DYADIC INTERNATIONAL, INC., which stock is transferable on the Books of the Corporation by the holder hereof in person or by duly authorized attorney upon the surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

Witness the facsimile signature of its duly authorized officer.

Dated:
NOV 27, 2013

0691

Chief Executive Officer and Secretary

AUTHORIZED SIGNATURE

DYADIC INTERNATIONAL, INC.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with right of survorship and not as tenants in common

UNIF GIFT MIN ACT - ..... Custodian - .....
(Cust) (Minor)
under Uniform Gifts to Minors
Act .....
(State)

UNIF TRF MIN ACT - ..... Custodian (until age .....)
(Cust)
Under uniform Transfers
(Minor)
to Minors Act .....
(State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING ZIPCODE OF ASSIGNEE)

THE SHARES REPRESENTED BY THIS STOCK CERTIFICATE HAVE BEEN PLEGED AS COLLATERAL FOR A LOAN AND THUS ARE INALIENABLE UNTIL SUCH TIME AS THE LOAN OBLIGATION IS TERMINATED AND THE PLEDGE RELEASED. LEGC156J

_____ Shares
of the stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney
to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated _____

X _____
X _____

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT JUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed

By _____
THE SIGNATURE(S) MUST BE GUARANTED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS , SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E C RULE 17Ad·15.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES Acr) AND MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE REGISTRATION PROVISIONS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. OR PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, THE AVAILABILI1Y OF WHICH IS TO BE ESTABUSHED TO THE SATISFACTION OF THE COMPANY.

DYADIC INTERNATIONAL, INC.

2006 STOCK OPTION PLAN

The purpose of the Dyadic International, Inc. 2006 Stock Option Plan (the " *Plan*") is to provide (i) designated Employees of DYADIC INTERNATIONAL, INC. (the " *Company*") and its subsidiaries, (ii) Key Advisors who perform consulting or advisory services for the Company or its Subsidiaries and (iii) Non-Employee Directors who serve on the Board of Directors of the Company (the "*Board*") with the opportunity to receive grants of incentive stock options and nonqualified stock options. The Company believes that the Plan will encourage the participants to contribute materially to the growth of the Company, thereby benefiting the Company's stockholders, and will align the economic interests of the participants with those of the stockholders. A Glossary of defined terms used in this Plan is set forth in Section 18 hereof.

1. Administration.

(a) Committee. The Plan shall be administered by the Compensation Committee of the Board, a majority of whose members are "outside directors" as defined under section 162(m) of the Code and related Treasury regulations, and "non-employee directors" as defined under Rule 16b-3 under the Exchange Act (the "Committee"). However, the Board may ratify or approve any grants as it deems appropriate.

(b) Committee Authority. The Committee shall have the sole authority to (i) determine the individuals to whom grants shall be made under the Plan, (ii) determine the type, size and terms of the Grants to be made to each such individual, (iii) determine the time when the Grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability, (iv) amend the terms of any previously issued grant, and (v) deal with any other matters arising under the Plan. In the event the Committee determines section 409A of the Code may be applicable to an Option granted hereunder, the Plan shall prohibit the acceleration of the time or schedule of payment of compensation hereunder, except to the extent permitted under section 409A of the Code and the applicable Treasury regulations thereunder.

(c) Committee Determinations. The Committee shall have full power and authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan and for the conduct of its business as it deems necessary or advisable, in its sole discretion. The Committee's interpretations of the Plan and all determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in any awards granted hereunder. All powers of the Committee shall be executed in its sole discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated individuals.

2. Grants.

Grants of Options under the Plan may consist of Incentive Stock Options as described in Section 5 or Nonqualified Stock Options as described in Section 5. All Grants shall be subject to the terms and conditions set forth herein and to such other terms and conditions consistent with this Plan as the Committee deems appropriate and as are specified in a Grant Instrument or amendment thereto. The Committee shall approve the form and provisions of each Grant Instrument. Grants under a particular Section of the Plan need not be uniform as among the grantees.

3. Shares Subject to the Plan.

(a) Shares Authorized. Subject to adjustment as described below, the aggregate number of shares of Company Stock that may be issued or transferred under the Plan is 2,700,000 shares. The maximum aggregate number of shares of Company Stock that shall be subject to Grants made under the Plan to any individual during any calendar year shall be 1,200,000 shares, subject to adjustment as described below. The shares may be authorized but unissued shares of Company Stock or reacquired shares of Company Stock, including shares purchased by the Company on the open market for purposes of the Plan. If and to the extent Options granted under the Plan terminate,

expire, or are canceled, forfeited, exchanged or surrendered without having been exercised, the shares subject to such Grants shall again be available for purposes of the Plan.

(b) Adjustments. If there is any change in the number or kind of shares of Company Stock outstanding (i) by reason of a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares, (ii) by reason of a merger, reorganization or consolidation in which the Company is the surviving corporation, (iii) by reason of a reclassification or change in par value, or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Company Stock as a class without the Company's receipt of consideration, or if the value of outstanding shares of Company Stock is substantially reduced as a result of a spinoff or the Company's payment of an extraordinary dividend or distribution, the maximum number of shares of Company Stock available for Grants, then in that event (A) the maximum number of shares of Company Stock that any individual participating in the Plan may be granted in any year, (B) the number of shares covered by outstanding Grants, (C) the kind of shares issued under the Plan, and (D) the price per share or the applicable market value of such Grants may be appropriately adjusted by the Committee to reflect any increase or decrease in the number of, or change in the kind or value of, issued shares of Company Stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under such Grants; provided, however, that any fractional shares resulting from such adjustment shall be eliminated. Any adjustments determined by the Committee shall be final, binding and conclusive.

4. Eligibility for Participation.

(a) Eligible Persons. All Employees of the Company and its Subsidiaries, including Employees who are officers or members of the Board, and Non-Employee Directors shall be eligible to participate in the Plan. Key Advisors who perform services for the Company or any of its Subsidiaries shall be eligible to participate in the Plan if (i) they render bona fide services to the Company or its Subsidiaries, (ii) the services are not in connection with the offer and sale of securities in a capital-raising transaction and (iii) such Key Advisors do not directly or indirectly promote or maintain a market for the Company's securities.

(b) Selection of Grantees. The Committee shall select the Employees, Non-Employee Directors and Key Advisors to receive Grants and shall determine the number of shares of Company Stock subject to a particular Grant in such manner as the Committee determines. Employees, Key Advisors and Non-Employee Directors who receive Grants under this Plan shall hereinafter be referred to as "Grantees."

5. Granting of Options.

(a) Number of Shares. The Committee shall determine the number of shares of Company Stock that will be subject to each Grant of Options to Employees, Non-Employee Directors and Key Advisors.

(b) Type of Option and Price.

(i) The Committee may grant Incentive Stock Options that are intended to qualify as "Incentive Stock Options" within the meaning of section 422 of the Code or Nonqualified Stock Options that are not intended so to qualify or any combination of Incentive Stock Options and Nonqualified Stock Options, all in accordance with the terms and conditions set forth in this Plan. Incentive Stock Options may be granted only to Employees. Nonqualified Stock Options may be granted to Employees, Non-Employee Directors and Key Advisors.

(ii) The purchase price (the "Exercise Price") of Company Stock subject to an Option shall be determined by the Committee and shall be equal to or greater than the Fair Market Value (as defined below) of a share of Company Stock on the date the Option is granted; provided, however, that an Incentive Stock Option shall not be granted to an Employee who, at the time of grant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any parent or subsidiary of the Company, unless the Exercise Price per share is not less than one hundred ten percent (110%) of the Fair Market Value of Company Stock on the date of grant.

(iii) While the Company Stock is publicly traded, the Fair Market Value per share shall be determined as follows: (x) if the principal trading market for the Company Stock is a national securities exchange or the Nasdaq National Market, the last reported sale price thereof on the relevant date or (if there were no trades on that date) the latest preceding date upon which a sale was reported. or (y) if the Company Stock is not principally traded on such exchange or market, the mean between the last reported "bid" and "asked" prices of Company Stock on the relevant date, as reported on Nasdaq or, if not so reported, as reported by the National Daily Quotation Bureau, Inc. or as reported in a customary financial reporting service, as applicable and as the Committee determines. If the Company Stock ever ceases to be publicly traded or, if publicly traded, is not subject to reported transactions or "bid" or "asked" quotations as set forth above, the Fair Market Value per share shall be as determined by the Committee.

(c) Option Term. The Committee shall determine the term of each Option. The term of any Option shall not exceed ten (10) years from the date of grant. However, an Incentive Stock Option that is granted to an Employee who, at the time of owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, or any parent or subsidiary of the Company, may not have a term that exceeds five years from the date of grant.

(d) Exercisability of Options. Options shall become exercisable in accordance with such terms and conditions, consistent with the Plan, as may be determined by the Committee and specified in the Grant Instrument. The Committee may waive or accelerate the satisfaction of an exercise term or condition of any or all outstanding Options at any time for any reason.

(e) Termination of Employment, Disability or Death.

(i) Except as provided below, an Option may only be exercised while the Grantee is employed by, or providing service to, the Company as an Employee, Key Advisor or member of the Board. In the event that a Grantee ceases to be employed by the Company (in the case of an Employee), serve on the Board (in the case of a Non-Employee Director) or provide service to, the Company (in the case of a Key Advisor) for any reason other than Disability, death, or termination for Cause, any Option which is otherwise exercisable by the Grantee shall terminate unless exercised within 90 days after the date on which the Grantee ceases to be employed by, serve on the Board of, or provide service to, the Company, as applicable, or within such other period of time as may be specified by the Committee, but in any event no later than the date of expiration of the Option term. Except as otherwise provided by the Committee any of the Grantee's Options that are not otherwise exercisable as of the date on which the Grantee ceases to be employed by, or provide service to, the Company shall terminate as of such date.

(ii) In the event the Grantee ceases to be employed by the Company (in the case of Employees), serve on the Board (in the case of a Non-Employee Director) or provide service to the Company (in the case of a Key Advisor) on account of a termination for Cause by the Company, any Option held by that Grantee shall terminate as of the date such Grantee ceases to be employed by, serve on the Board or provide service to, the Company, as applicable. In addition, notwithstanding any other provisions of this Section 5, if the Committee determines that the Grantee has engaged in conduct that constitutes Cause at any time while the Grantee is employed by, serving on the Board or providing service to, as applicable, the Company or after the Grantee's termination of employment, Board membership or service, as applicable, any Option held by that Grantee shall immediately terminate and that Grantee shall automatically forfeit all shares underlying any exercised portion of an Option for which the Company has not yet delivered the share certificates, upon refund by the Company of the Exercise Price paid by that Grantee for such shares. Upon any exercise of an Option, the Company may withhold delivery of share certificates pending resolution of an inquiry that could lead to a finding resulting in a forfeiture.

(iii) In the event the Grantee ceases to be employed by, serve on the Board or provide service to, the Company, as applicable, because the Grantee is Disabled, any Option which is otherwise exercisable by that Grantee shall terminate unless exercised within one year after the date on which that Grantee ceases

to be employed by, be on the Board or provide service to, the Company, as applicable (or within such other period of time as may be specified by the Committee), but in any event no later than the date of expiration of the Option term. Except as otherwise provided by the Committee, any of a Grantee's Options which are not otherwise exercisable as of the date on which the Grantee ceases to be employed by, serve on the Board or provide service to, the Company, as applicable, shall terminate as of such date.

(iv) If the Grantee dies while employed by, serving on the Board or providing service to, the Company, as applicable, or within 90 days after the date on which the Grantee ceases to be employed, serve on the Board or provide service on account of a termination specified in Section 5(e)(i) above (or within such other period of time as may be specified by the Committee), any Option that is otherwise exercisable by that Grantee shall terminate unless exercised within one year after the date on which that Grantee ceases to be employed by, serve on the Board or provide service to, the Company, as applicable (or within such other period of time as may be specified by the Committee), but in any event no later than the date of expiration of the Option term. Except as otherwise provided by the Committee, any of the Grantee's Options that are not otherwise exercisable as of the date on which the Grantee ceases to be employed by, or provide service to, the Company shall terminate as of such date.

(f) Exercise of Options. A Grantee may exercise an Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company with payment of the Exercise Price. The Grantee shall pay the Exercise Price for an Option as specified by the Committee (w) in cash, (x) with the approval of the Committee, by delivering shares of Company Stock owned by the Grantee (including Company Stock acquired in connection with the exercise of an Option, subject to such restrictions as the Committee deems appropriate) and having a Fair Market Value on the date of exercise equal to the Exercise Price or by attestation (on a form prescribed by the Committee) to ownership of shares of Company Stock having a Fair Market Value on the date of exercise equal to the Exercise Price, (y) pay through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, or (z) by such other method as the Committee may approve. The Committee may authorize loans by the Company to Grantees in connection with the exercise of an Option, upon such terms and conditions as the Committee, in its sole discretion, deems appropriate. Shares of Company Stock used to exercise an Option shall have been held by the Grantee for the requisite period of time to avoid adverse accounting consequences to the Company with respect to the Option. The Grantee shall pay the Exercise Price and the amount of any withholding tax due at the time of exercise.

(g) Limits on Incentive Stock Options. Each Incentive Stock Option shall provide that, if the aggregate Fair Market Value of the stock on the date of the grant with respect to which Incentive Stock Options are exercisable for the first time by a Grantee during any calendar year, under the Plan or any other stock option plan of the Company or a parent or subsidiary, exceeds $100,000, then the Option, as to the excess, shall be treated as a Nonqualified Stock Option. An Incentive Stock Option shall not be granted to any person who is not an Employee of the Company or a parent or subsidiary (within the meaning of section 424(f) of the Code).

6. Withholding of Taxes.

(a) Required Withholding. All Grants under the Plan shall be subject to any applicable federal (including FICA), state and local tax withholding requirements. The Company shall have the right to deduct from other wages paid to the Grantee, any federal, state or local taxes required by law to be withheld with respect to such Grants or any exercise thereof. In the case of Options paid in Company Stock, the Company may require that the Grantee or other person receiving or exercising Grants pay to the Company the amount of any federal, state or local taxes that the Company is required to withhold with respect to such Grants, or the Company may deduct from other wages paid by the Company the amount of any withholding taxes due with respect to such Grants.

(b) Election to Withhold Shares. If the Committee so permits, a Grantee may elect to satisfy the Company's income tax withholding obligation with respect to Options paid in Company Stock by having shares withheld up to an amount that does not exceed the Grantee's minimum applicable withholding tax rate for federal (including FICA), state and local tax liabilities. The election must be in a form and manner prescribed by the Committee and may be subject to the prior approval of the Committee.

7. Transfer of Grants.

(a) Nontransferability of Grants. Except as provided below, only the Grantee may exercise rights under a Grant during the Grantee's lifetime. A Grantee may not transfer those rights except by will or by the laws of descent and distribution or, with respect to Grants other than Incentive Stock Options, if permitted in any specific case by the Committee, pursuant to a domestic relations order. When a Grantee dies, such Grantee's Successor Grantee may exercise such rights, provided that any such Successor Grantee must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Grantee's will or under the applicable laws of descent and distribution.

(b) Transfer of Nonqualified Stock Options. Notwithstanding the foregoing, the Committee may provide, in a Grant Instrument, that a Grantee may transfer Nonqualified Stock Options to immediate family members, or one or more trusts or other entities for the benefit of or owned by immediate family members, consistent with the applicable securities laws, according to such terms as the Committee may determine; provided that the Grantee receives no consideration for the transfer of an Option and the transferred Option shall continue to be subject to the same terms and conditions as were applicable to the Option immediately before the transfer.

8. Consequences of a Change of Control.

(a) Assumption of Grants. Upon the occurrence of a Change of Control in which the Company is not the surviving corporation (or survives only as a subsidiary of another corporation), unless the Committee determines otherwise, all outstanding Options that are not exercised shall be assumed by, or replaced with comparable options or rights by the surviving corporation (or a parent of the surviving corporation), and other outstanding Grants shall he converted to similar grants of the surviving corporation (or a parent of the surviving corporation).

(b) Other Alternatives. Notwithstanding the foregoing, in the event of a Change in Control, the Committee may, but shall not be obligated to, take any of the following actions with respect to any or all outstanding Grants: the Committee may (i) determine that outstanding Options shall automatically accelerate and become fully exercisable, (ii) require that Grantees surrender their outstanding Options in exchange for a payment by the Company, in cash or Company Stock as determined by the Committee, in an amount equal to the amount by which the then Fair Market Value of the shares of Company Stock subject to the Grantee's unexercised Options exceeds the Exercise Price of the Options or (iii) after giving Grantees an opportunity exercise their outstanding Options, terminate any or all unexercised Options at such time as the Committee deems appropriate. Such surrender, termination or settlement shall take place as of the date of the Change of Control or such other date as the Committee may specify. The Committee shall have no obligation to take any of the foregoing actions, and, in the absence of any such actions, outstanding Grants shall continue in effect according to their terms (subject to any assumption pursuant to Subsection (a)).

9. Requirements for Issuance or Transfer of Shares.

(a) Limitations on Issuance or Transfer of Shares. No Company Stock shall be issued or transferred in connection with any Grant hereunder unless and until all legal requirements applicable to the issuance or transfer of such Company Stock have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any Grant made to any Grantee hereunder on such Grantee's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares of Company Stock as the Committee shall deem necessary or advisable, and certificates representing such shares maybe legended to reflect any such restrictions. Certificates representing shares of Company Stock issued or transferred under the Plan will be subject to such stop-transfer orders and other restrictions as may be required by applicable laws, regulations and interpretations, including any requirement that a legend be placed thereon.

(b) Lock-Up Period. If so requested by the Company or any representative of the underwriters (the "Managing Underwriter") in connection with any underwritten offering of securities of that Company under the Securities Act a Grantee (including any successors or assigns) shall not sell or otherwise transfer any shares or other securities of the Company during the 30-day period preceding and the 180-day period following the effective date of

a registration statement of the Company filed under the Securities Act for such underwriting (or such shorter period as may be requested by the Managing Underwriter and agreed to by the Company) (the "Market Standoff Period"). The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such Market Standoff Period. Certificates representing Company stock issued upon exercise of Options or otherwise pursuant to the Plan shall bear such legend regarding the lock-up period obligations as counsel to the Company shall determine.

10. Amendment and Termination of the Plan.

(a) Amendment. The Board may amend or terminate the Plan at any time; provided, however, that the Board shall not amend the Plan without stockholder approval if (i) such approval is required in order for Incentive Stock Options granted or to be granted under the Plan to meet the requirements of section 422 of the Code, (ii) such approval is required in order to exempt compensation under the Plan from the deduction limit under section 162(m) of the Code, or (iii) such approval is required by applicable stock exchange requirements. When amending or terminating the Plan, no Board action shall cause the application of the requirements, the twenty percent (20%) penalty or immediate tax recognition under section 409A of the Code.

(b) Termination of Plan. The Plan shall terminate on the day immediately preceding the tenth anniversary of its effective date, unless the Plan is terminated earlier by the Board or is extended by the Board with the approval of the stockholders.

(c) Termination and Amendment of Outstanding Grants. A termination or amendment of the Plan that occurs after a Grant is made shall not materially impair the rights of a Grantee unless the Grantee consents or unless the Committee acts under Section 16(b) hereunder. The termination of the Plan shall not impair the power and authority of the Committee with respect to an outstanding Grant. Whether or not the Plan has terminated, an outstanding Grant may be terminated or amended under Section 16(b) hereunder or may be amended by agreement of the Company and the Grantee consistent with the Plan.

(d) Governing Document. The Plan shall be the controlling document. No other statements, representations, explanatory materials or examples, oral or written, may amend the Plan in any manner. The Plan shall be binding upon and enforceable against the Company and its successors and assigns.

11. Funding the Plan.

This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Grants under this Plan. In no event shall interest be paid or accrued on any Grant, including unpaid installments of Grants.

12. Rights of Participants.

Nothing in this Plan shall entitle any Employee, Key Advisor, Non-Employee Director or other person to any claim or right to be granted a Grant under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any individual any rights to be retained by or in the employ of the Company or any other employment rights.

13. No Fractional Shares.

No fractional shares of Company Stock shall be issued or delivered pursuant to the Plan or any Grant. The Committee shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

14. Heading.

Section headings are for reference only. In the event of a conflict between a title and the content of a Section, the content of the Section shall control.

15. Effective Date of the Plan.

Subject to approval by the Company's stockholders, the Plan shall be effective on April 19, 2006, the date of the adoption of this Plan by the Board of Directors of the Company.

16. Miscellaneous.

(a) Grants in Connection with Corporate Transactions and Otherwise. Nothing contained in this Plan shall be construed to (i) limit the right of the Committee to make Grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including Grants to employees thereof who become Employees of the Company, or for other proper corporate purposes, or (ii) limit the right of the Company to grant stock options or make other awards outside of this Plan. Without limiting the foregoing, the Committee may make a Grant to an employee of another corporation who becomes an Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company or any of its Subsidiaries in substitution for a stock option or stock award grant made by such corporation. The terms and conditions of the substitute grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives. The Committee shall prescribe the provisions of the substitute grants.

(b) Compliance with Law. The Plan, the exercise of Options and the obligations of the Company to issue or transfer shares of Company Stock under Grants shall be subject to all applicable laws and to approvals by any governmental or regulatory agency as may be required. With respect to Grantees subject to section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. In addition, it is the intent of the Company that the Plan and applicable Grants under the Plan comply with the applicable provisions of section 162(m), section 409A and section 422 of the Code. To the extent that any legal requirement of section 16 of the Exchange Act, or section 162(m), section 409A and section 422 of the Code as set forth in the Plan ceases to be required under section 16 of the Exchange Act, or section 162(m), section 409A and section 422 of the Code, that Plan provision shall cease to apply. The Committee may revoke any Grant if it is contrary to law or modify a Grant to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt rules regarding the withholding of taxes on payments to Grantees. The Committee may, in its sole discretion, agree to limit its authority under this Section.

(c) Savings Provision. In the event any provision of this Plan shall be deemed to cause the application of the twenty percent (20%) penalty or immediate tax recognition under section 409A of the Code, the provision that causes either the application of the penalty or immediate tax recognition shall become null and void, and the Plan shall be construed and enforced as if the provision causing the negative tax consequences had never been contained herein.

(d) Governing Law. The validity, construction, interpretation and effect of the Plan and Grant Instruments issued under the Plan shall be governed and construed by and determined in accordance with the laws of Florida, without giving effect to the conflict of laws provisions thereof.

18. Glossary.

The following terms shall have the meaning assigned them below

"*Board*" shall mean the Board of Directors of the Company.

"*Cause*" shall mean, except to the extent specified otherwise by the Committee, a finding by the Committee that the Grantee (i) has breached his or her employment or service contract with the Company, in the case of Employees or Key Advisors, or breached his fiduciary duties to the Company or otherwise been removed from the Board by the action of the Board, in the case of a Non-Employee Director, (ii) has engaged in disloyalty to the Company, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in

the course of his or her employment or service, (iii) has disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information or (iv) has engaged in such other behavior detrimental to the interests of the Company as the Committee determines.

"*Change of Control*" shall mean the occurrence of any of the following events:

(i) Any "person" (defined to have the meaning in this definition of Change of Control as is assigned that term in sections 13(d) and 14(d) of the Exchange Act) other than an "Excluded Stockholder" (as defined herein) becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the voting power of the then outstanding securities of the Company; provided that a Change of Control shall not be deemed to occur as a result of a transaction in which the Company becomes a subsidiary of another corporation and in which the stockholders of the Company, immediately prior to the transaction, will beneficially own, immediately after the transaction, shares entitling such stockholders to more than fifty percent (50%) of all votes to which all stockholders of the parent corporation would be entitled in the election of directors (without consideration of the rights of any class of stock to elect directors by a separate class vote); the term "Excluded Stockholder" meaning, for purposes of this definition of Change of Control, any person who is the beneficial owner, directly or indirectly of more than twenty percent (20%) of the voting power of the then outstanding securities of the Company;

(ii) The stockholders of the Company approve (or, if stockholder approval is not required, the Board approves) an agreement providing for (i) the merger or consolidation of the Company with another corporation where the stockholders of the Company, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation, shares entitling such stockholders to more than fifty percent (50%) of all votes to which all stockholders of the surviving corporation would be entitled in the election of directors (without consideration of the rights of any class of stock to elect directors by a separate class vote), (ii) the liquidation or dissolution of the Company; or (iii) the sale or other disposition of assets equal to or greater than forty percent (40%) of the total gross fair market value of all assets of the Company immediately prior to such sale or disposition; or

(iii) Any person other than an Excluded Person has commenced a tender offer or exchange offer for thirty percent (30%) or more of the voting power of the then outstanding stock of the Company.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended.

"*Committee*" shall mean the Compensation Committee of the Board.

"*Company*" shall mean Dyadic International, Inc., a Delaware corporation.

"*Company Stock*" shall mean shares of common stock of the Company.

"*Disability*" shall mean a Grantee's becoming disabled within the meaning of section 22(e)(3) of the Code.

"*Employees*" shall mean all employees of the Company and its Subsidiaries, including Employees who are officers or members of the Board.

"*Exchange Act*" shall mean the Securities Exchange Act of 1934, as amended.

"*Exercise Price*" shall mean the purchase price of Company Stock subject to an Option under a Grant.

"*Key Advisors*" shall mean consultants and advisors who perform services for the Company or any of its Subsidiaries.

"*Grantee*" shall mean Key Advisors and Non-Employee Directors who receive Grants under this Plan.

"*Grants*" shall mean awards of Options made by the Committee under the Plan.

"*Grant Instruments*" shall mean the written instrument evidencing the Committee's Grant of an Option to a Participant, or an amendment thereto.

"*Incentive Stock Options*" shall mean Options qualifying as such within the meaning of section 422 of the Code.

"*Managing Underwriter*" shall have the meaning assigned that term in Section 9(b) of the Plan.

"*Market Standoff Period*" shall have the meaning assigned that term in Section 9(b) of the Plan.

"*Non-Employee Directors*" shall mean members of the Board who are not Employees.

"*Non-Qualifying Options*" shall mean Options that do not qualify as Incentive Stock Options.

"*Options*" means Incentive Stock Options and Non-Qualifying Options, without distinction.

"*Plan*" shall mean the Dyadic International, Inc. 2006 Stock Option Plan.

"*Securities Act*" shall mean the Securities Act of 1933, as amended.

"*Subsidiary*" shall mean any corporation or other legal entity of which the Company owns, directly or indirectly, 50% or more of the stock or other equity interests, the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

"*Successor Grantee*" shall mean the personal representative or other person entitled to succeed to the rights of a Grantee following his or her death.

DYADIC INTERNATIONAL, INC.
2011 EQUITY INCENTIVE AWARD PLAN

ARTICLE I.

PURPOSE

The purpose of the Dyadic International, Inc. 2011 Equity Incentive Award Plan (the "Plan") is to promote the success and enhance the value of Dyadic International, Inc. (the "Company") by linking the personal interests of the members of the Board, Employees, and Consultants to those of Company stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company stockholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

ARTICLE 2.

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Administrator" shall mean the entity that conducts the general administration of the Plan as provided in Article 13. With reference to the duties of the Committee under the Plan which have been delegated to one or more persons pursuant to Section 13.6, or as to which the Board has assumed, the term "Administrator" shall refer to such person(s) unless the Committee or the Board has revoked such delegation or the Board has terminated the assumption of such duties.

2.2 "Award" shall mean an Option, a Restricted Stock award, a Restricted Stock Unit award, a Performance Award, a Dividend Equivalents award, a Deferred Stock award, a Stock Payment award or a Stock Appreciation Right, which may be awarded or granted under the Plan (collectively, "Awards").

2.3 "Award Agreement" shall mean any written notice, agreement, terms and conditions, contract or other instrument or document evidencing an Award, including through electronic medium, which shall contain such terms and conditions with respect to an Award as the Administrator shall determine consistent with the Plan.

2.4 "Board" shall mean the Board of Directors of the Company.

2.5 "Change in Control" shall mean and includes each of the following:

(a) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company, any of its parents or subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 2.5(a or Section 2.5(c)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being conve1ted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this Section 2.5(c)(ii) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the **transaction; or**

(d) The Company's stockholders approve a liquidation or dissolution of the Company.

In addition, if a Change in Control constitutes a payment event with respect to any Award which provides for the deferral of compensation and is subject to Section 409A of the Code, the transaction or event described in subsection (a), (b), (c) or (d) with respect to such Award must also constitute a "change in control event," as defined in Treasury Regulation §I .409A-3(i)(5) to the extent required by Section 409A.

The Committee shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

2.6 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

2.7 "Committee" shall mean the Compensation Committee of the Board, or another committee or subcommittee of the Board, appointed as provided in Section 13.1.

2.8 "Common Stock" shall mean the common stock of the Company, par value $0.001 per share.

2.9 "Company" shall mean Dyadic International, Inc., a Delaware corporation.

2.10 "Consultant" shall mean any consultant or adviser engaged to provide services to the Company or any Subsidiary that qualifies as a consultant under the applicable rules of the Securities and Exchange Commission for registration of shares on a Form S-8 Registration Statement.

2.11 "Covered Employee" shall mean any Employee who is, or could be, a "covered employee" within the meaning of Section 162(m) of the Code.

2.12 "Deferred Stock" shall mean a right to receive Common Stock awarded under Section 9.4.

2.13 "Director" shall mean a member of the Board, as constituted from time to time.

2.14 "Dividend Equivalent" shall mean a right to receive the equivalent value (in cash or Common Stock) of dividends paid on Common Stock, awarded under Section 9.2.

2.15 "DRO" shall mean a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended from time to time, or the rules thereunder.

2.16 "Effective Date" shall mean the date the Plan is approved by the Board, subject to approval of the Plan by the Company's stockholders.

2.17 "Eligible Individual" shall mean any person who is an Employee, a Consultant or a Non-Employee Director, as determined by the C01mnittee.

2.18 "Employee" shall mean any officer or other employee (as determined in accordance with Section 340l(c) of the Code and the Treasury Regulations thereunder) of the Company or of any Subsidiary.

2.19 "Equity Restructuring" shall mean a nonreciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the number or kind of shares of Common Stock (or other securities of the Company) or the share price of Common Stock (or other securities) and causes a change in the per share value of the Common Stock underlying outstanding Awards.

2.20 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.21 "Fair Market Value" shall mean, as of any given date, the value of a share of Common Stock determined as follows:

(a) If the Common Stock is listed on any established stock exchange (such as the New York Stock Exchange, the NASDAQ Global Market and the NASDAQ Global Select Market) or national market system, its Fair Market Value shall be the closing sales price for a share of Common Stock as quoted on such exchange or system for such date or, if there is no closing sales price for a share of Common Stock on the date in question, the closing sales price for a share of Common Stock on the last preceding date for which such quotation exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(b) If the Common Stock is not listed on an established stock exchange or national market system, but the Common Stock is regularly quoted by a recognized securities dealer, its Fair Market Value shall be the mean of the high bid and low asked prices for such date or, if there are no high bid and low asked prices for a share of Common Stock on such date, the high bid and low asked prices for a share of Common Stock on the last preceding date for which such information exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(c) If the Common Stock is neither listed on an established stock exchange or a national market system nor regularly quoted by a recognized securities dealer, its Fair Market Value shall be established by the Administrator in good faith.

2.22 "Greater Than 10% Stockholder" shall mean an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any subsidiary corporation (as defined in Section 424(f) of the Code) or parent corporation thereof (as defined in Section 424(e) of the Code).

2.23 "Holder" shall mean a person who has been granted an Award.

2.24 "Incentive Stock Option" shall mean an Option that is intended to qualify as an incentive stock option and conforms to the applicable provisions of Section 422 of the Code.

2.25 "Non-Employee Director" shall mean a Director of the Company who is not an Employee.

2.26 "Non-Qualified Stock Option" shall mean an Option that is not an Incentive Stock Option.

2.27 "Option" shall mean a right to purchase shares of Common Stock at a specified exercise price, granted under Article 6. An Option shall be either a Non-Qualified Stock Option or an Incentive Stock Option; provided, however, that Options granted to Non-Employee Directors and Consultants shall be Non-Qualified Stock Options.

2.28 "Performance Award" shall 1nean a cash bonus award, stock bonus award, performance award or incentive award that is paid in cash, Common Stock or a combination of both, awarded under Section 9.1.

2.29 "Performance-Based Compensation" shall mean any compensation that is intended to qualify as "performance-based compensation" as described in Section 162(m)(4)(C) of the Code.

2.30 "Performance Criteria" shall mean the criteria (and adjustments) that the Committee selects for an Award for purposes of establishing the Performance Goal or Performance Goals for a Performance Period, determined as follows:

(a) The Performance Criteria that shall be used to establish Performance Goals are limited to the following: (i) net earnings (either before or after one or more of the following: (A) interest, (B) taxes, (C) depreciation and (D) amortization), (ii) gross or net sales or revenue, (iii) net income (either before or after taxes), (iv) operating earnings or profit, (v) cash flow (including, but not limited to, operating cash flow and free cash flow), (vi) return on assets, (vii) return on capital, (viii) return on stockholders' equity, (ix) return on sales, (x) gross or net profit or operating margin, (xi) costs, (xii) funds from operations, (xiii) expenses, (xiv) working capital, (xv) earnings per share, (xvi) price per share of Common Stock, (xvii) regulatory body approval for commercialization of a product, (xviii) implementation or completion of critical projects and (xix) market share, any of which may be measured either in absolute terms for the Company or any operating unit of the Company or as compared to any incremental increase or decrease or as compared to results of a peer group or to market perfo1mance indicators or indices.

(b) The Administrator may, in its sole discretion, provide that one or more objectively dete1minable adjustments shall be made to one or more of the Performance Goals. Such adjustments may include one or more of the following: (i) items related to a change in accounting principle; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to acquisitions; (vi) items attributable to the business operations of any entity acquired by the Company during the Performance Period; (vii) items related to the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under United States generally accepted accounting principles ("GAAP"); (ix) items attributable to any stock dividend, stock split, combination or exchange of shares occurring during the Performance Period; or (x) any other items of significant income or expense which are determined to be appropriate adjustments; (xi) items relating to unusual or extraordinary corporate transactions, events or developments, (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of the Company's core, on-going business activities; or (xiv) items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions. For all Awards intended to qualify as Performance-Based Compensation, such determinations shall be made within the time prescribed by, and otherwise in compliance with, Section 162(m) of the Code.

2.31 "Performance Goals" shall mean, for a Performance Period, one or more goals established in writing by the Administrator for the Performance Period based upon one or more Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, or an individual.

2.32 "Performance Period" shall mean one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Goals will be measured for the purpose of dete1mining a Holder's right to, and the payment of, a Performance Award.

2.33 "Plan" shall mean this Dyadic International, Inc. 2011 Equity Incentive Award Plan, as it may be amended or restated from time to time.

2.34 "Prior Plan" shall mean the Dyadic International, Inc. 2006 Stock Option Plan, as such plan may be amended from time to time.

2.35 "Public Trading Date" shall mean the first date upon which Common Stock is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system.

2.36 "Restricted Stock" shall mean Common Stock awarded under Article 8 that is subject to ce1tain restrictions and may be subject to risk of forfeiture or repurchase.

2.37 "Restricted Stock Units" shall mean the right to receive Common Stock awarded under Section 9.5.

2.38 "Securities Act" shall mean the Securities Act of 1933, as amended.

2.39 "Stock Appreciation Right" shall mean a stock appreciation right granted under Article I 0.

2.40 "Stock Payment" shall mean (a) a payment in the form of shares of Common Stock, or (b) an option or other right to purchase shares of Common Stock, as part of a bonus, deferred compensation or other arrangement, awarded under Section 9.3.

2.41 "Subsidiary" means any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing more than fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

2.42 "Substitute Award" shall mean an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of prope1iy or stock; provided, however, that in no event shall the te1m "Substitute Award" be construed to refer to an award made in connection with the cancellation and repricing of an Option or Stock Appreciation Right.

2.43 "Termination of Service" shall mean:

(a) As to a Consultant, the time when the engagement of a Holder as a Consultant to the Company or a Subsidiary is terminated for any reason, with or without cause, including, without limitation, by resignation, discharge, death or retirement, but excluding terminations where the Consultant simultaneously commences or remains in employment or service with the Company or any Subsidiary.

(b) As to a Non-Employee Director, the time when a Holder who is a Non-Employee Director ceases to be a Director for any reason, including, without limitation, a termination by resignation, failure to be elected, death or retirement, but excluding terminations where the Holder simultaneously commences or remains in employment or service with the Company or any Subsidiary.

(c) As to an Employee, the time when the employee-employer relationship between a Holder and the Company or any Subsidiary is te1minated for any reason, including, without limitation, a termination by resignation, discharge, death, disability or retirement; but excluding terminations where the Holder simultaneously commences or remains in employment or service with the Company or any Subsidiary.

The Administrator, in its sole discretion, shall determine the effect of all matters and questions relating to a Termination of Service, including, without limitation, the question of whether a Termination of Service resulted from a discharge for cause and all questions of whether particular leaves of absence constitute a Termination of Service; provided, however, that, with respect to Incentive Stock Options, unless the Administrator otherwise provides in the terms of the Award Agreement or otherwise, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Te1mination of Service only if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section. For purposes of the Plan, a Holder's employee-employer relationship or consultancy relations shall be deemed to be te1minated in the event that the Subsidiary employing or contracting with such Holder ceases to remain a Subsidiary following any merger, sale of stock or other corporate transaction or event (including, without limitation, a spin-off).

ARTICLE 3.

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to Section 14.2 and Section 3.l(b) the aggregate number of shares of Stock which may be issued or transferred pursuant to Awards under the Plan is the sum of (i) 3,000,000 shares, (ii) any shares of Stock which as of the Effective Date are available for issuance under the Prior Plan, or are subject to awards under the Prior Plan which are forfeited or lapse unexercised and which following the Effective Date are not issued under the Prior Plan; and (iii) an annual increase on the first day of each year beginning in 2012 and ending in 2021, equal to 1,500,000 shares or such smaller number of shares of Stock as determined by the Board.

(b) To the extent that an Award terminates, expires, or lapses for any reason, or an Award is settled in cash without the delivery of shares to the Holder, then any shares of Common Stock subject to the Award shall again be available for the grant of an Award pursuant to the Plan. Any shares of Common Stock tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any Award shall again be available for the grant of an Award pursuant to the Plan. Any shares of Common Stock repurchased by the Company prior to vesting so that such shares are returned to the Company will again be available for Awards. To the extent permitted by applicable law or any exchange rule, shares of Common Stock issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or any Subsidiary shall not be counted against shares of Common Stock available for grant pursuant to the Plan. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not be counted against the shares available for issuance under the Plan. Notwithstanding the provisions of this Section 3.l(b), no shares of Common Stock may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

3.2 Stock Distributed. Any Common Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Common Stock, treasury Common Stock or Common Stock purchased on the open market.

ARTICLE 4.

GRANTING OF AWARDS

4.1 Participation. The Administrator may, from time to time, select from among all Eligible Individuals, those to whom an Award shall be granted and shall dete1mine the nature and amount of each Award, which shall not be inconsistent with the requirements of the Plan. Except as provided in Article 12 regarding the automatic grant of options to Non-Employee Directors, no Eligible Individual shall have any right to be granted an Award pursuant to the Plan.

4.2 Award Agreement. Each Award shall be evidenced by an Award Agreement. Award Agreements evidencing Awards intended to qualify as Performance-Based Compensation shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code. Award Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

4.3 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3 of the Exchange Act and any amendments thereto) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

4.4 At-Will Employment. Nothing in the Plan or in any Award Agreement hereunder shall confer upon any Holder any right to continue in the employ of, or as a Director or Consultant for, the Company or any Subsidiary, or shall interfere with or restrict in any way the rights of the Company and any Subsidiary, which rights are hereby expressly reserved, to discharge any Holder at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Holder and the Company or any Subsidiary.

4.5 Foreign Holders. Notwithstanding any provision of the Plan to the contra1y, in order to comply with the laws in other countries in which the Company and its Subsidiaries operate or have Employees, Non-Employee Directors or Consultants, or in order to comply with the requirements of any foreign stock exchange, the Administrator, in its sole discretion, shall have the power and authority to: (a) determine which Subsidiaries shall be covered by the Plan; (b) determine which Eligible Individuals outside the United States are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to Eligible Individuals outside the United States to comply with applicable foreign laws or listing requirements of any such foreign stock exchange; (d) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable (any such subplans and/or modifications shall be attached to the Plan as appendices); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in

Sections 3.1; and (e) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulat01y exemptions or approvals or listing requirements of any such foreign stock exchange. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act, the Securities Act or any other securities law or governing statute or any other applicable law.

4.6 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the sole discretion of the Administrator, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

ARTICLE 5.

PROVISIONS APPLICABLE TO AWARDS INTENDED TO QUALIFY AS PERFORMANCE-BASED COMPENSATION

5.1 Purpose. The Committee, in its sole discretion, may determine whether an Award is to qualify as Performance-Based Compensation. If the Committee, in its sole discretion, decides to grant such an Award to an Eligible Individual that is intended to qualify as Performance-Based Compensation, then the provisions of this Article 5 shall control over any contrary provision contained in the Plan. The Administrator may in its sole discretion grant Awards to other Eligible Individuals that are based on Performance Criteria or Performance Goals but that do not satisfy the requirements of this Article 5 and that are not intended to qualify as Performance-Based Compensation. Unless otherwise specified by the Administrator at the time of grant, the Performance Criteria with respect to an Award intended to be Performance-Based Compensation payable to a Covered Employee shall be dete1mined on the basis of GAAP.

5.2 Applicability. The grant of an Award to an Eligible Individual for a particular Performance Period shall not require the grant of an Award to such Individual in any subsequent Performance Period and the grant of an Award to any one Eligible Individual shall not require the grant of an Award to any other Eligible Individual in such period or in any other period.

5.3 Types of Awards. Notwithstanding anything in the Plan to the contrary, the Committee may grant any Award to an Eligible Individual intended to qualify as Performance-Based Compensation, including, without limitation, Restricted Stock the restrictions with respect to which lapse upon the attainment of specified Performance Goals, and any performance or incentive Awards described in Article 9 that vest or become exercisable or payable upon the attainment of one or more specified Performance Goals.

5.4 Procedures with Respect to Performance-Based Awards. To the extent necessary to comply with the requirements of Section 162(m)(4)(C) of the Code, with respect to any Award granted under Articles 8 or 9 to one or more Eligible Individuals and which is intended to qualify as Performance-Based Compensation, no later than 90 days following the commencement of any Performance Period or any designated fiscal period or period of service (or such earlier time as may be required under Section 162(m) of the Code), the Committee shall, in writing, (a) designate one or more Holders, (b) select the Perfo1mance Criteria applicable to the Performance Period, (c) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period based on the Performance Criteria, and (d) specify the relationship between Performance Criteria and the Performance Goals and the amounts of such Awards, as applicable, to be earned by each Covered Employee for such Performance Period. Following the completion of each Performance Period, the Committee shall ce1tify in writing whether and the extent to which the applicable Performance Goals have been achieved for such Performance Period. In determining the amount earned under such Awards, the Committee shall have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the Performance Period.

5.5 Payment of Performance-Based Awards. Unless otherwise provided in the applicable Award Agreement and only to the extent otherwise permitted by Section 162(m)(4)(C) of the Code, as to an Award that is intended to qualify as Performance-Based Compensation, the Holder must be employed by the Company or a Subsidiary throughout the Performance Period. Furthermore, a Holder shall be eligible to receive payment pursuant to such Awards for a Performance Period only if and to the extent the Performance Goals for such period are achieved.

5.6 Additional Limitations. Notwithstanding any other provision of the Plan, any Award which is granted to an Eligible Individual and is intended to qualify as Performance-Based Compensation shall be subject to any additional limitations set forth in Section 162(m) of the Code or any regulations or rulings issued thereunder that are requirements for qualification as Performance-Based Compensation, and the Plan and the Award Agreement shall be deemed amended to the extent necessary to conform to such requirements.

ARTICLE 6.

GRANTING OF OPTIONS

6.1 Granting of Options to Eligible Individuals. The Administrator is authorized to grant Options to Eligible Individuals from time to time, in its sole discretion, on such terms and conditions as it may determine which shall not be inconsistent with the Plan.

6.2 Qualification of Incentive Stock Options. No Incentive Stock Option shall be granted to any person who is not an Employee of the Company or any subsidiary corporation of the Company (as defined in Section 424(f) of the Code). No person who qualifies as a Greater Than 10% Stockholder may be granted an Incentive Stock Option unless such Incentive Stock Option conforms to the applicable provisions of Section 422 of the Code. Any Incentive Stock Option granted under the Plan may be modified by the Administrator, with the consent of the Holder, to disqualify such Option from treatment as an "incentive stock option" under Section 422 of the Code. To the extent that the aggregate fair market value of stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by a Holder during any calendar year under the Plan, and all other plans of the Company and any Subsidiary or parent corporation thereof (as defined in Section 424(e) of the Code), exceeds $100,000, the Options shall be treated as Non-Qualified Stock Options to the extent required by Section 422 of the Code. The rule set forth in the preceding sentence shall be applied by taking Options and other "incentive stock options" into account in the order in which they were granted and the fair market value of stock shall be determined as of the time the respective options were granted.

6.3 Option Exercise Price. The exercise price per share of Common Stock subject to each Option shall be set by the Administrator, but shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted (or, as to Incentive Stock Options, on the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code), unless otherwise determined by the Administrator. In addition, in the case of Incentive Stock Options granted to a Greater Than 10% Stockholder, such price shall not be less than 110% of the Fair Market Value of a share of Common Stock on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code).

6.4 Option Term. The term of each Option shall be set by the Administrator in its sole discretion; provided, however, that the term shall not be more than ten (10) years from the date the Option is granted, or five (5) years from the date an Incentive Stock Option is granted to a Greater Than 10% Stockholder. The Administrator shall determine the time period, including the time period following a Termination of Service, during which the Holder has the right to exercise the vested Options, which time period may not extend beyond the term of the Option term. Except as limited by the requirements of Section 409A or Section 422 of the Code and regulations and rulings thereunder, the Administrator may extend the term of any outstanding Option, and may extend the time period during which vested Options may be exercised, in connection with any Termination of Service of the Holder, and may amend any other term or condition of such Option relating to such a Termination of Service.

6.5 Option Vesting.

(a) The Administrator shall determine the period during which a Holder shall vest in an Option and have the right to exercise such Option in whole or in part. Such vesting may be based on service with the Company or any Subsidiary, any of the Performance Criteria, or any other criteria selected by the Administrator. At any time after grant of an Option, the Administrator may, in its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option vests.

(b) No portion of an Option which is unexercisable at a Holder's Termination of Service shall thereafter become exercisable, except as may be otherwise provided by the Administrator either in the Award Agreement or by action of the Administrator following the grant of the Option.

6.6 Substitute Awards. Notwithstanding the foregoing provisions of this Article 6 to the contrary, in the case of an Option that is a Substitute Award, the price per share of the shares subject to such Option may be less than the Fair Market Value per share on the date of grant, provided, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate exercise price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Administrator) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate exercise price of such shares.

6.7 Substitution of Stock Appreciation Rights. The Administrator may provide in the Award Agreement evidencing the grant of an Option that the Administrator, in its sole discretion, shall have the right to substitute a Stock Appreciation Right for such Option at any time prior to or upon exercise of such Option; provided, that such Stock Appreciation Right shall be exercisable with respect to the same number of shares of Common Stock for which such substituted Option would have been exercisable.

ARTICLE 7.

EXERCISE OF OPTIONS

7.1 Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Administrator may require that, by the terms of the Option, a partial exercise must be with respect to a minimum number of shares.

7.2 Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company, or such other person or entity designated by the Administrator, or his, her or its office, as applicable:

(a) A written notice complying with the applicable rules established by the Administrator stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Option or such p01iion of the Option;

(b) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal, state or foreign securities laws or regulations. The Administrator may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share ce1iificates and issuing stop-transfer notices to agents and registrars;

(c) In the event that the Option shall be exercised pursuant to Section 11.3 by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Option; and

(d) Full payment of the exercise price and applicable withholding taxes to the Secretary of the Company for the shares with respect to which the Option, or portion thereof, is exercised, in a manner pe1mitted by Section 11.1 and 11.2.

7.3 Notification Regarding Disposition. The Holder shall give the Company prompt notice of any disposition of shares of Common Stock acquired by exercise of an Incentive Stock Option which occurs within (a) two years from the date of granting (including the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code) such Option to such Holder, or (b) one year after the transfer of such shares to such Holder.

ARTICLE 5.

AWARD OF RESTRICTED STOCK

8.1 Award of Restricted Stock.

(a) The Administrator is authorized to grant Restricted Stock to Eligible Individuals, and shall determine the terms and conditions, including the restrictions applicable to each award of Restricted Stock, which terms and conditions shall not be inconsistent with the Plan, and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate.

(b) The Administrator shall establish the purchase price, if any, and form of payment for Restricted Stock; provided, however, that such purchase price shall be no less than the par value of the Common Stock to be purchased, unless otherwise permitted by applicable state law. In all cases, legal consideration shall be required for each issuance of Restricted Stock.

8.2 Rights as Stockholders. Subject to Section 8.4, upon issuance of Restricted Stock, the Holder shall have, unless otherwise provided by the Administrator, all the rights of a stockholder with respect to said shares, subject to the restrictions in his or her Award Agreement, including the right to receive all dividends and other distributions paid or made with respect to the shares; provided, however, that, in the sole discretion of the Administrator, any extraordinary distributions with respect to the Common Stock shall be subject to the restrictions set forth in Section 8.3.

8.3 Restrictions. All shares of Restricted Stock (including any shares received by Holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of each individual Award Agreement, be subject to such restrictions and vesting requirements as the Administrator shall provide. Such restrictions may include, without limitation, restrictions concerning voting rights and transferability and such restrictions may lapse separately or in combination at such times and pursuant to such circumstances or based on such criteria as selected by the Administrator, including, without limitation, criteria based on the Holder's duration of employment, directorship or consultancy with the Company, the Performance Criteria, Company performance, individual performance or other criteria selected by the Administrator. By action taken after the Restricted Stock is issued, the Administrator may, on such terms and conditions as it may determine to be appropriate, accelerate the vesting of such Restricted Stock by removing any or all of the restrictions imposed by the terms of the Award Agreement. Restricted Stock may not be sold or encumbered until all restrictions are terminated **or expire.**

8.4 Repurchase or Forfeiture of Restricted Stock. If no price was paid by the Holder for the Restricted Stock, upon a Termination of Service the Holder's rights in unvested Restricted Stock then subject to restrictions shall lapse, and such Restricted Stock shall be surrendered to the Company and cancelled without consideration. Ifa price was paid by the Holder for the Restricted Stock, upon a Te1mination of Service the Company shall have the right to repurchase from the Holder the unvested Restricted Stock then subject to restrictions at a cash price per share equal to the price paid by the Holder for such Restricted Stock or such other amount as may be specified in the Award Agreement. The Administrator in its sole discretion may provide that in the event of certain events, including a Change in Control, the Holder's death, retirement or disability or any other specified Termination of Service or any other event, the Holder's rights in unvested Restricted Stock shall not lapse, such Restricted Stock shall vest and, if applicable, the Company shall not have a right of repurchase.

8.5 Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine. Certificates or book entries evidencing shares of Restricted Stock must include an appropriate legend refe1Ting to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, in its sole discretion, retain physical possession of any stock certificate until such time as all applicable restrictions lapse.

8.6 Section 83(b) Election. If a Holder makes an election under Section 83(b) of the Code to be taxed with respect to the Restricted Stock as of the date of transfer of the Restricted Stock rather than as of the date or dates upon which the Holder would otherwise be taxable under Section 83(a) of the Code, the Holder shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service**.**

ARTICLE 9.

AWARD OF PERFORMANCE AWARDS, DIVIDEND EQUIVALENTS, DEFERRED STOCK, STOCK PAYMENTS, RESTRICTED STOCK UNITS

9.1 Performance Awards.

(a) The Administrator is authorized to grant Performance Awards to any Eligible Individual and to determine whether such Performance Awards shall be Performance-Based Compensation. The value of Performance Awards may be linked to any one or more of the Performance Criteria or other specific criteria determined by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator. In making such determinations, the Administrator shall consider (among such other factors as it deems relevant in light of the specific type of Award) the contributions, responsibilities and other compensation of the particular Eligible Individual. Performance Awards may be paid in cash, shares of Common Stock, or both, as determined by the Administrator.

(b) Without limiting Section 9.l(a), the Administrator may grant Performance Awards to any Eligible Individual in the form of a cash bonus payable upon the attainment of objective Performance Goals, or such other criteria, whether or not objective, which are established by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator. Any such bonuses paid to a Holder which are intended to be Performance-Based Compensation shall be based upon objectively determinable bonus formulas established in accordance with the provisions of Article *5.*

9.2 Dividend Equivalents.

(a) Dividend Equivalents may be granted by the Administrator based on dividends declared on the Common Stock, to be credited as of dividend payment dates during the period between the date an Award is granted to a Holder and the date such Award vests, is exercised, is distributed or expires, as dete1mined by the Administrator. Such Dividend Equivalents shall be converted to cash or additional shares of Common Stock by such formula and at such time and subject to such limitations as may be dete1mined by the Administrator.

(b) Notwithstanding the foregoing, no Dividend Equivalents shall be payable with respect to Options or Stock Appreciation Rights, unless otherwise determined by the Administrator.

9.3 Stock Payments. The Administrator is authorized to make Stock Payments to any Eligible Individual. The number or value of shares of any Stock Payment shall be determined by the Administrator and may be based upon one or more Performance Criteria or any other specific criteria, including service to the Company or any Subsidiary, determined by the Administrator. Stock Payments may, but are not required to be made in lieu of base salary, bonus, fees or other cash compensation otherwise payable to such Eligible Individual.

9.4 Deferred Stock. The Administrator is authorized to grant Deferred Stock to any Eligible Individual. The number of shares of Deferred Stock shall be determined by the Administrator and may be based on one or more Performance Criteria or other specific criteria, including service to the Company or any Subsidiary, as the Administrator determines, in each case on a specified date or dates or over any period or periods dete1mined by the Administrator. Common Stock underlying a Deferred Stock award will not be issued until the Deferred Stock award has vested, pursuant to a vesting schedule or other conditions or criteria set by the Administrator. Unless otherwise provided by the Administrator, a Holder of Deferred Stock shall have no rights as a Company stockholder with respect to such Deferred Stock until such time as the Award has vested and the Common Stock underlying the Award has been issued to the Holder.

9.5 Restricted Stock Units. The Administrator is authorized to grant Restricted Stock Units to any Eligible Individual. The number and terms and conditions of Restricted Stock Units shall be determined by the Administrator. The Administrator shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate, including conditions based on one or more Performance Criteria or other specific criteria, including service to the Company or any Subsidiary, in each case on a specified date or dates or over any period or periods, as the Administrator determines. The Administrator shall specify, or permit the Holder to elect, the conditions and dates upon which the shares of Common Stock underlying the Restricted Stock Units which shall be issued. On the distribution dates, the

Company shall issue to the Holder one unrestricted, fully transferable share of Common Stock for each vested and nonforfeitable Restricted Stock Unit.

9.6 Term. The term of a Performance Award, Dividend Equivalent award, Deferred Stock award, Stock Payment award and/or Restricted Stock Unit award shall be set by the Administrator in its sole discretion.

9.7 Exercise or Purchase Price. The Administrator may establish the exercise or purchase price of a Performance Award, shares of Deferred Stock, shares distributed as a Stock Payment award or shares distributed pursuant to a Restricted Stock Unit award; provided, however, that value of the consideration shall not be less than the par value of a share of Common Stock, unless otherwise permitted by applicable law.

9.8 Exercise upon Termination of Service. A Performance Award, Dividend Equivalent award, Deferred Stock award, Stock Payment award and/or Restricted Stock Unit award is exercisable or distributable only while the Holder is an Employee, Director or Consultant, as applicable. The Administrator, however, in its sole discretion may provide that the Performance Award, Dividend Equivalent award, Deferred Stock award, Stock Payment award and/or Restricted Stock Unit award may be exercised or distributed subsequent to a Termination of Service in certain events, including a Change in Control, the Holder's death, retirement or disability or any other specified **Termination of Service.**

ARTICLE 10.

AWARD OF STOCK APPRECIATION RIGHTS

10.1 Grant of Stock Appreciation Rights.

(a) The Administrator is authorized to grant Stock Appreciation Rights to Eligible Individuals from time to time, in its sole discretion, on such terms and conditions as it may determine consistent with the Plan.

(b) A Stock Appreciation Right shall entitle the Holder (or other person entitled to exercise the Stock Appreciation Right pursuant to the Plan) to exercise all or a specified porttion of the Stock Appreciation Right (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying the difference obtained by subtracting the exercise price per share of the Stock Appreciation Right from the per share Fair Market Value on the date of exercise of the Stock Appreciation Right by the number of shares of Common Stock with respect to which the Stock Appreciation Right shall have been exercised, subject to any limitations the Administrator may impose. Except as described in (c) below, the exercise price per share of Common Stock subject to each Stock Appreciation Right shall be set by the Administrator, but shall not be less than I 00% of the Fair Market Value on the date the Stock Appreciation Right is granted, unless determined otherwise by the Administrator.

(c) Notwithstanding the foregoing provisions of Section 10.1(b) to the contrary, in the case of an Stock Appreciation Right that is a Substitute Award, the price per share of the shares subject to such Stock Appreciation Right may be less than the Fair Market Value per share on the date of grant, provided, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate exercise price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Administrator) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate exercise price of such shares.

10.2 Stock Appreciation Right Vesting.

(a) The Administrator shall determine the period during which a Holder shall vest in a Stock Appreciation Right and have the right to exercise such Stock Appreciation Right in whole or in part. Such vesting may be based on service with the Company or any Subsidiary, or any other criteria selected by the Administrator. At any time after grant of a Stock Appreciation Right, the Administrator may, in its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which a Stock Appreciation Right vests.

(b) No portion of a Stock Appreciation Right which is unexercisable at Termination of Service shall thereafter become exercisable, except as may be otherwise provided by the Administrator either in the Award Agreement or by action of the Administrator following the grant of the Stock Appreciation Right.

10.3 Manner of Exercise. All or a portion of an exercisable Stock Appreciation Right shall be deemed exercised upon delivery of all of the following to the Secretary of the Company, or such other person or entity designated by the Administrator, or his, her or its office, as applicable:

(a) A written notice complying with the applicable rules established by the Administrator stating that the Stock Appreciation Right, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Stock Appreciation Right or such portion of the Stock Appreciation Right;

(b) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal, state or foreign securities laws or regulations. The Administrator may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance; and

(c) In the event that the Stock Appreciation Right shall be exercised pursuant to this Section 10.3 by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Stock Appreciation Right.

10.4 Payment. Payment of the amount determined under Section 10.l(b) above shall be in cash, shares of Common Stock (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised), or a combination of both, as determined by the Administrator.

ARTICLE 11.

ADDITIONAL TERMS OF AWARDS

11.l Payment. The Administrator shall determine the methods by which payments by any Holder with respect to any Awards granted under the Plan shall be made, including, without limitation: (a) cash or check, (b) shares of Common Stock (including, in the case of payment of the exercise price of an Award, shares of Common Stock issuable pursuant to the exercise of the Award) or shares of Common Stock held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences, in each case, having a Fair Market Value on the date of delive1y equal to the aggregate payments required, (c) delivery of a notice that the Holder has placed a market sell order with a broker with respect to shares of Common Stock then issuable upon exercise or vesting of an Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required, *provided,* that payment of such proceeds is then made to the Company upon settlement of such sale, or (d) other form of legal consideration acceptable to the Administrator. The Administrator shall also determine the methods by which shares of Common Stock shall be delivered or deemed to be delivered to Holders. Notwithstanding any other provision of the Plan to the contrary, no Holder who is a Director or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

11.2 Tax Withholding. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Holder to remit to the Company, an amount sufficient to satisfy federal, state, local and foreign taxes (including the Holder's FICA or employment tax obligation) required by law to be withheld with respect to any taxable event concerning a Holder arising as a result of the Plan. The Administrator may in its sole discretion and in satisfaction of the foregoing requirement withhold, or allow a Holder to elect to have the Company withhold shares of Common Stock otherwise issuable under an Award (or allow the surrender of shares of Common Stock). Unless determined otherwise by the Administrator, the number of shares of Common Stock which may be so withheld or surrendered shall be limited to the number of shares which have a Fair Market Value on the date of withholding or repurchase no greater than the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income. The Administrator shall determine the fair market value of the Common Stock, consistent with applicable provisions of the Code, for tax withholding obligations due in connection with a broker assisted cashless Option or Stock Appreciation Right exercise involving the sale of shares to pay the Option or Stock Appreciation Right exercise price or any tax withholding obligation.

11.3 Transferability of Awards.

(a) Except as otherwise provided in Section 11.3(b):

(i) No Award under the Plan may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to the consent of the Administrator, pursuant to a DRO, unless and until such Award has been exercised, or the shares underlying such Award have been issued, and all restrictions applicable to such shares have lapsed;

(ii) No Award or interest or right therein shall be liable for the debts, contracts or engagements of the Holder or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence; and

(iii) During the lifetime of the Holder, only the Holder may exercise an Award (or any portion thereof) granted to him under the Plan, unless it has been disposed of pursuant to a DRO; after the death of the Holder, any exercisable po1tion of an Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Award Agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Holder's will or under the then applicable laws of descent and distribution.

(b) Notwithstanding Section 1l.3(a), the Administrator, in its sole discretion, may determine to permit a Holder to transfer an Award other than an Incentive Stock Option to any one or more Permitted Transferees (as defined below), subject to the following terms and conditions: (i) an Award transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than by will or the laws of descent and distribution; (ii) an Award transferred to a Permitted Transferee shall continue to be subject to all the te1ms and conditions of the Award as applicable to the original Holder (other than the ability to further transfer the Award); and (iii) the Holder and the Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a Pe1mitted Transferee, (B) satisfy any requirements for an exemption for the transfer under applicable federal, state and foreign securities laws and (C) evidence the transfer. For purposes of this Section l l.3(b), "Permitted Transferee" shall mean, with respect to a Holder, any "family member" of the Holder, as defined under the instructions to use of the Form S-8 Registration Statement under the Securities Act, or any other transferee specifically approved by the Administrator after taking into account any state, federal, local or foreign tax and securities laws applicable to transferable Awards.

(c) Notwithstanding Section l l.3(a), a Holder may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Holder and to receive any distribution with respect to any Award upon the Holder's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Holder, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessa1y or appropriate by the Administrator. If the Holder is married or a domestic partner in a domestic partnership qualified under applicable law and resides in a community property state, a designation of a person other than the Holder's spouse or domestic partner, as applicable, as his or her beneficia1y with respect to more than 50% of the Holder's interest in the Award shall not be effective without the prior written consent of the Holder's spouse or domestic partner. If no beneficiary has been designated or survives the Holder, payment shall be made to the person entitled thereto pursuant to the Holder's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Holder at any time provided the change or revocation is filed with the Administrator prior to the Holder's death.

11.4 Conditions to Issuance of Shares.

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any ce1tificates or make any book entries evidencing shares of Common Stock pursuant to the exercise of any Award, unless and until the Board has determined, with advice of counsel, that the issuance of such shares is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Common Stock are listed or traded, and the shares of Common Stock are

covered by an effective registration statement or applicable exemption from registration. In addition to the terms and conditions provided herein, the Board may require that a Holder make such reasonable covenants, agreements, and representations as the Board, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements.

(b) All Common Stock certificates delivered pursuant to the Plan and all shares issued pursuant to book entry procedures are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state, or foreign securities or other laws, rules and regulations and the rules of any securities exchange or automated quotation system on which the Common Stock is listed, quoted, or traded. The Administrator may place legends on any Common Stock certificate or book entry to reference restrictions applicable to the Common Stock.

(c) The Administrator shall have the right to require any Holder to comply with any timing or other restrictions with respect to the settlement, distribution or exercise of any Award, including a window-period limitation, as may be imposed in the sole discretion of the Administrator.

(d) No fractional shares of Common Stock shall be issued and the Administrator shall determine, in its sole discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding down.

(e) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by any applicable law, rule or regulation, the Company shall not deliver to any Holder certificates evidencing shares of Common Stock issued in connection with any Award and instead such shares of Common Stock shall be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator).

11.5 Forfeiture Provisions. Pursuant to its general authority to determine the terms and conditions applicable to Awards under the Plan, the Administrator shall have the right to provide, in the terms of Awards made under the Plan, or to require a Holder to agree by separate written instrument, that: (a)(i) any proceeds, gains or other economic benefit actually or constructively received by the Holder upon any receipt or exercise of the Award, or upon the receipt or resale of any Common Stock underlying the Award, must be paid to the Company, and (ii) the Award shall terminate and any unexercised portion of the Award (whether or not vested) shall be forfeited, if (b)(i) a Termination of Service occurs prior to a specified date, or within a specified time period following receipt or exercise of the Award, or (ii) the Holder at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as further defined by the Administrator or (iii) the Holder incurs a Te1mination of Service for "cause" (as such term is defined in the sole discretion of the Administrator, or as set forth in a written agreement relating to such Award between the Company and the Holder).

11.6 Repricing. Subject to Section 14.2, the Administrator shall have the authority, without the approval of the stockholders of the Company, to amend any outstanding award, in whole or in part, to increase or reduce the price per share or to cancel and replace an Award, in whole or in part, with the grant of an Award having a price per share that is less than, greater than or equal to the price per share of the original Award.

ARTICLE 12.

NON-EMPLOYEE DIRECTOR AWARDS

12.l Non-Employee Director Awards. The Board may grant Awards to Non-Employee Directors, subject to the limitations of the Plan, pursuant to a written non-discretionary formula established by the Committee, or any successor committee thereto carrying out its responsibilities on the date of grant of any such Award (the "Non Employee Director Equity Compensation Policy"). The Non-Employee Director Equity Compensation Policy shall set forth the type of Award(s) to be granted to Non-Employee Directors, the number of shares of Common Stock to be subject to Non-Employee Director Awards, the conditions on which such Awards shall be granted, become exercisable and/or payable and expire, and such other terms and conditions as the Committee (or such other successor committee as described above) shall dete1mine in its discretion.

ARTICLE 13.

ADMINISTRATION

13.l Administrator. The Compensation Committee (or another committee or a subcommittee of the Board assuming the functions of the Committee under the Plan) shall administer the Plan (except as otherwise permitted herein) and shall consist solely of two or more Non-Employee Directors appointed by and holding office at the pleasure of the Board, each of whom is intended to qualify as both a "non-employee director" as defined by Rule 16b-3 of the Exchange Act or any successor rule, an "outside director" for purposes of Section 162(m) of the Code and an "independent director" under the rules of the NASDAQ Stock Market (or other principal securities market on which shares of Common Stock are traded); provided, that any action taken by the Committee shall be valid and effective, whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this Section 13.l or otherwise provided in any charter of the Committee. Except as may otherwise be provided in any charter of the Committee, appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may only be filled by the Board. Notwithstanding the foregoing, (a) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Awards granted to Non-Employee Directors and (b) the Board or Committee may delegate its authority hereunder to the extent permitted by Section 13.6.

13.2 Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and the Award Agreement, and to adopt such rules for the administration, interpretation and application of the Plan as are not inconsistent therewith, to interpret, amend or revoke any such rules and to amend any Award Agreement provided that the rights or obligations of the holder of the Award that is the subject of any such Award Agreement are not affected adversely by such amendment, unless the consent of the Holder is obtained or such amendment is otherwise permitted under Section 14.10. Any such grant or award under the Plan need not be the same with respect to each holder. Any such interpretations and rules with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or any successor rule, or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

13.3 Action by the Committee. Unless otherwise established by the Board or in any charter of the Committee, a majority of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by all members of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

13.4 Authority of Administrator. Subject to any specific designation in the Plan, the Administrator has the exclusive power, authority and sole discretion to:

(a) Designate Eligible Individuals to receive Awards;

(b) Determine the type or types of Awards to be granted to each Holder;

(c) Determine the number of Awards to be granted and the number of shares of Common Stock to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any reload provision, any restrictions or limitations on the Award, any schedule for vesting, lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Common Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Holder;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(j) Make all other decisions and determinations that may be required pursuant to the Plan 01· as the Administrator deems necessary or advisable to administer the Plan.

13.5 Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

13.6 Delegation of Authority. To the extent permitted by applicable law, the Board or Committee may from time to time delegate to a committee of one or more members of the Board or one or more officers of the Company the authority to grant or amend Awards; *provided, however,* that in no event shall an officer be delegated the authority to grant awards to, or amend awards held by, the following individuals: (a) individuals who are subject to Section 16 of the Exchange Act, (b) Covered Employees, or (c) officers of the Company (or Directors) to whom authority to grant or amend Awards has been delegated hereunder. Any delegation hereunder shall be subject to the restrictions and limits that the Board or Committee specifies at the time of such delegation, and the Board may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 13.6 shall serve in such capacity at the pleasure of the Board and the Committee.

ARTICLE 14.

MISCELLANEOUS PROVISIONS

14.1 Amendment, Suspension or Termination of the Plan. Except as otherwise provided in this Section 14.1, the Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board. However, without approval of the Company' stockholders given within twelve (12) months before or after the action by the Administrator, no action of the Administrator may, except as provided in Section 14.2, increase the limits imposed in Section 3.1 on the maximum number of shares which may be issued under the Plan. Except as provided in Section 14.10, no amendment, suspension or termination of the Plan shall, without the consent of the Holder, impair any rights or obligations under any Award theretofore granted or awarded, unless the Award itself otherwise expressly so provides. No Awards may be granted or awarded during any period of suspension or after termination of the Plan, and in no event may any Award be granted under the Plan after the tenth (10"") anniversary of the Effective Date.

14.2 Changes in Common Stock or Assets of the Company, Acquisition or Liquidation of the Company and Other Corporate Events

(a) In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares of the Company's stock or the share price of the Company's stock other than an Equity Restructuring, the Administrator may make equitable adjustments, if any, to reflect such change with respect to (i) the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 on the maximum number and kind of shares which may be issued under the Plan); (ii) the number and kind of shares of Common Stock (or other securities or property) subject to outstanding Awards; (iii) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (iv) the grant or exercise price per share for any outstanding Awards under the Plan. Any adjustment affecting an Award intended as Performance-Based Compensation shall be made consistent with the requirements of Section 162(m) of the Code.

(b) In the event of any transaction or event described in Section 14.2(a) or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations or accounting principles, the Administrator, in its sole discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Holder's request, is hereby authorized to take any one or more of the following actions whenever the Administrator dete1mines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in la\vs, regulations or principles.

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Holder's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 14.2 the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Holder's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion having an aggregate value not exceeding the amount that could have been attained upon the exercise of such Award or realization of the Holder's rights had such Award been currently exercisable or payable or fully vested;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(iii) To make adjustments in the number and type of shares of the Company's stock (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock or Deferred Stock and/or in the te1ms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Awards and Awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all shares covered thereby, notwithstanding anything to the contra1y in the Plan or the applicable Award Agreement; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

(c) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in Sections 14.2(a) and 14.2(b):

(i) The number and type of securities subject to each outstanding Award and/or the exercise price or grant price thereof, if applicable, shall be equitably adjusted. The adjustments provided under this Section 14.2(c) shall be nondiscretionary and shall be final and binding on the affected Holder and the Company.

(ii) The Administrator shall make such equitable adjustments, if any, as the Administrator in its discretion may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 on the maximum number and kind of shares which may be issued under the Plan).

(d) Notwithstanding any other provision of the Plan, but subject to Section 14.2(e), in the event of a Change in Control, each outstanding Award shall be assumed or an equivalent Award substituted by the successor corporation or a parent or subsidiary of the successor corporation.

(e) In the event that the successor corporation in a Change in Control refuses to assume or substitute for an Award upon a Change in Control, such Award shall become fully vested and, if applicable, exercisable and all forfeiture restrictions on such Award shall lapse, in each case, as of immediately prior to the consummation of such Change in Control. If an Award is exercisable in lieu of assumption or substitution in the event of a Change in Control, the Administrator shall notify the Holder that the Award shall be fully exercisable for a period of fifteen (15) days from the date of such notice, contingent upon the occurrence of the Change in Control, and the Award shall terminate upon the expiration of such period.

(f) The Administrator may, in its sole discretion, include such further provisions and limitations in any Award, agreement or certificate, as it may deem equitable and in the best interests of the Company that are not inconsistent with the provisions of the Plan.

(g) With respect to Awards which are granted to Covered Employees and are intended to qualify as Performance-Based Compensation, no adjustment or action described in this Section 14.2 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause such Award to fail to so qualify as Performance-Based Compensation, unless the Administrator dete1mines that the Award should not so qualify. No adjustment or action described in this Section 14.2 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b)(l) of the Code. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16 or violate the exemptive conditions of Rule 16b-3 unless the Administrator determines that the Award is not to comply with such exemptive conditions.

(h) The existence of the Plan, the Award Agreement and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(i) No action shall be taken under this Section 14.2 which shall cause an Award to fail to comply with Section 409A of the Code or the Treasury Regulations thereunder, to the extent applicable to such Award.

(j) In the event of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares of Common Stock or the share price of the Common Stock including any Equity Restructuring, for reasons of administrative convenience, the Company in its sole discretion may refuse to permit the exercise of any Award during a period of up to thirty (30) days prior to the consummation of any such transaction.

14.3 Approval of Plan by Stockholders. The Plan will be submitted for the approval of the Company's stockholders within twelve (12) months of the date of the Board's initial adoption of the Plan. Awards may be granted or awarded prior to such stockholder approval, provided that such Awards shall not be exercisable, shall not vest and the restrictions thereon shall not lapse and no shares of Common Stock shall be issued pursuant thereto prior to the time when the Plan is approved by the stockholders, and provided further that if such approval has not been obtained at the end of said twelve (12) month period, all Awards previously granted or awarded under the Plan shall thereupon be canceled and become null and void.

14.4 No Stockholders Rights. Except as otherwise provided herein, a Holder shall have none of the rights of a stockholder with respect to shares of Common Stock covered by any Award until the Holder becomes the record owner of such shares of Common Stock.

14.5 Paperless Administration. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Holder may be permitted through the use of such an automated system.

14.6 Effect of Plan upon Other Compensation Plans. The adoption of the Plan shall not affect any other compensation or incentive plans in effect for the Company or any Subsidiary. Nothing in the Plan shall be construed to limit the right of the Company or any Subsidiary: (a) to establish any other forms of incentives or compensation for Employees, Directors or Consultants of the Company or any Subsidiary, or (b) to grant or assume options or other rights or awards otherwise than under the Plan in connection with any proper corporate purpose including without limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

14.7 Compliance with Laws. The Plan, the granting and vesting of Awards under the Plan and the issuance and delive1y of shares of Common Stock and the payment of money under the Plan or under Awards granted or awarded hereunder are subject to compliance with all applicable federal, state, local and foreign laws, rules and regulations (including but not limited to state, federal and foreign securities law and margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under the Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

14.8 Titles and Headings, References to Sections of the Code or Exchange Act. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control. References to sections of the Code or the Exchange Act shall include any amendment or successor thereto.

14.9 Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof.

14.10 Section 409A. To the extent that the Administrator determines that any Award granted under the Plan is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Administrator may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

14.11 No Rights to Awards. No Eligible Individual or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Administrator is obligated to treat Eligible Individuals, Holders or any other persons uniformly.

14.12 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Holder pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Holder any rights that are greater than those of a general creditor of the Company or any Subsidiary.

14.13 Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

14.14 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other

benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

14.15 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

* * * * *

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of Dyadic International, Inc. on April 28, 2011.

* * * * *

I hereby certify that the foregoing Plan was approved by the stockholders of Dyadic International, Inc. on June 15, 2011.

Executed on this 15th day of June, 2011.

/s/ Mark A. Emalfarb

DYADIC INTERNATIONAL, INC.
2011 EQUITY INCENTIVE AWARD PLAN

STOCK OPTION GRANT NOTICE

Dyadic International, Inc., a Delaware corporation, (the " Company"), pursuant to its 2011 Equity Incentive Award Plan, as amended from time to time (the " Plan"), hereby grants to the holder listed below (" Participant"), an option to purchase the number of shares of the Company's common stock, par value $0.001 ("Stock"), set forth below (the "Option"). This Option is subject to all of the terms and conditions set forth herein and in the Stock Option Agreement attached hereto as Exhibit A (the "Stock Option Agreement") and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Stock Option Agreement.

Participant: Grant Date: [_____]

Exercise Price per Share: $[_____]

Total Exercise Price: $[_____]

Total Number of Shares
Subject to the Option: [_____] shares

Expiration Date: [_____]

Vesting Schedule: [To be specified in individual agreements]

Type of Option: ❑ Incentive Stock Option ❑ Nonstatutory Stock Option

By clicking the Acceptance button below, Participant agrees to be bound by the terms and conditions of the Plan, the Stock Option Agreement and this Grant Notice. Participant has reviewed the Stock Option Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Stock Option Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Stock Option Agreement.

DYADIC INTERNATIONAL, INC.
By: _____
Print Name: Mark A. Emalfarb
Title: President and CEO

EXHIBIT A TO STOCK OPTION GRANT NOTICE

DYADIC INTERNATIONAL, INC. STOCK OPTION AGREEMENT

Pursuant to the Stock Option Grant Notice (the "Grant Notice") to which this Stock Option Agreement (this " Agreement") is attached, Dyadic International, Inc., a Delaware corporation (the " Company"), has granted to Participant an Option under the Company's 2011 Equity Incentive Award Plan, as amended from time to time (the "Plan"), to purchase the number of shares of Stock indicated in the Grant Notice.

ARTICLE 1.

GENERAL

1.1 Defined Terms. Wherever the following terms are used in this Agreement they shall have the meanings specified below, unless the context clearly indicates otherwise. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

1.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions of the Plan which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE 2.

GRANT OF OPTION

2.1 Grant of Option. In consideration of Participant's past and/or continued employment with or service to the Company or a Subsidiary and for other good and valuable consideration, effective as of the Grant Date set forth in the Grant Notice (the "Grant Date"), the Company grants to Participant the Option to purchase any part or all of an aggregate of the number of shares of Stock set forth in the Grant Notice, upon the terms and conditions set forth in the Plan and this Agreement, subject to adjustments as provided in Section 14.2 of the Plan. Unless designated as a Nonstatutory Stock Option in the Grant Notice, the Option shall be an Incentive Stock Option to the maximum extent permitted by law.

2.2 Exercise Price. The exercise price of the shares of Stock subject to the Option shall be as set fo1th in the Grant Notice, without commission or other charge; *provided, however,* that the price per share of the shares of Stock subject to the Option shall not be less than 100% of the Fair Market Value of a share of Stock on the Grant Date. Notwithstanding the foregoing, if this Option is designated as an Incentive Stock Option and Participant owns (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any "subsidiary corporation" of the Company or any "parent corporation" of the Company (each within the meaning of Section 424 of the Code), the price per share of the shares of Stock subject to the Option shall not be less than 110% of the Fair Market Value of a share of Stock on the Grant Date.

2.3 Consideration to the Company. In consideration of the grant of the Option by the Company, Participant agrees to render faithful and efficient services to the Company or any Subsidiary. Nothing in the Plan or this Agreement shall confer upon Participant any right to continue in the employ or service of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

ARTICLE 3.

PERIOD OF EXERCISABILITY

3.1 Commencement of Exercisability.

(a) Subject to Sections 3.2, 3.3, 5.10 and 5.16 hereof, the Option shall become vested and exercisable in such amounts and at such times as are set forth in the Grant Notice.

(b) No portion of the Option which has not become vested and exercisable at the date of Participant's Termination of Service shall thereafter become vested and exercisable, except as may be otherwise provided by the Administrator or as set forth in a written agreement between the Company and Participant.

(c) Notwithstanding Sections 3.l(a) hereof and the Grant Notice, but subject to Section 3. l(b) hereof, pursuant to Section 14.2 of the Plan, the Option shall become fully vested and exercisable with respect to all shares of Stock covered thereby in the event of a Change in Control, in connection with which the successor corporation does not assume the Option or substitute an equivalent right for the Option. Should the successor corporation assume the Option or substitute an equivalent right, then no such acceleration shall apply.

3.2 Duration of Exercisabilitv. The installments provided for in the vesting schedule set forth in the Grant Notice are cumulative. Each such installment which becomes vested and exercisable pursuant to the vesting schedule set forth in the Grant Notice shall remain vested and exercisable until it becomes unexercisable under Section 3.3 hereof.

3.3 Expiration of Option. The Option may not be exercised to any extent by anyone after the first to occur of the following events:

(a) The Expiration Date set forth in the Grant Notice, which shall in no event be more than ten (10) years from the Grant Date;

(b) If this Option is designated as an Incentive Stock Option and Pru1icipant owned (within the meaning of Section 424(d) of the Code), at the time the Option was granted, more than 10% of the total combined voting power of all classes of stock of the Company or any "subsidiary corporation" of the Company or any "parent corporation" of the Company (each within the meaning of Section 424 of the Code), the expiration of five (5) years from the Grant Date;

(c) The expiration of three (3) months from the date of Pm1icipant's Te1mination of Service, unless such termination occurs by reason of Participant's death or disability; or

(d) The expiration of one (1) year from the date of Pa11icipant's Termination of Service by reason of Participant's death or disability.

3.4 Special Tax Consequences. Participant acknowledges that, to the extent that the aggregate Fair Market Value (determined as of the time the Option is granted) of all shares of Stock with respect to which Incentive Stock Options, including the Option (if applicable), are exercisable for the first time by Participant in any calendar year exceeds $100,000, the Option and such other options shall be Nonstatutory Stock Options to the extent necessary to comply with the limitations imposed by Section 422(d) of the Code. Participant further acknowledges that the rule set forth in the preceding sentence shall be applied by taking the Option and other "incentive stock options" into account in the order in which they were granted, as determined under Section 422(d) of the Code and the Treasury Regulations thereunder. Participant also acknowledges that an Incentive Stock Option exercised more than three (3) months after Pru1icipant's Termination of Employment, other than by reason of death or disability, will be taxed as a Nonstatuto1y Stock Option.

3.5 Tax Indemnity.

(a) The Participant agrees to indemnify and keep indemnified the Company, any Subsidiary and his/her employing company, if different, from and against any liability for or obligation to pay any Tax Liability (a "Tax Liability" being any liability for income tax, withholding tax and any other employment related taxes or social security contributions in any jurisdiction) that is attributable to (1) the grant or exercise of, or any benefit derived by the Participant from, the Option, (2) the acquisition by the Pm1icipant of the Stock on exercise of the Option, or (3) the disposal of any Stock.

(b) The Option cannot be exercised until the Participant has made such arrangements as the Company may require for the satisfaction of any Tax Liability that may arise in connection with the exercise of the Option and/or the acquisition of the Stock by the Participant. The Company shall not be required to issue, allot or transfer Stock until the Employee has satisfied this obligation.

ARTICLE 4.

EXERCISE OF OPTION

4.1 Person Eligible to Exercise. During the lifetime of Participant, only Participant may exercise the Option or any p01iion thereof. After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3 hereof, be exercised by Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

4.2 Partial Exercise. Any exercisable p01iion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.3 hereof.

4.3 Manner of Exercise. The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company (or any third party administrator or other person or entity designated by the Company), during regular business hours, of all of the following prior to the time when the Option or such portion thereof becomes unexercisable under Section 3.3 hereof:

(a) An exercise notice in a form specified by the Administrator, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Administrator;

(b) The receipt by the Company of full payment for the shares of Stock with respect to which the Option or portion thereof is exercised, including payment of any applicable withholding tax, which shall be made by deduction from other compensation payable to Participant or in such other form of consideration permitted under Section 4.4 hereof that is acceptable to the Company;

(c) Any other written representations as may be required in the Administrator's reasonable discretion to evidence compliance with the Securities Act or any other applicable law, rule or regulation; and

(d) In the event the Option or portion thereof shall be exercised pursuant to Section 4.1 hereof by any person or persons other than Participant, appropriate proof of the right of such person or persons to exercise the Option.

Notwithstanding any of the foregoing, the Company shall have the right to specify all conditions of the manner of exercise, which conditions may vary by country and which may be subject to change from time to time.

4.4 Method of Payment. Payment of the exercise price shall be by any of the following, or a combination thereof, at the election of Participant:

(a) Cash or check;

(b) With the consent of the Administrator, surrender of shares of Stock (including, without limitation, shares of Stock otherwise issuable upon exercise of the Option) held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof; or

(c) Other property acceptable to the Administrator (including, without limitation, through the delivery of a notice that Participant has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company at such time as may be required by the Company, but in any event not later than the settlement of such sale).

4.5 Conditions to Issuance of Stock. The shares of Stock deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued shares of Stock or issued shares of Stock which have then been reacquired by the Company. Such shares of Stock shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any shares of Stock purchased upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such shares of Stock to listing on all stock exchanges on which such Stock is then

(b) The completion of any registration or other qualification of such shares of Stock under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulato1y body, which the Administrator shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessa1y or advisable;

(d) The receipt by the Company of full payment for such shares of Stock, including payment of any applicable withholding tax, which may be in one or more of the forms of consideration permitted under Section 4.4 hereof; and

(e) The lapse of such reasonable period of time following the exercise of the Option as the Administrator may from time to time establish for reasons of administrative convenience.

4.6 Rights as Stockholder. The holder of the Option shall not be, nor have any of the rights or privileges of, a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of any shares of Stock purchasable upon the exercise of any part of the Option unless and until such shares of Stock shall have been issued by the Company and held of record by such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment will be made for a dividend or other right for which the record date is prior to the date the shares of Stock are issued, except as provided in Section 14.2 of the Plan.

ARTICLE 5. OTHER PROVISIONS

5.1 Administration. The Administrator shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon Participant, the Company and all other interested persons. No member of the Committee or the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the Option.

5.2 Whole Shares. The Option may only be exercised for whole shares of Stock.

5.3 Option Not Transferable. Subject to Section 4.1 hereof, the Option may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Stock underlying the Option have been issued, and all restrictions applicable to such shares of Stock have lapsed. Neither the Option nor any interest or right therein shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is pe1mitted by the preceding sentence.

5.4 Binding Agreement. Subject to the limitation on the transferability of the Option contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

5.5 Adjustments Upon Specified Events. The Administrator may accelerate the vesting of the Option in such circumstances as it, in its sole discretion, may dete1mine. In addition, upon the occurrence of ce1tain events relating to the Stock contemplated by Section 14.2 of the Plan (including, without limitation, an extraordinary cash dividend on such Stock), the Administrator shall make such adjustments the Administrator deems appropriate in the number of shares of Stock subject to the Option, the exercise price of the Option and the kind of securities that may be issued upon exercise of the Option. Participant acknowledges that the Option is subject to adjustment, modification and termination in certain events as provided in this Agreement and Section 14.2 of the Plan.

5.6 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 5.6, either patty may hereafter designate a different address for notices to be given to that party. Any notice which is required to be given to Participant shall, if Participant is then deceased, be given to the person entitled to exercise his or her Option pursuant to Section 4.1 hereof by written notice under this Section 5.6. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

5.7 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.8 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

5.9 Conformity to Securities Laws. Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

5.10 Amendments. Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board; *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Option in any material way without the prior written consent of Participant.

5.11 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restt·ictions on transfer herein set forth in Section 5.3 hereof, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

5.12 Notification of Disposition. If this Option is designated as an Incentive Stock Option, Participant shall give prompt notice to the Company of any disposition or other transfer of any shares of Stock acquired under this Agreement if such disposition or transfer is made (a) within two (2) years from the Grant Date with respect to such shares of Stock or (b) within one (1) year after the transfer of such shares of Stock to Participant. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

5.13 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Option and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

5.14 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue to serve as an employee or other service provider of the Company or any of its Subsidiaries.

5.15 Entire Agreement. The Plan, the Grant Notice and this Agreement (including all Exhibits thereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

5.16 Section 409A. This Option is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "Section 409A"). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that the Option (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate either for the Option to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

5.17 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Option, and rights no greater than the right to receive the Stock as a general unsecured creditor with respect to options, as and when exercised pursuant to the terms hereof.

Exhibit 10.3

DYADIC INTERNATIONAL, INC.

RESTRICTED STOCK AGREEMENT

RESTRICTED STOCK AGREEMENT made this _____ day of _____ by and between DYAD- IC INTERNATIONAL, INC., a Delaware corporation (the "Company"), _____("Stockholder").

Recitals:

A. The Company's 2011 Equity Incentive Award Plan (the "Plan") is designed to promote and increase the personal interest of Company employees in the success of the Company by providing incentives and rewards to such employees.

B. The Company has agreed to issue _____(_____) shares of common stock (the "Restricted Shares") to Stockholder, an executive employee of the Company, in consideration for services rendered and to be rendered by Stockholder pursuant to the provisions of that certain Em- ployment Agreement dated _____ (the "Employment Agreement"), a copy of which is attached hereto.

C. Stockholder wishes to acquire the Restricted Shares for such consideration and under such terms.

NOW THEREFORE, in consideration of the premises, and the mutual covenants and agreements set forth below, the parties hereby agree as follows:

1. Issuance. The Company hereby issues the Restricted Shares to Stockholder in consideration for services rendered and to be rendered by Stockholder as an executive employee pursuant to the Em- ployment Agreement. In addition to restrictions on transfers of such securities imposed thereon by the federal securities laws and regulations, the Company hereby imposes, pursuant to the Plan certain additional burdens on the Restricted Shares as set forth hereinbelow, including, without limitation, a risk of forfeiture in certain circumstances arising from Stockholder's ongoing employment status.

2. Transfer of Stock; Investment Intent. Stockholder represents and warrants that all of the Restrict- ed Shares are being acquired for investment and not with a view to, or with any present intention of, selling or otherwise distributing the Restricted Shares. Stockholder further represents that Stockhold- er is capable of evaluating the merits and risks of an investment in the Restricted Shares, has made such an evaluation and is able to bear the economic risk of an investment in the Restricted Shares in- definitely. Except as otherwise provided in this Agreement, Stockholder shall not sell, transfer, as- sign, convey, pledge, encumber or in any manner dispose of the Restricted Shares, either voluntarily or involuntarily. All stock certificates evidencing the Restricted Shares shall be imprinted with a leg- end n substantially the following form:

> THE TRANSFER OR ENCUMBRANCE OF THE SHARES OF STOCK REPRESENTED BY THE WITHIN CERTIFICATE IS RE- STRICTED UNDER THE TERMS OF A RESTRICTED STOCK AGREEMENT DATED SEPTEMBER ___, 2013, A COPY OF WHICH IS ON FILE IN THE PRINCIPAL OFFICE OF THE COM- PANY.

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THESE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION OR RESALE, AND MAY NOT BE MORTGAGED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SHARES UNDER THE ACT OR AN OPINION OF COUN- SEL FOR THE COMPANY THAT REGISTRATION IS NOT RE- QUIRED UNDER THE ACT.

3. Risk of Forfeiture.

a. Upon termination of Stockholder's employment with the Company at any time before _____ the Company shall have an immediate and automatic option, without any action having to be taken on the part of Stockholder to activate the option, to repurchase from Stockholder at the par value per share (the "Purchase Price") that number of the Restricted Shares as is set forth op- posite the following applicable periods:

Date on Which Termination Occurs	Vested Amount	Shares Subject to Option

Termination of employment shall mean cessation of the employment relation between the Company and Stockholder as a result of Stockholder's death, disability, Resignation Without Good Reason (as defined in the Employment Agreement), retirement or Termination by the Company for Cause (as de- fined in the Employment Agreement). (For purposes of this Agreement, all references to "Stockhold- er" shall be deemed to include Stockholder's estate wherever applicable.)

In the event of Termination by the Company Without Cause or Resignation for Good Reason (as de- fined in the Employment Agreement), none of the Restricted Shares shall be subject to the above op- tion, provided, however, that Stockholder's continuous status as an employee has not terminated prior to such Termination by the Company Without Cause or Resignation for Good Reason.

b. Following a Change of Control, none of the Restricted Shares shall be subject to the above option. A "Change of Control" means either (i) the acquisition of the Company by another en- tity by means of any transaction or series of related transactions (including, without limitation any re- organization, merger or consolidation or stock transfer, but excluding any such transaction effected primarily for the purpose of changing the domicile of the Company), unless the Company's stock- holders of record immediately prior to such transaction or series of related transactions hold, immedi- ately after such transaction or series of related transactions, at least thirty-five percent (35%) of the voting power of the surviving or acquiring entity, or (ii) a sale of all or substantially all of the assets of the Company.

c. Upon the occurrences of the following events, the Company shall have an immediate and automatic option, without any action having to be taken on the part of Stockholder to activate the op- tion, to purchase from Stockholder or his transferee, at the price set forth in Section 4, all of the Re- stricted Shares subject to the option applicable to the timetable in subsection a above:

(i) An Event of Bankruptcy with respect to Stockholder defined as follows: (A) an adjudication or order for relief by a state or federal court that such person is bankrupt or insolvent or is subject to Chapter 11 or any reorganization proceeding; or (B) filing by such person of a voluntary petition in any state or federal court to be adjudicated a bankrupt or to subject such person to Chapter 11 or any reorganization proceeding; or (C) the filing by a third party of an involuntary petition in any state or federal court to have such person adjudicated bankrupt or insolvent, or for an order for relief, or to subject such person to the provisions of Chapter 11 or any reorganization proceeding or to ob- tain the appointment of a receiver which is not dismissed within one hundred- twenty (120) days of the date of the filing; or (D) the making by such person of a general assignment for the benefit of creditors;

(ii) An order or adjudication by any court that the spouse of Stockholder has ac- quired any right in the Restricted Shares as a result of equitable distribution rights under any applica- ble law or statute; or

(iii) Any other event which adversely and involuntarily affects Stockholder's rights in the Restricted Shares so that Stockholder would be required to transfer the Restricted Shares to a third party, and which is not otherwise provided for in this Agreement.

4. Purchase Price. If the Company exercises its purchase rights under Section 3, the price per share shall be the fair market value of the Restricted Shares on the date of the event giving rise to the trans- fer. The Company's Board of Directors (the "Board") shall establish the fair market value, and shall not take into account the impact on the valuation of any restrictions on the Restricted Shares other than restrictions which by their terms will never lapse.

5. Exercise of Company's Options. The Company may exercise its options pursuant to Section 3 by giving Stockholder notice of its election within sixty (60) days of the later of the date on which Stock- holder's employment under the Employment Agreement is terminated or another triggering event de- scribed in Section 3 occurs. The notice shall include a closing date, which date shall be within thirty (30) days of the date the notice is given. The closing shall be at the principal office of the Company. Voting rights on the Restricted Shares subject to the option shall be vested in the Company as of the date the Company gives notice of its election to exercise the option. At its election, the Company shall pay the full amount for the Restricted Shares by check at the closing.

At the closing, Stockholder's legal representative (as the case may be) shall deliver to the Company the stock certificate evidencing the Restricted Shares to be redeemed, properly endorsed in blank with all transfer and excise taxes paid and, in the event of death, Stockholder's legal representative shall also deliver copies of letters testamentary or authority to act on behalf of the estate and a release or tax letter from appropriate tax authorities stating that the Restricted Shares transferred are not subject to taxes. Stockholder, or Stockholder's representative if Stockholder is deceased, shall warrant that the Restricted Shares transferred are free and clear of all liens, encumbrances and claims.

6. Payment of Taxes and Section 83(b) Election. Stockholder agrees that concurrently with the exe- cution of this Agreement Stockholder will execute an election under Section 83(b) of the Internal Revenue Code to be taxed currently on Stockholder's compensation related to receipt of the Restrict- ed Shares, which compensation is calculated to be the difference between the price Stockholder paid for the Restricted Shares and the amount which the Company has determined to be the fair market value of the Restricted Shares. The Company shall determine the amount of federal and state with- holding due with respect to Stockholder's compensation in the form of the Restricted Shares, and such amount shall be withheld from Stockholder's next paycheck. Stockholder agrees to pay the Company the amount of withholding due with respect to the Restricted Shares within five (5) days of the date the Company gives Stockholder notice of the amount due, time being of the essence. No stock certificates shall be delivered on behalf of Stockholder until the payment of the withholding due is made. If the payment is not made within five (5) days of the date that the Company gives notice to Stockholder of the amount due, time being of the essence, the Company may arrange for withholding of all amounts due from Stockholder's pay until Stockholder's obligation is satisfied.

7. Specific Performance. Because of the unique character of the Restricted Shares, the parties to this Agreement agree that the Company and its stockholders will be irreparably damaged in the event that this Agreement is not specifically enforced. Should any dispute arise concerning the sale or transfer of the Restricted Shares, an injunction may be issued restraining any sale or transfer pending the determination of such controversy. In the event of any controversy concerning the right of the Company to purchase or of Stockholder to sell any of the Shares, such right or obligation shall be en- forceable in a court of equity by a decree of specific performance. Such remedy shall, however, be in addition to any other remedies which the parties may have.

Stockholder agrees that in the event of any violation of this Agreement, an action may be commenced by the Company for any such preliminary and permanent injunctive relief and other equitable relief in any court of competent jurisdiction in the State of Florida or in any other court of competent jurisdic-

tion. Stockholder hereby waives any objections on the grounds of improper jurisdiction or venue to the commencement of an action in the State of Florida and agrees that effective service of process may be made upon Stockholder by mail under the notice provisions contained in Section 9.2.

8. No Contract of Employment. Nothing contained in this Agreement shall be deemed to require the Company to continue Stockholder's employment with the Company. From time to time, the Compa- ny may distribute employee manuals or handbooks, and officers or the Board may make written or oral statements relating to the Company's policies and procedures. Such manuals, handbooks and statements are intended only for the general guidance of employees. No policies, procedures or state- ments of any nature by or on behalf of the Company (whether written or oral, and whether or not con- tained in any formal employee manual or handbook) shall be construed to modify this Agreement.

9. Miscellaneous.

9.1 Binding Effect. This Agreement shall be binding, not only upon the parties to this Agreement, but also on their heirs, executors, administrators, personal representatives, succes- sors, assigns (including any transferee of a party to this Agreement), and the parties agree, for them- selves and their successors, assigns and representatives to execute any instrument which may be nec- essary legally to give effect to the terms and conditions of this Agreement.

9.2 Notices. All notices, requests and amendments under this Agreement, shall be in writing, and notices shall be deemed to have been given when personally delivered or the next busi- ness day after being sent by overnight courier service addressed as follows (i) if to the Company: 140 Intracoastal Pointe Dr. #404, Jupiter, FL 33477, Attention President, or at such other address as the Company shall designate by notice; or (ii) if to Stockholder: to Stockholder's address appearing be- low, or at such other address as Stockholder shall designate by notice.

9.3 Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

9.4 Governing Law; Jurisdiction. This Agreement shall be governed by the internal laws of Florida. The parties hereby consent to the exclusive jurisdiction of the courts of Palm Beach County, Florida for purposes of adjudicating any issue hereunder.

9.5 Amendment. Neither this Agreement nor any of the terms and conditions set forth in this Agreement may be altered or amended verbally, and any such alteration or amendment shall only be effective when reduced to writing and signed by each of the parties.

9.6 Stock Splits, etc. In the event that, as the result of a stock split or stock dividend or combination of shares or any other change, or exchange for other securities, by reclassification, re- organization, merger, consolidation, recapitalization or otherwise, Stockholder shall, as the owner of the Restricted Shares subject to restrictions hereunder, be entitled to new or additional or different shares of stock or securities, the certificate or certificates for, or other evidences of, such new or addi- tional or different shares or securities, shall also be imprinted with a legend as provided in Section 1, and all provisions of this Agreement relating to restrictions and lapse of restrictions shall be applica- ble to such new or additional or different shares or securities to the extent applicable to the shares with respect to which they were distributed, and such new or additional or different shares or securi- ties shall be deemed to be "Restricted Shares" for all purposes hereof; provided, however that if Stockholder shall receive rights, warrants or fractional interests in respect of any such Restricted Shares, such rights or warrants may be held, exercised, sold or otherwise disposed of, and such frac-

tional interests may be settled, by Stockholder free and clear of the restrictions set forth in this Agreement.

9.7 Entire Agreement; Rights and Interest. This Agreement constitutes the entire agreement of the parties with respect to the matters covered hereby, and supersedes any previous agreements, whether written or oral. Each party hereby stipulates and acknowledges that there are no other understandings, expectations or agreements, either written or oral, respecting Stockholder's rights and entitlements as a stockholder of the Company, including, without limitation, any under- standings, expectations, or agreements regarding any employment, compensation or other benefits, governance of the Company or the payment of dividends, except as expressly set forth in the Em- ployment Agreement. Further, no such understandings, expectations or agreements which may here- after arise shall be enforceable unless the same shall be reduced to a writing signed by the parties to be changed.

IN WITNESS WHEREOF, the parties to this Agreement have executed this Agreement effective the date and year first above written.

DYADIC INTERNATIONAL, INC.

By: _____
Mark A. Emalfarb, CEO

_____

Address: _____

_____

_____

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** ("Agreement") is made by and between **DYADIC INTERNATIONAL, INC.,** a Delaware corporation (the "Company"), and **MARK A. EMALFARB** (the "Executive") as of the 23rd day of October, 2013.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its stockholders to employ the Executive as President and Chief Executive Officer, and the Executive desires to serve in that capacity, on the terms and conditions set forth herein.

NOW, THEREFORE, it is hereby agreed as follows:

1. **Employment Period.** The Company shall employ the Executive, and the Executive shall serve the Company, on the terms and conditions set forth in this Agreement, for the period beginning on the date hereof (the "Commencement Date") and ending on the third anniversary of the Commencement Date (the "Initial Term") which period shall automatically renew continuously for additional periods of two years (each, a "Renewal Term") unless one party gives written notice of termination to the other at least sixty (60) days prior to the end of the then current term except as otherwise specifically provided below (the Initial Term and the Renewal Term(s), if any, shall hereinafter collectively be referred to as, the "Employment Period").

2. **Position and Duties.** During the Employment Period, the Executive shall continue to be employed as the President and Chief Executive Officer of the Company, and the Company shall cause the Executive to be elected as a member of the Board of Directors ("the Board"). During the Employment Period, the Executive shall have authority to make operating decisions, plan the strategic direction of the Company, and hire, promote, and terminate the employment of, personnel, subject to the direction of the Board. During the Employment Period, the Executive shall have such reasonable and customary powers as are generally associated with the positions of President and Chief Executive Officer. During the Employment Period, the Executive shall devote his principal attention and time to the business and affairs of the Company and use his reasonable best efforts to carry out such responsibilities faithfully and efficiently. It shall not be considered a violation of the foregoing for the Executive to serve on corporate, civic or charitable boards of directors or committees thereof (excluding those which would create a conflict of interest) and manage his personal investments, so long as such activities do not materially interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement.

3. **Compensation.**

(a) Base Salary. During the Employment Period, the Executive shall receive an annual base salary (the "Annual Base Salary") of $425,000, payable in accordance with the regular payroll practices of the Company. During the Employment Period, the Annual Base Salary may be reviewed by the Board for possible adjustments, but shall never be less than $425,000.

(b) Performance Bonus. In addition to the Annual Base Salary, the Company shall pay Executive a cash bonus equal to 20% of the value of the first $4,000,000 of any new revenue streams generated by the Company while Executive is employed hereunder, which new revenue streams shall be determined and calculated by the Board in its reasonable discretion. The new

revenue streams for such determination and calculation shall include, without limitation, the Executive receiving credit for the value of the Codexis expansion as outlined in the Summary Of Terms executed between Codexis and Dyadic on September 10, 2013 if realized by the Company.. Such performance bonus payments shall be made by the Company to Executive within forty-five (45) days of the first and second anniversaries of the Commencement Date, with such payments not to exceed $800,000 in the aggregate.

(c) Annual Bonus. In addition to the Annual Base Salary, the Company may award Executive an annual bonus, with the timing and amount of any such bonus determined in the sole discretion of the Compensation Committee. The Compensation Committee will consult with Executive to establish, in advance for each fiscal year or portion of a fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") based on certain milestones that may include (among other things) research and other business milestones, sales, license agreements, profitability, cash flow goals, and other objectives.

(d) Stock Options. The Company agrees to cause the Board's Compensation Committee to grant the Executive stock options, pursuant to then-existing plans and/or otherwise, in amounts that recognize the Executive's role as chief executive officer and president and the scope and extent of his contributions to the Company and at an exercise price no less than the exercise price of any other stock options granted to any other officer or employee of the Company on the same date as Executive. Notwithstanding the foregoing, the Executive shall be eligible to receive additional grants of options from time to time in recognition of performance by the Executive as may be determined from time to time by the Board or the Compensation Committee thereof. The Board shall take whatever action is necessary to implement the foregoing provisions regarding stock options.

(e) Other Benefits. During the Employment Period, the Executive shall be entitled to participate in all benefit plans, practices, policies and programs provided by the Company (including without limitation, vacation, medical, prescription, dental, disability, retirement, salary continuance, employee life insurance, group life insurance, and accidental death and travel accident insurance plans and programs) that are commensurate with Executive's position as chief executive officer and not less favorable than benefits provided to other executives of the Company.

(f) Expenses. During the Employment Period, the Executive shall receive reimbursement for all reasonable expenses incurred by the Executive in carrying out the Executive's duties under this Agreement, provided that the Executive complies with the generally applicable policies and procedures of the Company for submission of expense reports, receipts or similar documentation of such expenses.

(g) Other Expenses. The Company shall pay directly, or reimburse the Executive for, automobile expenses in amounts similar to the current level being provided to the Executive.

4. **Covenants of Executive**

(a) Proprietary Rights.

(1) Executive hereby expressly agrees that all research, Biological Materials, discoveries, inventions and innovations (whether or not reduced to practice or documented), improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether patentable or unpatentable, and whether or not reduced to writing), trade secrets (being information about the business of the Company which is considered by the Company to be confidential and is proprietary to the Company) and confidential information, copyrightable works, and

similar and related information (in whatever form or medium), which (x) either (i) relate to the Company's actual or anticipated business, research and development or existing or future products or services or (ii) result from any work performed by Executive for the Company and (y) are conceived, developed, made or contributed to in whole or in part by Executive during the Employment Period ("Work Product") shall be and remain the sole and exclusive property of the Company. Executive shall communicate promptly and fully all Work Product to the Company.

(2) Work Made for Hire. Executive acknowledges that, unless otherwise agreed in writing by the Company, all Work Product eligible for any form of copyright protection made or contributed to in whole or in part by Executive within the scope of Executive's employment by the Company during the Employment Period shall be deemed a "work made for hire" under the copyright laws and shall be owned exclusively by the Company.

(3) Assignment of Proprietary Rights. Executive hereby assigns, transfers and conveys to the Company, and shall assign, transfer and convey to the Company, all right, title and interest in and to all inventions, ideas, improvements, designs, processes, trademarks, service marks, trade names, trade secrets, trade dress, data, discoveries and other proprietary assets and proprietary rights in and of the Work Product (the "Proprietary Rights") for the Company's exclusive ownership and use, together with all rights to sue and recover for past and future infringement or misappropriation thereof, which shall enjoy exclusive ownership and use, together with all rights to sue and recover for past and future infringement or misappropriation thereof.

(4) Further Instruments. At the request of the Company, at all times during the Employment Period and thereafter, Executive will promptly and fully assist the Company in effecting the purpose of the foregoing assignment, including but not limited to the further acts of executing any and all documents necessary to secure for the Company such Proprietary Rights and other rights to all Work Product and all confidential information related thereto, providing cooperation and giving testimony.

(5) Inapplicability of Section 4(a) in Certain Circumstances. The Company expressly acknowledges and agrees that, and Executive is hereby advised that, this Section 4(a) does not apply to any invention for which no equipment, supplies, facilities or trade secret information of the Company was used and which was developed entirely on Executive's own time, unless (i) the invention relates to the business of the Company or to the Company's actual or demonstrably anticipated research or development or (ii) the invention results from any work performed by Executive for the Company.

(b) Ownership and Covenant to Return Documents . Executive agrees that all Work Product and all documents or other tangible materials (whether originals, copies or abstracts), including without limitation, price lists, quotation guides, outstanding quotations, books, records, manuals, files, sales literature, training materials, customer records, correspondence, computer disks or print-out documents, contracts, orders, messages, phone and address lists, invoices and receipts, and all objects associated therewith, which in any way relate to the business or affairs of the Company, either furnished to Executive by the Company or prepared, compiled or otherwise acquired by Executive during the Employment Period, shall be the sole and exclusive property of the Company. Executive shall not use, copy or duplicate any of the aforementioned documents or objects, nor remove them from the facilities of the Company, nor use any information concerning them except for the benefit of the Company, either during the Employment Period or thereafter. Executive agrees that he will deliver all of the aforementioned documents and objects that may be in his possession to the Company on the termination of his employment with the Company, or at any other time upon the Company's request, together with his written certification of compliance with the provisions of this Section 4(b).

(c) Non-Disclosure Covenant. Executive shall not, at any time, either directly or indirectly, disclose to any "unauthorized person" or use for the benefit of Executive or any Person other than the

Company any Work Product or any knowledge or confidential information which Executive may acquire while employed by the Company (whether before or after the date of this Agreement) relating to (1) the financial, marketing, sales and business plans and affairs, financial statements, analyses, forecasts and projections, books, accounts, records, operating costs and expenses and other financial information of the Company, (2) internal management tools and systems, costing policies and methods, pricing policies and methods and other methods of doing business, of the Company, (3) customers, sales, customer requirements and usages and distributor lists, of the Company, (4) agreements with customers, vendors, independent contractors, employees and others, of the Company, (5) existing and future products or services and product development plans, designs, analyses and reports, of the Company, (6) computer software and databases developed for the Company, trade secrets, research, records of research, models, designs, drawings, technical data and reports of the Company, and (7) correspondence or other private or confidential matters, information or data whether written, oral or electronic, which is proprietary to the Company and not generally known to the public (individually and collectively "Confidential Information"), without the Company's prior written permission. For purposes of this Section 4(c) the term "unauthorized person" shall mean any Person who is not (i) an officer or director of the Company or an employee of the Company for whom the disclosure of the knowledge or information referred to herein is necessary for his performance of his assigned duties, or (ii) a Person expressly authorized by the Company to receive disclosure of such knowledge or information. The Company expressly acknowledges and agrees that the term "Confidential Information" excludes information which is (A) in the public domain or otherwise generally known to the trade, or (B) disclosed to third parties other than by reason of Executive's breach of his confidentiality obligations hereunder or (C) learned of by Executive subsequent to the termination of his employment hereunder from any other party not then under an obligation of confidentiality to the Company. Further, Executive covenants to the Company that in Executive's performance of his duties hereunder, Executive will not violate any confidentiality obligations he may have to any third Persons.

(d) Non-Interference Covenants. Executive covenants to the Company that while Executive is employed by or otherwise renders services to the Company and for a three (3) year period thereafter (the "Restrictive Period"), he will not, for any reason, directly or indirectly: (a) solicit, induce, or otherwise do any act or thing, which may cause any other employee of the Company to leave the employ or otherwise interfere with or adversely affect the relationship (contractual or otherwise) of the Company, with any person who is then or thereafter becomes an employee of the Company; (b) do any act or thing which may interfere with or adversely affect the relationship (contractual or otherwise) of the Company with any vendor of goods or services to the Company or induce any such vendor to cease doing business with the Company; or (c) except for Competitive Activities (as defined in Section 4(e) hereof) engaged in by Executive after the expiration of the Restrictive Period, do any act or thing which may interfere with or adversely affect the relationship (contractual or otherwise) of the Company with any customer of the Company or induce any such customer to cease doing business with the Company. Executive agrees that he will never make or publish any statement or communication which is disparaging, negative or unflattering with respect to Company and/or its direct or indirect shareholders, officers, directors, employees, agents or affiliates.

(e) Covenant Not To Compete. Executive expressly acknowledges that (a) Executive's performance of his services for the Company hereunder will afford him access to and cause him to become highly knowledgeable about the Company's Confidential Information; (b) the agreements and covenants contained in this Section 4(e) are essential to protect the Confidential Information, business and goodwill of the Company and the restraints on Executive imposed by the provisions of this Section 4(e) are justified by these legitimate business interests of the Company; and (c) Executive's covenants to the Company set forth in this Section 4(e) are being made both in consideration of the Company's employment of Executive and other financial benefits of this Agreement. Accordingly, Executive hereby agrees that during the Restrictive Period, Executive shall not, directly or indirectly, own any interest in, invest in, lend to, borrow from, manage, control, participate in, consult with, become employed by,

render services to, or in any other manner whatsoever engage in, any business which is competitive with any lines of business engaged in by the Company (collectively, "Competitive Activities"). The preceding to the contrary notwithstanding, Executive shall be free to make investments in the publicly traded securities of any corporation, provided that such investments do not amount to more than five percent (5%) of the outstanding securities of any class of such corporation.

(f) Rationale for and Scope of Covenants. If any of the covenants contained in this Article 4 are held to be invalid or unenforceable due to the unreasonableness of the time, geographic area, or range of activities covered by such covenants, such covenants shall nevertheless be enforced to the maximum extent permitted by law and effective for such period of time, over such geographical area, or for such range of activities as may be determined to be reasonable by a court of competent jurisdiction and the parties hereby consent and agree that the scope of such covenants may be judicially modified, accordingly, in any proceeding brought to enforce such covenants. Executive agrees that his services hereunder are of a special, unique, extraordinary and intellectual character, and his position with the Company places him in a position of confidence and trust with the customers, suppliers and employees of the Company and its parent and subsidiaries. Executive and the Company agree that in the course of employment hereunder, Executive has and will continue to develop a personal relationship with the Company's customers, and a knowledge of these customers' affairs and requirements as well as confidential and proprietary information developed by the Company after the date of this Agreement. Executive acknowledges that the Company's relationships with its established clientele may therefore be placed in Executive's hands in confidence and trust. Executive consequently agrees that it is reasonable and necessary for the protection of the goodwill, confidential and proprietary information, and legitimate business interests of the Company and its affiliates that Executive make the covenants contained herein, that the covenants are a material inducement for the Company to employ or continue to employ Executive and to enter into this Agreement, and that the covenants are given as an integral part of and incident to this Agreement.

(g) Remedies For Breach. The restrictive covenants set forth in this Article 4 shall be construed as agreements independent of any other provision in this Agreement, and the existence of any claim or cause of action of the Executive against the Company, whether predicated upon this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any restrictive covenant. The Company has fully performed all obligations entitling it to the restrictive covenants, and the restrictive covenants therefore are not executory or otherwise subject to rejection under the Bankruptcy Code. If Executive commits a breach, or threatens to commit a breach, of any of the provisions of this Article 4, the Company shall have the right and remedy, in addition to any other remedy that may be available at law or in equity, to have the provisions of this Article 4 specifically enforced by any court having equity jurisdiction, by the entry of temporary, preliminary and permanent injunctions and orders of specific performance, together with an accounting therefor, it being expressly acknowledged and agreed by Executive that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company. Any such injunction shall be available without the posting of any bond or other security, and Executive hereby consents to the issuance of such injunction. Executive further agrees that any such injunctive relief obtained by the Company shall be in addition to, and not in lieu of, monetary damages and any other remedies to which the Company may be entitled. Further, in the event of an alleged breach or violation by Executive of any of the provisions of Sections 4(c), 4(d) or 4(e) hereof, the Restrictive Period shall be tolled until such breach or violation has been cured.

(h) Survival. Notwithstanding anything to the contrary set forth herein, the provisions of this Article 4 shall survive the termination or cessation of this Agreement or Executive's employment, irrespective of the reason for such termination or cessation. Executive shall disclose the restrictions set forth in this Article 4 to any subsequent employer or potential employer during the Restrictive Period.

5. Termination of Employment.

(a) Death or Disability. The Executive's employment and the Employment Period shall terminate automatically upon the Executive's death during the Employment Period. The Company shall be entitled to terminate the Executive's employment in the event of the Executive's Disability during the Employment Period. "Disability" means that the Executive has been unable, for a period of ninety (90) consecutive days or 120 days during any twelve (12) month period, to perform the Executive's duties under this Agreement, as a result of physical or mental illness or injury, and that the Company has received an independent medical report and opinion that Executive is disabled.

(b) By the Company. The Company may terminate the Executive's employment during the Employment Period for Cause. "Cause" means:

(i) The continued failure of the Executive substantially to perform the Executive's duties under this Agreement (other than as a result of physical or mental illness or injury), which has not been cured by Executive after being given specific written details of the alleged breach and the Executive has been given reasonable opportunity within thirty (30) days of receiving written notice of such breach from the Company to cure the alleged breach by substantial performance of the specified duties;

(ii) a material breach of a material provision of this Agreement which has not been cured by Executive after being given specific written details of the alleged breach and the Executive has been given reasonable opportunity within thirty (30) days of receiving written notice of such breach from the Company to cure the alleged breach;

(iii) a material breach of a material provision of the Confidential Information and Inventions Assignment Agreement between the Company and Executive which has not been cured by Executive after being given specific written details of the alleged breach and the Executive has been given every opportunity within thirty (30) days of receiving written notice of such breach from the Company to cure the alleged breach;

(iv) illegal or gross misconduct by the Executive, as it solely relates to the Company's affairs, in either case, that is willful and results in material damage to the business or reputation of the Company which has not been stopped by the Executive after being given specific details and notice in writing of the specific illegal or gross misconduct asserted by the Company and only after the Executive has been given every opportunity within thirty (30) days of receiving written notice of such breach from the Company to stop the alleged breach;

(v) conviction of or plea of no contest to a felony or any crime involving theft, fraud, or dishonesty whether or not committed in the course of performing services for the Company;

(vi) habitual continued abuse of illegal drugs or alcohol, after ten (10) days prior warning from the Company;

(vii) intentional act(s) of disloyalty, deliberate dishonesty, fraud, or breach of fiduciary duty to the Company or any of its affiliates after adjudication of such alleged acts; or

(viii) material non-compliance with the Company's written policies which has not been cured by Executive after being given specific written details of the alleged non compliance and the Executive has been given every opportunity within thirty (30) days of receiving written notice of such breach from the Company to cure the alleged breach.

A termination of the Executive's employment by the Company shall be effected by giving Executive written notice of termination following any thirty (30) day cure period as applicable herein, however only if the alleged act has not been cured by Executive after being given specific written details of the alleged act and the Executive has been given every opportunity within thirty (30) days of receiving written notice of such allegation from the Company to cure the alleged act.

Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause without an opportunity for the Executive (together with counsel, if requested) to be heard in person by the full Board after being provided with all of the specific facts and circumstances in writing relating to the proposed termination at least thirty (30) days in advance of such full meeting of the Board, and a good faith best efforts determination by the Board thereafter that the Executive's conduct was of such a substantial or continuing nature which has gone uncured as provided herein that it would justify a termination for Cause.

(c) Good Reason. The Executive may, at his sole option, terminate employment for Good Reason or without Good Reason. "Good Reason" means:

(i) the assignment to the Executive of duties materially inconsistent with Section 2 of this Agreement, other than an action that is not taken in bad faith and is remedied by the Company within twenty (20) days after receipt of written notice thereof from the Executive;

(ii) any material failure by the Company to comply with Section 3 of this Agreement, other than a failure that is not taken in bad faith and is remedied by the Company within thirty (30) days after receipt of written notice thereof from the Executive; or

(iii) termination by the Executive within twelve (12) months of any Change of Control of the Company as defined in this Agreement.

Any termination of the Executive's employment by the Executive shall be effected by giving the Company at least ten (10) business days' written notice of the termination.

(d) Date of Termination. The "Date of Termination" means the date of the Executive's death or Disability or the date of the termination of the Executive's employment by the Company or by the Executive, as the case may be, is effective.

6. Obligations of the Company upon Termination.

(a) By the Company Other Than for Cause. Death or Disability or Upon Change of Control. or By the Executive for Good Reason. If (i) the Company terminates the Executive's employment (x) during the Employment Period (other than for Cause, Disability or by reason of the Executive's death) or (y) during the twelve (12) months following a Change Of Control or (ii) the Executive terminates employment for Good Reason (including termination for Change of Control pursuant to Section S(c)(iii) during the twelve (12) months following a Change of Control), the Company, in addition to fulfilling its obligations as to Annual Base Salary under Section 3(a) hereof through the Date of Termination, shall provide the Executive with his Annual Base Salary and all

other benefits and accrued unpaid expenses specified in Paragraph 3 above as of the Date of Termination, for a period of three (3) years from the Date of Termination. Additionally, all of the Executive's stock options will be immediately vested.

As a condition to receiving such payments relating to periods following the date of such termination, Executive shall sign a release (covering all matters relating to his employment, and, in the event the Executive sells his securities in the Company to the Company covering all matters} in favor of the Company and its affiliates in such form as the Company shall reasonably request. The Company's obligation to pay Executive the Annual Base Salary amounts referred to in this Section 5(a} shall cease in the event of a material breach by Executive which remains uncured after any applicable cure period provided herein, after termination of the Employment Period, of a material provision of this Agreement or of the Confidential Information and Inventions Assignment between the Company and Executive.

For purposes of this Agreement, a "Change of Control" means any of the following events at any time during the term of this Agreement: (1} the Company is merged, consolidated or reorganized into or with another corporation or other legal person or entity, and as a result less than 51% of the combined voting power of the then outstanding securities of such corporation, person or entity immediately after such transaction is held in the aggregate by the holders of the then outstanding securities entitled to vote in the election of Directors {"Voting Stock"} of the Company immediately prior to such transaction; (2) the Company sells or otherwise transfers all or substantially all of its assets to any other corporation, person or entity if less than 51% of the combined voting power of the then outstanding Voting Stock of such corporation, person or entity immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer; (3) the Company sells or otherwise transfers assets, tangible or intangible, in any single transaction or series of related transactions to another entity or entities in which the Company or its shareholders does not have the right to elect members of the Board and as a result of such sale or transfer the Company will be unable to continue its business in substantially the same manner operated immediately prior to the transaction or series of transactions.

(b) Death or Disability. If the Executive's employment is terminated by reason of the Executive's death or Disability during the Employment Period, the Company shall pay the Executive or his estate the Annual Base Salary and all other benefits and expenses provided under Paragraph 3 above that have been accrued or earned through the date of Executive's death or Disability and the Company shall have no further obligations under this Agreement other than for any entitlements under the terms of any other plans or programs of the Company in which the Executive participated and under which the Executive has accrued a benefit, including but not limited all stock options will be immediately vested and the Company will formally notify the beneficiaries of the Executive accordingly in writing.

(c) Cause: Other than for Good Reason. If the Executive's employment is terminated by the Company for Cause during the Employment Period or if the Executive resigns other than for Good Reason, the Company shall pay the Executive the Annual Base Salary, and all other benefits and expenses provided under Paragraph 3 above that have been accrued or earned through the Date of Termination and the Company shall have no further obligations under this Agreement other than for any entitlements under the terms of any other plans or programs of the Company in which the Executive participated and under which the Executive has accrued a benefit.

7. **Compliance with Code Section 409A.** It is the intention of both the Company and Executive that the benefits and rights to which Executive could be entitled pursuant to this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended from time

to time, and its implementing regulations and guidance ("Section 409A"), to the extent that the requirements of Section 409A are applicable thereto, and the provisions of this Agreement shall be construed in a manner consistent with that intention. If Executive or the Company believes, at any time, that any such benefit or right that is subject to Section 409A does not so comply, it shall promptly advise the other and shall negotiate reasonably and in good faith to amend the terms of such benefits and rights such that they comply with Section 409A (with the most limited possible economic effect on Executive and on the Company).

(a) Distributions on Account of Separation from Service. If and to the extent required to comply with Section 409A, any payment or benefit required to be paid under this Agreement on account of termination of Executive's employment, service (or any other similar term) shall be made only in connection with a "separation from service" with respect to Executive within the meaning of Section 409A.

(b) No Acceleration of Payments. Neither the Company nor Executive, individually or in combination, may accelerate any payment or benefit that is subject to Section 409A, except in compliance with Section 409A and the provisions of this Agreement, and no amount that is subject to Section 409A shall be paid prior to the earliest date on which it may be paid without violating Section 409A.

(c) Expense Reimbursements. Notwithstanding anything herein to the contrary or otherwise, except to the extent any expense or reimbursement provided pursuant to this Agreement does not constitute a "deferral of compensation" within the meaning of Section 409A, (a) the amount of expenses eligible for reimbursement provided to Executive during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to Executive in any other calendar year, (b) the reimbursements for expenses for which Executive is entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred, (c) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit and (d) the reimbursements shall be made pursuant to objectively determinable and nondiscretionary Company's policies and procedures regarding such reimbursement of expenses.

8. **No Mitigation.** In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced, regardless of whether the Executive obtains other employment.

9. **Successors.**

(a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive. Subject to the preceding sentence, this Agreement shall inure to the benefit of, be binding upon and be enforceable by the Executive's successors, assigns and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

10. **Miscellaneous.**

(a) This agreement shall be governed by, and construed in accordance with the laws of the State of Florida, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement

may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) When a reference is made in this Agreement to an article, section, paragraph, clause, schedule or exhibit, such reference shall be deemed to be to this Agreement unless otherwise indicated. The text of all schedules is incorporated herein by reference. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." As used herein, words in the singular will be held to include the plural and vice versa (unless the context otherwise requires), words of one gender shall be held to include the other gender (or the neuter) as the context requires, and the terms "hereof", "herein", and "herewith" and words of similar import will, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement.

(c) The parties agree and acknowledge that they have jointly participated in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumptions or burdens of proof shall arise favoring any party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

(d) All notices and other communications under this Agreement shall be in writing and shall be given by hand to the other party or by certified mail or overnight courier service, addressed as follows:

If to the Executive:	Mark A. Emalfarb 193 Spyglass Court Jupiter, FL 33477
With a required copy to:	Thomas E Patton Butzel Long Suite 300 1747 Pennsylvania Ave N.W. Washington D.C. 20006
If to the Company:	Dyadic International, Inc. 140 Intracoastal Pointe Drive Suite 404 Jupiter, FL 33477 Attn: Chief Financial Officer

or to such other address as either party furnishes to the other in writing in accordance with this paragraph (b) of Section 11. Any such notice or communication shall be deemed to have been received (i) when delivered, if personally delivered, (ii) on the next business day after dispatch, if sent postage pre-paid by nationally recognized, overnight courier guaranteeing next business day delivery, and (iii) on the 5th business day following the date on which the piece of mail containing such communication is posted, if sent by certified mail, postage prepaid, return receipt requested.

(e) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provisions of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision,

together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

(f) The Executive's or the Company's failure to insist upon strict compliance with any provision of, or to assert any right under, this Agreement shall not be deemed to be a waiver of such provision or right or of any other provision of or right under this Agreement.

(g) Except as otherwise provided herein, no remedy herein conferred upon a party hereto is intended to be exclusive of any other remedy. No single or partial exercise by a party hereto of any right, power or remedy hereunder shall preclude any other or further exercise thereof. All remedies under this Agreement or otherwise afforded to any party, shall be cumulative and not alternative.

(h) Venue, Jurisdiction. Executive hereby agrees that any suit, action or proceeding relating in any way to this Agreement may be brought and enforced in the Circuit Court of Palm Beach County of the State of Florida or in the District Court of the United States of America for the Southern District of Florida, and in either case, Executive hereby submits to the jurisdiction of each such court. Executive hereby waives and agrees not to assert, by way of motion or otherwise, in any such suit, action or proceeding, any claim that Executive is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Executive consents and agrees to service of process or other legal summons for purpose of any such suit, action or proceeding by registered mail addressed to Executive at his address listed in the business records of the Company. Nothing contained herein shall affect the rights of the Company to bring a suit, action or proceeding in any other appropriate jurisdiction.

(i) Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY TRANSACTION DOCUMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES OR ANY OF THEM IN RESPECT OF THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION. EACH PARTY AGREES THAT THE OTHER MAY FILE A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(j) Attorneys' Fees. The parties agree that in the event of the institution of any action at law or in equity by either party to enforce the provisions of this Agreement, the losing party shall pay all of the costs and expenses of the prevailing party, including reasonable fees and expenses of attorneys and accountants, incurred in connection therewith.

(k) This Agreement may be executed in several counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile, portable document format or other electronic means shall be effective as delivery of a manually executed counterpart to the Agreement.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the day and year first above written.

DYADIC INTERNATIONAL, INC.

By: Michael J. Faby
Name: Michael J. Faby
Title: Chief Financial Officer

/s/ Mark A. Emalfarb
Mark A. Emalfarb as CEO

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement) is made and entered into as of April 29, 2013, by and between **DYADIC INTERNATIONAL, INC.**, a Delaware corporation, with its principal place of business at 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477 (the "Company'1, and Danai Eric Brooks ("Employee") (the Company and Employee are sometimes hereinafter collectively referred to as the "parties" and individually as a "party." Certain capitalized terms used in this Agreement are defined in Article VII hereof).

RECITALS:

WHEREAS, Employee will be employed by the Company as its Executive Vice President and Chief Operating Officer; and

WHEREAS, the Company wishes to assure itself of the services of Employee for the period provided in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, and the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the parties hereby agree as follows:

ARTICLE I
EMPLOYMENT RELATIONSHIP

1.1 Recitals. The Recitals to this Agreement are hereby incorporated herein and made a part hereof.

1.2 Employment. Subject to the terms and conditions of this Agreement, the Company hereby agrees to employ Employee to serve as the Company's Executive Vice President and Chief Operating Officer and Employee hereby accepts such employment, and agrees to perform all of his assigned duties and responsibilities to the best of his abilities in a diligent, trustworthy, businesslike, ethical and efficient manner. Employee agrees to establish a residence in Florida within the first year of employment and his principal place of employment will be out of the Company's offices in Jupiter, Florida.

1.3 Duties; Reporting Authority. Employee shall have the normal and customary duties, responsibilities and authority of a Person holding the title and job description set forth in Section 1.2 hereof, and in addition, shall perform such other duties on behalf of the Company, as may be assigned to him by the Chief Executive Officer ("CEO') of the Company, or by the Company's Board of Directors (the "Board"). In connection with Employee's performance of his duties, he shall report directly and solely to the CEO.

1.4 Exclusive Employment. While employed by the Company, Employee agrees to devote his entire business time, energy, attention and skill to the Company (except for permitted vacation periods and reasonable periods of illness or other incapacity), and use his good faith best efforts to promote the interests of the Company. The foregoing shall not be construed as prohibiting Employee from spending such time as may be reasonably necessary to attend to his investments and personal and other affairs, so long as such activities do not materially conflict or materially interfere with Employee's obligations and/or timely performance of his duties to the Company hereunder. The Employee may serve on one (1) corporate board or advisory committee without the Company's advanced consent.

1.5 Employee Representations. Employee hereby represents and warrants to the Company that:

(a) the execution, delivery and performance by Employee of this Agreement and any other agreements contemplated hereby to which Employee is a party do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Employee is a party or by which he is bound;

(b) Employee is not a party to or bound by any employment agreement, non- competition agreement or confidentiality agreement with any other Person (or if a party to such an agreement, Employee has disclosed the material terms thereof to the Company prior to the execution hereof and promptly after the date hereof shall deliver a copy of such agreement to the Company); and

(c) Employee hereby acknowledges and represents that he has consulted with, or had the opportunity to consult with, independent legal counsel regarding his rights and obligations under this Agreement and fully understands the terms and conditions contained herein.

1.6 Company Representations. The Company hereby represents and warrants to Employee that the execution, delivery and performance by the Company of this Agreement and any other agreements contemplated hereby to which the Company is a party do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Company is a party or by which it is bound.

1.7 Indemnification.

(a) By Employee. Employee shall indemnify and hold the Company harmless from and against any and all claims, demands, losses, judgments, costs, expenses, or liabilities incurred by the Company arising out of or in connection with the breach of any representation or warranty of Employee contained in this Agreement.

(b) By the Company. The Company shall indemnify and hold Employee harmless from and against any and all claims, demands, losses, judgments, costs, expenses, or liabilities incurred by Employee arising out of or in connection with the breach of any representation or warranty of the Company contained in this Agreement. Further, the Company shall defend, indemnify and hold harmless Employee to the fullest extent permitted by applicable law and the bylaws of the Company, and he shall also be covered under the Company's directors and officers liability insurance policy paid for by the Company. The Company shall maintain tail coverage following the Employee's departure or in the event of a Change of Control (as defined below).

ARTICLE II
PERIOD OF EMPLOYMENT

2.1 Employment Period. Employee shall begin employment with the Company on or about the 151 day of May, 2013 and shall continue to be an employee of the Company until the date fixed by the provisions of Section 2.2 hereof, subject to the early termination provisions of Article V hereof (the "Employment Period").

2.2 Term of Employment Period. The Employment Period shall begin on the date hereof and shall continue until terminated as provided herein. The Employment Period shall renew daily such that the remaining unexpired term of the Agreement shall be twelve (12) months, until the date that the Company or Employee provides the other with notice of non-renewal, in which case, Employee may be eligible for severance pursuant to Section 5 of this Agreement.

ARTICLE III
COMPENSATION

3.1 Annual Base Compensation. The Company shall pay to Employee an annual base salary (the "Annual Base Compensation") in the amount of $275,000. The Annual Base Compensation shall be paid in regular installments in accordance with the Company's general payroll practices, and shall be subject to the payment by the Company of all required federal, state and local withholding taxes. Employee's Annual Base Compensation shall be reviewed for increases by the Company's CEO and the Compensation Committee of the Board (the "Compensation Committee") annually.

3.2 Annual Target Bonuses. In respect of each calendar year falling within the Employment Period, Employee shall be eligible to earn an annual bonus of up to forty percent (40%) of Employee's Annual Base Compensation for that calendar year based on the results of operations of the Company, and the individual performance of Employee, as determined by the Compensation Committee in its sole discretion (the "Annual Target Bonus"). The amount of the Annual Target Bonus, if any, which is earned by Employee (the "Bonusable Amount") shall be paid by the Company to Employee following the close of the Company's calendar year consistent with the timing of similar bonus payments being made to other executives of the Company for such year, subject to Employee's continued employment through December 31 of the applicable calendar year. In the absolute discretion of the Company's Compensation Committee, Employee may be entitled to receive an additional discretionary bonus, as and if the Company shall determine from time to time. Any Bonusable Amount or other bonus due to Employee hereunder will be payable not later than March 15th following the close of the calendar year for which the bonus was earned.

3.3 Equity Grants.

(a) Stock Option. Employee will be granted a stock option to purchase 400,000 shares of the Company's common stock (the "Option") pursuant to the Company's 2011 Equity Incentive Award Plan (the " Plan"). The exercise price per share of the Option will be equal to the fair market value per share of the Company's common stock on the date the Option is granted. The term of the Option will be 1o years from the grant date, subject to earlier expiration in the event of the termination of Employee's services to the Company or as otherwise provided by the Plan. Subject to the accelerated vesting provisions set forth in Sections 3.6 and 5.2(c), the Option will vest and become exercisable at the rate of 1/48th of the total number of Option shares on each monthly anniversary of Employee's employment start date with the Company, subject to Employee's continuous service with the Company through each vesting date.

(b) RSUs. Employee will also be granted 69,000 Restricted Stock Units ("RSUs") of the Company pursuant to the Plan. Subject to the accelerated vesting provisions set forth in Sections 3.6 and 5.2(c), the RSUs will vest as to 1/36th of the total RSUs on each monthly anniversary of Employee's employment start date with the Company, subject to Employee's continuous service with the Company through each vesting date.

3.4 Retention Bonus. The Company shall also pay Employee an aggregate retention bonus of $100,000 (the "Retention Bonus"), which will be paid in two (2) installments of $50,000 on each of the second and third annual anniversaries of Employee's employment start date with the Company, subject to Employee's continuous service through each such applicable anniversary date.

3.5 Transaction and Joint Venture Compensation. Should the Company enter into licensing, joint venture or other partnership agreements with CEO and/or approval by the Company's Board of Directors (each, a "Transaction Agreement") during the Employment Period or within three (3) months following Employee's Termination by the Company Without Cause or Employee's Resignation for Good Reason, the Employee shall receive the following:

(a) For Transaction Agreements with parties on Schedule A that are signed during calendar year 2013, the Employee shall receive a cash payment equal to 1.0% of the aggregate licensing fee, and technology transfer and /or access fees, which will be paid to Employee in a single lump sum within thirty (30) days of the parties receipt of the funds by the Company; provided, however, Employee shall not be eligible to receive any such payment with respect to Transaction Agreements entered into in 2013 with Purac and BASF.

(b) For all other Transaction Agreements signed, the Employee shall receive a cash payment equal to 2.0% of the aggregate licensing fee, and technology transfer and /or access fees, which will be paid to Employee in a single lump sum within thirty (30) days of the parties receipt of the funds by the Company.

The amounts earned by Employee as a result of the Company entering into the Transaction Agreements pursuant to this Section 3.5 are referred to herein as the "Transaction Consideration". For avoidance of doubt, the Transaction Consideration excludes research and commercial milestones, facility fees, royalty payments or any other forms of future payments other than the cash received by the Company as a licensing fee, technology transfer and/or access fee.

(c) In addition, if the Company forms a joint venture with another entity and such other party contributes capital in the form of cash to the joint venture, then Employee will receive a cash payment equal to 2.0% of such cash capital contribution (except for joint ventures with those parties listed on Schedule A during 2013, in which case, the cash payment will equal 1.0% of such cash capital contribution), which will be paid to Employee in a single lump sum within thirty (30) days of the receipt of such capital contribution, subject to Employee's continuous service to the Company through the date of such capital contribution or within three (3) months following Employee's Termination by the Company Without Cause or Employee's Resignation for Good Reason.

The amounts payable pursuant to this Section 3.5 are not earned unless and until the payment is received by the Company or a cash capital contribution is made to the Company pursuant to a Transaction Agreement or joint venture, respectively, and is also subject to Employee's continuous service to the Company through the signing of the Transaction Agreement or the entering into the joint venture, as applicable. In no event will any payment be made hereunder later than March 15th following the close of the calendar year for which the Transaction Consideration or joint venture amount is earned, provided, that Section 5.2(c) shall apply for Transaction Agreements and/or joint ventures entered into within three (3) months following Employee's Termination by the Company Without Cause or Employee's Resignation for Good Reason.

3.6 **Change of Control.** In the event of a Change of Control that occurs during Employee's continuous service with the Company, Employee shall receive the following benefits and payments:

(a) Vesting Acceleration. 100% of the then unvested and outstanding stock options, RSUs and other Company equity awards held by Employee shall become vested and if applicable, exercisable, as of immediately prior to the closing of a Change of Control.

(b) Bonus. Employee shall receive a lump sum cash payment equal to one year of Employee's Annual Base Compensation plus Employee's Annual Target Bonus for the year in which the Change of Control occurs (assuming all applicable performance goals and all the applicable conditions are 100% satisfied}, which shall be paid to Employee within thirty (30) days of the closing of such Change of Control.

For the avoidance of doubt, in the event of Employee's Termination by the Company Without Cause or Resignation for Good Reason upon, or within six (6) months following, a Change of Control, Employee shall only be entitled to receive the vesting acceleration and bonus payable pursuant to this Section 3.6 and shall not be entitled to any severance pursuant to Section 5.2(c) below.

For purposes of this Agreement, "Change of Control" shall have the same meaning as defined in the Plan.

3.7 Expenses. During the Employment Period, Employee shall be entitled to reimbursement of all travel, entertainment and other business expenses reasonably incurred in the performance of his duties for the Company, upon submission of all receipts and accounts with respect thereto, and approval by the Company thereof, in accordance with the business expense reimbursement policies adopted by the Company from time to time. In addition, during the Employment Period, Employee shall receive reasonable expense reimbursement for relocating to Florida, including, but not limited to, transportation, moving costs and one month temporary housing. For clarity, Employee shall not be entitled to receive any reimbursement for personal, non-relocation related, travel between New York and Florida or for more than one month of temporary housing. Any such reimbursement that would constitute nonqualified deferred compensation subject to Internal Revenue Code Section 409A, the regulations and other guidance there under and any state law of similar effect (collectively "Sec.409A") shall be subject to the following additional rules: (a) no reimbursement of any such expense shall affect Employee's right to reimbursement of any other such expense in any other taxable year, (b) reimbursement of the expense shall be made, if at all, not later than the end of the calendar year following the calendar year in which the expense was incurred, and (c) the right to reimbursement shall not be subject to liquidation or exchange for any other benefit.

3.8 Vacation. In respect of each calendar year falling within the Employment Period, Employee shall be entitled to four (4) weeks of vacation, or if greater, the number of weeks of vacation proscribed by the vacation policies of the Company then in effect from time to time, provided that unused vacation may be used by Employee in the following calendar year only in accordance with and as permitted by the Company's then current vacation policies in effect from time to time.

3.9 Other Fringe Benefits. During the Employment Period, if, as and when they are being provided to other employees of the Company holding positions with the Company comparable to Employee's position, Employee shall also be entitled to receive the same fringe benefits offered to such employees including, but not limited to, health insurance benefits, disability benefits and retirement benefits. For avoidance of doubt, Employee shall not necessarily be entitled to the same fringe benefits as the CEO.

3.10 Other Incentive Compensation. Employee shall be eligible to participate during the Employment Period in such incentive plans, stock option plans, stock purchase plans and any other long-term compensation plans, programs or arrangements which may be adopted by the Company and applicable to Employee as determined by the Company's Compensation Committee, in its sole discretion.

ARTICLE IV
COVENANTS OF EMPLOYEE

4.1 Proprietary Rights. Employee hereby expressly agrees that all research, Biological Materials, discoveries, inventions and innovations (whether or not reduced to practice or documented), improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether patentable or unpatentable, and whether or not reduced to writing), trade secrets (being information about the business of the Company which is considered by the Company to be

confidential and is proprietary to the Company) and confidential information, copyrightable works, and similar and related information (in whatever form or medium), which (x) either (i) relate to the Company's actual or anticipated business, research and development or existing or Mure products or services or (ii) result from any work performed by Employee for the Company and (y) are conceived, developed, made or contributed to in whole or in part by Employee during the Employment Period ("Work Product") shall be and remain the sole and exclusive property of the Company. Employee shall communicate promptly and fully all Work Product to the Company.

(a) Work Made for Hire. Employee acknowledges that, unless otherwise agreed in writing by the Company, all Work Product eligible for any form of copyright protection made or contributed to in whole or in part by Employee within the scope of Employee's employment by the Company during the Employment Period shall be deemed a "work made for hire" under the copyright laws and shall be owned exclusively by the Company.

(b) Assignment of Proprietary Rights. Employee hereby assigns, transfers and conveys to the Company, and shall assign, transfer and convey to the Company, all right, title and interest in and to all inventions, ideas, improvements, designs, processes, trademarks, service marks, trade names, trade secrets, trade dress, data, discoveries and other proprietary assets and proprietary rights in and of the Work Product (the "Proprietary Rights for the Company's exclusive ownership and use, together with all rights to sue and recover for past and future infringement or misappropriation thereof, which shall enjoy exclusive ownership and use, together with all rights to sue and recover for past and Mure infringement or misappropriation thereof.

(c) Further Instruments. At the request of the Company, at all times during the Employment Period and thereafter, Employee will promptly and fully assist the Company as the case may be) in effecting the purpose of the foregoing assignment, including but not limited to the further acts of executing any and all documents necessary to secure for the Company such Proprietary Rights and other rights to all Work Product and all confidential information related thereto, providing cooperation and giving testimony.

(d) Inapplicability of Section 4. 1 In Certain Circumstances. The Company expressly acknowledges and agrees that, and Employee is hereby advised that, this Section 4.1 does not apply to any invention for which no equipment, supplies, facilities or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (i) the invention relates to the business of the Company or to the Company's actual or demonstrably anticipated research or development or (ii) the invention results from any work performed by Employee for the Company.

4.2 Ownership and Covenant to Return Documents. Employee agrees that all Work Product and all documents or other tangible materials (whether originals, copies or abstracts), including without limitation, price lists, quotation guides, outstanding quotations, books, records, manuals, files, sales literature, training materials, customer records, correspondence, computer disks or print-out documents, contracts, orders, messages, phone and address lists, invoices and receipts, and all objects associated therewith, which in any way relate to the business or affairs of the Company, either furnished to Employee by the Company or prepared, compiled or otherwise acquired by Employee during the Employment Period, shall be the sole and exclusive property of the Company. Employee shall not use, copy or duplicate any of the aforementioned documents or objects, nor remove them from the facilities of the Company, nor use any information concerning them except for the benefit of the Company, either during the Employment Period or thereafter. Employee agrees that he will deliver all of the aforementioned documents and objects that may be in his possession to the Company on the termination of his employment with the Company, or at any other time upon the Company's request, together with his written certification of compliance with the provisions of this Section 4.2 in the form of Exhibit A to this Agreement in accordance with the provisions of Section 5.3 hereof.

4.3 **Non-Disclosure Covenant.** Fora period commencing on the date of this Agreement and ending on the last to occur of five (5) years following the date of execution of this Agreement or three (3) years following the date of the termination of the Employment Period (the "Non-Disclosure Period"), Employee shall not, either directly or indirectly, disclose to any "unauthorized person" or use for the benefit of Employee or any Person other than the Company any Work Product or any knowledge or information which Employee may acquire while employed by the Company (whether before or after the date of this Agreement) relating to (a) the financial, marketing, sales and business plans and affairs, financial statements, analyses, forecasts and projections, books, accounts, records, operating costs and expenses and other financial information of the Company, (b) internal management tools and systems, costing policies and methods, pricing policies and methods and other methods of doing business, of the Company, (c) customers, sales, customer requirements and usages and distributor lists, of the Company, (d) agreements with customers, vendors, independent contractors, employees and others, of the Company, (e) existing and future products or services and product development plans, designs, analyses and reports, of the Company, (f) computer software and databases developed for the Company, trade secrets, research, records of research, models, designs, drawings, technical data and reports of the Company, and (g) correspondence or other private or confidential matters, information or data whether written, oral or electronic, which is proprietary to the Company and not generally known to the public (individually and collectively confidential Information"), without the Company's prior written permission. For purposes of this Section 4.3, the term "unauthorized person" shall mean any Person who is not (i) an officer or director of the Company or an employee of the Company for whom the disclosure of the knowledge or information referred to herein is necessary for his performance of his assigned duties, or (ii) a Person expressly authorized by the Company to receive disclosure of such knowledge or information. The Company expressly acknowledges and agrees that the term "Confidential Information" excludes information which is (A) in the public domain or otherwise generally known to the trade, or {B) disclosed to third parties other than by reason of Employee's breach of his confidentiality obligations hereunder or (C) learned of by Employee subsequent to the termination of his employment hereunder from any other party not then under an obligation of confidentiality to the Company. Further, Employee covenants to the Company that in Employee's performance of his duties hereunder, Employee will not violate any confidentiality obligations he may have to any third Persons.

4.4 **Non-Interference Covenants.** Employee covenants to the Company that while Employee is employed by the Company hereunder and for the one (1) year period thereafter {the "Non-Interference Period"), he will not, for any reason, directly or indirectly: {a) solicit, hire, or otherwise do any act or thing which may induce any other employee of the Company to leave the employ or otherwise Interfere with or adversely affect the relationship {contractual or otherwise) of the Company, with any person who is then or thereafter becomes an employee of the Company; (b) do any act or thing which may interfere with or adversely affect the relationship (contractual or otherwise) of the Company with any vendor of goods or services to the Company or induce any such vendor to cease doing business with the Company; or (c) except for Competitive Activities (as defined in Section 4.5 hereof) engaged in by Employee after the expiration of the Non-Competition Period, do any act or thing which may interfere with or adversely affect the relationship (contractual or otherwise) of the Company with any customer of the Company or induce any such customer to cease doing business with the Company. Notwithstanding the foregoing, this Section 4.4 shall not apply in the event of Employee's Termination by the Company Without Cause or Resignation for Good Reason and shall not be deemed to have been breached or violated by {A) the placement of general advertisements that may be targeted to a particular geographic or technical area but that are not specifically targeted toward any such employees, consultants or independent contractors of the Company or its successors or assigns ("General Advertisements"), (B) the hiring of any such employee, consultant or independent contractor of the Company if such employee, consultant or independent contractor responded to a General Advertisement without any inducement or solicitation prior to such response, or (C) the hiring, inducement or solicitation of any person who is not an employee, consultant or independent contractor of the Company at the time of the inducement or solicitation.

4.5 **Covenant Not To Compete.** Employee expressly acknowledges that (a) Employee's performance of his services for the Company hereunder will afford him access to and cause him to become highly knowledgeable about the Company's Confidential Information; (b) the agreements and covenants contained in this Section 4.5 are essential to protect the Confidential Information, business and goodwill of the Company and the restraints on Employee imposed by the provisions of this Section 4.5 are justified by these legitimate business interests of the Company; and (c) Employee's covenants to the Company set forth in this Section 4.5 are being made both in consideration of the Company's employment of Employee and other financial benefits of this Agreement. Accordingly, Employee hereby agrees that while Employee is employed by the Company and for the one (1) year period thereafter (the "Non-Competition Period"), Employee shall not, anywhere in the Applicable Territory, directly or indirectly, own any interest in, invest in, lend to, borrow from, manage, control, participate in, consult with, become employed by, render services to, or in any other manner whatsoever engage in, the development or sale of enzymes which is competitive with any fields of use actively being engaged in by the Company in the Applicable Territory.or actively (and demonstrably) being considered by the Company for entry into on the date of the termination of the Employment Period (collectively, "Competitive Activities"). Notwithstanding the foregoing, this Section 4.5 shall not apply in the event of Employee's Termination by the Company Without Cause or Resignation for Good Reason and Employee may (i) own, directly or indirectly, investments in the publicly traded securities of any corporation, provided that such investments do not amount to more than one percent (1%) of the outstanding securities of any class of such corporation, (ii) own securities in any venture capital, private debt or equity investment fund or similar investment entity that holds securities in an entity that may be engaged in Competitive Activities or own, as a passive investment, securities in a privately held entity, provided that, the number of shares of such entity's securities that are owned beneficially by Stockholder represent less than five percent (5%) of the total number of outstanding shares of such entity's securities, (iii) work for a venture capital or private equity fund that has portfolio companies that engages in Competitive Activities, so long as Employee does not actively participate in the relationship between such fund and the portfolio companies that engage in the Competitive Activities, or (iv) engage or participate in any activity consented to In advance in writing by the Company.

4.6 **Remedies For Breach.** If Employee commits a breach, or threatens to commit a breach, of any of the provisions of this Article IV, the Company shall have the right and remedy, in addition to any other remedy that may be available at law or in equity, to have the provisions of this Article IV specifically enforced by any court having equity jurisdiction, by the entry of temporary, preliminary and permanent injunctions and orders of specific performance, together with an accounting therefor, it being expressly acknowledged and agreed by Employee that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company. Any such injunction shall be available without the posting of any bond or other security, and Employee hereby consents to the issuance of such injunction. Employee further agrees that any such injunctive relief obtained by the Company shall be in addition to, and not in lieu of, monetary damages and any other remedies to which the Company may be entitled. Further, in the event of an alleged breach or violation by Employee of any of the provisions of Sections 4.3, 4.4 or 4.5 hereof, the Non-Disclosure Period, the Non interference Period and/or the Non-Competition Period, as the case may be, shall be tolled until such breach or violation has been cured.

ARTICLE V
TERMINATION OF EMPLOYMENT

5.1 **Termination and Triggering Events.** Notwithstanding anything to the contrary elsewhere contained in this Agreement, the Employment Period shall terminate upon the occurrence of any of the following events (hereinafter referred to as "Triggering Events"): (a) Employee's death; (b) Employee's Total Disability; (c) Employee's Resignation without Good Reason; (d) a Termination by the Company for Cause; (e) a Termination by the Company Without Cause; or (f) Employee's Resignation for Good Reason.

5.2 **Rights Upon Occurrence of a Triggering Event.** Subject to the provisions of Section 5.3 hereof, the rights of the parties upon the occurrence of a Triggering Event shall be as follows:

(a) **Resignation Without Good Reason and Termination by the Company for Cause:** If the Triggering Event was Employee's Resignation without Good Reason or a Termination by the Company for Cause, Employee shall be entitled to receive his Annual Base Compensation, accrued but unpaid vacation and all other compensation, benefits and reimbursements then due and owing for the period ending as of the end of the effective date of Employee's termination (collectively, the "Accrued Payments and Benefits") in accordance with the policy of the Company, and to continue to participate in the Company's health, insurance and disability plans and programs through that date and thereafter, only to the extent permitted under the terms of such plans and programs.

(b) **Death or Total Disability:** If the Triggering Event was Employee's death or Total Disability, Employee (or Employee's designated beneficiary) shall be entitled to receive Employee's Accrued Payments and Benefits plus a pro rata portion of Employee's Annual Target Bonus for the calendar year in which such death or Total Disability occurred (based on the number of days Employee was employed during the applicable calendar year and assuming all applicable performance goals and all the applicable conditions are 100% satisfied), which will be paid in a single lump sum within thirty (30) days of Employee's termination due to Death or Total Disability and in accordance with the policy of the Company, and to continue to participate in the Company's health, insurance and disability plans and programs through the date of termination and thereafter only to the extent permitted under the terms of such plans and programs.

(c) **Termination by Company Without Cause or Resignation for Good Reason:** If the Triggering Event was an involuntary separation from service, as defined in Treasury Regulation 1.409A-1(n), as a result of a Termination by the Company Without Cause or a Resignation for Good Reason (an "Involuntary Separation"), Employee shall be entitled to receive his Accrued Payments and Benefits plus the following severance benefits from the Company (collectively, the "Severance Benefits"):

(i) (A) Employee's earned but unpaid Annual Target Bonus for the for the year preceding the year of Employee's termination based on achievement of the performance goals, assuming any individual subjective performance goals are fully achieved at 100% of target without exercise of any negative discretion by the Company and (B) Employee's Annual Target Bonus for the year in which such Triggering Event occurs that would have been earned by Employee had he remained employed by the Company through the end of the year (assuming all applicable performance goals and all the applicable conditions are 100% satisfied);

(ii) severance pay for the twelve (12) month period following the date of termination of Employee's employment with the Company (the "Severance Period"), in an amount per month equal to one-twelfth (1/12th) of Employee's Annual Base Compensation;

(iii) If Employee elects to continue his health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act (" COBRA") following Employee's Involuntary Separation, then the Company will pay 100% of Employee's monthly premiums due for such COBRA coverage from the first date on which Employee loses health coverage as an employee of the Company (with any payments commencing after such date being made retroactively to such date) until the earliest of (i) the date that the Company has paid premiums for COBRA coverage for the Severance Period, (ii) the expiration of Employee's continuation coverage under COBRA or (iii) the date when Employee receives substantially equivalent health insurance coverage in connection with new employment or self-employment; and

(iv) Employee will receive the Transaction Consideration and a percentage of the cash capital contribution, if any, as set forth in Section 3.5 for Transaction Agreements that are signed or joint ventures that are entered into, in each case, within three (3) months following Employee's Involuntary Separation, with such payment to be made on the seven (7) month anniversary of Employee's Involuntary Separation Date;

provided that Employee shall be entitled to receive such Severance Benefits if (i) Employee has executed and delivered to the Company the General Release substantially in form and substance as set forth in Exhibit B to this Agreement and such release has become effective no later than the thirtieth (30th) day after Employee's Involuntary Separation {the "Deadline Date"); and (ii) Employee has not breached any of his covenants to the Company set forth in this Agreement. Employee will not be entitled to any other severance or other benefits upon termination of employment with respect to acceleration of equity award vesting or severance pay other than those benefits expressly set forth in this Agreement. The severance payment described in clause (i) above shall be paid to Employee in a single lump sum on the first regular payroll date on or after the Deadline Date and the severance pay described in clause (ii) above will be paid in accordance with the Company's standard payroll procedures on the Company's regularly scheduled payroll dates at the payroll rates in effect as of the Involuntary Separation date, commencing with the first regularly scheduled payroll date that occurs on or after the Deadline Date with the first payment being equal to the number of regularly scheduled payroll dates that occurred between the Involuntary Separation date and the date of the first payment multiplied by Employee's Annual Base Compensation rate in effect at the time of Employee's Involuntary Separation.

(d) Cessation of Entitlements and Company Right of Offset . Except as otherwise expressly provided herein, all of Employee's rights to salary, employee benefits, fringe benefits and bonuses hereunder (if any) which would otherwise accrue after the termination of the Employment Period shall cease upon the date of such termination. The Company may offset any loans, cash advances or fixed amounts which Employee owes the Company against any amounts it owes Employee under this Agreement.

(e) Section 409A. For purposes of Section 409A, each payment that is paid pursuant to this Agreement is hereby designated as a separate payment. The parties intend that all payments made or to be made under this Agreement comply with, or are exempt from, the requirements of Section 409A so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply or be so exempt. Specifically, any severance payments made in connection with Employee's Involuntary Separation under this Agreement and paid on or before the 151t1 day of the 3n1 month following the end of Employee's first tax year in which Employee's Involuntary Separation occurs or, if later, the 15th day of the 3ro month following the end of the Company's first tax year in which Employee's Involuntary Separation occurs, shall be exempt from Section 409A to the maximum extent permitted pursuant to Treasury Regulation Section 1.409A-1(b)(4) and any additional severance provided in connection with Employee's Involuntary Separation under this Agreement shall be exempt from Section 409A to the maximum extent permitted pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii) (to the extent it is exempt pursuant to such section it will in any event be paid no later than the last day of Employee's 2"d taxable year following the taxable year in which Employee's Involuntary Separation occurs). Notwithstanding the foregoing, if any of the payments provided in connection with Employee's Involuntary Separation do not qualify for any reason to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1 (b)(4), Treasury Regulation Section 1.409A-1(b)(9)(iii), or any other applicable exemption and Employee is, at the time of his Involuntary Separation, a "specified employee," as defined in Treasury Regulation Section 1.409A-1(i) (i.e., Employee is a

"key employee of a publicly traded company), each such payment will not be made until the first regularly scheduled payroll date of the 7lh month after Employee's Involuntary Separation and, on such date (or, if earlier, the date of Employee's death), Employee will receive all payments that would have been paid during such period in a single lump sum.

5.3 Survival of Certain Obligations and Termination Certificate. The provisions of Articles IV, V, VI and VIII shall survive any termination of the Employment Period, whether by reason of the occurrence of a Triggering Event or the expiration of the Initial Term or any Extension Term. Immediately following the termination of the Employment Period, Employee shall promptly return to the Company all property required to be returned to the Company pursuant to the provisions of Section 4.2 hereof and execute and deliver to the Company the Termination Certificate attached hereto as Exhibit A and by this reference made a part hereof.

ARTICLE VI
ASSIGNMENT

6.1 Prohibition of Assignment by Employee. Employee expressly agrees for himself and on behalf of his executors, administrators and heirs, that this Agreement and his obligations, rights, interests and benefits hereunder shall not be assigned, transferred, pledged or hypothecated in any way by Employee, his executors, administrators or heirs, and shall not be subject to execution, attachment or similar process. Any attempt to assign, transfer, pledge, hypothecate or otherwise dispose of this Agreement or any such rights, interests and benefits thereunder contrary to the foregoing provisions, or the levy of any attachment or similar process thereupon shall be null and void and without effect and shall relieve the Company of any and all liability hereunder.

6.2 Right of Company to Assign. Except as provided in the next sentence, the rights, but not the obligations of the Company shall be assignable and transferable to any successor-in-interest without the consent of Employee. In the instance of a sale of the Company or the sale of all or substantially all of the assets of the Company, this Agreement and the rights and obligations of the Company hereunder may be assigned to the acquiring party without Employee's consent, and for purposes of this Agreement, such acquirer shall thereafter be deemed to be the Company.

ARTICLE VII
DEFINITIONS

"Applicable Territory" means the United States of America and each other country in which the Company is engaged in the conduct of business.

"Biological Materials" means (i) classical or genetically modified strains, micro or other organisms, genes, proteins, peptides, sugars, metabolites, small molecules, enzymes or DNA, vectors, plasmids, promoters, expression cassettes or other genomic tools and assay materials which are being worked with or on by the Company or which are being worked with or on the Company's behalf by the Company's advisors or research and business collaborators, and (ii) fermentation or other manufacturing processes being utilized by the Company, the Company's research or business collaborators or the Company's third party manufacturers for research, pilot scale and/or commercial manufacture of biotechnology and other products.

"Person" means an individual, partnership, limited liability company, trust, estate, association, corporation, governmental body or other juridical being.

"Resignation without Good Reason" means the voluntary termination of employment hereunder by Employee providing the Company with at least thirty (30) days prior written notice of Employee's intention to terminate the Employment Period.

"Resignation for Good Reason" means Employee's resignation due to the occurrence of any of the following conditions which occurs without Employee's written consent, provided that the requirements regarding advance notice and an opportunity to cure set forth below are satisfied: (i) a material reduction in Employee's Annual Base Compensation, (ii) the Company (or a successor, if appropriate) requires Employee to relocate his principal place of employment outside of Jupiter, FL, (iii) a change in position within the Company that materially reduces Employee's title, responsibilities or level of authority, or (iv) a material breach by the Company of this Agreement. In order for Employee to resign for Good Reason, Employee must provide written notice to the Company of the existence of the Good Reason condition within sixty (60) days of the initial existence of such Good Reason condition. Upon receipt of such notice, the Company will have sixty (60) days during which it may remedy the Good Reason condition. If the Good Reason condition is not remedied within such sixty (60) day period, Employee may resign based on the Good Reason condition specified in the notice effective no later than sixty (60) days following the expiration of the Company's sixty (60) day cure period.

"Termination by the Company for Cause" means termination by the Company of Employee's employment if in the good faith judgment of the Company's Board of Directors, Employee commits willful fraud, embezzlement, willful misconduct, gross negligence, a felony or a crime involving moral turpitude, disclosed trade secrets or other Confidential Information of the Company in material violation of this Agreement that, in each case, causes material harm to the standing or reputation of the Company, or Employee consistently fails to execute the duties and responsibilities of his employment, including failing to meet the Employee's intended objectives, as reasonably requested by the Company's CEO in writing; provided that. excluding cases of fraud or felony, the termination of Employee's employment hereunder by the Company shall not be deemed a Termination by the Company for Cause unless and until there shall have been delivered to Employee a written notice from an authorized officer of the Company (after reasonable notice (in light of the circumstances surrounding the termination) to and an opportunity for Employee to cure such conditions of Cause within sixty (60) days of receiving such written notice.

"Termination by the Company Without Cause" means a termination of Employee's employment by the Company which is not a Termination by the Company for Cause.

"Total Disability" means Employee's inability, because of illness, injury or other physical or mental incapacity, to perform his duties hereunder (as determined by the Company in good faith) for a continuous period of ninety (90) consecutive days, or for a total of ninety (90) days within any three hundred sixty (360) consecutive day period, in which case such Total Disability shall be deemed to have occurred on the last day of such ninety (90) day or three hundred sixty (360) day period, as applicable.

ARTICLE VIII
GENERAL

8.1 Notices. All notices under this Agreement shall be in writing and shall be deemed properly sent, (i) when delivered, if by personal service or reputable overnight courier service, or (ii) when received, if sent (x) by certified or registered mail, postage prepaid, return receipt requested, or (y) via facsimile transmission (provided that a hard copy of such notice is sent to the addressee via one of the methods of delivery or mailing set forth above on the same day the facsimile transmission is sent); to (A) Employee at the address of his principal place of residence on file with the Company from time to time and (B) to the Company, as follows:

Dyadic International, Inc.
140 Intracoastal Pointe Drive, Suite 404
Jupiter, Florida 334n
Facsimile (561) 743-8343
Attention: CEO

8.2 **Governing Law.** This Agreement shall be subject to and governed by the laws of the State of Florida without regard to any choice of law or conflicts of law rules or provisions (whether of the State of Florida or any other jurisdiction), irrespective of the fact that Employee may become a resident of a different state.

8.3 **Binding Effect.** The Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns. and Employee and his executors, administrators, personal representatives and heirs.

8.4 **Complete Understanding.** This Agreement constitutes the complete understanding between the parties hereto with regard to the subject matter hereof, and supersedes any and all prior agreements and understandings relating to the terms of Employee's employment by the Company which shall, to the extent not inconsistent with the terms and provisions of this Agreement, remain in full force and effect as to any rights and obligations of the parties thereunder in existence prior to the date of this Agreement, provided that. in the event of any inconsistency between the provisions of this Agreement and the provisions of any other agreements between Employee and the Company, or in the event of any inconsistency between the rights and obligations of the parties under this Agreement and the rights and obligations of the parties under any prior agreement, the provisions of this Agreement shall control.

8.5 **Amendments.** No change, modification or amendment of any provision of this Agreement shall be valid unless made in writing and signed by both of the parties hereto.

8.6 **Waiver.** The waiver by the Company of a breach of any provision of this Agreement by Employee shall not operate or be construed as a waiver of any subsequent breach by Employee. The waiver by Employee of a breach of any provision of this Agreement by the Company shall not operate as a waiver of any subsequent breach by the Company.

8.7 **Venue.** Jurisdiction. Etc. Employee hereby agrees that any suit, action or proceeding relating in any way to this Agreement may be brought and enforced in the Circuit Court of Palm Beach County of the State of Florida or in the District Court of the United States of America for the Southern District of Florida, and in either case Employee hereby submits to the jurisdiction of each such court. Employee hereby waives and agrees not to assert, by way of motion or otherwise, in any such suit, action or proceeding, any claim that Employee is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Employee consents and agrees to service of process or other legal summons for purpose of any such suit, action or proceeding by registered mail addressed to Employee at his address listed in the business records of the Company. Nothing contained herein shall affect the rights of the Company to bring a suit, action or proceeding in any other appropriate jurisdiction. Employee and the Company do each hereby waive any right to trial by jury he or it may have concerning any matter relating to this Agreement. The parties agree that in the event of the institution of any action at law or in equity by either party to enforce the provisions of this Agreement, the losing party shall pay all of the costs and expenses of the prevailing party, including reasonable legal fees, incurred in connection therewith.

8.8 **Severability.** If any portion of this Agreement shall be for any reason invalid or unenforceable, the remaining portion or portions shall nevertheless be valid, enforceable and carried into effect.

8.9 **Headings.** The headings of this Agreement are inserted for convenience only and are not to be considered in the construction of the provisions hereof.

8.10 **Counterparts.** This Agreement may be executed in counterparts, both of which, taken together, shall constitute one and the same agreement.

INWITNESS WHEREOF. the parties hereto have caused this Agreement to be duly executed as of the date first above-written .

COMPANY:

DYADIC INTERNATIONAL, INC.

By: /s/ Mark A. Emalfarb
Name Mark A. Emalfarb
Title: President and CEO

EMPLOYEE:

Name· Danai Eric Brooks
Title: Executive Vice President and Chief Operating Officer

Schedule A

Parties with reduced 2013 Transaction Compensation

Abengoa Bioenergy Corporation	ETH (Odebrecht Agroindustrial)
Adisseo	Kemin Industries, Inc.
GranBio	ICM Inc.
Biomin	Petrobras
Borregaard AS	Praj Industries Ltd.
Cathay Industrial Biotech	Huve Pharma (Biovet)
Chemtex Group, M&G, BetaRenewables	Sanofi Pasteur
Chr. Hansen A/S	TMO Renewables
Codexis, Inc.	Total S.A.
Dr. Reddy's Laboratories Ltd.	UPM-Kymmene Corporation
Royal DSM	Viand Biotech
KDN	BioGasol
ADM	NOVOZYMES
ICM	Neol BioSolutions (REPSOL),
logen	Raizen
Borregaard	Zoetis
Merck Animal Health	Elanco Animal Health
TEVA	OPKO
CIMV	Dong Energy
InBicon	Kemin
Sud Chemie	

EXHIBIT A

TERMINATION CERTIFICATE

This is to certify that. except as permitted by the Employment Agreement (as defined below) I do not have in my possession, nor have I failed to return, any software, inventions, designs. works of authorship, copyrightable works, formulas, data, marketing plans, forecasts, product concepts, marketing plans, strategies, forecasts, devices, records, data, notes, reports, proposals. customer lists, correspondence, specifications, drawings, blueprints, sketches, materials, patent applications, continuation applications, continuation in-part applications, divisional applications, other documents or property, or reproductions of any aforementioned items belonging to DYADIC INTERNATIONAL, INC. (the "Company'), or its successors or assigns.

I further certify that I have complied with all the terms of the Employment Agreement dated as of April 29, 2013 between the Company and me (as the same may be amended, restated or otherwise modified, the "Employment Agreement"), relating to the reporting of any Work Product conceived or made by me (solely or jointly with others) covered by the Employment Agreement. Capitalized terms used but not otherwise defined herein shall have the meanings given such terms in the Employment Agreement.

I acknowledge that the provisions of the Employment Agreement relating to Confidential Information continue in effect beyond the termination of the Employment Agreement, as set forth therein.

Finally, I further acknowledge that the provisions of the Employment Agreement relating to my (i) anti-pirating, (ii) non-interference and (iii) non-competition covenants to the Company, also remain in effect following the date of my termination of employment with the Company.

Date: _____

_____
Employee

EXHIBIT B

GENERAL RELEASE

I, Dania Eric Brooks, in consideration of and subject to the performance by DYADIC INTERNATIONAL, INC., a Delaware corporation (the "Company"), of its material obligations under the Employment Agreement, dated as of April 29, 2013 (as the same may be amended, restated or otherwise modified, the Agreement), do hereby release and forever discharge as of the date hereof the Company and all present and former directors, officers, agents, representatives, employees, successors and assigns of the Company, and their direct or indirect owners (collectively, the "Released Parties") to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under Section 5.2(c) or 5.2(d) of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in Section 5.2(c) or 5.2(d) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release.

2. Except as provided in paragraph 4 of this General Release, I knowingly and voluntarily release and forever discharge the Company and the other Released Parties from any and all claims, controversies, actions, causes of action, cross-claims, counterclaims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date of this General Release) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are connected with my employment with, or my separation from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Civil Rights Act of 1866, as amended; the Worker Adjustment Retraining and Notification Act; Employee Retirement Income Security Act of 1974; any applicable Employee Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, negligent or intentional infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims").

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 of this General Release.

4. I and the Company mutually agree that this General Release does not waive or release any rights or claims that I may have under: (a) the Age Discrimination in Employment Act of 1967, as amended, which arise after the date I execute this General Release; and (b) any agreements to which I and the Company are parties pertaining to any shares or options to purchase shares of capital stock of the Company owned by me. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as

the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I further agree that in the event I should bring a Claim seeking damages against any Released Party, or in the event I should seek to recover against any Released Party in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.

6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

7. I agree that if I challenge the validity of this General Release, I will forfeit all unpaid amounts otherwise payable by the Company pursuant to Section 5.2(c) or 5.2(d) of the Agreement other than the very first payment due me thereunder, provided that nothing herein contained in this Agreement shall prohibit or bar me from filing a charge, including a challenge to the validity of the Agreement, with the United States Equal Employment Opportunity Commission ("EEOC"), or any state or local fair employment practices agency, or from participating in any investigation, hearing or proceeding conducted by the EEOC, or any state or local fair employment practices agency. I also agree that if I violate this General Release by suing the Company or the other Released Parties, I will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees, and return all payments received by me pursuant to the Agreement.

8. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone.

9. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission ("SEC"), the EEOC (or a state or local fair employment practices agency), any self-regulatory organization or governmental entity.

10. I agree to reasonably cooperate with the Company in any internal investigation or administrative, regulatory, or judicial proceeding. I understand and agree that my cooperation may include, but not be limited to, making myself available to the Company upon reasonable notice for interviews and factual investigations; appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process; volunteering to the Company pertinent information; and turning over to the Company all relevant documents which are or may come into my possession all at times and on schedules that are reasonably consistent with my other

permitted activities and commitments, provided that I shall have no obligation to expend more than one week of my time in connection with the performance of these activities without reasonable recompense, as mutually and reasonably agreed upon by me and the Company. I understand that in the event the Company asks for my cooperation in accordance with this provision, the Company will reimburse me solely for reasonable travel expenses, including lodging and meals, upon my submission of receipts.

11. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Agreement.

12. Whenever possible, each provision of this General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision in any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY;

(b) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, AS AMENDED, THE AMERICANS WITH DISABILITIES ACT OF 1990, AS AMENDED; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(c) I VOLUNTARI LY CONSENT TO EVERYTHING IN IT;

(d) I HAVE BEENADVISED TO CONSULTWITH AN ATTORNEY BEFORE EXECUTING ITAND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION IHAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(e) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE SUBSTANTIALLY IN ITS FINAL FORM ON _____ ____, ____ TO CONSIDER IT AND THE CHANGES MADE SINCE THE _____, ____ VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;

(f) THE CHANGES TO THE AGREEMENT SINCE _____ ____, ____ EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST;

(g) I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE ITAND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

(h) IHAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARI LY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(i) IAGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BEAMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT INWRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

Date: _____

_____
Employee

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 1st day of June, 2011, by and between **DYADIC INTERNATIONAL, INC.,** a Delaware corporation, with its principal place of business at 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477 (the "Company"), and **RICHARD H. JUNDZIL** ("Employee")(the Company and Employee are sometimes hereinafter collectively referred to as the "parties" and individually as a "party." Certain capitalized terms used in this Agreement are defined in Article VII hereof).

RECITALS:

WHEREAS, Employee is currently employed by the Company as its Vice President Operations;

and

WHEREAS, the Company wishes to assure itself of the services of Employee for the period provided in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, and the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the parties hereby agree as follows:

ARTICLE I
EMPLOYMENT RELATIONSHIP

1.1 Recitals. The Recitals to this Agreement are hereby incorporated herein and made a part hereof.

1.2 Employment. Subject to the terms and conditions of this Agreement, the Company hereby agrees to employ Employee to serve as the Company's Vice President Operations and Employee hereby accepts such employment, and agrees to perform all of his assigned duties and responsibilities to the best of his abilities in a diligent, trustworthy, businesslike and efficient manner, and in compliance with the Company's Code of Business Conduct and Ethics, a copy of which appears on the Company's website.

1.3 Duties: Reporting Authority. Employee shall have the normal and customary duties, responsibilities and authority of a Person holding the title and job description set forth in Section 1.2 hereof, and in addition, shall perform such other duties on behalf of the Company, as may be assigned to him by the Chief Executive Officer ("CEO") of the Company, or by the Company's Board of Directors (the "Board"). In connection with Employee's performance of his duties, he shall report to the President and Chief Executive Officer of the Company.

1.4 Exclusive Employment. While employed by the Company, Employee agrees to devote his entire business time, energy, attention and skill to the Company (except for permitted vacation periods and reasonable periods of illness or other incapacity), and use his good faith best efforts to promote the interests of the Company. The foregoing shall not be construed as prohibiting Employee from spending such time as may be reasonably necessary to attend to his investments and personal and other affairs, so long as such activities do not conflict or interfere with Employee's obligations and/or timely performance of his duties to the Company hereunder.

1.5 Employee Representations. Employee hereby represents and warrants to the Company that:

(a) the execution, delivery and performance by Employee of this Agreement and any other agreements contemplated hereby to which Employee is a party do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Employee is a party or by which he is bound;

(b) Employee is not a party to or bound by any employment agreement, noncompetition agreement or confidentiality agreement with any other Person (or if a party to such an agreement, Employee has disclosed the material terms thereof to the Company prior to the execution hereof and promptly after the date hereof shall deliver a copy of such agreement to the Company); and

(c) Employee hereby acknowledges and represents that he has consulted with, or had the opportunity to consult with, independent legal counsel regarding his rights and obligations under this Agreement and fully understands the terms and conditions contained herein.

1.6 Company Representations. The Company hereby represents and warrants to Employee that the execution, delivery and performance by the Company of this Agreement and any other agreements contemplated hereby to which the Company is a party do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Company is a party or by which it is bound.

1.7 Indemnification.

(a) By Employee. Employee shall indemnify and hold the Company harmless from and against any and all claims, demands, losses, judgments, costs, expenses, or liabilities incurred by the Company arising out of or in connection with the breach of any representation or warranty of Employee contained in this Agreement.

(b) By the Company. The Company shall indemnify and hold Employee harmless from and against any and all claims, demands, losses, judgments, costs, expenses, or liabilities incurred by Employee arising out of or in connection with the breach of any representation or warranty of the Company contained in this Agreement. Further, the Company shall defend, indemnify and hold harmless Employee to the fullest extent permitted by applicable law and the by-laws of the Company.

ARTICLE II
PERIOD OF EMPLOYMENT

2.1 Employment Period. Employee is an existing employee of the Company and shall continue to be an employee of the Company until the date fixed by the provisions of Section 2.2 hereof, subject to the early termination provisions of Article V hereof (the "Employment Period").

2.2 Term of Employment Period. The Employment Period shall begin on the date hereof and shall continue until terminated as provided herein. The Employment Period shall renew daily such that the remaining unexpired term of the Agreement shall be twelve (12) months, until the date that the Company or Employee provides the other with notice of non-renewal.

ARTICLE III
COMPENSATION

3.1 Annual Base Compensation. The Company shall pay to Employee an annual base salary (the "Annual Base Compensation") in the amount of $165,000. The Annual Base Compensation shall be

paid in regular installments in accordance with the Company's general payroll practices, and shall be subject to the payment by the Company of all required federal, state and local withholding taxes. Employee's Annual Base Compensation shall be reviewed by the Company's CEO and the Compensation Committee of the Board (the "Compensation Committee") annually on or around the anniversary of Employee's start date with the Company.

3.2 Potential Annual Target Bonuses. In respect of each calendar year falling within the Employment Period, Employee shall be eligible to earn an annual bonus, at the sole discretion of the Compensation Committee, based on the results of operations of the Company, and the individual performance of Employee, of up to forty percent (40%) of Employee's Annual Base Compensation for that calendar year (the "Potential Annual Target Bonus"), provided, however that there shall be no obligation on the part of the Company to pay Employee any bonus. The amount of the Potential Annual Target Bonus, if any, which is earned by Employee (the "Bonusable Amount") shall be paid by the Company to Employee following the close of the Company's calendar year consistent with the timing of similar bonus payments being made to other executives of the Company for such year, regardless of any subsequent termination of employment. In the absolute discretion of the Company's Compensation Committee, Employee may be entitled to receive an additional discretionary bonus, as and if the Company shall determine from time to time. Any Bonusable Amount due to Employee hereunder will be payable not later than seventy-five (75) days following the close of the fiscal year for which the bonus was earned or as soon as administratively practicable thereafter, within the meaning of Section 409A of the Internal Revenue Code and the regulations promulgated thereunder, each as amended ("Sec. 409A").

3.3 Expenses. During the Employment Period, Employee shall be entitled to reimbursement of all travel, entertainment and other business expenses reasonably incurred in the performance of his duties for the Company, upon submission of all receipts and accounts with respect thereto, and approval by the Company thereof, in accordance with the business expense reimbursement policies adopted by the Company from time to time. Any such reimbursement that would constitute nonqualified deferred compensation subject to Sec. 409A shall be subject to the following additional rules: (a) no reimbursement of any such expense shall affect Employee's right to reimbursement of any other such expense in any other taxable year, (b) reimbursement of the expense shall be made, if at all, not later than the end of the calendar year following the calendar year in which the expense was incurred, and (c) the right to reimbursement shall not be subject to liquidation or exchange for any other benefit.

3.4 Vacation. In respect of each calendar year falling within the Employment Period, Employee shall be entitled to four (4) weeks of vacation, or if greater, the number of weeks of vacation proscribed by the vacation policies of the Company then in effect from time to time, provided that unused vacation may be used by Employee in the following calendar year only in accordance with and as permitted by the Company's then current vacation policies in effect from time to time.

3.5 Other Fringe Benefits. During the Employment Period, if, as and when they are being provided to other employees of the Company holding positions with the Company comparable to Employee's position, Employee shall also be entitled to receive the same fringe benefits offered to such employees including, but not limited to, health insurance benefits, disability benefits and retirement benefits.

3.6 Other Incentive Compensation. Employee shall be eligible to participate during the Employment Period in such incentive plans, stock option plans, stock purchase plans and any other long-term compensation plans, programs or arrangements which may be adopted by the Company and applicable to Employee as determined by the Company's Compensation Committee, in its sole discretion.

ARTICLE IV
COVENANTS OF EMPLOYEE

4.1 Proprietary Rights. Employee hereby expressly agrees that all research, Biological Materials, discoveries, inventions and innovations (whether or not reduced to practice or documented), improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether patentable or unpatentable, and whether or not reduced to writing), trade secrets (being information about the business of the Company which is considered by the Company to be confidential and is proprietary to the Company) and confidential information, copyrightable works, and similar and related information (in whatever form or medium), which (x) either (i) relate to the Company's actual or anticipated business, research and development or existing or future products or services or (ii) result from any work performed by Employee for the Company and (y) are conceived, developed, made or contributed to in whole or in part by Employee during the Employment Period ("Work Product") shall be and remain the sole and exclusive property of the Company. Employee shall communicate promptly and fully all Work Product to the Company.

(a) Work Made for Hire. Employee acknowledges that, unless otherwise agreed in writing by the Company, all Work Product eligible for any form of copyright protection made or contributed to in whole or in part by Employee within the scope of Employee's employment by the Company during the Employment Period shall be deemed a "work made for hire" under the copyright laws and shall be owned exclusively by the Company.

(b) Assignment of Proprietary Rights. Employee hereby assigns, transfers and conveys to the Company, and shall assign, transfer and convey to the Company, all right, title and interest in and to all inventions, ideas, improvements, designs, processes, trademarks, service marks, trade names, trade secrets, trade dress, data, discoveries and other proprietary assets and proprietary rights in and of the Work Product (the "Proprietary Rights") for the Company's exclusive ownership and use, together with all rights to sue and recover for past and future infringement or misappropriation thereof, which shall enjoy exclusive ownership and use, together with all rights to sue and recover for past and future infringement or misappropriation thereof.

(c) Further Instruments. At the request of the Company, at all times during the Employment Period and thereafter, Employee will promptly and fully assist the Company as the case may be) in effecting the purpose of the foregoing assignment, including but not limited to the further acts of executing any and all documents necessary to secure for the Company such Proprietary Rights and other rights to all Work Product and all confidential information related thereto, providing cooperation and giving testimony.

(d) Inapplicability of Section 4.1 In Certain Circumstances. The Company expressly acknowledges and agrees that, and Employee is hereby advised that, this Section 4.1 does not apply to any invention for which no equipment, supplies, facilities or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (i) the invention relates to the business of the Company or to the Company's actual or demonstrably anticipated research or development or (ii) the invention results from any work performed by Employee for the Company.

4.2 Ownership and Covenant to Return Documents. Employee agrees that all Work Product and all documents or other tangible materials (whether originals, copies or abstracts), including without limitation, price lists, quotation guides, outstanding quotations, books, records, manuals, files, sales literature, training materials, customer records, correspondence, computer disks or print-out documents, contracts, orders, messages, phone and address lists, invoices and receipts, and all objects associated therewith, which in any way relate to the business or affairs of the Company, either furnished to Employee by the Company or prepared, compiled or otherwise acquired by Employee during the Employment Period,

shall be the sole and exclusive property of the Company. Employee shall not use, copy or duplicate any of the aforementioned documents or objects, nor remove them from the facilities of the Company, nor use any information concerning them except for the benefit of the Company, either during the Employment Period or thereafter. Employee agrees that he will deliver all of the aforementioned documents and objects that may be in his possession to the Company on the termination of his employment with the Company, or at any other time upon the Company's request, together with his written certification of compliance with the provisions of this Section 4.2 in the form of Exhibit A to this Agreement in accordance with the provisions of Section 5.3 hereof.

4.3 **Non-Disclosure Covenant.** For a period commencing on the date of this Agreement and ending on the last to occur of five (5) years following the date of execution of this Agreement or three (3) years following the date of the termination of the Employment Period (the "Non-Disclosure Period"), Employee shall not, either directly or indirectly, disclose to any "unauthorized person" or use for the benefit of Employee or any Person other than the Company any Work Product or any knowledge or information which Employee may acquire while employed by the Company (whether before or after the date of this Agreement) relating to (a) the financial, marketing, sales and business plans and affairs, financial statements, analyses, forecasts and projections, books, accounts, records, operating costs and expenses and other financial information of the Company, (b) internal management tools and systems, costing policies and methods, pricing policies and methods and other methods of doing business, of the Company, (c) customers, sales, customer requirements and usages and distributor lists, of the Company, (d) agreements with customers, vendors, independent contractors, employees and others, of the Company, (e) existing and future products or services and product development plans, designs, analyses and reports, of the Company, (f) computer software and databases developed for the Company, trade secrets, research, records of research, models, designs, drawings, technical data and reports of the Company, and (g) correspondence or other private or confidential matters, information or data whether written, oral or electronic, which is proprietary to the Company and not generally known to the public (individually and collectively "Confidential Information"), without the Company's prior written permission. For purposes of this Section 4.3, the term "unauthorized person" shall mean any Person who is not (i) an officer or director of the Company or an employee of the Company for whom the disclosure of the knowledge or information referred to herein is necessary for his performance of his assigned duties, or (ii) a Person expressly authorized by the Company to receive disclosure of such knowledge or information. The Company expressly acknowledges and agrees that the term "Confidential Information" excludes information which is (A) in the public domain or otherwise generally known to the trade, or (B) disclosed to third parties other than by reason of Employee's breach of his confidentiality obligations hereunder or (C) learned of by Employee subsequent to the termination of his employment hereunder from any other party not then under an obligation of confidentiality to the Company. Further, Employee covenants to the Company that in Employee's performance of his duties hereunder, Employee will not violate any confidentiality obligations he may have to any third Persons.

4.4 **Non-interference Covenants.** Employee covenants to the Company that while Employee is employed by the Company hereunder and for the two (2) year period thereafter (the "Non-Interference Period"), he will not, for any reason, directly or indirectly: (a) solicit, hire, or otherwise do any act or thing which may induce any other employee of the Company to leave the employ or otherwise interfere with or adversely affect the relationship (contractual or otherwise) of the Company, with any person who is then or thereafter becomes an employee of the Company; (b) do any act or thing which may interfere with or adversely affect the relationship (contractual or otherwise) of the Company with any vendor of goods or services to the Company or induce any such vendor to cease doing business with the Company; or (c) except for Competitive Activities (as defined in Section 4.5 hereof) engaged in by Employee after the expiration of the Non-Competition Period, do any act or thing which may interfere with or adversely affect the relationship (contractual or otherwise) of the Company with any customer of the Company or induce any such customer to cease doing business with the Company.

4.5 **Covenant Not To Compete.** Employee expressly acknowledges that (a) Employee's performance of his services for the Company hereunder will afford him access to and cause him to become

highly knowledgeable about the Company's Confidential Information; (b) the agreements and covenants contained in this Section 4.5 are essential to protect the Confidential Information, business and goodwill of the Company and the restraints on Employee imposed by the provisions of this Section 4.5 are justified by these legitimate business interests of the Company; and (c) Employee's covenants to the Company set forth in this Section 4.5 are being made both in consideration of the Company's employment of Employee and other financial benefits of this Agreement. Accordingly, Employee hereby agrees that while Employee is employed by the Company and for the one (1) year period thereafter (the "Non-Competition Period"), Employee shall not, anywhere in the Applicable Territory, directly or indirectly, own any interest in, invest in, lend to, borrow from, manage, control, participate in, consult with, become employed by, render services to, or in any other manner whatsoever engage in, any business which is competitive with any lines of business actively being engaged in by the Company in the Applicable Territory or actively (and demonstrably) being considered by the Company for entry into on the date of the termination of the Employment Period (collectively, "Competitive Activities"). The preceding to the contrary notwithstanding, Employee shall be free to make investments in the publicly traded securities of any corporation, provided that such investments do not amount to more than one percent (1 %) of the outstanding securities of any class of such corporation.

4.6 **Remedies For Breach.** If Employee commits a breach, or threatens to commit a breach, of any of the provisions of this Article IV, the Company shall have the right and remedy, in addition to any other remedy that may be available at law or in equity, to have the provisions of this Article IV specifically enforced by any court having equity jurisdiction, by the entry of temporary, preliminary and permanent injunctions and orders of specific performance, together with an accounting therefor, it being expressly acknowledged and agreed by Employee that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company. Any such injunction shall be available without the posting of any bond or other security, and Employee hereby consents to the issuance of such injunction. Employee further agrees that any such injunctive relief obtained by the Company shall be in addition to, and not in lieu of, monetary damages and any other remediesto which the Company may be entitled. Further, in the event of an alleged breach or violation by Employee of any of the provisions of Sections 4.3,4.4 or 4.5 hereof, the Non-Disclosure Period, the Noninterference Period and/or the Non-Competition Period, as the case may be, shall be tolled until such breach or violation has been cured.

ARTICLE V
TERMINATION OF EMPLOYMENT

5.1 **Termination and Triggering Events** Notwithstanding anything to the contrary elsewhere contained in this Agreement, the Employment Period shall terminate upon the occurrence of any of the following events (hereinafter referred to as "Triggering Events"): (a) Employee's death; (b) Employee's Total Disability; (c) Employee's Resignation; (d) a Termination by the Company for Cause; or (e) a Termination by the Company Without Cause.

5.2 **Rights Upon Occurrence of a Triggering Event.** Subjecttothe provisions of Section 5.3 hereof, the rights of the parties upon the occurrence of a Triggering Event shall be as follows:

(a) **Resignation and Termination by the Company for Cause:** If the Triggering Event was Employee's Resignation or a Termination by the Company for Cause, Employee shall be entitled to receive his Annual Base Compensation and accrued but unpaid vacation through the date thereof in accordance with the policy of the Company, and to continue to participate in the Company's health, insurance and disability plans and programs through that date and thereafter, only to the extent permitted under the terms of such plans and programs.

(b) **Death or Total Disability:** If the Triggering Event was Employee's death or Total Disability, Employee (or Employee's designated beneficiary) shall be entitled to receive

Employee's Annual Base Compensation and accrued but unpaid vacation through the date thereof plus a pro rata portion of Employee's Potential Annual Target Bonus for the calendar year in which such death or Total Disability occurred (based on the number of days Employee was employed during the applicable calendar year), in accordance with the policy of the Company, and to continue to participate in the Company's health, insurance and disability plans and programs through the date of termination and thereafter only to the extent permitted under the terms of such plans and programs.

(c) Termination by Company Without Cause: If the Triggering Event was a Termination by the Company Without Cause, Employee shall be entitled to receive his Annual Base Compensation and accrued but unpaid vacation through the date thereof plus, in the reasonable discretion of the Company's Compensation Committee based upon whether it then appears the Potential Annual Target Bonus for the year would have been earned by Employee had he remained employed by the Company, a pro rata portion of Employee's Potential Annual Target Bonus for the calendar year in which such Triggering Event occurred (based on the number of days Employee was employed during the applicable calendar year), payable in accordance with the Company's normal payroll practices, and for the twelve (12) month period following the date of termination of Employee's employment with the Company (the "Severance Period"), an amount per month equal to one-twelfth ($1/12^{th}$) of Employee's Annual Base Compensation on the date of termination in installments consistent with the Company's normal payroll practices, commencing with the first regular payroll payment date following the termination of the Employment Period (collectively, the "Severance Benefits"); provided that Employee shall be entitled to receive such Severance Benefits during the Severance Period if (i) Employee has executed and delivered to the Company the General Release substantially in form and substance as set forth in Exhibit B to this Agreement; and (ii) Employee has not breached any of his covenants to the Company set forth in this Agreement. Notwithstanding the term of this Agreement or anything contained herein to the contrary, the duration of the Severance Period as well as the continuation of Employee's Annual Base Compensation during such Severance Period shall not exceed the amount set forth in this Section 5.2(c).

(d) Cessation of Entitlements and Company Right of Offset. Except as otherwise expressly provided herein, all of Employee's rights to salary, employee benefits, fringe benefits and bonuses hereunder (if any) which would otherwise accrue after the termination of the Employment Period shall cease upon the date of such termination. The Company may offset any loans, cash advances or fixed amounts which Employee owes the Company against any amounts it owes Employee under this Agreement. Notwithstanding anything herein to the contrary, if at the time of Employee's separation from service, Employee is a "specified employee" as defined below, any and all amounts payable under this Agreement on account of that separation from service that constitute deferred compensation subject to Sec. 409A as determined by the Company in its discretion and that would, but for this provision, be payable within six (6) months following the date of separation, shall instead be paid on the next business day following the expiration of the six (6) month period. Also, for purposes of this Agreement, the phrase "termination of employment" and correlative phrases mean a "separation from service" as defined in Treas. Regs. Sec. 1.409A-1(h) and the term "specified employee" means someone determined by the Company to be a specified employee under Treas. Regs. Sec. 1.409A-1 (i). For the avoidance of doubt, any tax liability to which the Employee is subject under Sec. 409A shall be solely Employee's responsibility.

5.3 Survival of Certain Obligations and Termination Certificate. The provisions of Articles IV, V, VI and VIII shall survive any termination of the Employment Period, whether by reason of the occurrence of a Triggering Event or the expiration of the Initial Term or any Extension Term. Immediately following the termination of the Employment Period, Employee shall promptly return to the Company all property required to be returned to the Company pursuant to the provisions of Section 4.2 hereof and

execute and deliver to the Company the Termination Certificate attached hereto as Exhibit A and by this reference made a part hereof.

ARTICLE VI
ASSIGNMENT

6.1 Prohibition of Assignment by Employee. Employee expressly agrees for himself and on behalf of his executors, administrators and heirs, that this Agreement and his obligations, rights, interests and benefits hereunder shall not be assigned, transferred, pledged or hypothecated in any way by Employee, his executors, administrators or heirs, and shall not be subject to execution, attachment or similar process. Any attempt to assign, transfer, pledge, hypothecate or otherwise dispose of this Agreement or any such rights, interests and benefits thereunder contrary to the foregoing provisions, or the levy of any attachment or similar process thereupon shall be null and void and without effect and shall relieve the Company of any and all liability hereunder.

6.2 Right of Company to Assign. Except as provided in the next sentence, the rights, but not the obligations of the Company shall be assignable and transferable to any successor-in-interest without the consent of Employee. In the instance of a sale of the Company or the sale of all or substantially all of the assets of the Company, this Agreement and the rights and obligations of the Company hereunder may be assigned to the acquiring party without Employee's consent, and for purposes of this Agreement, such acquirer shall thereafter be deemed to be the Company.

ARTICLE VII
DEFINITIONS

"Applicable Territory" means the United States of America and each other country in which the Company is engaged in the conduct of business.

"Biological Materials" means (i) classical or genetically modified strains, micro or other organisms, genes, proteins, peptides, sugars, metabolites, small molecules, enzymes or DNA, vectors, plasmids, promoters, expression cassettes or other genomic tools and assay materials which are being worked with or on by the Company or which are being worked with or on the Company's behalf by the Company's advisors or research and business collaborators, and (ii) fermentation or other manufacturing processes being utilized by the Company, the Company's research or business collaborators or the Company's third party manufacturers for research, pilot scale and/or commercial manufacture of biotechnology and other products.

"Person" means an individual, partnership, limited liability company, trust, estate, association, corporation, governmental body or other juridical being.

"Resignation" means the voluntary termination of employment hereunder by Employee providing the Company with at least thirty (30) days prior written notice of Employee's intention to terminate the Employment Period.

"Termination by the Company for Cause" means termination by the Company of Employee's employment, on account of a finding by the Company that Employee has: (i) breached this Agreement or any other agreement between Employee and the Company; (ii) engaged in disloyalty to the Company, including without limitation, the diversion of corporate opportunity, fraud, embezzlement, theft, commission of a felony or proven dishonesty, in the course of his performance of his services hereunder; (iii) disclosed trade secrets or other Confidential Information of the Company to Persons not entitled to receive such information; or (iv) engaged in such other behavior detrimental to the interests of the Company; provided that the termination of Employee's employment hereunder by the Company shall not be deemed a Termination by the Company for Cause unless and until there shall have been delivered to Employee a written notice from an authorized officer of the Company (after reasonable notice (in light of the

circumstances surrounding the termination) to and an opportunity for Employee, alone and in person, to have a face-to-face meeting with an authorized officer of the Company) stating that in the good faith opinion of the Company, Employee was guilty of the conduct set forth in one or more of the foregoing clauses.

"Termination by the Company Without Cause" means a termination of Employee's employment by the Company which is not a Termination by the Company for Cause.

"Total Disability" means Employee's inability, because of illness, injury or other physical or mental incapacity, to perform his duties hereunder (as determined by the Company in good faith) for a continuous period of ninety (90) consecutive days, or for a total of ninety (90) days within any three hundred sixty (360) consecutive day period, in which case such Total Disability shall be deemed to have occurred on the last day of such ninety (90) day or three hundred sixty (360) day period, as applicable.

ARTICLE VIII
GENERAL

8.1 Notices. All notices under this Agreement shall be in writing and shall be deemed properly sent, (i) when delivered, if by personal service or reputable overnight courier service, or (ii) when received, if sent (x) by certified or registered mail, postage prepaid, return receipt requested, or (y) via facsimile transmission (provided that a hard copy of such notice is sent to the addressee via one of the methods of delivery or mailing set forth above on the same day the facsimile transmission is sent); to (A) Employee at the address of his principal place of residence on file with the Company from time to time and (B) to the Company, as follows:

Dyadic International, Inc.
140 Intracoastal Pointe Drive, Suite 404
Jupiter, Florida 33477
Facsimile (561)743-8343
Attention: CEO

8.2 Governing Law. This Agreement shall be subject to and governed by the laws of the State of Florida without regard to any choice of law or conflicts of law rules or provisions (whether of the State of Florida or any other jurisdiction), irrespective of the fact that Employee may become a resident of a different state.

8.3 Binding Effect. The Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Employee and his executors, administrators, personal representatives and heirs.

8.4 Complete Understanding. This Agreement constitutes the complete understanding between the parties hereto with regard to the subject matter hereof, and supersedes any and all prior agreements and understandings relating to the terms of Employee's employment by the Company which shall, to the extent not inconsistent with the terms and provisions of this Agreement, remain in full force and effect as to any rights and obligations of the parties thereunder in existence prior to the date of this Agreement, provided that, in the event of any inconsistency between the provisions of this Agreement and the provisions of any other agreements between Employee and the Company, or in the event of any inconsistency between the rights and obligations of the parties under this Agreement and the rights and obligations of the parties under any prior agreement, the provisions of this Agreement shall control.

8.5 Amendments. No change, modification or amendment of any provision of this Agreement shall be valid unless made in writing and signed by both of the parties hereto.

8.6 **Waiver.** The waiver by the Company of a breach of any provision of this Agreement by Employee shall not operate or be construed as a waiver of any subsequent breach by Employee. The waiver by Employee of a breach of any provision of this Agreement by the Company shall not operate as a waiver of any subsequent breach by the Company.

8.7 **Venue, Jurisdiction, Etc.** Employee hereby agrees that any suit, action or proceeding relating in any way to this Agreement may be brought and enforced in the Circuit Court of Palm Beach County of the State of Florida or in the District Court of the United States of America for the Southern District of Florida, and in either case Employee hereby submits to the jurisdiction of each such court. Employee hereby waives and agrees not to assert, by way of motion or otherwise, in any such suit, action or proceeding, any claim that Employee is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Employee consents and agrees to service of process or other legal summons for purpose of any such suit, action or proceeding by registered mail addressed to Employee at his address listed in the business records of the Company. Nothing contained herein shall affect the rights of the Company to bring a suit, action or proceeding in any other appropriate jurisdiction. Employee and the Company do each hereby waive any right to trial by jury he or it may have concerning any matter relating to this Agreement. The parties agree that in the event of the institution of any action at law or in equity by either party to enforce the provisions of this Agreement, the losing party shall pay all of the costs and expenses of the prevailing party, including reasonable legal fees, incurred in connection therewith.

8.8 **Severability.** If any portion of this Agreement shall be for any reason invalid or unenforceable, the remaining portion or portions shall nevertheless be valid, enforceable and carried into effect.

8.9 **Headings.** The headings of this Agreement are inserted for convenience only and are not to be considered in the construction of the provisions hereof.

8.10 **Counterparts.** This Agreement may be executed in counterparts, both of which, taken together, shall constitute one and the same agreement. /

COMPANY:		**EMPLOYEE:**	
DYADIC INTERNATIONAL, INC.			
By:	/s/ Mark A. Emalfarb	/s/ Richard H. Jundzil	6/2/2011
	Name: Mark A. Emalfarb	Richard H. Jundzil	
	Title: President and CEO		

DYADIC INTERNATIONAL, INC.

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made as of the 17th day of August, 2011, by and between **DYADIC INTERNATIONAL, INC.**, a Delaware corporation (the "Company"), and [***NAME OF OFFICER OR DIRECTOR***] ("Indemnitee").

RECITALS:

A. The Company and Indemnitee recognize the significant cost of directors' and officers' liability insurance and the general reductions in the coverage of such insurance.

B. The Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting officers and directors to expensive litigation risks at the same time as the coverage of liability insurance has been severely limited.

C. The Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve as officers and directors of the Company and to indemnify its officers and directors so as to provide them with the maximum protection permitted by law.

AGREEMENT:

NOW, THEREFORE, in consideration for Indemnitee's services as an officer or director of the Company, the Company and Indemnitee hereby agree as follows:

1. INDEMNIFICATION.

(a) Third Party Proceedings. The Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed action, suit, proceeding or any alternative dispute resolution mechanism, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any subsidiary of the Company, or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys, fees), judgments, fines and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with such action, suit or proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that Indemnitee's conduct was unlawful.

(b) Proceedings By or in the Right of the Company . The Company shall indemnify Indemnitee if Indemnitee was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company or any subsidiary of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was a

director, officer, employee or agent of the Company, or any subsidiary of the Company, or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys, fees) and, to the fullest extent permitted by law, amounts paid in settlement actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such action or suit if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification shall be made in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Company unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of the State of Delaware or such other court shall deem proper.

(c) Mandatory Payment of Expenses. To the extent that Indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Subsections (a) and (b) of this Section 1, or in defense of any claim, issue or matter therein, Indemnitee shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by Indemnitee in connection therewith.

2. EXPENSES; INDEMNIFICATION PROCEDURE.

(a) Advancement of Expenses. The Company shall advance all expenses incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any civil or criminal action, suit or proceeding referenced in Section 1(a) or (b) hereof (but not amounts actually paid in settlement of any such action, suit or proceeding). Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized hereby. The advances to be made hereunder shall be paid by the Company to Indemnitee within thirty (30) days following delivery of a written request therefor by Indemnitee to the Company.

(b) Notice/Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to his right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the President of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). Notice shall be deemed received three business days after the date postmarked if sent by domestic certified or registered mail, properly addressed, five business days if sent by airmail to a country outside of North America; otherwise notice shall be deemed received when such notice shall actually be received by the Company. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) Procedure. Any indemnification and advances provided for in Section 1 and this Section 2 shall be made no later than thirty (30) days after receipt of the written request of Indemnitee. If a claim under this Agreement, under any statute, or under any provision of the Company's Certificate of Incorporation or Bylaws providing for indemnification, is not paid in full by the Company within thirty (30) days after a written request for payment thereof has first been received by the Company, Indemnitee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount of the claim and, subject to Section 12 of this Agreement, Indemnitee shall also be entitled to be paid for the expenses (including attorneys' fees) of bringing such action. It shall be a defense to any such action (other than an action brought to

enforce a claim for expenses incurred in connection with any action, suit or proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct which make it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed. However, Indemnitee shall be entitled to receive interim payments of expenses pursuant to Subsection 2(a) unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties, intention that if the Company contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification shall be for the court to decide, and neither the failure of the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including it Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has or has not met the applicable standard of conduct.

(d) Notice to Insurers. If, at the time of the receipt of a notice of a claim pursuant to section 2(b) hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated under Section 2(a) hereof to pay the expenses of any proceeding against Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by Indemnitee, upon the delivery to Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding, provided that (i) Indemnitee shall have the right to employ his counsel in any such proceeding at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

3. ADDITIONAL INDEMNIFICATION RIGHTS; NONEXCLUSIVITY.

(a) Scope. Notwithstanding any other provision of this Agreement, the Com pany hereby agrees to indemnify the Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Certificate of Incorporation, the Company's Bylaws or by statute. In the event of any change, after the date of this Agreement, in any applicable law, statute, or rule which expands the right of a Delaware corporation to indemnify a member of its board of directors or an officer, such changes shall be, ipso facto, within the purview of Indemnitee's rights and Company's obligations, under this Agreement. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its board of directors or an officer, such changes, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement shall have no effect on this Agreement or the parties' rights and obligations hereunder.

(b) Nonexclusivity. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested Directors, the General Corporation Law of the State of Delaware, or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity while holding such office. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he may have ceased to serve in such capacity at the time of any action, suit or other covered proceeding.

4. PARTIAL INDEMNIFICATION. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred by him in the investigation, defense, appeal or settlement of any civil or criminal action, suit or proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, judgments, fines or penalties to which Indemnitee is entitled.

5. MUTUAL ACKNOWLEDGEMENT. Both the Company and Indemnitee acknowledge that in certain instances, Federal law or applicable public policy may prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

6. OFFICER AND DIRECTOR LIABILITY INSURANCE. The Company shall, from time to time, make the good faith determination whether or not it is practicable for the Company to obtain and maintain a policy or policies of insurance with reputable insurance companies providing the officers and directors of the Company with coverage for losses from wrongful acts, or to ensure the Company's performance of its indemnification obligations under this Agreement. Among other considerations, the Company will weigh the costs of obtaining such insurance coverage against the protection afforded by such coverage. In all policies of director and officer liability insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain such insurance if the Company determines in good faith that such insurance is not reasonably available, if the premium costs for such insurance are disproportionate to the amount of coverage provided, if the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or if Indemnitee is covered by similar insurance maintained by a subsidiary or parent of the Company.

7. SEVERABILITY. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable as provided in this Section 7. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

8. EXCEPTIONS. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 145 of the Delaware General Corporation Law, but such indemnification or advancement of expenses may be provided by the Company in specific cases if the Board of Directors has approved the initiation or bringing of such suit; or

(b) Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by the Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by the Indemnitee in such proceeding was not made in good faith or was frivolous; or

(c) Insured claims. To indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) which have been paid directly to Indemnitee by an insurance carrier under a policy of officers' and directors' liability insurance maintained by the Company.

(d) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

9. CONSTRUCTION OF CERTAIN PHRASES.

(a) For purposes of this Agreement, refer ences to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that if Indemnitee is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterpri ses" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

10. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

11. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Company and its successors and assigns, and shall inure to the benefit of Indemnitee and Indemnitee's estate, heirs, legal representatives and assigns.

12. ATTORNEYS' FEES. In the event that any action is instituted by Indemnitee under this Agreement to enforce or interpret any of the terms hereof, Indemnitee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all court costs and expenses, including attorneys' fees, incurred by Indemnitee in defense of such action (including with respect to Indemnitee's counterclaims and cross claims made in such action), unless as a part of such action the court determines that each of Indemnitee's material defenses to such action were made in bad faith or were frivolous.

13. NOTICE. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressee, on the date of such receipt, or (ii) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice.

14. CONSENT TO JURISDICTION. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be brought only in the state courts of the State of Florida.

15. CHOICE OF LAW. This Agreement shall be governed by and its provisions construed in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents entered into and to be performed entirely within Delaware without regard to the conflict of law principles thereof.

16. PERIOD OF LIMITATIONS. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of two (2) years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

17. SUBROGATION. In the event of payment under this Agreement, the Company sh all be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

18. AMENDMENT AND TERMINATION. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

19. INTEGRATION AND ENTIRE AGREEMENT. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral

negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

DYADIC INTERNATIONAL, INC.,
a Delaware corporation

By: _____
Name: Mark Emalfarb
Title: President and Chief Executive Officer

_____
[Name of Officer or Director]

INTRACOASTAL POINTE OFFICE BUILDING

LEASE AGREEMENT

TENANT:

DYADIC INTERNATIONAL, INC.

LANDLORD:

QUENTIN PARTNERS CO.
as Agent for Intracoastal Pointe, Inc.
851 S.E. Johnson Avenue, Suite 100
Stuart, Florida 34994
772-220-4127

December, 2010

INTRACOASTAL POINTE OFFICE BUILDING LEASE AGREEMENT

THIS LEASE AGREEMENT (sometimes hereinafter referred to as the "Lease") is made and entered into this 30th Day of December, 2010 by and between Quentin Partners Co. as Agent for Intracoastal Pointe, Inc., (Florida corporations) (hereinafter collectively called "Landlord"), whose address for purposes hereof is 851 S.E. Johnson Avenue, Suite 100, Stuart, Florida 34994; and Dyadic International, Inc., (hereinafter called "Tenant"). Tenant's address, for purposes hereof until commencement of the term of this Lease, being 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477 and thereafter being that of the Leased Premises (hereinafter defined).

WITNESSETH:

1. LEASED PREMISES: Subject to and upon the terms, provisions, covenants and conditions hereinafter set forth, and each in consideration of the duties, covenants and obligations of the other hereunder, Landlord does hereby lease, demise and let to Tenant and Tenant does hereby lease, demise and let from Landlord those certain premises (hereinafter sometimes called the "Leased Premises") in the Intracoastal Pointe Office Building (hereinafter sometimes referred to as "Building") located at 140 Intracoastal Pointe Drive, Jupiter, Florida 33477, such Leased Premises being more particularly described as follows:

Suites 404 and 405, 4,872± square feet of Gross Rentable Area, located on the fourth floor of the Building.

The term "Gross Rentable Area" as used herein, shall refer to all area measured from the outside surface of the outer glass or finished walls of the building to the outside surface of the opposite outer wall, glass, or in the case of multi-tenant floors, to the midpoint of the walls separating the Leased Premises of adjacent tenants. The term "Gross Rentable Area" includes a pro rata share of all common areas and facilities of the Building, but not limited to, bathrooms, hallways and service facilities, the rent and expenses of which are to be shared by Tenant proportionately. No deductions from Gross Rentable Area are made for columns or projections necessary to the Building. The Gross Rentable Area in the Leased Premises has been calculated on the basis of the foregoing definition and is hereby stipulated for all purposes hereof to be 4,872± square feet, whether the same should be more or less as a result of minor variations resulting from actual construction and completion of the Leased Premises for occupancy so long as such work is done substantially in accordance with the approved plans.

2. A. TERM: The term of this Lease Agreement on the Leased Premises shall be for a period of (36) thirty-six months. The Commencement Date of the term shall be January 1, 2011. Landlord will make all diligent attempts to have space ready. The rent for partial months shall be prorated. The Term of the

Lease shall expire (unless sooner terminated as provided herein) at 11:59 p.m. E.D.T. on December 31, 2013.

B. Early Termination:
Tenant shall have the right to terminate the Lease with a six (6) month notice at any time on or after January 1, 2012 by delivering written notice ("Early Termination Notice") to Landlord its intention to do so.

3. A. Annual Rent: During the term of this Lease, Tenant agrees and covenants to pay the Landlord Annual Rent as follows:

1/01/11 - 12/31/13: $11.50 per square foot; $56,028.00/year; $4,669.00/month*

*Tenant will pay first month's rent plus CAM as defined in the lease (Section 3C, currently at $8.00 psf) and sales tax (currently at 6.5%) totaling $8,431.61, upon lease execution.

Total Annual Rent per year is payable without demand, notice or offset in advance in equal monthly installments of one-twelfth of the Annual Rent due and payable on the first day of each and every calendar month of the term of the Lease, in the currency of the United States of America at the offices of Landlord or elsewhere as designated from time to time by Landlord's written notice to Tenant. The monthly installment of Annual Rent shall be prorated in the case of partial months. In addition to the Annual Rent, Tenant shall pay to the Landlord on the first day of each month a sum equal to any sales tax, tax on rentals, and any other charges, taxes or impositions, now in existence or hereafter imposed based upon the privilege of renting the Leased Premises or upon the amount of Annual Rent, pro rata expenses, and all other amounts owed by Tenant hereunder. Nothing herein shall, however, require Tenant to pay any Federal or State taxes on income imposed upon Landlord.

The Tenant will pay for the electric for the Leased Premises, which shall be separately metered. The Tenant will be responsible to maintain its Leased Premises space (including all water connections, appliances and kitchens).

LATE CHARGES. The parties agree that late payment by Tenant to Landlord of rent will cause Landlord to incur costs not contemplated by this lease, the amount of which is extremely difficult to ascertain. Therefore, the parties agree that if any installment of rent is not received by Landlord within 7 days after rent is due, Tenant will pay to Landlord a sum equal to 15% of monthly rent as a late charge.

INSUFFICIENT FUNDS. If any of Tenant's checks bounce, Landlord will charge a fee of $100.00 for administrative cost plus all bank fees.

B. PRORATA SHARE OF EXPENSES AS ADDITIONAL RENT: In addition to the Annual Rent and other sums to be paid hereunder by Tenant, Tenant

shall pay a prorata share of all expenses incurred by Landlord in connection with the ownership, operation, maintenance and management of the Building and the land upon which it is located. Tenant's pro-rata share shall be $8.00 per square foot.

The expenses for which the Tenant shall pay a prorata share according to the aforesaid formula include but are not limited to the following:

(1) Real Property Taxes and Assessments. Tenant shall pay its pro-rata share of all real property taxes and assessments and all tangible personal property taxes which may be levied or assessed by any lawful authority against the land, the improvements located on the land (including the Building) and all personal property owned by Landlord and used in connection with the operation and management thereof. A tax bill or photocopy thereof submitted by Landlord to Tenant shall be sufficient evidence of the amount of taxes assessed or levied against the property to which the bill relates. The real property taxes and assessments herein referred to shall be the real property taxes and assessments on the property with a physical address of 140 Intracoastal Pointe Drive, Jupiter, Florida 33477. Tenant shall be responsible for paying all taxes on Tenant's own personal property and all taxes due with respect to any leasehold improvements which exceed the value of the improvements provided by Landlord to Tenant.

(2) Insurance. Tenant shall pay its prorata share of the cost of all insurance coverage carried by Landlord with respect to the Building and land, including without limitation insurance against liability, casualty, loss of damage to the Building, rent loss, flood insurance, and worker's compensation.

(3) Utilities. Tenant shall pay its prorata share of the cost of all utilities including electricity, water, gas, fuel, trash and garbage collection fees, Tenant Association fees, drainage district tax, and any sewer service charges for the Building (but as provided in Section 10, Tenant shall be responsible for paying all electricity to the Leased Premises).

(4) General Services and Expenses (for the Building Common Areas):
- (a) Janitorial services.
- (b) Maintenance and repair.
- (c) Landscaping maintenance, supplies and refurbishing.
- (d) Cleaning, maintaining, resurfacing, and striping of the parking area.
- (e) Operatorless elevator service and maintenance.
- (f) Supplies for restrooms and other public portions of the Building and the property.
- (g) Maintenance of air conditioning, heating, sprinkler, access control and other mechanical systems.
- (h) Building management fees.

(i) Expenses for access control if and to the extent provided by Landlord. Inthe event Landlord does provide access control, Tenant specifically agrees that Landlord shall not be liable in the event of any loss or damage suffered by Tenant as a result of any failure to exclude access to any unauthorized personnel.
(j) Reserve for renewal, replacement, and capital improvements of ten percent of annual expenses excluding the reserve for renewal and replacement.
(k) Amortization of the cost of capital improvements (together with a reasonable finance charge) as may be required by governmental authority.
(l) Professional fees (including attorneys and accountants) incurred in connection with the operation of the Building; and
(m) Compensation of employees at the level of building manager and below in connection with operation of the Building.

The costs to be shared on a prorata basis by Tenant shall not include payments of principal and interest on any mortgage or deed of trust upon the building, or the costs of improvements made for particular tenants.

Landlord does not warrant that any of the services will be free from interruption caused by repairs, renewal, improvement, alterations, strikes, lockouts, accidents, inability of Landlord to obtain fuel or supplies or any other causes. Any such interruption of service shall never be deemed an eviction or disturbance of Tenant's use and possession of the premises or any part thereof or render the Landlord liable to the Tenant for damages or relieve the Tenant from performance of the Tenant's obligations under this Lease. Landlord agrees, however, that Landlord will make reasonable efforts at all times to promptly remedy any situation which might interrupt such services.

C. OTHER PROVISIONS AFFECTING RENTAL PAYMENTS AND ADDITIONAL RENT: Notwithstanding anything in the foregoing to the contrary, the Tenant's obligations under Section 3(B) shall be computed as the costs of owning, operating and managing the Building is $8.00* per square foot (base CAM rate). The prorata share shall be $8.00 p.s.f. over the term of the Lease. Tenant shall pay in advance, in monthly installments as herein set forth. The amount due under this Section shall be paid by Tenant to Landlord without notice or demand and without abatement, deduction or set-off in monthly installments, in advance on the first day of each calendar month during the term of this Lease as provided for herein. Landlord shall have all the rights and remedies provided herein or by law for the purposes of collection thereof. Tenant may not disclose any information regarding Building expenses without the approval of Landlord.

4. SECURITY DEPOSIT: Tenant concurrently with the execution of this Lease shall pay the sum of zero dollars. It is understood that Tenant paid a previous Landlord

a security deposit of four thousand four hundred twenty-three dollars and 84 cents ($4,423.84), which was never transferred to the current Landlord because the previous Landlord went out of business. Tenant's lease signed June 28, 2001 stated that Quentin Partners Co. would assume responsibility for this security deposit of $4,423.84 provided Tenant remained in good standing through December 31, 2005, which was the case. As a courtesy for tenant goodwill, this sum shall be deemed by Landlord as security for the payment by Tenant of the rents and all other payments herein agreed to be paid by Tenant and for the faithful performance by Tenant of the terms, provisions, and conditions of this Lease. Landlord, at Landlord's option, may at the time of any default by Tenant under any of the terms, provisions, covenants or conditions of this Lease apply said sum or any part thereof towards the payment of the rents and all other sums payable by Tenant under this Lease. Landlord will notify the Tenant in writing when this action has been taken. Tenant shall remain liable for any amounts that such sum shall be insufficient to pay and shall within three (3) days after demand by Landlord restore the security deposit to the amount originally required hereby. Landlord may exhaust any or all rights and remedies against Tenant before resorting to the security deposit, but nothing herein contained shall require or be deemed to require Landlord to do so. In the event the deposit shall not be utilized for any such purpose, then such deposit shall be returned by Landlord to Tenant after the expiration of the term of this Lease. Landlord shall not be required to pay Tenant any interest on the security deposit.

5. USE: The Tenant will use and occupy the Leased Premises for the following use or purpose and for no other use or purpose: Office.

Notwithstanding anything to the contrary in this Lease, the Leased Premises shall not be used for any purpose which would (i) adversely affect the appearance of the Building, (ii) except for general office use, be visible from the exterior of, or the public areas of the Building, (iii) adversely affect ventilation in other areas of the Building (including without limitation the creation of offensive odors), (iv) create unreasonable elevator loads, (v) cause structural loads to be exceeded, (vi) create unreasonable noise levels, (vii) violate building codes, zoning ordinances, or other applicable laws or otherwise constitute illegal use, (viii) adversely affect the mechanical, electrical, plumbing or other base Building systems, (ix) result in the generation, treatment, storage, discharge, disposal, possession, processing or other handling of chemicals or any hazardous material in the Leased Premises, the Building, or any Building systems, including in particular disposal in the base Building plumbing, heating, ventilating or air-conditioning systems, (x) involve printing, photographic processing or other process involving the use of chemicals and equipment not generally used in office buildings, or (xi) otherwise unreasonably interfere with Building operations or other tenants of the Building. (xii) Tenant is responsible for any and all damage throughout the building which might result from its shipping and/or receiving operations. In all events, Tenant shall not engage in any activity which is not in keeping with the standards of the Building.

6. IMPROVEMENTS: Tenant may create two offices from a conference room and hallway in the southwest corner of Suite 405 (see plan). Tenant shall maintain all improvements installed in accordance with said plans. The final plans for Tenant's interior improvements ("Tenant Improvements") shall be submitted to Landlord and shall be subject to approval by Landlord and the Town of Jupiter prior to commencement of construction. Landlord's approval shall not be unreasonably withheld provided that such improvements do not adversely affect Building structure or Building systems and are not visible from the exterior of the Leased Premises. The plans submitted by Tenant shall not be deemed final unless they are sufficient to meet all requirements necessary to allow Landlord to obtain a building permit. After the plans have been submitted to and approved by Landlord no changes shall be permitted without Landlord's written consent.

   Should Tenant desire water and sewer service within the Leased Premises other than those existing, said installation and connection shall be at the Tenant's sole expense. Tenant shall be responsible for damages, if any, to the Building or to the Leased Premises, as a result of the original installation, leaks, water pipe breakage or other failure in the system which may occur after the original installation.

   All Tenant Improvements made to the Leased Premises shall become the property of the Landlord upon expiration or termination of this Lease.

7. CONTRACTORS. All outside contractors will be licensed, insured for liability and carry an occupational license valid in the municipality in which they are going to work. Landlord must be notified of the names of these contractors and provided with a copy of their licenses and insurance. (see Section 14 - Liens.)

8. TENANT'S RIGHTS AND RESTRICTIONS AS TO BUSINESS SIGNS: Tenant may, at its own expense, erect or place, of a quality, size, and in a manner approved in writing by Landlord, and based on Landlord's building standard, graphics identifying Tenant on the main entrance door of the Leased Premises or as otherwise designated by Landlord. Such signs shall be kept in a good state of repair and Tenant shall repair any damage that may have been done to the Leased Premises by the erection, existence or removal of such signs. At the end of the Lease term, Tenant shall remove the signs at its expense.

   Except as provided above, no sign, notice or other advertisement shall be inscribed, painted, affixed or displayed on any of the windows or on the exterior of any of the doors of the Leased Premises, nor anywhere visible from outside the Leased Premises without prior written consent of Landlord (which may be granted or withheld by Landlord in its sole discretion).

   Landlord agrees that during the entire term of this Lease Landlord shall make space available on the building directory board of the building for the name of Tenant's firm, company, corporation or business entity. Landlord shall maintain the Tenant's name on the sign, unless a federal, state or local code prohibits either the sign or

limits use of such sign. Landlord has the right to approve signage prior to installation.

9. CONDITION OF PREMISES: Tenant is in possession of the Leased Premises and Tenant acknowledges the Leased Premises are in good and satisfactory condition.

10. QUIET POSSESSION: Upon payment by Tenant of the rental herein provided, and upon the observance and performance of all terms, provisions, covenants and conditions on Tenant's part to be observed and performed, Tenant shall, subject to all of the terms, provisions, covenants and conditions of this Lease Agreement, peaceably and quietly hold and enjoy the Leased Premises for the term hereby leased.

11. TENANT'S ELECTRICAL: Tenant shall use only office machines and equipment that operate on the Building's standard electric circuits, but which in no event overload the Building's standard electrical circuits from which the Tenant obtains electric current or which will, in the opinion of Landlord, interfere with the reasonable use of the Building by Landlord or other tenants or which shall create a hazard within the Leased Premises. Tenant shall comply with all governmental mandates regarding temperature control. Tenant shall be responsible for payment of all charges for electric consumption within the Leased Premises.

12. CHARGES FOR SERVICE: Any charges against Tenant by Landlord or its subsidiaries or agents for services or for work done on the Leased Premises by order of Tenant, or otherwise accruing under this Lease, shall be considered as rent due hereunder for all purposes.

13. REMEDIES UPON TENANT'S DEFAULT. In the event Tenant shall abandon or vacate the Leased Premises or at any time be in default in the payment when due of Annual Base Rent, or other charges herein required to be paid by Tenant or in the observance or performance of any of the other covenants and agreements required to be performed and observed by Tenant hereunder and any such default shall continue for a period of three (3) days after written notice to Tenant for monetary obligations and ten (10) days after written notice to Tenant for all other obligations, then Tenant shall be in default hereunder and Landlord shall be entitled to any and all remedies available at law or in equity and all other remedies specifically provided herein. Without limiting the generality of the foregoing, Landlord may:

(A) Terminate this Lease and Tenant's right to possession of the Leased Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Leased Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, but not limited to, the cost of recovering possession of the Leased Premises, expenses of reletting, reasonable attorney's fees, and any real estate

commission paid; and the difference at the time of termination between the amount by which the unpaid Annual Base Rent (as is reasonably projected by Landlord) for the balance of the term.

(B) Maintain this Lease in full force and effect and allow Tenant to retain possession of the Leased Premises, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Leased Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the Annual Base Rent and other charges as they become due hereunder; and/or

(C) Terminate Tenant's right of possession, but not this Lease, whereupon Landlord will use commercially reasonable efforts to attempt to relet the Leased Premises for Tenant's account; in which case Tenant shall remain liable to Landlord for the amount, if any, by which the rental and other charges required to be paid hereunder exceed the net amount actually received by Landlord from any such reletting (after deducting from the rental received from the new tenant any amounts paid by Landlord in obtaining the new lease including all real estate commissions, concessions, and other costs). Such amounts owed by Tenant shall be paid to Landlord from time to time upon demand; and/or

(D) Declare the balance of the Annual Rent and the balance of Tenant's pro rata share of expenses (agreed at $8.00. Psf) for the entire remaining term of this Lease to be immediately due and payable the space would then continue to be available to Tenant; and/or

(E) Charge a fifteen percent (15%) fee on any outstanding balance; and/or

(F) Pursue any other remedy now or hereafter available to Landlord at law or equity.

During any period in which Tenant is in default beyond any applicable grace period Tenant shall not be entitled to exercise any options, privileges, or rights contained in this Lease.

14. ALTERATIONS AND REPAIRS: Tenant will, at Tenant's own expense, keep the Leased Premises in good repair and tenantable condition during the Lease term and will replace at its own expense any and all broken glass caused by Tenant in and about said Leased Premises.

Tenant will make no alteration, additions or improvements in or to the Leased Premises without the written consent of Landlord, and all additions, fixtures, carpet or improvements, except office furniture and trade fixtures which shall be readily

removable without injury to the Leased Premises, shall be and remain a part of the Leased Premises at the expiration of this Lease: provided, however, if Landlord requests removal of any alterations, additions or fixtures installed by Tenant, Tenant shall cause them to be removed at Tenant's cost.

15. LIENS: Tenant agrees to pay all liens of contractors, subcontractors, mechanics, laborers, material men, and other items of like costs and charges, including bond premiums for release of liens and attorney's fees reasonably incurred in and about the defense of any suit in discharging the Leased Premises or any part thereof from any liens, judgments or encumbrances caused or suffered by Tenant. In the event any such lien shall be made or filed, Tenant shall bond against or discharge the same within ten (10) days after the same has been made or filed. The expenses, costs and charges above referred to shall be considered as rent due for all purposes of this Lease.

Tenant shall not have any authority to create any liens for labor or materials on the Landlord's interest in the Leased Premises or the Building and all persons contracting with the Tenant for the destruction or removal of any facilities or other improvements or for the erection, installation, alteration or repair of any facilities or other improvements on or about the Leased Premises, and all material men, contractors, mechanics and laborers, are hereby charged with notice that they must look only to the Tenant's interest in the Leased Premises to secure the payment of any bill for work done or material furnished at the request or instruction of Tenant.

16. PARKING: Landlord grants to Tenant the right to use in common with other tenants entitled to similar use thereof the parking areas for parking automobiles of Tenant's customers, clients and invitees.

Landlord may require Tenant and its employees to use a parking area designated by Landlord as an employee parking area and Tenant shall take all necessary action to assure that Tenant's employees shall use the designated employee parking area as designated by Landlord.

Any reserved parking spaces shall be in areas designated by Landlord. Landlord shall not be liable for any damage of any nature whatsoever to, or any theft of, automobiles or other vehicles or appurtenant parking areas. Tenant has three reserved parking spaces, numbered 6, 7, 8.

17. ESTOPPEL CERTIFICATE: Tenant agrees that from time to time, upon not less than seven (7) days prior request by Landlord, Tenant will deliver to Landlord a statement in writing certifying: (a) that this Lease is unmodified and in full force and effect or, if there have been modifications, that the Lease, as modified, is in full force and effect and stating the modifications; (b) the dates to which the rent and

other charges have been paid; (c) that Landlord is not in default under any provisions of this Lease, or if in default, the nature thereof in detail; and (d) such other matters as Landlord shall reasonably request.

18. LANDLORD'S MORTGAGE: If the Building and/or Leased Premises are at any time subject to a mortgage, and Tenant has received written notice from Mortgagee of same, then in any instance in which Tenant gives notice to Landlord alleging default by Landlord hereunder, Tenant will also simultaneously give a copy of such notice to Landlord's Mortgagee and Landlord's Mortgagee shall have the right (but not the obligation) to cure or remedy such default during the period that is permitted to Landlord hereunder, plus an additional period of thirty (30) days, or such greater period as may reasonably be required for the Mortgagee to effect the cure (including if title or possession by the Mortgagee is required to effect the cure any period required by Mortgagee to foreclose or otherwise obtain title and possession). Tenant will accept such curative or remedial action (if any) taken by Landlord's Mortgagee with the same effect as if such action had been taken by Landlord.

This Lease shall be subject and subordinate to any mortgage now or hereafter covering the Building or Leased Premises. The foregoing provision shall be self operative but, Tenant shall upon Landlord's request promptly execute any instrument or instruments which Landlord may deem necessary or desirable to further evidence the subordination of the Lease to any and all such mortgages and/or deeds of trust. Tenant hereby appoints Landlord and or Landlord's successor(s) in interest as Tenant's attorney-in-fact to execute any and all documents necessary to effectuate all the provisions of this Section.

19. ASSIGNMENT BY LANDLORD: If the interests of Landlord under this Lease shall be transferred voluntarily or by reason of foreclosure or other proceedings for enforcement of any mortgage on the Leased Premises, Tenant shall be bound to such transferee (herein sometimes called the "Purchaser"), for the balance of the term hereof remaining and any extensions or renewals thereof which may be effected in accordance with the terms and provisions hereof, with the same force and effect as if the Purchaser were the Landlord under this Lease, and Tenant does hereby agree to attorn to the Purchaser, as its Landlord, said attornment to be effective and self-operative without the execution of any further instruments upon the Purchaser succeeding to the interest of Landlord under this Lease. The respective rights and obligations of Tenant and the Purchaser upon such attornment to the extent of the then remaining balance of the term of this Lease and any such extensions and renewals shall be and are the same as those set forth herein. In the event of such transfer of Landlord's interest, Landlord shall be released and relieved from all liability and responsibility thereafter accruing to Tenant under this Lease or otherwise, and Landlord's successor by acceptance of rent from Tenant hereunder shall become liable and responsible to Tenant in respect to all obligations of the Landlord under this Lease.

20. ASSIGNMENT AND SUBLEASING BY TENANT: Without the written consent of Landlord first obtained in each case, Tenant shall not assign, transfer, mortgage, pledge, or otherwise encumber or dispose of this Lease for the term hereof, or underlet the Leased Premises or any part thereof or permit the Leased Premises to be occupied by anybody other than the Tenant. No assignment of this Lease nor sublease of the Leased Premises shall release Tenant from any obligations contained herein. The Landlord may after default by the Tenant collect or accept rent from the assignee, undertenant, or occupant and apply the net amount collected or accepted to the rent and other amounts herein reserved, but no such collection or acceptance shall be deemed a waiver of this covenant or the acceptance of the assignee, undertenant or occupant as Tenant, nor shall it be construed as, or implied to be, a release of the Tenant from the further observance and performance by the Tenant of the terms, provisions, covenants and conditions herein contained. In the event Tenant desires Landlord's consent to any assignment or sublease Tenant shall provide such information as Landlord shall reasonably require to evaluate the proposed assignee or subtenant, including without limitation, name, references, audited financial statements and nature of business. Any assignee or subtenant must agree in writing to be bound by all terms and provisions hereof (except that as to subtenants, the subtenant's rental will be governed by its sublease).

21. SUCCESSORS AND ASSIGNS: All terms, provisions, covenants and conditions to be observed and performed by Tenant shall be applicable to and binding upon Tenant's respective heirs, administrators, executors, successors and assigns, subject, however, to the restrictions as to assignment or subletting by Tenant as provided herein. All expressed covenants of this Lease shall be deemed to be covenants running with the land.

22. INSURANCE; TENANT'S INDEMNIFICATION: Tenant shall, during the entire Lease term, at its sole cost and expense, provide and keep in full force and effect a policy of Commercial General Liability insurance covering the Leased Premises, and the business operation by Tenant in an amount of not less than $3,000,000.00 combined single limit liability for bodily injury and property damage. The policy shall name Quentin Partners Co. and Intracoastal Pointe Inc., and any person, firms or corporations designated by Landlord as an additional insured, and Tenant as insured, and shall contain a clause that the insurance carrier will not cancel or change the insurance without first giving the Landlord ten (10) days prior written notice. The insurance shall be with an insurance company acceptable to Landlord and the insurance carrier shall provide Landlord a true copy of said policy and a certificate of insurance.

Tenant agrees to pay any increase in premiums for fire and extended coverage insurance that may be charged during the term of this Lease resulting from the activity of Tenant or merchandise stored by Tenant in the Leased Premises, whether or not Landlord has consented to the same. Bills for such additional premiums shall be rendered by Landlord to Tenant at such times as Landlord may

elect, and shall be due from, and payable by Tenant when rendered, and the amount thereof shall be deemed to be additional rent.

Tenant will indemnify Landlord and *save* it harmless from and against any and all claims, actions, damages, liability and expense in connection with loss by fire, personal injury and/or damage to property arising from or out of any occurrence in, upon or at the Leased Premises or any part thereof, or occasioned wholly or in part by any act or omission of Tenant, its agents, guests, contractors, employees, servants, subtenants, assignees, or concessionaires. Tenant shall also pay all costs, expenses and reasonable attorneys' fees (including appeals) that may be incurred or paid by Landlord in enforcing the covenants and agreements in this Lease.

Tenant shall replace, at the expense of Tenant, any and all plate and other glass damaged or broken arising from or out of any act of Tenant, its agents, guests, contractors, employees, servants, subtenants or concessionai res.

Landlord and Tenant hereby waive any and all rights of *recovery* against each other, their officers, employees and agents, for loss occurring to the Leased Premises to the extent *covered* by insurance proceeds provided that the applicable insurance policy contains a *waiver* of a right of subrogation. Each party shall use reasonable efforts to obtain a waiver of subrogation from the insurance carrier providing their insurance.

23. MUTUAL INDEMNITIES: In consideration of the Leased Premises being leased to Tenant for the *above* rental, Tenant agrees: that Tenant, at all times, will indemnify and hold harmless Landlord from all losses, damages, liabilities and expenses, which may arise or be claimed against Landlord and be in *favor* of any persons, firms or corporations, for any injuries or damages to person or property, consequent upon or arising from any acts, omissions, neglect or fault of Tenant, its agents, servants, employees, licensees, visitors, customers, patrons or invitees, or consequent upon or arising from Tenant's failure to comply with any laws, statutes, ordinances, codes or regulations or any provisions of this Lease. Landlord shall not be liable to Tenant for any damages, losses or injuries to the persons or property of Tenant which may be caused by the acts, neglect, omissions or faults of any persons, firms or corporations, except when such injury, loss or damage results from gross negligence or willful misconduct of Landlord, its agents or employees. All personal property placed or *moved* into the Leased Premises or the Building shall be at the risk of Tenant or the owners thereof, and Landlord shall not be liable to Tenant for any damages to said personal property. Tenant shall maintain at all times during the term of this Lease an insurance policy or policies in an amount or amounts sufficient to indemnify Landlord and to pay Landlord's damages, if any, resulting from any matter set forth in this Section.

In case Landlord shall be made a party to any *third party* litigation commenced by or against Tenant, Tenant shall protect and hold Landlord harmless and shall pay

all cost, expenses and reasonable attorney's fees incurred or paid by Landlord in connection with such litigation.

In consideration of the Leased Premises being leased to Tenant for the above rental, Landlord agrees: that Landlord, at all times, will indemnify and hold harmless Tenant from all losses, damages, liabilities and expenses, which may arise or be claimed against Tenant and be in favor of any persons, firms or corporations, for any injuries or damages to person or property, consequent upon or arising from any acts, omissions, neglect or fault of Landlord, its agents, servants, employees, licensees, visitors, customers, patrons or invitees, or consequent upon or arising from Landlord's failure to comply with any laws, statutes, ordinances, codes or regulations or any provisions of this Lease. Tenant shall not be liable to Landlord for any damages, losses or injuries to the persons or property of Landlord which may be caused by the acts, neglect, omissions or faults of any persons, firms or corporations, except when such injury, loss or damage results from gross negligence or willful misconduct of Tenant, its agents or employees. Landlord shall maintain at all times during the term of this Lease an insurance policy or policies in an amount or amounts sufficient to indemnify Tenant and to pay Tenant's damages, if any, resulting from any matter set forth in this Section.

In case Tenant shall be made a party to any third party litigation commenced by or against Landlord, Landlord shall protect and hold Tenant harmless and shall pay all cost, expenses and reasonable attorneys' fees and disbursements incurred or paid by Tenant in connection with such litigation.

24. ATTORNEY'S FEES: If the Tenant defaults in the performance of any of the terms, provisions, covenants and conditions of this Lease and by reason thereof the Landlord employs the services of an attorney to enforce performance of same by the Tenant or to perform any services based upon said default, the Tenant agrees to pay reasonable attorney's fees and all expenses, costs and charges incurred by the Landlord pertaining thereto and enforcement of any remedy available to the Landlord.

In the event of the institution of litigation to enforce the provisions of the Lease to evict Tenant, or to collect moneys due from the date of default in the event of a money judgment, Tenant shall be responsible for cost of such litigation and reasonable attorney's fees at the trial level and at all levels of appeal.

In the event Landlord is the prevailing party, the awardable sums with all costs, interest and damages shall be deemed additional rent hereunder and shall be due from Tenant to Landlord on the first day of the month following the month in which the respective expenses, etc., were incurred.

In the event the Tenant is the prevailing party, the awardable sums with all costs shall be bourne by Landlord.

25. GOVERNMENTAL REGULATIONS: Tenant shall faithfully observe in the use of the Leased Premises all municipal and county ordinances and codes and state, local and federal statutes or laws, rules, regulations, or other governmental requirements now in force or which may hereafter be in force.

26. FIRE OR CASUALTY: In the event the Building shall be destroyed, or so damaged, or injured by fire or other casualty during the term of this Lease whereby the Leased Premises shall be rendered untenantable, the Landlord shall have the right to render the Leased Premises tenantable by repairs within one hundred eighty (180) days therefrom. If the Leased Premises are not or will not be rendered tenantable within said time, it shall be optional with either party hereto to cancel this Lease, and in the event of such cancellation, the rent shall be paid only to the date of such fire or casualty. Landlord shall also have the option to cancel this Lease in the event the Building is damaged to such an extent that Landlord elects not to repair the damage. Any cancellation shall be evidenced in writing. During any time that the Leased Premises are untenantable due to causes set forth in this Section, the rent or a just and fair proportion thereof (based upon the portion of the Leased Premises that are not untenantable)shall be abated.

Landlord shall not restore fixtures and improvements installed by Tenant either at the commencement of the Lease or during the leasehold term.

27. EMINENT DOMAIN: If there shall be taken during the term of this Lease any part of the Leased Premises, parking facilities or Building, other than a part not interfering with maintenance, operation or use of the Leased Premises, Landlord may elect to terminate this Lease or to continue same in effect. If Landlord elects to continue the Lease, the rental shall be reduced in proportion to the area of the Leased Premises so taken and Landlord shall repair any damage to the Leased Premises, parking facilities, or Building resulting from such taking. If any part of the Leased Premises is taken by condemnation or eminent domain and the Landlord elects to continue the Lease, the rental assessment shall be reduced in proportion to the area of the Leased Premises so taken and Landlord shall repair any damage to the Leased Premises resulting from such taking. All sums awarded or agreed upon between Landlord and the condemning authority for the taking of the interest of Landlord and/or Tenant, whether as damages or as compensation, and whether for partial or total condemnation, will be the property of the Landlord, except that Tenant shall be entitled to any award for Tenant's moving expenses or personal property (but in no event shall Tenant be entitled to any award for the loss of the leasehold estate). If this Lease should be terminated under any provisions of this Section, rental shall be payable up to the date that possession is taken by the taking authority, and Landlord will refund to Tenant any prepaid unaccrued rent less any sum or amount then owing by Tenant to Landlord.

28. ABANDONMENT: If, during the term of the Lease, Tenant shall abandon, vacate or remove from the Leased Premises the major portion of the goods, wares, equipment or furnishings usually kept on said Leased Premises, and shall cease

doing business in said Leased Premises, or shall suffer the rent to be in arrears, Landlord may, at its option, cancel this Lease by written notice to Tenant at Tenant's address, or Landlord may enter said Leased Premises as the agent of Tenant by force or otherwise, without being liable in any way therefore, and relet the Leased Premises with or without any furniture that may be therein as the agent of Tenant, at such price and upon such terms and for such duration of time as Landlord may determine and receive the rent and for such expenses therefore, applying the same to the payment of the sums due by Tenant, and if the full rental herein provided shall not be realized by Landlord over and above the expense to Landlord of such reletting, Tenant shall pay any deficiency provided that the Landlord has made reasonable efforts to achieve a fair lease.

29. BANKRUPTCY: It is agreed between the parties hereto that: if Tenant shall be adjudicated bankrupt or insolvent or take the benefit of any federal reorganization or compensation proceeding or make a general assignment or take the benefit of any insolvency law; or, if Tenant's leasehold interest under this Lease shall be sold under any execution or process of law; or if a trustee in bankruptcy or a receiver be appointed or elected or had for Tenant (whether under Federal or State Laws); or if said Premises shall be abandoned or deserted; or if Tenant shall fail to perform any of the terms, provisions, covenants or conditions of this Lease on Tenant's part to be performed; or if this Lease or the Term thereof be transferred or pass to or devolve upon any persons, firms, officers or corporations, then and in any such event this Lease and the Term of this Lease, at Landlord's option, shall expire and end five (5) days after Landlord has given Tenant written notice of such act, condition or default and Tenant hereby agrees immediately then to quit and surrender said Leased Premises to Landlord; but this shall not impair or affect Landlord's right to maintain summary proceeding for the recovery of the possession of the Leased Premises in all cases as provided for by law. If the term of this Lease shall be so terminated, Landlord may immediately or at any time thereafter, re-enter or repossess the Leased Premises and remove all persons and property therefrom without being liable for trespass or damages.

30. (DELETED).

31. WAIVER: Failure of Landlord to declare any default immediately upon occurrence thereof, or delay in taking any action in connection therewith, shall not waive such default, but Landlord shall the right to declare any such default at any time and take such action as might be lawful or authorized hereunder, in law and/or in equity. No waiver by Landlord of a default by Tenant shall be effective unless contained in a written instrument signed by Landlord.

No waiver of any term, provision, condition or covenant of this Lease by Landlord shall be deemed to imply or constitute a further waiver by Landlord of any other term, provision, condition or covenant of this Lease.

32. RIGHT OF ENTRY: Landlord, or any of his agents, shall have the right to enter the Leased Premises at any time for exigent circumstances and during all reasonable hours with reasonable notice, to examine the same or to make such repairs, additions or alterations as may be deemed necessary for the safety, comfort or preservation thereof, or of the Building, or to exhibit the Leased Premises at any time within one hundred eighty (180) days before the expiration of this Lease. Landlord will retain pass keys and any passcodes to gain entry to the entire Premises. Said right of entry shall also exist for the purpose of removing placards, sign fixtures, alterations or additions which do not conform to this Lease.

33. NOTICES: Any notice to be given shall be sent by certified mail, or hand delivered to the Parties designated address or to such other place or places as The Parties may specify in writing.

34. RULES AND REGULATIONS: Tenant agrees to comply with all reasonable rules and regulations Landlord may adopt from time to time of operation of the Building and parking facilities and protection and welfare of the Building and parking facilities, the tenants, visitors, and occupants of the Building. The present rules and regulations, with respect to which Tenant hereby agrees to comply, entitled "Rules and Regulations" (Exhibit A) are attached hereto and are by this reference incorporated herein. Any future rules and regulations shall become a part of this Lease and Tenant hereby agrees to comply with the same upon delivery of a copy thereof to Tenant, providing the same are reasonable and do not deprive Tenant of its rights established under this Lease.

35. CONTROL OF COMMON AREAS AND PARKING FACILITIES BY LANDLORD: All automobile parking areas, driveways, entrances and exits thereto, Common Areas and other facilities furnished by Landlord, including all parking areas, truck way or ways, loading areas, pedestrian walkways and ramps, landscaped areas, stairways, corridors, Common Areas and other areas and improvements provided by Landlord for the general use, in common, of tenants, their officers, agents, employees, servants, invitees, licensees, visitors, patrons, and customers, shall be at all times subject to the exclusive control and management of Landlord and Landlord shall have the right from time to time to change location and arrangement of parking areas and other facilities herein above referred to; to restrict parking by and enforce parking ~~charges (by operation of meters or otherwise)~~ upon visitors, patrons, and customers; to close all or any portion of said areas legally sufficient to prevent a dedication thereof or the accrual of any rights to any person or public areas, common areas or facilities; to discourage non-tenant parking; and to do and perform such other acts in and to said areas and improvements, as, in the sole judgment of Landlord, the Landlord shall determine to be advisable with a view to the convenience and use thereof by tenants, their officers, agents, employees, servants, invitees, visitors, patrons, licensees and customers. Landlord will operate and maintain the Common Areas and other facilities referred to in such reasonable manner as Landlord shall determine from time to time. Without limiting the scope of such discretion, Landlord shall have the full right and authority to designate a

manager of the parking facilities and/or Common Area and other facilities who shall have full authority to make and enforce rules and regulations regarding the use of the same or to employ all personnel and to make and enforce all rules and regulations pertaining to and necessary for the proper operation and maintenance of the parking areas and/or common areas and other facilities. Reference in this Section to parking areas and/or facilities shall in no way be construed as giving Tenant hereunder any rights and/or privileges in connection with such parking areas and/or facilities unless such rights and/or privileges are expressly set forth in this Lease.

36. SURRENDER OF LEASED PREMISES: Tenant agrees to surrender Landlord, at the end of the term of this Lease and/or upon any cancellation of this Lease, said Leased Premises in as good condition as the Leased Premises were at the beginning of the term of the Lease, ordinary wear and tear and damage by fire or other casually not caused by Tenant's negligence, excepted. Tenant agrees that if Tenant does not surrender said Leased Premises o Landlord at the end of the term of this Lease, then Tenant will pay to Landlord two (2) times the monthly rent paid in the final month of Tenant's term hereunder for each month that Tenant holds over; in addition Tenant shall pay all damages that Landlord may suffer on account of Tenant's failure to so surrender to Landlord possession of the Leased Premises, and will indemnify and save Landlord harmless from and against all claims made by any succeeding tenant of the Leased Premises so far as such delay is occasioned by failure of Tenant to so surrender the Leased Premises in accordance herewith or otherwise.

No receipt of money by Landlord from Tenant after termination of this Lease or the service of any suit or final judgment for possession shall reinstate, continue or extend the term of this Lease or affect any such notice, demand, suit or judgment.

No act or thing done by Landlord or its agents during the term hereby granted shall be deemed an acceptance of a surrender of the Leased Premises and no agreement to accept a surrender of the Leased Premises shall be valid unless it be made in writing and subscribed by a duly authorized officer or agent of Landlord.

37. TAXES ON TENANT'S PERSONAL PROPERTY: Tenant shall be responsible for and pay before delinquency all municipal, county or state taxes assessed during the term of this Lease against any occupancy interest or personal property of any kind, owned by or placed in, upon or about the Leased Premises by the Tenant.

38. PRIOR OCCUPANCY: If Tenant, with Landlord's consent, shall occupy the Leased Premises prior to the beginning of the Lease term specified in Section 2 hereof, all provisions of this Lease shall be in full force and effect commencing upon such occupancy, and rent for such period shall be paid by Tenant at the same rate herein specified.

39. SHORT FORM LEASE: Tenant shall, if so required by Landlord at any time, execute a short form Lease in recordable form setting forth the name of the parties, the term of the Lease (stating the commencement of Lease term called for in Section 2), and the description of the Leased Premises, and such other matters as Landlord shall reasonably request. In no event shall the Tenant record this Lease, any memorandum thereof or reference thereto, amongst the Public Records of any County of the State of Florida without the prior written consent of Landlord. Any violation of this provision by Tenant shall be immediate default hereunder.

40. WAIVER OF TRIAL BY JURY: Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matter arising about, of or in any way connected with the Lease, the relationship of Landlord and Tenant or Tenant's use of or occupancy of the Premises. Tenant further agrees that it shall not interpose any counterclaim or counterclaims in a summary proceeding or in any action based upon nonpayment of rent or any other payment required of Tenant hereunder.

41. (DELETED)

42. SEVERABILITY: If any terms, provision, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such terms, provisions, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and each term, provision, covenant or condition of this Lease shall be valid and be enforceable to the fullest extent permitted by law. This Lease shall be construed in accordance with the laws of the State of Florida.

43. TIME: It is understood and agreed between the parties hereto that time is of the essence of all the terms, provisions, and covenants and conditions of the Lease.

44. DEFINITIONS.

(A) The terms Landlord and Tenant, as herein contained, shall include singular and/or plural, masculine, feminine, and/or neuter, heirs, successors, executors, administrators, personal representatives and/or assigns wherever the context so requires or admits. The terms provisions, covenants and conditions of this Lease are expressed in the total language of this Lease Agreement and the Section headings are solely for the convenience of the reader and are not intended to be all inclusive.
(B) Calendar Year shall be a twelve month period ending on each December 31.
(C) Base Year is the Calendar Year in which the Lease Commencement Date occurs.
(D) Base Month is the month in which the lease commences.

(E) The Consumer Price Index is the United States Bureau of Labor Statistics, "Revised Consumer Price Index, for Urban Wage Earners and Clerical Workers, All terms (1967=100)" or any successor thereto published by the United States Department of Labor, Bureau of Labor Statistics; provided, that should the said Consumer Price Index or the manner of computing or reporting same be discontinued or changed, the parties shall attempt to agree upon a substitute formula, and failing such agreement the matter shall be determined by arbitration in Jupiter under the Rules of the American Arbitration Association then prevailing.

(F) Code shall mean the City of Jupiter (County, State, or Federal) building, Electrical, Air Conditioning, Plumbing or other, as the same may be applicable.

(G) Building means the actual structure wherein the Leased Premises are located.

(H) Pro ration of rent shall be over a thirty (30) day month.

45. TENDER AND DELIVERY OF LEASE INSTRUMENT: Submission of this instrument for examination does not constitute an offer, right of first refusal, reservation of or option for the Leased Premises or any other space or premises in, on or about the Building. This instrument becomes effective as a Lease upon execution and delivery by both Landlord and Tenant.

46. SERVICES: Services to be provided to Tenant shall be common area janitorial service (weekday nights), automatic elevator service, public stairs, water at points of supply for general use by Tenant throughout the year, electricity, heat and air conditioning as noted herein to be operated Monday through Friday 7:00 a.m. to 8:00 p.m. and 8:00 a.m. to 1:00 p.m. Saturdays, excluding legal holidays.

47. JANITORIAL SERVICES: Tenant shall be responsible for contracting with and payment of janitorial services within their Leased Premises to a quality standard commensurate with other similar quality buildings in the area. (See Section 7.) Landlord will make available to Tenant a suitable janitorial service.

48. WRITTEN AGREEMENT: This Lease contains the entire agreement between the parties hereto and all previous negotiations leading thereto, and it may be modified only by an agreement in writing signed by Landlord and Tenant. No surrender of the Leased Premises or of the remainder of the terms of the Lease shall be valid unless accepted by Landlord in writing. Tenant acknowledges and agrees that Tenant has not relied upon any statement, representation, prior written or prior contemporaneous oral promises, agreements or warranties except such as are expressed herein.

49. RIGHT TO SELL CONDOMINIUM UNITS: Landlord reserves the right to cause the building and surrounding property, including the leasehold premises, to be converted to a condominium to be created by the Landlord as may be reasonably necessary regarding the creation of the condominium and agrees to execute any and all documents which may be required to create said condominium, provided that such action required by the Tenant shall be at no cost to the Tenant. This action shall not intefere with Tenants Leasehold rights.

50. LIMITATIONS OF LANDLORD'S PERSONAL LIABILITY. Tenant specifically agrees to look solely to Landlord's interest in the Building for the recovery of any judgment from Landlord, it being agreed that Landlord (and any partners of Landlord and any trustees, officers, shareholders or employees of Landlord) shall never be personally liable for any such judgment. The provisions contained in the foregoing sentence are not intended to, and shall not, limit any right that Tenant might otherwise have to obtain injunctive relief against Landlord or Landlord's successors in interest, or any other action not involving the personal liability of Landlord's to respond in monetary damages from assets other than Landlord's interest in the Building of any suit or action in connection with enforcement or collection of amounts which may become owing or payable under or on account of insurance maintained by Landlord.

51. SMOKING. This is a non-smoking building. Tenant and its employees shall smoke outside the building. Under no circumstances shall Tenant allow its employees to smoke in the suite, hallways, stairwells, entry way, or elevators of the Building. Tenant and its employees shall not leave remnants or partially smoked items on the grounds except in receptacles specifically designed for the purpose.

52. BROKERAGE. All parties agree that there are no brokers involved in this transaction.

53. Authority. The undersigned represent and warrant that they are duly authorized to enter this contract.

IN WITNESS WHEREOF, the parties hereto have signed and delivered this Lease in duplicate at Palm Beach County, Florida, on the date written below.

LANDLORD:

QUENTIN PARTNERS CO.
As Agent For:
Intracoastal Pointe, Inc.

/s/ James Q. Riordan, Jr
By: James Q. Riordan, Jr
President

WITNESS:

/s/ Sharon L. Wood
Sharon L. Wood

1/5/2011
Date

TENANT

DYADIC INTERNATIONAL, INC.

/s/ Mark Emalfarb
Mark Emalfarb
President

WITNESS:

/s/ Michael I. Faby
Michael I. Faby
(printed name of Witness)

28 December 2010
Date

EXHIBIT A

RULES AND REGULATIONS

1. Landlord reserves the right to refuse access to any persons Landlord in good faith judges to be a threat to the safety, reputation, or property of the Office Building Project and its occupants.

2. Tenant shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways, stairways, and doorways of the Building. These shall not be obstructed or used for any purpose other than ingress to and egress from the units. No furniture, equipment, or other personal articles shall be placed in the entrances, stairways or other common elements**.**

3. No exterior of any premises or the windows or doors thereof or any other portions of the common elements shall be painted or decorated in any manner by any Tenant. No sign, notice, lettering, or advertising shall be inscribed or exposed on or at any window, door, or at any other part of the Building; nor shall anything be projected out of any window of the building. Tenant shall not be allowed to put their names on any entry to the building or entrance to any unit, except In the proper place provided by the Landlord for such purpose. No protective window film, shades, awnings, window guards, ventilators, fans or air-conditioning devices shall be used in or about the Building or common elements except such as shall have been approved in writing by Landlord.

4. No Tenant shall make or permit any noise or objectionable odor that will disturb or annoy the occupants of any of the premises in the Building or do or perm it anything to be done therein which will interfere with the rights, comfort, or convenience of other Tenants.

5. Each Tenant shall keep his unit in a good state of preservation and cleanliness and shall not sweep or throw or permit to be swept or thrown therefrom, or from the doors or windows thereof, any dirt or other substances. All garbage and refuse from the Building shall be deposited with care In receptacles intended for such purpose only at such times and in such manner as Landlord may direct. Disposal for all garbage that is not in the course of normal day to day operations -- i.e. shipping boxes for computers printers, filing cabinets, and other large Items -- must be handled by tenant at tenant's cost.

6. Water closets and other water apparatus in the Building shall not be used for any purpose other than those for which they were constructed nor shall any sweepings, rubbish, rags, paper, ashes, or any other article be thrown into the same. Any damage resulting from misuse of any water closet or other apparatus shall be paid for by the Tenant causing such damage.

7. The agents of the Landlord and any contractor or workman authorized by the Landlord may enter any unit at any reasonable hour of the day for any purpose permitted under the terms of the Lease or Building Rules. No Tenant shall engage any employee of the Landlord for any private business of the Tenant without prior consent of the Landlord. Tenant shall not employ any service or contractor for services or work to be performed in the Building, except as approved by Landlord.

8. No bird or animal shall be kept or harbored In the Building unless the same in each instance be expressly permitted in writing by the Landlord. In no event shall dogs be permitted in any of the public portions of the buildings or development unless carried or on a leash. The Tenant shall Indemnify the Landlord and hold It harmless against any loss or liability of any kind or character whatsoever arising from or as a result of having any animal in the building.

9. No radio or television aerial shall be attached to or hung from the exterior of the building without written approval by the Landlord.

10. The Landlord shall retain a passkey to each unit. No Tenant shall alter any lock on any door leading into his unit without prior consent of the Landlord. Tenant shall not alter any lock or Install new or additional locks or bolts to the common areas of the property.

11. No Tenant, or any employee or any client, visitor, or guest of a Tenant shall be allowed on the roof of the building without the express permission of the Landlord.

12. All damage to the building or common elements caused by the moving or carrying of any article therein shall be paid by the Tenant responsible for the presence of such article.

13. No Tenant shall interfere In any manner with any portion of the electrical system and lighting apparatus which are part of the common elements and not part of the Tenant's.

14. No Tenant shall use or permit to be brought into the building any flammable oils or fluids such as gasoline, kerosene, naptha, benzine or other explosives or any hazardous materials or articles deemed hazardous to life, limb or property.

15. The Tenant must keep the Interiors of the leased premises clean and free from obstructions. The Landlord assumes no liability for loss or damage to articles stored or placed In the building.

16. Tenant shall be held responsible for the actions of Its employees, visitors, clients, or guests. Any damage to the building or equipment caused by Tenant, its employees, guests, visitors, or clients shall be repaired at the expense of the Tenant.

17. Complaints regarding the management of the building and grounds or regarding the actions of other Tenants shall be made in writing to the Landlord.

18. Parking of motor vehicles, including motorcycles, mopeds, trailers, or bicycles by Tenant, its employees, guests, clients, or visitors shall be only in the space designated as parking; no unattended vehicle shall at any time by left in such a manner as to impede the passage of traffic or to Impair proper access to parking areas. No repair, cleaning, or maintenance of motor vehicles, Including motorcycles, mopeds, trailers, or bicycles shall occur on the property, with exception of emergency repair to have vehicle removed to a qualified repair facility. No storage of motor vehicles, including motorcycles, mopeds, trailers, bicycles or any objects shall be permitted on the driveway and parking areas and the same shall at all times be kept free of unreasonable accumulation of debris or rubbish of any kind.

19. Supplies, goods, and packages of every kind are to be delivered in such a manner as the Landlord or Its agents may prescribe and the Landlord Is not responsible for the loss or damage of any such property.

20. No unit shall be used or occupied in such manner as to obstruct or interfere with the enjoyment of other occupants, or other residents of adjoining units, nor shall any nuisance or immoral or illegal activity be committed or permitted to occur In or about any unit or upon any part of the common element of the property.

21. The common elements are intended for use for the purpose of affording vehicular and pedestrian movement within the property and of providing access to the units. No part of the common elements shall be obstructed so as to Interfere with Its use for the purposes herein above recited nor shall any part of the common elements be used for general storage purposes, nor anything done thereon in any manner which shall increase the rate of hazard and liability insurance covering said area and Improvements situated thereon.

22. Tenant shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substances of any kind are to be inserted therein .

23. Tenant shall not deface the walls, partitions or other surfaces of the premises or Office Building Project.

24. Furniture, significant freight and equipment shall be moved Into or out of the building only with the Landlord's knowledge and consent, and subject to such reasonable limitations, techniques and timing, as may be designated by Landlord. Tenant shall be responsible for any damage to the Office Building Project arising from any such activity. Tenant may be asked to provide a deposit against possible damage resulting from movements of the aforementioned.

25. Landlord reserves the right to close and lock the Building on Saturdays, Sundays and legal holidays, and on other days between the hours of 6:00 P.M. and 6:00 A.M. of the following day. If Tenant uses the Premises during such periods, Tenant shall be responsible for securely locking any doors it may have opened for entry.

26. Tenant shall return all keys at the termination of its tenancy and shall be responsible for the cost of replacing any keys that are lost.

27. No Tenant, employee or invitee shall go up on the roof of the Building.

28. Tenant shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas reasonably designated by Landlord or by applicable governmental agencies as non-smoking areas.

29. Tenant shall not use any method of heating or air conditioning other than as provided by Landlord.

30. Tenant shall not install, maintain or operate any vending machines upon the Premises without Landlord's written consent.

31. The Premises shall not be used for loading or manufacturing, cooking or food preparation.

32. Tenant shall comply with all safety, fire protection and evacuation regulations established by Landlord or any applicable governmental agency.

33. Tenant assumes all risks from theft or vandalism and agrees to keep its Premises locked as may be required.

34. Landlord reserves the right to waive any one of these rules or regulations, and/or as to any particular Tenant, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent application thereof to such Tenant.

35. Landlord reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the Building Project and its occupants. Tenant agrees to abide by these rules and regulations. These Building Rules may be added to or repealed at any time by the Landlord.

INTRACOASTAL POINTE OFFICE BUILDING
AMENDMENT TO OFFICE LEASE

This Amendment to Office Lease Agreement made and entered into this 30th day of December, 2013 by and between Quentin Partners Co. as Agent for Intracoastal Pointe, Inc. (both Florida corporations), as "Landlord;" and Dyadic International, Inc., as "Tenant."

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that Office Lease dated December 30, 2010, relative to the Leased Premises set forth therein. Premises currently consist of Suite 404 a nd 405 (4,872 ± s.f.); and

WHEREAS, Landlord and Tenant now desire to extend the term of the lease by twenty-four months.

TERM: Term will begin on January 1, 2014 and end on December 31, 2015 (unless otherwise terminated as provided in the Lease).

TOTAL RENT:
1/01/14-12/31/14: $11.50 per square foot; $56,028.00 / year; $4,669.00 / month*
1/01/15-12/31/15: $12.00 per square foot; $58,464.00 l year; $4,872.00 / month* *
All rates plus CAM (which shall be $8.00 psf for the first year and subsequently may be changed based on building expenses, but will never be less than $8.00 psf) plus sales tax (currently at **6.0%).**

PREMISES:Landlord will deliver premises in an "as is" condition.

Except as set forth herein, all other terms, conditions, provisions and requirements of the Lease remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed on the day and year first above written.

LANDLORD:
QUENTIN PARTNERS CO.
As Agentfor: Intracoastal Pointe Inc.

/s/ James Q. Riordan, Jr.,
By: James Q. Riordan, Jr., President

WITNESS:

Sharon Wood

TENANT:
Personally:

/s/ Michael J. Faloy, CFO
By: Michael J. Faloy, CFO

For: DYADIC INTERNATIONAL, INC.

/s/ Tom O' Shaughnessy, VP
By: Tom O' Shaughnessy, VP
WITNESS:

Copy of Original Lease

INTRACOASTAL POINTE OFFICE BUILDING

LEASE AGREEMENT

TENANT:

DYADIC INTERNATIONAL, INC.

LANDLORD

QUENTIN PARTNERS CO.
as Agent for
Intracoastal Pointe, Inc.
851 S.E. Johnson Avenue, Suite 100
Stuart, Florida 34994
772-220-4127

December, 2010

Lease 2011, 8 FINAL.wpd

INTRACOASTAL POINTE OFFICE BUILDING
LEASE AGREEMENT

THIS LEASE AGREEMENT (sometimes hereinafter referred to as the "Lease") is made and entered into this 30th day of December, 2010 by and between Quentin Partners Co. as Agent for Intracoastal Pointe, Inc., (Florida corporations) (hereinafter collectively called "Landlord"), whose address for purposes hereof is 851 S.E. Johnson Avenue, Suite 100, Stuart, Florida 34994; and Dyadic International, Inc., (hereinafter called "Tenant"). Tenant's address, for purposes hereof until commencement of the term of this Lease, being 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477 and thereafter being that of the Leased Premises (hereinafter defined).

WITNESSETH

1. LEASED PREMISES: Subject to and upon the terms, provisions, convenants and conditions hereinafter set forth, and each in consideration of the duties, covenants and obligations of the other hereunder, Landlord does hereby lease, demise and let to Tenant and Tenant does hereby lease, demise and let from Landlord those certain premises (hereinafter sometimes called the "Leased Premises") in the Intracoastal Pointe Office Building (hereinafter sometimes referred to as "Building") located at 140 Intracoastal Pointe Drive, Jupiter, Florida 33477, such Leased Premises being more particularly described as follows:

   Suites 404 and 405, 4,872 ± sqaure feet of Gross Rentable Area, located on t he fourth floor of the Building.

The term "Gross Rentable Area" as used herein, shall refer to all area measured from the outside surface of the outer glass or finished walls of the building to the outside surface of the opposite outer wall, glass, or in the case of multi-tenant floors, to the midpoint of the wall Separating the Leased Premises of adjacent tenants. The term "Gross Rentable Area" includes a pro rata share of all common areas and facilities of the Building, but not limited to, bathrooms, hallways and service facilities, the rent and expenses of which are to be shared by Tenant proportionately. No deductions from Gross Rentable Area are made for columns or projections necessary to the Building. The Gross Rentable Area in the Leased has been calculated on the basis of the foregoing definition and is hereby stipualted for all purposes hereof to be 4,872± square feet, whether the same should be more or less as a result of minor variations resulting from actual construction and completion of the Leased Premises for occupancy so long as such work is substantially in accordance with the approved plans.

2. A. TERM: If The term of this Lease Agreement on the Leased Premises shall be for a period of (36) thirty-six months. The Commencement Date of the term shall be January 1, 2011. Landlord will make all diligent attempts to have space ready. The rent for partial months shall be prorated. The Term of the

Lease shall expire (unless sooner terminated as provided herein) at 11:59 p.m. E.D.T. on December 31, 2013.

B. Early Termination:

Tenant shall have the right to terminate the Lease with a six (6) month notice at any time on or after January 1, 2012 by delivering written notice ("Early Termination Notice") to Landlord its intention to do so.

3. A. Annual Rent: During the term of this Lease, Tenant agrees and covenants to pay the Landlord Annual Rent as follows:

1/01/11 -12/31/13: $11.50 per square foot; $56,028.00/year; $4,669.00/month*
*Tenant will pay first month's rent plus CAM as defined in the lease (Section 3C, currently at $8.00 psf) and sales tax (currently at 6.5%) totaling $8,431.61, upon lease execution.

Total Annual Rent per year is payable without demand, notice or offset in advance in equal monthly installments of one -twelfth of the Annual Rent due and payable on the first day of each and every calendar month of the term of the Lease, in the currency of the United States of America at the offices of Landlord or elsewhere as designated from time to time by Landlord's written notice to Tenant. The monthly installment of Annual rent shall be prorated in the case of partial months. In addition to the Annual Rent Tenant shall pay to the Landlord on the first day of each month a sum equation to any sales tax, tax on rentals, and any other charges, taxes or impositions, now in existence or hereafter imposed based upon the privilege of renting the Leased Premises or upon the amount of Annual Rent, pro rata expenses, and all other amounts owed by Tenant hereunder. Nothing herein shall, however, require Tenant to pay any Federal or State taxes on income imposed upon Landlord.

The Tenant will pay for the electric for the Le ased Premises, which shall be separately metered. The Tenant will be responsible to maintain Its Leased Premises space (including all water connections, appliances and kitchens).

LATE CHARGE, The parties agree that late payment by Tenant to Landlord of rent will cause Landlord to incur costs not contemplated by this lease, the amount of which is extremely difficult to ascertain. Therefore, the parties agree that if any installment of rent is not received by Landlord within 7 days after rent is due, Tenant will pay to Land lord a sum equal to 15% of monthly rent as a late charge.

INSUFFICIENT FUNDS, if any of Tenant's checks bounce, Landlord will charge a fee of $100.00 for administrative cost plus all bank fees.

B. PRORATA SHARE OF EXPENSES AS ADDITIONAL RENT: In addition to the Annual Rent and other sums to be paid hereunder by Tenant, Tenant

shall pay a prorata share of all expenses incurred by Landlord in connection with the ownership, operation, maintenance and management of the Building and the land upon which it is located. Tenant's pro-rata share shall be $8.00 per square foot.

The expenses for which the Tenant shall pay a prorata share according to the aforesaid formula include but are not limited to the following:

(1) Real Property Taxes and Assessments. Tenants shall pay its pro-rata share of all real property taxes and assessments and all tangible personal property taxes which may be levied or assessed by any lawful authority against the land, the improvements located on the land (including the Building) and all personal property owned by Landlord and used in connection with the operation and management thereof. A Tax bill or photocopy thereof submitted by Landlord to Tenant shall be sufficient evidence of the amount of taxes assessed or levied against the property to which the bill relates. The real property taxes and assessments herein referred to shall be the real property taxes and assessments on the property with a physical address of 140 Intracoastal Pointe Drive, Jupiter, Florida 33477. Tenant shall be responsible for paying all taxes on Tenant's own personal property and all taxes due with respect to any leasehold improvements which exceed the value of the improvements provided by Landlord to Tenant.

(2) Insurance. Tenant shall pay its prorata share of the cost of all insurance coverage carried by Landlord with respect to the Building and land, including without limit insurance against liability, casualty, loss of damage to the Building, rent loss, flood insurance, and worker's compensation.

(3) Utilities. Tenant shall pay its prorata share of the cost of all utilities including electricity, water, gas, fuel, trash and garbage collection fees, Tenant Association fees, drainage district tax, and any sewer service charges for the Building (but as provided in Section 10, Tenant shall be responsible for paying all electricity to the Leased Premises).

(4) General Services and Expenses (for the Building Common Areas):

(a) Janitorial services.
(b) Maintenance and repair.
(c) Landscaping maintenance, supplies and refurbishing.
(d) Cleaning, maintaining, resurfacing, and striping of the parking area.
(e) Operatorless elevator service and maintenance.
(f) Supplies for restrooms and other public portions of the Building and the property.
(g) Maintenance of air conditioning, heating, sprinkler, access control and other mechanical systems.
(h) Building management fees.

(i) Expenses for access control if and to the extent provided by Landlord. In the event Landlord does provide access control, Tenant specifically agrees that Landlord shall not be liable in the event of any loss or damage suffered by Tenant as a result of any failure to exclude access to any unauthorized personnel.
(j) Reserve for renewal, replacement, and capital improvements of ten percent of annual expenses excluding the reserve for renewal and replacement.
(k) Amortization of the cost of capital improvements (together with a reasonable finance charge) as may be required by government authority.
(l) Professional fees (including attorneys and accountants) incurred in connection with the operation of the Building; and
(m) Compensation of employees at the level of manager and below in connection with operation of the Building.

The costs to be shared on a prorata basis by Tenant shall not include payments of principal and interest on any mortgage or deed of trust upon the building, or the costs of improvements made for particular tenants.

Landlord does not warrant that any of the services be free from interruption caused by repairs, renewal, improvement, alterations, strikes, lockouts, accidents, inability of Landlord to obtain feel or supplies or any other causes. Any such interruption of service shall never be deemed an eviction or disturbance of Tenant's use and possession of the premises or any part thereof or render the Landlord liable to the Tenant for damages or relieve the Tenant from performance of the Tenant's obligations under this lease. Landed agrees, however, that Landlord will make reasonable efforts at all times to promptly remedy any situation which might interrupt such services.

C. OTHER PROVISIONS AFFECTING RENTAL PAYMENTS AND ADDITIONAL RENT: Notwithstanding anything in the foregoing to the the contrary, the Tenant's obligations under Section 3(B) shall be computed as the costs of owing, operating and managing the Building is $8.00* per square foot (base CAM rate). The prorata share shall be $8.00 p.s.f. over the term of the Lease. Tenant shall pay in advance, in monthly installments as herein set forth. The amount due under this Section shall be paid by Tenant to Landlord without notice or demand and without notice or demand and without abatement, deduction or set-off in monthly installments, in advance on the first day of each calendar month during the term of this Lease as provided for herein. Landlord shall have all the rights and remedies provided herein or by law for the purposes of collection thereof. Tenant may not disclose any information Building expenses without the approval of Landlord.

4. SECURITY DEPOSIT: Tenant concurrently with the execution of this Lease shall pay sum of zero dollars, it is understood that Tenant paid a previous Landlord

a security deposit of four thousand four hundred twenty-three dollars and 84 cents ($4,423.84), which was never transferred to the current Landlord because the previous Landlord went out of business. Tenant's lease signed June 28, 2001 stated that Quentin Partners Co. would assume responsibility for this security deposit of $4,423.84 provided Tenant remained in good standing through December 31, 2005, which was the case. As a courtesy for tenant goodwill, this sum shall be deemed by Landlord as security for the payment by Tenant of the rents and all other payments herein agreed to be paid by Tenant and for the faithful performance by Tenant of the terms, provisions, and conditions of this Lease. Landlord's option, may at the time of any default by Tenant under any of terms, provisions, covenants or conditions of this Lease apply said sum or any part thereof towards the payment of the rents and all other sums payable by Tenant under this Lease. Landlord will notify the Tenant in writing when this action has been taken. Tenant shall remain liable for any amounts that such sum shall be sufficient to pay and shall within three (3) days after demandby Landlord restore the security deposit to the amount originally required hereby. Landlord may exhaust any or all rights and remedies against Tenant before resorting for the security deposit, but nothing herein contained shall require or be deemed to require Landlord to do so. In the event the deposit shall not be utilized for any such purpose, then such deposit shall be returned by Landlord to Tenant after the expiration of the term of this Lease. Landlord shall not be required to pay Tenant any interest on the security deposit.

5. USE: The Tenant will use and occupy the Lease Premises for the following use or purpose and for no other use or purpose office.

Notwithstanding anything to the contrary in this Lease, the Leased Premises shall not be used for any purpose which would (i) adversely affect the appearance of the Building, (ii) except for general office use, be visible from the exterior of, or the public areas of the Building, (iii) adversely affect ventilation in other areas of the Building (including without limitation the creation of offensive odors), (iv) create unreasonable elevator loads, (v) cause structural loads to be exceeded, (vi) create unreasonable noise level, (vii) violate building codes, zoning ordinances, or other applicable laws or otherwise constitute illegal use, (viii) adversely affect the mechanical, electrical, plumbing or other base Building systems, (ix) result in the generation, treatment storage, discharge, disposal, possession, processing or other handing of chemicals or any hazardous material in the Leased Premises, the Building, or any Building systems, including in particular disposal in the base Building plumbing, heating, ventilating or air-conditioning systems, (x) involve printing, photographic processing or other process involving the use of chemicals and equipment not generally used in office buildings, or (xi) otherwise unreasonably interfere with Building operations or other tenants of the Building, (xii) Tenant is responsible for any and all damage throughout the building which might result from its shipping and/or receiving operations. In all events, Tenant shall not engage in any activity which is not in keeping with the standards of the Building.

6. IMPROVEMENTS: Tenant may create two offices from a conference room and hallway in the southwest corner of Suite 405 (see plan). Tenant shall maintain all improvements installed in accordance with said plans. The final plans for Tenant's interior improvements ("Tenant improvements") shall be submitted to Landlord and shall be subject to approval by Landlord and the Town Jupiter prior to commencement of construction. Landlord's approval shall not be unreasonably. withheld provided that such improvements do not adversely affect building structure or Building systems and are not visible from the exterior of the Leased premises. The plans submitted by Tenant shall not be deemed final unless they are sufficient to meet all requirements necessary to allow Landlord to obtain a building permit. After the plans have been submitted to and approved by Landlord no changes shall be permitted without Landlord's written consent.

   Should Tenant desire water and sewer service within the Leased Premises other than those existing, said installa tion and installation and connection shall be at the Tenant's sole expense. Tenant shall be responsibi for damages, if any, to the Building or to the Leased Premises, as a result of the original installation, leaks water pipe breakage or other failure in the system which may occur after the orginal installation.

   All Tenant improvements made to the Leased Premises shall become the propert of the Landlord upon expiration or termination of this Lease.

7. CONTRACTORS, All outside contractors will be licensed, insured for liability and carry an occupational license valid in the municipality in which they are going to work. Landlord must be notified of the names of these contractors and provided with a copy of their licenses and insurance. (see Section 14-Liens.)

8. TENANT'S RIGHTS AND RESTRICTIONS AS TO BUSINESS SIGNS: Tenant may, at its own expense or place, of a Quality, size, and in a manner approved in writing by Landlordd, and based on Landord's building standard, graphics identifying Tenant on the main entrance door of the Leased Premises or as otherwise designated by Landlord. Such signs shall be kept in a good state of repair and Tenant shall repair any damage that may have been done to the Leased Premises by the erection, existence or removal of such signs. At the end of the Lease term, Tenant shall remove the signs at its expense.

   Except as provided above, no sign, notice or other advertisement shall be inscribed, painted, addixed or displayed on any of the windows or on the exterior of any of the doors of the Leased Premises, nor anywhere visible from outside the Leased Premises without prior written consent of Landlord (which may be granted or withheld by Landlord in its sole discretion).

   Landlord agrees that during the entire term of this Lease Landlord shall make space available on the building directory board of the building for the name of Tenant's firm, company, corporation or business entity. Landlord shall maintain the Tenant's name on the sign, unless a frderal, state or local code prohibits either the sign or

limits use of such dign. Landlord has the right to approve signage prior to installation.

9. CONDITION OF PREMISED: T ennant is in possession of the Leased Premises and Tenant acknowledges the Leased Premises are in good and satisfactory condition.

10. QUIET POSSESSION: Upon payment by Tenant of the rental herein provide, and upon the observance and performance of all terms, provisions, covenants and conditions on Tenant's part to be observed and performed, Tenant shall, subject to all of the term, provisions, covenants and comditions of this Lease Agreement, peaceably and quietly hold and enjoy the Leased premises for the term hereby leased.

11. TENANT'S ELECTRICAL: Tenant shall use only office machines and equipment that operate on the Building's standard electric circuits, but which in no event overload the Building's standard electric current or which will, in the opinion landlord interfere with the reasonable use of the Building by Landlord or other tenant shall comply with all governmental mandates regarding temperature control. Tenant shall be responsible for payment of all charges for electric consumption within the Leased Premises.

12. CHARGES FOR SERVICE: Any charges against Tenant by landlord or its subsidiaries or agents for services or for work done on the Leased Premises by order of Tenant, or otherwise accruing under this Lease, shall be considered as rent due hereunder for all purposes.

13. REMEDIES UPON TENTANT'S DEFAULTS: In the event Tenant shall abandon or vacate the Leased Premises or at any time be in default in the payment when due of Annual Base Rent, or other charges herein required to be paid by Tenant or in the observance or performance of any of the other covenants and agreements the observnace or performance of any of the other covenants and agreements required to be performed and observed by Tenant bereunder and any such defaultshall contunre for a period of three (3) days after written notice to Tenant for all otherobligations, then Tenant shall be in default hereunder nad Landlord shall be entitled to any and all remedies availabel at law or in equity and all other remedies specifically provided herein, Without limiting the generality of the foregoing, Landlord may:

(A) Terminate this Lease and Tenant's right to possession of the Leased Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Leased Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenants default including, but not limited to, the cost of recovering possession of the Leased Premises, expenses of reletting, reasonable attorney's fees, and any real estate

commission Paid: and the difference at the time of termination between the amount by which the unpaid Annual Base Rent (as is reasonably projected by Landlord) for the balance of the term.

(B) Maintain this Lease in full force and effect and allow Tenant to retain possession of the Leased Premises, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Leased Premises in such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the Annual Base Rent and other Charges as they become due hereunder, and/or

(C) Terminate Tenant's right of possession, but not this Lease, whereupon Landlord will use commercially reasonable efforts to attempt to relet the Leased Premises for Tenant's account: ub wgucg case Tenant shall remain liable to Landlord for the amount, if any, by which the rental and other charges required to paid hereunder exceed the net amount actually received by Landlord from any such reletting (after deducting from the rental received from the new tenant any amounts paid by Landlord in obtaining the new lease including all real estate commissions, concessions, and other costs). Such amounts owed by Tenant shall be paid to Landlord from time to time upon demand: and/or

(D) Declare the balance of the Annual Rent and the balance of Tenant's pro rata share of ecpenses (agreed at $8.00psi) the entire remaining term of this Lease to be immediately due and payable the space would then continue to be available Tenant; and/or

(E) Charge of fifteen percent (15%) fee on any outstanding balance; and/or

(F) Pursue any other remedy now or hereafter available to Landlord at law or equity.

During any period in which Tenant is in default beyond any applicable grace period Tenant shall not be entitled to exercise any options, privileges, or rights contained in this Lease.

14. ALTERATIONS AND REPAIRS : Tenant will, at Tenant's own expense, keep the Leased Premises in good repair and tenantable condition during the Lease term and will replace at its own expense any and all broken glass caused by Tenant in and about said Leased Premises.

Tenant will make no alteration, additions or improvements in or to the Leased Premises without the written consent of Landlord, and all additions, fixtures, carpet or improvements, except office furniture and trade fixtures which shall be readily

removable without injury to the Leased Premises, shall be and remain a part of the Leased Premises at the expiration of this Lease: provided, however, if Landlord requests removal of any alterations, additions or fixtures installed by Tenant, Tenant shall cause them to be removed at Tenant's cost.

(15) LIENS: Tenant agrees to pay all liens of contractors, sub contractors, mechanics, laborers, material men, and other items of like costs and other items of like costs and charges, including bond premiums for release of liens and attorney's fees reasonably incurred in and about the defense of any suit in discharging the Leased Premises or any liens, judgments or encumbrances caused or suffered by Tenant in the event any such lien shall be made or filed, Tenant shall bond against or discharge the same within ten (10) days after the same has been made or filed. The expenses, costs and charges above referred to shall be considered as rent due for all purposes of this Lease.

Tenant shall not have any authority to create any liens for labor or materials on the Landlord's interest in the Leased Premises or the Building and all persons contracting with the Tenant for the destruction or removal of any facilities or other improvements or for the erection, installation, alteration or repair of any facilities or other improvements on or about the Leased Premises, and all material men, contractors, mechanics and laborers, are hereby charged with notice tha they must look only to the Tenant's interest In the Leased Premises to secure the payment of any bill for work done or material furnished at the request or instruction of Tenant.

(16) PARKING: Landlord grants to Tenant the right to use in common with other tenants entitled to similar use of the parking areas for parking automobiles of Tenant's customers, clients and invitees.

Landlord may require Tenant and its employees to use a parking area designated by Landlord as an employee parrking area and Tenant shall take all necessary action to assure that Tenant's employees shall use the designated employee parking area as designated by Landlord.

Any reserved parking spaces shall be in areas designated by Landlord. Landlord shall not be liable for any damage of any nature whatsoever to, or any theft of, automobiles or other vehicles or appurtenant parking areas. Tenant has three reserved parking spaces, numbered 6, 7, 8.

ESTOPPEL CERTIFICATE : Tenant agrees that from time to time, upon not less than Seven (7)days prior request by Landlord, Tenant will deliver to Landlord a statement writing certifying: (a) that this Lease is unmodified and in full force and effect or if there have been modifications, that the Lease, as modified, is in full force and effect and stating the modifications; (b) the dates to which the rent and

other charges have been paid; (c) that Landlord Is not in default under any provisions of this Lease, or if in default, the nature thereof in detail; and (d) such other matters as Landlord shall reasonably request.

18. LANDLORD'S MORTGAGE: If the Building and/or Leased Premises are at any time subject to a mortgage, and Tenant has received written notice from Mortgagee of same, then in any instance in which Tenant gives notice to Landlord alleging default by landlord hereunder, Tenant will also simultaneously give a copy of such notice to Landlord's Mortgagee and Landlord's Mortgagee shall have the right (but not the obligation) to cure or remedy such default during the period that is permitted to landlord hereunder, plus an additional period of thirty (30) days or such greater period as may reasonably be required for the Mortgagee to effect the cure (including if title or possession by the Mortgagee is required to effect the cure any period required by Mortgagee to foreclose or otherwise obtain title and possession). Tenant will accept such curative or remedial action (if any) taken by Landlord's Mortgagee with the same effect as if such action had been taken by Landlord.

    This Lease shall be subject and subordinate to any mortgage now or hereafter covering the Building or Leased Premises. The foregoing provision shall be self-operative but, Tenant shall upon Landlord's request promptly execute any instrument or instruments which Landlord may deem necessary or desirable to further evidence the subordination of the Lease to any and all such mortgages and/or deeds of trust. Tenant hereby appoints Landlord and or Landlord's successor(s) In interest as Tenant's attorney-in-fact to execute any and all documents necessary to effectuate all the provisions of this Section.

19. ASSIGNMENT BY LANDLORD: If the interest of Landlord under this Lease shall be transferred voluntarily or by reason of foreclosure or other proceedings for enforcement of any mortgage on the Leased premises, Tenant shall be bound to such transferee (herein sometimes called the "Purchaser"), for the balance of the term hereof remaining and any extensions or renewals thereof which may be effected in accordance with the terms and provisions hereof, with the same force and effect as if the Purchaser were the Landlord under this Lease, and Tenant dies hereby agree to attorn to the Purchaser, as its Landlord, said attornment to be effective and self-operative without the execution of any further instruments upon the Purchaser succeeding to the interest of Landlord under this Lease. The respective rights and obligations of Tenant and the Purchaser upon such attornment to the extent of then remaining balance of the term of this Lease and any such extensions and renewals shall be and are the same as those set forth herein. In the form all liability and responsibility thereafter accruing to tenant under this Lease or otherwise, and Landlord's successor by acceptance of rent from Tenant hereunder shall become liable and responsible to Tenant in respect to all obligations of the Landlord under this Lease.

20. ASSIGNMENT AND SUBLEASING BY TENANT: Without the written consent of Landlord first obtained in each case, Tenant shall not assign, transfer, mortgage, pledge, or otherwise encumber or dispose of this Lease for the term hereof, or underlet the Leased Premises or any part thereof or permit the Leased Premises to be occupied by anybody other than the Tenant. No assignment of this Lease nor sublease of the Leased Premises shall release Tenant from any obligations contained herein. The Landlord may after default by the Tenant collect or accept rent from the assignee, undertenant, or occupant and apply the net amount collected or accepted to the rent and other amounts herein reserved, but no such collection or acceptance shall be deemed a waiver of this covenant or the acceptance of the assignee, undertenant or occupant as Tenant, nor shall it be construed as, or implied to be a release of the Tenant from the further observance and performance by the Tenant of the terms, provisions, covenants and conditions herein contained. In the event Tenant desired Landlord's consent to any assignment or sublease Tenant shall provide such information as Landlord shall reasonably require to evaluate the proposed assignee or subtenant, including without limitation, name, references, audited financial statements and nature of business. Any assignee or subtenant must agree in writing to be bound by all terms and provisions hereof (expect that as to subtenants, the subtenant's rental will be governed by its sublease).

21. SUCCESSORS AND ASSIGNS: All terms, provisions, covenants and conditions to be observed and performed by Tenant shall be applicable to and binding upon Tenant's respective helis, administrators, executors, successors and assigns, subject, however to the restrictions as to assignment or subletting by Tenant as provided herein. All expressed covenants of this Lease shall be deemed to be covenants running with the land.

22. INSURANCE; TENANT'S INDEMNIFICATION: Tenant shall, during the entire lease term, at its sole cost and expenses, provide and keep in full force and effect a policy of Commercial general Liability insurance covering the Leased premises, and the business operation by Tenant in an amount of not less than $3,00,000.00 combined single limit liability for bodily injury and property damage. The policy shall name Quentin Partners Co. and Intracoastal Pointe Inc., and any person, firms or corporations designated by Landlord as an additional insurance carrier will not cancel or change the insurance without first giving the Landlord ten (10) days prior written notice. The insurance shall provide Landlord a true copy of said policy and a certificate of Insurance.

Tenant agrees to pay any increase in premiums from fire an extended coverage insurance that may be charged during the terms of the Lease resulting from the activity of Tenant or merchandise stored by Tenant in the Leased Premises, whether or not Landlord has consented to the same. Bills for such additional premiums shall be rendered by Landlord to Tenant at such times as Landlord may

elect, and shall be due from, and payable by Tenant when rendered, and the amount thereof shall be deemed to be additional rent.

Tenant will indemnify Landlord and save it harmless from and against any and all claims, actions, damages, liability and expense in connection with loss by fire, personal injury and/or damage to property arising from or out of any occurrence in, upon or at the Leased Premises or any part thereof, or occasioned wholly or in part by any act or omission of Tenant, its agents, guests, contractors, employees, servants, subtenants, assignees, or concessionaries. Tenant shall also pay all costs, expenses and reasonable attorneys' fees (including appeals) that may be incurred or paid by Landlord in enforcing the covenants and agreements in this Lease.

Tenant shall replace, at the expense of Tenant, any and all plate and other glass damaged or broken arising from or out of any act of Tenant, its agents, guests, contractors, employees, servants, subtenants or concessionaires.

Landlord and Tenant hereby waive any and all rights or recovery against each other, their officers, employees and agents, for loss occurring to the Leased Premises to the extent covered by insurance proceeds provided that the applicable insurance policy contains a waiver of a right of subrogation. Each party shall use reasonable efforts to obtain a waiver of subrogation from the insurance carrier providing their insurance.

23. MUTUAL INDEMNITIES: In consideration of the Leased Premises being leased to Tenant for the above rental, Tenant agrees: that Tenant, at all times, will indemnify and hold harmless Landlord from all losses, damages, liabilities and expenses, which may arise or be claimed against Landlord and be in favor of any persons, firms or corporations, for any injuries or damages to person or property, consequent upon or arising from any acts, omissions, neglect or fault of Tenant, its agents, servants, employees, licensees, visitors, customers, patrons or invitees, or consequent upon or arising from Tenant's failure to comply with any laws, statutes, ordinances, codes or regulations or any provisions of this Lease, Landlord shall not be liable to Tenant for any damages, losses or injuries to the persons or property of Tenant which may be caused by the acts, neglect, omissions or faults of any person, firms or corporations, except when such injury, loss or damage results from gross negligence or willful misconduct of Landlord, its agents or employees. All personal property placed or moved into the Leased Premises or the building shall be at the risk of Tenant or the owners thereof, and Landlord shall not be liable to Tenant for any damages to said personal property. Tenant shall maintain at all times during the term of the Lease an insurance policy or policies in an amount or amounts sufficient to indemnify Landlord and to pay Landlord's damages, if any, resulting from any matter set forth in Section.

In case Landlord shall be made party to any *third party* litigation commenced by or against Tenant, Tenant shall protect and hold Landlord harmless and shall pay

all cost, expenses and reasonable attorney's fees incurred or paid by Landlord in connection with such litigation.

In consideration of the Leased Premises being leased to Tenant for the above rental, landlord agrees: that Landlord, at all times, will indemnify and hold harmless Tenant from all losses, damages, liabilities and expenses, which may arise or be claimed against Tenant and be in favor of any persons, firms or corporations, for any injuries or damages to person or property, consequent upon or arising from any acts, omissions, neglect or fault or Landlord, its agents, servants, employees, licensees, visitors, customers, patrons or invitees, or consequent upon or arising from Landlord's failure to comply with any laws, statutes, ordinances, codes or regulations or any provisions of this Lease. Tenant shall not be liable to Landlord for any damages, losses or injuries to the persons or property of the Landlord which may be caused by the acts, neglect, omissions or faults of any persons, firms or corporations, except when such injury, loss or damage results from gross negligence or willful misconduct of Tenant, its agents or employees. Landlord shall maintain at all times during the term or this Lease an insurance policy or policies in an amount or amounts sufficient to indemnify Tenant and to pay Tenant's damages, if any, resulting from any matter set forth in this Section.

In case Tenant shall be made a party to any third party litigation commenced by or against Landlord, Landlord shall protect and hold Tenant harmless and shall pay all cost, expenses and reasonable attorneys' fees and disbursements incurred or paid by Tenant in connections with such litigation.

24. ATTORNEY'S FEES: In the Tenant defaults in the performance of any of the terms, provisions, covenants and conditions of this Lease and by reason thereof the Landlord employs the services of an attorney to enforce performance of same by the Tenant or to perform any services based upon said default, the Tenant agrees to pay reasonable attorney's fees and all expenses, costs and charges incurred by the Landlord pertaining thereto and enforcement of any remedy available to the Landlord.

In the event of the institutions of litigation to enforce the provisions of the Lease to evict Tenant, or to collect moneys due from the date of default in the event of a money judgment, Tenant shall be responsible for cost of such litigation and reasonable attorney's fees at the trial level and at all levels of appeal.

In the event Landlord is the prevailing party, the awardable sums with all costs, interest and damages shall be deemed additional rent hereunder and shall be due from Tenant to Landlord on the first day of the month following the month in which the respective expenses, etc., were incurred.

In the event the Tenant is the prevailing party, the awardable sums with all costs shall be bourne by Landlord.

25. GOVERNMENTAL REGULATIONS: Tenant shall faithfully observe in the use of the Leased Premises all municipal and county ordinances and codes and state, local and federal statutes or laws, rules, regulation, or other governmental requirements now in force or which may hereafter be in force.

26. FIRE OR CASUALTY: In the event the Building shall be destroyed, or so damaged, or injured by fire or other casualty during the term of this Lease whereby the Leased Premises shall be rendered untenantable, the Landlord shall have the right to render the Leased Premises tenantable by repairs within one hundred eighty (180) days therefrom. If the Leased Premises are not or will not be rendered tenantable within said time, it shall be optional with either party hereto to cancel this Lease, and in the event of such cancellation, the rent shall be paid only to the date of such fire or casualty. Landlord shall also have the option to cancel this Lease in the event the Building is damaged to such an extent that Landlord elects not to repair the damage. Any cancellation shall be evidenced in writing. During any time that the Leased Premises are untenantable due to causes set forth in this Section, the rent or a just and fair proportion thereof (based upon the portion of the Leased Premises that are not untenantable) shall be abated.

    Landlord shall not restore fixtures and improvements installed by Tenant either at the commencement of the Lease or during the leasehold term.

27. EMINENT DOMAIN: If there shall be taken during the term of this Lease any part of the Leased Premises, parking facilities or Building, other than a part not interfering with maintenance, operation or use of the Leased Premises, Landlord may elect to terminate this Lease or to continue same in effect. If Landlord elects to continue the Lease, the rental shall be reduced in proportion to the area of the Leased Premises so taken and Landlord shall repair any damage to the Leased Premises, parking facilities, or Building resulting from such taking. If any part of the Leased Premises is taken by condemnation or eminent domain and the Landlord elects to continue the Lease, the rental assessment shall be reduced in proportion to the area of the Leased Premises so taken and Landlord shall repair any damage to the Leased Premises resulting from such taking. All sums awarded or agreed upon between Landlord and the condemning authority for the taking of the interest for partial or total condemnation, will be the property of the Landlord, except that Tenant shall be entitled to any award for Tenant's moving expenses or personal property (but in no event shall Tenant be entitled to any award for the loss of the leasehold estate). If this Lease should be terminated under any provisions of this Section, rental shall be payable up to the date that possession is taken by the taking authority, and Landlord will refund to Tenant any prepaid unaccrued rent less any sum or amount then owing by Tenant to Landlord.

28. ABANDONMENT: If, during the term of the Lease, Tenant shall abandon, vacate or remove from the Leased Premises the major portion of the goods, wares, equipment or furnishings usually kept on said Leased Premises, and shall cease

doing business in said Leased Premises, or shall suffer the rent to be in arrears, Landlord may, at its option, cancel this Lease by written notice to Tenant at Tenant's address, or Landlord may enter said Leased Premises as the agent of Tenant by force or otherwise, without being liable in any way therefore, and relet the Leased Premises with or without any furniture that may be therein as the agent of Tenant, at such price and upon such terms and for such duration of time as Landlord may determine and receive the rent and for such expenses therefore applying the same to the payment of the sums due by Tenant and if the full rental herein provided shall not be realized by Landlord over and above the expense to Landlord of such reletting, Tenant shall pay any deficiency provided that the Landlord has made reasonable efforts to achieve a fair lease.

29. BANKRUPTCY: It is agreed between the parties hereto that: if Tenant shall be adjudicated bankrupt or insolvent or take the benefit of any federal reorganization or compensation proceeding or make a general assignment or take the benefit of any insolvency law; or, if Tenant's leasehold interest under this Lease shall be sold under any execution or process of law or if a trustee in bankruptcy or a receiver be appointed or elected or had for Tenant (whether under Federal or State Laws); or if said Premises shall be abandoned or deserted; or if Tenant shall fail to perform any of the terms, provision, covenants or conditions of this Lease on Tenant's part to be performed; or if this Lease of the Term thereof be transferred or pass to or devolve upon any person, firms, officers or corporations, then and in any such event this Lease and the Term of this Lease, at Landlord's option, shall expire and end five (5) days after Landlord has given Tenant written notice of such act, condition or default and Tenant hereby agrees immediately then to quit and surrender said Leased Premises to Landlord; but this shall not impair or effect Landlord's right to maintain summary proceeding for the recovery of the possession of the Leased Premises in all cases as provided for by law. If the term of this Lease shall be so terminated, Landlord may immediately or at any time thereafter, re-enter or repossess the Leased Premises and remove all persons and property therefrom without being liable for trespass or damages.

30. (DELETED)

31. WAIVER: Failure of Landlord to declare any default immediately upon occurrence thereof, or delay in taking any action in connection therewith, shall not waive such default, but Landlord shall the right to declare any such default at any time and take such action as might be lawful or authorized hereunder, in law and/or in equity. No waiver by Landlord of a default by Tenant shall be effective unless contained in a written instrument signed by Landlord.

No waiver of any tem, provision, condition or covenant of this Lease by Landlord shall be deemed to imply or constitute a further waiver by Landlord of any other term provision, condition or covenant of this Lease.

32. RIGHT OF ENTRY: Landlord, or any of his agents, shall have the right to enter the Leased Premises at any time for exigent circumstances and during all reasonable hours with reasonable notice, to examine the same or to make such repairs, additions or alterations as may be deemed necessary for the safety, comfort or preservation thereof, or of the Building, or to exhibit the Leased Premises at any time within one hundred eighty (180) days before the expiration of the Lease. Landlord will retain pass keys and any passcodes to gain entry to the entire Premises. Said right of entry shall also exist for the purpose of removing placards, sigh fixtures, alterations or additions which do not conform to this Lease.

33. NOTICES: Any notice to be given shall be sent by certified mail, or hand delivered to the Parties designated address or to such other place or places as The Parties may specify in writing.

34. RULES AND REGULATIONS: Tenant agrees to comply with all reasonable rules and regulations Landlord may adopt from time to time of operation of the Building and parking facilities and protection and welfare of the Building and parking facilities, the tenants, visitors, and occupants of the Building. The present rules and regulations, with respect to which Tenant hereby agrees to comply, entitled “Rules and regulations” (Exhibit A) are attached hereto and are by this reference incorporated herein. Any future rules and regulations shall become a part of this Lease and Tenant hereby agrees to comply with the same upon delivery of a copy thereof to Tenant, providing the same are reasonable and do not deprive Tenant of its rights established under this Lease.

35. CONTROL OF COMMON AREAS AND PARKING FACILITIES BY LANDLORD: All automobiles parking areas, driveways, entrances and exists thereto, Common Areas and other facilities furnished by landlord, including all parking areas, truck way or ways, loading areas, pedestrian walkways and ramps, landscaped areas, stairways, corridors, Common Areas and other areas and improvements provided by Landlord for the general use, in common, of tenants, their officers, agents, employees, servants, invitees, licensees, visitors, patrons, and customers, shall be at all times subject to the exclusive control and management of Landlord and arrangement of parking areas and other facilities herein above referred to; to restrict parking by and enforce parking ~~charges (by operation of meters or otherwise)~~ upon visitors, patrons, and customers; to close all or any portion of said areas legally sufficient to prevent a dedication thereof or the accrual of any rights to any person or public areas, common areas or facilities; to discourage non-tenant parking; and to do and perform such other acts in and to said areas and improvements, as, in the sole judgment of Landlord, the landlord shall determine to be advisable with a view to the convenience and use thereof by tenants, their officers, agents, employees servants invitees, visitors, patrons, licensees and customers. Landlord will operate and maintain the Common Areas and other facilities referred to in such reasonable manner as Landlord shall determine from time to time. Without limiting the scope of such discretion, landlord sjall have the full right and authority to designate a

manager of the parking facilities and/or Common Area and other facilities who shall have full authority to make full authority to make and enforce rules and regulation regarding the use of the same or to employ all personnel and to make and enforce all rules and regulations pertaining to and necessary for the proper operation and maintenance of the parking areas and/or common areas and other facilities. Reference in this Section to parking areas and/or facilities shall in no way be construed as giving Tenant hereunder any rights and/or privileges in connection with such parking areas and/or facilities unless such rights and/or privileges are expressly set forth in this Lease.

36. SURRENDER OF LEASED PREMISES: Tenant agrees to surrender to Landlord, at the end of the term of this Lease and/or upon any cancellation of this Lease, said Leased Premises in as good condition as the Leased Premises were at the beginning of the term of the Lease, ordinary wear and tear and damage by fire or other casualty not caused by Tenant's negligence, excepted, Tenant agrees that if Tenant does not caused by Tenant's negligence, excepted. Tenant agrees that if Tenant does not surrender said Leased Premises to Landlord at the end of the term of this Lease, then Tenant will pay to Landlord two (2) times the monthly rent paid in the final month of Tenant's term hereunder for each month that Tenant holds over; in addition Tenant shall pay all damages that Landlord may suffer on account of Tenant's failure to so surrender to Landlord harmless from and against all claims made by any succeeding tenant of the Leased Premises so far as such delay is occasioned by failure of Tenant to so surrender the Leased Premises in accordance herewith or otherwise.

    No receipt of money by Landlord from Tenant after termination of this Lease or the service of any suit or final judgment for possession shall reinstate, continue or extend the term of this Lease or affect any such notice, demand, suit or judgment.

    No act or thing done by Landlord or its agents during the term hereby granted shall be deemed an acceptance of surrender of the Leased Premises and no agreement to accept a surrender of the Leased Premises shall be valid unless it be made in writing and subscribed by a duly authorized officer or agent of Landlord.

37. TAXES ON TENANT'S PERSONAL PROPERTY: Tenant shall be responsible for and pay before delinquency all municipal, county or state taxes assessed during the term of this Lease against any occupancy interest or personal property of any kind, owned by or placed in, upon or about the Leased Premises by the Tenant.

38. PRIOR OCCUPANCY: If Tenant, with Landlord's consent, shall occupy the Leased Premises prior to the beginning of the Lease term specified in Section 2 hereof, all provisions of this Lease shall be in full force and effect commencing upon such occupancy, and rent for such period shall be paid by Tenant at the same rate herein specified.

39. SHORT FORM LEASE: Tenant shall, if so required by Landlord at any time, execute a short form Lease in recordable form setting forth the name of the parties, the term of the Lease (stating the commencement of Lease term called for in Section 2), and the description of the Leased Premises, and such other matters as Landlord shall reasonably request. In no event shall the Tenant record this Lease, any memorandum thereof or reference thereto, amongst th Public Records of any County of the State of Florida without the prior written consent of Landlord. Any violation of this provision by Tenant shall be immediate default hereunder.

40. WAIVER OF TRIAL BY JURY: Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matter arising about, of or in any connected with the Lease, the relationship of Landlord and Tenant or Tentant's use of or occupancy of the Premises. Tenant further agrees that it shall not interpose any counterclaim or counterclaims in a summary proceeding or in any action based upon nonpayment of rent or any other payment required of Tentant hereunder.

41. (DELETED)

42. SEVERABILITY: If any terms, provision, convenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such terms, provisions, covenant or condition to persons or circumstances other than those as to which it is held invalid or enforceable shall not be affected thereby and each term, provision, convenant or condition of this Lease shall be valid and be enforceable to the fullest extent permitted by Law. This Lease shall be construed in accordance with the laws of the State of Florida.

43. TIME: It is understood and agreed between the parties hereto that time is of the essence of all the terms, provisions and covenants and conditions of the Lease.

44. DEFINITIONS

(A) The terms Landlord and Tenant, as herein contained, shall include singular and/or plural, masculine, feminine, and/or neuter, heirs, successors, executors, administrators, personal representatives and/or assigns wherever the context so requires or admits. The terms provisions, covenants and conditions of this Lease are expressed in the total language of this Lease Agreement and the Section headings are solely for the convenience of the reader and are not intended to be all inclusive.
(B) Calendar Year shall be a twelve month period ending on each December 31.
(C) Base Year is the Calendar Year in which the Lease Commencement Date occurs.
(D) Base Month is the month in which the lease commences.

(E) The Consumer Price Index is the United States Bureau of Labor Statistics, "Revised Consumer Price Index, for Urban Wage Earners and Clerical Workers, All terms (1967=100)" or any successor thereto published by the United States Department of Labor, Bureau of Labor Statistics; provided, that should the said Consumer Price index or the manner of computing or reporting same be discontinued or changed, the parties shall attempt to agree upon a substitute formula, and failing such agreement the matter shall be determined by arbitration in Jupiter under the Rules of American Arbitration Association then prevailing.
(F) Code shall mean the City of Jupiter (Country, State or Federal) building, Electrical, Air Conditioning, Plumbing or other, as the same may be applicable.
(G) Building means the actual structure wherein the Leased Premises are located.
(H) Pro ration of rent shall be over a thirty (30) day month.

45. TENDER AND DELIVERY OF LEASE INSTRUMENT: Submission of this Instrument for examination does not constitute an offer, right of first refusal, reservation of or option for the Leased Premises or any other space or premises in, on or about the Building. This instrument becomes effective as a Lease upon execution and delivery by both Landlord and Tenant.

46. SERVICES: Services to be provided to Tenant shall be common area janitorial service (weekday nights), automatic elevator service, Public stairs, water at point s of supply for general use by Tenant throughout the year, electricity, heat and air conditioning as noted herein to be operated Monday through Friday 7:00 a.m. to 8:00 p.m. and 8:00 a.m to 1:00 p.m Saturdays, excluding legal holidays.

47. JANITORIAL SERVICES: Tenant shall be responsible for contracting with and payment of Janitorial services within their Leased Premises to a quality standard commensurate with other similar quality buildings in the area. (See Section 7.) Landlord will make available to Tenant a suitable janitorial service.

48. WRITTEN AGREEMENT: This Lease contains the entire agreement between the parties hereto and all previous negotiations leading thereto, and it may be modified only by an agreement in writing signed by Landlord and Tenant. No surrender of the Leased Premises or of the remainder of the terms of the Lease shall be valid unless accepted by landlord in writing. Tenant acknowledges and agrees that Tenant has not relied upon any any statement, representation, prior written or prior written or prior contemporaneaus oral promises, agreements or warranties except such as are expressed herein.

49. RIGHT TO SELL CONDOMINIUM UNITS: Landlord reserves the right to cause the building and surrounding property, including the leasehold premises, to be converted to condominium to be created by the Landlord as may be reasonably necessary regarding the creation of the condominium and agrees to execute any and all documents which may be required to create said condominium, provided that such action required by the Tenant shall be at no cost to the Tenant. This action shall not intefere with Tenants Leasehold rights.

50. LIMITATIONS OF LANDLORD'S PERSONAL LIABILITY. Tenant specifically agrees to look solely to Landlord's interest in the Building for the recovery of any judgment from Landlord, it being agreed that Landlord (and any partners of Landlord and any trustees, officers, shareholders or employees ❑f Landlord) shall never be personally liable for any such judgment. The provisions contained in the foregoing sentence are not intended to, and shall not, limit any right that Tenant might otherwise have to obtain injunctive relief against Landlord or Landlord's successors in interest, or any other action not involving the personal liability of Landlord's to respond in monetary damages from assets other than Landlord's interest in the Building of any suit or action in connection with enforcement or collection of amounts which may become owing or payable under or on account of insurance maintained by Landlord.

51. SMOKING. This is a non-smoking building. Tenant and its employees shall smoke outside the building. Under no circumstances shall Tenant allow its employees to smoke in the suite, hallways, stairwells, entry way, or elevators of the Building. Tenant and its employees shall not leave remnants or partially smoked items on the grounds except in receptacles specifically designed for the purpose.

52. BROKERAGE. All parties agree that there are no brokers involved in this transaction.

53. Authority. The undersigned represent and warrant that they are duly authorized to enter this contract.

IN WITNESS WHEREOF, the parties hereto have signed and delivered this Lease in duplicate at Palm Beach County, Florida, on the date written below.

LANDLORD	TENANT
QUENTIN PARTNERS CO. As Agent For: Intracoastal Pointe, Inc.	DYADIC INTERNATIONAL, INC.
By: James Q. Riordan, Jr. President	Mark President
WITNESS:	WITNESS:
Sharon L. Wood	(Printed name of Witness)
1/5/2011 Date	28 December 2010 Date

EXHIBIT A

RULES AND REGULATIONS

1. Landlord reserves the right to refuse access to any persons Landlord In good faith Judges to be a threat to the safety, reputation, or property of the Office Building Project and Its occupants.

2. Tenant shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways, stairways, and doorways of the Building. These shall not be obstructed or used for any purpose other than Ingress to and egress from the units. No furniture, equipment, or other personal articles shall be placed in the entrances, stairways or other common elements.

3. No exterior of any premises or the windows or doors thereof or any other portions of the common elements shall be painted or decorated in any manner by any Tenant.No sign, notice, lettering, of advertising shall be Inscribed or exposed on or at any window, door, or at any other part of the Building; nor shall anything be projected out of any window of the building. Tenant shall not be allowed to put their names on any entry to the building or entrance to any unit, except in the proper place provided by the Landlord for such purpose. No protective window film, shades, awnings, window guards ventilators, fans or air-conditioning devices shall be used in or about the Building or common elements expect such as shall have been approved In writing by Landlord.

4. No Tenant shall make or permit any noise or objectionable odor that will disturb or annoy the occupants of any of the premises in the Building or do permit anything to be done therein which will interfere with the rights, comfort, or convenience of other Tenants.

5. Each Tenant shall keep his unit in a good state of preservation and cleanliness and shall not sweep or throw or permit to be swept or thrown therefrom or from the doors or windows thereof, any dirt or other substances. All garbage and refuse from the Building shall be deposited with care in receptacles intended for such purpose only at such times and in such manner as Landlord may direct. Disposal for all garbage that is not in the course of normal day to day operations- i.e, shipping boxes for computer printers, filing cabinets, and other large items - must be handled by tenant at tenant's cost.

6. Water closets and other water apparatus in the Building shall not be used for any purpose other than those for whcich they were constructed nor shall any sweepings, rubbish, rage, paper, ashes, or any other article be thrown into the smae. Any damage resulting from miuses of any water closet or other apparatus shall be paid for by the Tenant causing such damage.

7. The agents of the Landlord and any contractor or workman authorized by the Landlord may enter any unit at any reasonable hour of the day for any purpose permitted under the terms of the Lease or Building Rules. No Tenant shall engage any employee of the Landlord for any private business of the Tenant without prior content of the Landlord. Tenant shall not employ any service or contractor for services or work to be performed in the Building except as approved by Landlord.

8. No bird or animal shall be kept or harbored in the Building unless the same in each instance be expressly permitted in writing by the Landlord. In no event shall dogs be permitted in any of the public portions of the buildings or developemnt unless carried or on a leash. The Tenant shall indemnify the Landlord and hold it harmless against any loss or laiability of any kind or character whatsoever arising from or as a result of having any animal in the building.

9. No radio or television aerial shall be attached to or hung from the exterior of the building without written approval by the Landlord.

10. The Landlord shall retain a passkey to each unit. No Tenant shall alter any lock on any door leading into his unit without prior consent of the Landlord. Tenant shall not alter any lock or Install new or additional locks or bolts to the common areas of the property.

11. No Tenant, or any employee or any client, visitor, or guest of a Tenant shall be allowed on the roof of the building without the express permission of the Landlord.

12. All damage to the building or common elements caused by the moving or carrying of any article therein shall be paid by the Tenant responsible for the presence of such article.

13. No Tenant shall interfere In any manner with any portion of the electrical system and lighting apparatus which are part of the common elements and not part of the Tenant's.

14. No Tenant shall use or permit to be brought Into the building any flamable oils or fluide such as gasoline, kerosene, naptha, benzine or other explosives or any hazardous materials or articles deemed hazardous to life, limb or property.

15. The Tenant must keep the interiors of the leased premises clean and free from obstruction. The Landlord assumes no liability for loss or damage to articles stored or placed in the building.

16. Tenant shall be held responsible for the actions of its employees, visitors, clients, or guests. Any damage to the building or equipment caused by Tenant, its employees, guests, visitors, or clients shall be repaired at the expense of the Tenant.

17. Complaints regarding the management of the building and grounds or regarding the actions of other Tenants shall be made In writing to the Landlord.

18. Parking of motor vehicles, Including motorcycles, mopeds, trailers, or bicycles by Tenant, its employees, guests, clients, or visitors shall be only in the space designated as parking; no unattended vehicle shall at any time by left in such a manner as to impade the passage or traffic or to impair proper access to parking areas. No repair, cleaning, or maintenance of motor vehicles, including motorcycles, mopeds, trailers, or bicycles shall occur on the property, with exception of emergency repair to have vehicle removed to a qualified repair facility. No storage of motor vehicles, including motorcycles, mopeds, trailers, bicycles or any objects shall be permitted on the driveway and parking areas and the same shall at all times be kept free of unreasonable accumulation of debts or rubbish of any kind.

19. Supplies, goods, and package of every kind are to be delivered in such a manner as the Landlord or its agents may prescribe and the Landlord is not responsible for the loss or damage of any such property

20. No unit shall be used or occupied in such manner as to obstruct or Interfere with the enjoyment of other occupants, or other residents of adjoining units, nor shall any nuisance or immoral or Illegal activity be commited or permitted to occur or about any unit or upon any part of the common element of the property.

21. The common elements are intended for use for the purpose of affording vehicular and pedestrian movement within the property and of providing access to the units. No part of the common elements shall be obstructed so as to interfere with its use for the purposes herein above recited nor shall any part of the common elements be used for general storage purposes, nor anything done there on in any manner which shall increase the rate of hazard and liability insurance covering said area and improvements situated thereon.

22 Tenant shall be responsible for the inappropriate use of toilet rooms, plumbing or other utilities. No foreign substances of any kind are to be inserted therein.

23. Tenant shall not deface the walls, partitions or other surfaces of the premises or office Building Project.

24. Furniture, significant freight and equipment shall be moved into or out of the building only with the Landlord's knowledge and consent, and subject to such reasonable limitations, techniques and timing, as may be designated by Landlord. Tenant shall be responsible for any damage to the Office Building Project arising from any such activity. Tenant may be asked to provide a deposit against possible damage resulting from movements of the aforementioned.

25 Landlord reserves the right to close and lock the Building on Saturdays Sundays and legal holidays, and on other days between the hours of 6:00 PM and 6:00 Am of the following day. If Tenant uses the premises during such periods, Tenant shall be responsible for securely locking any doors it may have opened for entry.

26 Tenant shall return all keys at the termination of its tenancy and shall be responsible for the cost of replacing any keys that are lost.

27 No Tenant, employee or invitee shall go up on the roof of the Building.

28 Tenant shall not suffer or permit smoking or carrying of lighted cigars or cigarettes to areas reasonably designated by Landlord or by applicable governmental agencies as non smoking areas.

29 Tenant shall not use any method of heating or air conditioning other than as provided by Landlord.

30 Tenant shall not install, maintain or operate any vending machine upon the Premises without Landlord's written consent.

31 The Premises shall not be used for loading or manufacturing, cooking or food preparartion.

32 Tenant shall comply with all safety, fire protection and evacuation regulations established by Landlord or any applicable governmental agency.

33 Tenant assumes all risks from theft or vandalism and agrees to keep its Premises locked as may be required.

34 Landlord reserves the right to walve any one of these rules or regulations, and/or as to any particular Tenant, and any such walver shall not constitute a walver of any other rule or regulation or any subsequent application thereof to such Tenant.

35 Landlord reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the Building Project and it occupants. Tenant agrees to abide by these rules and regulations. These Building Rules may be added to repealed at any time by the Landlord.

Exhibit 10.9

801 Maplewood Drive, Unit 17
Jupiter, Florida 33458
(561) 575-1440
Fax: (561) 575-3457

August 1, 2006

RE: Lease

Richard or Sasha
Dyadic International, Inc.
140 Intracoastal Pointe Drive, Suite 404
Jupiter, FL 33477-5094

Dear Richard or Sasha:

Following is the new lease to be executed for units 6 & 7 at 500 Commerce Way W, Jupiter, FL 33458. As discussed with John the lease will mirror the lease for unit 5. We need to get a letter from you indicating you wish to exercise the option to renew the lease for unit 5. Rent currently due for unit *5* is $1,810.50. This reflects August rent and the remainder due from the increase in July detailed in the option to renew in that lease. The amount due for units 6 & 7 is $1704.00, which is August rent plus 6 ½% sales tax. If you have any question please call the number listed above.

Thank you,

/s/ Brian J. Smith

Brian J. Smith
Office Manager
Prima Properties

BJS

LEASE AGREEMENT

THIS LEASE AGREEMENT, made and entered into on the 31st day of July, 2006, by and between 500 West Commerce Way, L.L.C., hereinafter referred to as Lessor, party of the first part, and Dyadic International (USA), Inc., a Florida Corporation hereinafter referred to as Lessee, party of the second part:

W I T N E S S E T H:

That Lessor does this day lease unto Lessee, and Lessee does hereby hire and take under this Lease, that portion of the premises located at 500 Commerce Way, Jupiter, Florida, known as Units 6 & 7 (hereinafter referred to as the "Demised Premises"). In addition to the Demised Premises, Lessee shall be entitled to the non-exclusive use of the parking lot (for purposes of ingress, egress and parking only) and the exterior sidewalks to and from the Demised Premises (for pedestrian ingress and egress only).

The Demised Premises shall be used and occupied by Lessee as Dyadic International (USA), Inc., and for no other purposes or uses whatsoever. Lessee specifically covenants and agrees that it will not use, or permit to be used, any part of the Demised Premises as anything other than Dyadic International (USA), Inc. The term of the lease shall be one (1) year, beginning on the 1st day of August, 2006 and ending on the 31st day of July, 2007 at 12:00 A.M. (midnight), for the total sum of Nineteen Thousand Two Hundred Dollars ($19,200.00) ("Total Sum Due"), plus sales tax (presently at a rate of 6 1/2%). Provided that Lessee is not in default hereunder beyond the expiration of all applicable notice and cure periods, Lessee may pay the Total Sum Due in installments of $1,600.00 per month (plus sales tax). All payments of rent shall be made to Lessor in advance without demand on the 1st day of each month at 801 Maplewood Drive, Suite 17, Jupiter, Florida 33458, or at such other place and to such other person, as Lessor may designate in writing. All rent shall be paid to Lessor without demand, set-off or any deduction whatsoever. If any payment is not received within ten (10) days after the date due, a late charge of five (5%) per cent of the total payment shall be due Lessor as additional rent. Provided that Lessee is not in default hereunder, Lessee shall have the option to extend the lease for two (2) additional one-year terms (Lease Options). For the first such additional one year term, Lessee shall pay a total sum of $20,400.00 plus sales tax, in monthly installments of $1,700 plus sales tax. For the second such additional one-year term, Lessee shall pay a total sum of $21,600.00 plus sales tax, in monthly installments of $1,800 plus sales tax. Each Lease Option shall be exercised automatically unless cancelled by the Lessee upon a thirty (30) day written notice prior to the expiration of the respective one-year term.

Lessor and Lessee agree to the following express stipulations and conditions:

FIRST: ASSIGNMENT. ENCUMBRANCE AND IMPROVEMENTS. Lessee shall not assign this lease, nor sublet the Demised Premises, or any part thereof nor use the same, or any part thereof, nor permit the same, or any part thereof, to be used for any other purpose than as above stipulated, without the prior written consent of Lessor, which consent may be arbitrarily withheld by Lessor.

SECOND: PERSONAL PROPERTY. All personal property placed or moved on the Demised Premises above described shall be at the risk of Lessee or the owner thereof, regardless of the cause of said damage, including but not limited to, damage arising from the bursting or leaking of water pipes or from any act of negligence of any co-Lessee, other occupants of the building or of any other person whomsoever.

THIRD: COMPLIANCE WITH LAW. Lessee shall promptly execute and comply with all statutes, ordinances, rules, orders, regulations and requirements of the Federal, State and City Government and of any and all their Departments and Bureaus applicable to said Demised Premises, for the correction, prevention, and abatement of nuisances or other grievances, in, upon, or connected with said Demised Premises during said term; and shall also promptly comply with and execute all rules, orders and regulations of the Southeastern Underwriters Association for the prevention of fires, at Lessee's own cost and expense.

FOURTH: DEMISED PREMISES RENDERED UNTENANTABLE BY CASUALT Y. If the Demised Premises are damaged or destroyed so that the Demised Premises are rendered wholly untenantable, rent shall be proportionately paid up to the time of the casualty and thenceforth shall cease until the date when the Demised Premises have been repaired or restored by Lessor to the condition existing just prior to the date of casualty; provided, however, that in the event the Demised Premises have been rendered wholly untenantable, and if Lessor will be unable to restore the Demised Premises within sixty (60) days from the date of the casualty, Lessor or Lessee shall have the right to terminate the term of the Lease by giving

notice to the other of its exercise of such right at any time within thirty (30) days after the occurrence of such damage or destruction. If this notice is given, the term of the Lease shall terminate on the date specified in the notice, (which shall be not more than fifteen days after giving of such notice), as fully and completely as if such date were the date set forth in the Lease. If Lessee exercises the option to terminate the Lease, Lessee must vacate the Demised Premises no later than three (3) days after the delivery of the notice of termination. If neither party has given the notice of termination as herein provided, Lessor shall proceed to repair the Demised Premises, and the Lease shall not terminate.

If the Demised Premises shall be partially damaged or partially destroyed, the damages shall be repaired by and at the expense of Lessor and the rent, until such repairs are made, shall be apportioned according to the part of the Demised Premises which is usable by Lessee. Lessor shall not be liable for any inconvenience or annoyance to Lessee resulting from such damage or the repair thereof, and shall not be liable for any delay in restoring the Demised Premises. If the Demised Premises are partially damaged or partially destroyed as a result of the wrongful or negligent act of Lessee or any person on the Demised Premises with Lessee's consent, there shall be no apportionment or abatement of rent.

FIFTH: EVENTS OF DEFAULT. Lessee shall be in default under this Lease (a) if rent or additional rent is not paid within five (5) days after the date due; or (b) if Lessee fails to cure a default in the performance of any other term or covenant of the Lease within twenty (20) days after written notice thereof from Lessor, or if default cannot be completely cured in such time, if Lessee shall not promptly proceed to cure such default within said twenty (20) days; or (c) if a petition in bankruptcy shall be filed by Lessee or if Lessee shall make a general assignment for the benefit of creditors; or (d) if a petition in bankruptcy shall be filed against Lessee and such proceeding is not vacated within twenty (20) days; or (e) if the Demised Premises become and remain vacant for a period of thirty (30) days; or (f) if the Demised Premises are used for some purpose other than the authorized use; (g) if the Lease is mortgaged or assigned without the written consent of Lessor; or (h) if any portion of the Demised Premises is sublet without the written consent of Lessor.

SIXTH: REMEDIES UPON DEFAULT. In the event Lessee defaults under this Lease and fails to cure the same after the expiration of any notice and cure period provided herein, then Lessor may, at any time thereafter without notice or demand and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such default, resort to any of the following remedies:

A. Declare all rent (including any additional rent due hereunder) for the remainder of the Lease, or part thereof, due in full and file an action to recover said rent.

B. Immediately re-enter the Demised Premises and remove all persons and property therefrom and store such property in a public warehouse or elsewhere at the cost of, and for the account of, Lessee. In the event of re-entry, Lessor shall not be guilty of trespass or incur any liability for any loss or damage incurred by Lessee occasioned thereby. If Lessor elects to re-enter, as herein provided, or should it take possession pursuant to legal proceedings, Lessor may either (i) terminate this Lease, or (ii) without terminating this Lease, re let the Demised Premises or any part of the same for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rent or rents and on such other terms and conditions as Lessor, in its sole and absolute discretion, may deem advisable, with the right to make alterations and repairs to the Demised Premises at the sole expense of Lessee. On each such re-letting:

(1) Lessee shall be immediately liable to pay to Lessor, in addition to any indebtedness other than rent due under this Lease, the expenses of such re-letting and repairs (except ordinary wear and tear), incurred by Lessor, and the amount, if any, by which the rent reserved in this Lease for the period of such re-letting (up to but not beyond the term of this Lease) exceeds the amount agreed to be paid as rent for the Demised Premises as a result of such re-letting; or

(2) At the option of Lessor, rents received by such Lessor from such re-letting shall be applied, first, to the payment of any expenses of such re-letting and repairs; then, to the payment of rent due and unpaid hereunder; and the residue, if any, shall be held by Lessor and applied in payment of rent as the same becomes due and payable under this Lease.

If Lessee has been credited with any rent to be received by such re-letting pursuant to subparagraph (1) above, and such rent shall not be promptly paid to Lessor by the new tenant, or if such rentals received from such re-letting under above subparagraph (2) above during any

month is less than that to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor. Such deficiency shall be calculated and paid monthly. No such re entry or taking possession of the Demised Premises by Lessor shall be construed as an election on the part of Lessor to terminate this Lease unless a written notice of such intention is given to Lessee or unless the termination of the Lease is decreed by a court of competent jurisdiction.

C. Notwithstanding any election by Lessor to re-let the Demised Premises without terminating this Lease, Lessor may at any time thereafter elect to terminate this Lease for such previous default. If Lessor terminates this Lease at any time for any default hereunder, then, in addition to any other remedy it may have, Lessor may recover from Lessee all damages incurred by reason of such breach, including the cost of recovering the Demised Premises, and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the remainder of the stated term over the then reasonable rental value of the premises for the remainder of the stated term, all of which amounts shall be immediately due and payable from Lessee to Lessor.

The rights and remedies granted herein to Lessor are distinct, separate and cumulative remedies, and the exercise of any remedy or remedies shall not be deemed to bar Lessor from exercising any or all of the others. Any failure on the part of Lessor to exercise promptly any such remedies or rights granted hereunder shall not operate to forfeit any other of said remedies or rights.

In the event of a proceeding involving Lessee under the Bankruptcy Code, 11 U.S.C. §101 et seq., if the Lease is assumed by Lessee's trustee in bankruptcy (after he has cured all existing defaults, compensated Lessor for any loss resulting therefrom and provided adequate assurance of future performance), then the Lease may not be assigned by the trustee to a third party, unless such party (a) executes and delivers to Lessor an agreement in recordable form whereby such party assumes and agrees with Lessor to discharge all obligations of Lessee under the Lease, (b) has a net worth of operating experience at least comparable to that possessed by Lessee, as of the time of execution of the Lease; and (c) grants to Lessor, to secure the performance of such party's obligations under the Lease, a security interest in such party's merchandise, inventory, personal property, fixtures, furnishings, and accounts receivable (and in the proceeds of all of the foregoing) with respect to its operations in the Demised Premises, and in connection therewith, such party shall execute such security agreements, financing statements and other documents (the forms of which are to be prepared by Lessor) as are necessary to perfect such lien.

SEVENTH: PAYMENT OF UTILITIES AND RELATED EXPENSES. Lessee agrees to pay all charges for telephone, water, gas, electricity and all other utilities consumed on the Demised Premises by Lessee. Any interruption or failure of utilities service due to causes beyond Lessor's control shall not entitle Lessee to any allowance or reduction of rent or any other form of damages as against Lessor, except to the extent caused by Lessor's or Lessor's agent's, employee's or contractor's negligence or intentional misconduct.

EIGHTH: Deleted.

NINTH: RIGHT OF ENTRY. Lessor, or any of his agents, shall have the right to enter the Demised Premises during all reasonable hours but upon no less than twenty-four (24) hours' notice, to examine the same to make such repairs, additions or alterations as may be deemed necessary for the safety, comfort, or preservation thereof, or of said building, or to exhibit said Demised Premises. The right of entry shall likewise exist for the purpose of removing placards, signs, fixtures, alterations, or additions, which do not conform to this agreement, or to the rules and regulations of the building.

TENTH: MAINTENANCE OF DEMISED P REMISES. Lessee hereby accepts the Demised Premises in the condition which exists at the commencement of this lease and agrees to maintain all of the Demised Premises (including all air conditioning, heating, plumbing, sewer (or septic tank), water (or well), electrical and mechanical equipment and fixtures serving them same located thereon and therein) at its own expense in good working order and condition, provided that Lessor will be responsible for any air-conditioning repairs over $250.00. Lessee shall repair immediately upon demand, any damage to water apparatus, or any fixture, appliances or appurtenances of said Demised Premises, or of the building, caused by any act or neglect of Lessee, or of any person or persons in the employ or under the control of Lessee. Lessor shall be responsible only to repair structural damage to the Demises Premises and the common areas, provided however, any structural repairs necessitated by the fault or negligence of Lessee, its agents, employees or invitees shall be repaired at the sole expense of Lessee.

ELEVENTH: DISCLAIMER OF LIABILITY. It is expressly agreed and understood by and between the parties to this agreement, that the Lessor shall not be liable for any damage or injury by water, which may be sustained by Lessee or for any other damage or injury resulting from the carelessness, negligence, or improper conduct on the part of any other lessee, or its agents or employees, or by reason of the breakage, leakage, or obstruction of the water, sewer or soil pipes, or other leakage in or about the said building.

TWELFTH: INSOLVENCY OR BANKRUPTCY. In the event of a proceeding involving Lessee under the Bankruptcy Code, 11 U.S.C. §101 et seq., if the Lease is assumed by Lessee's trustee in bankruptcy (after he has cured all existing defaults, compensated Lessor for any loss resulting therefrom and provided adequate assurance of future performance), then the Lease may not be assigned by the trustee to a third party, unless such party (a) executes and delivers to Lessor an agreement in recordable form whereby such party assumes and agrees with Lessor to discharge all obligations of Lessee under the Lease, (b) has a net worth of operating experience at least comparable to that possessed by Lessee and any guarantor hereof as of the time of execution of the Lease; and (c) grants to Lessor, to secure the performance of such party's obligations under the Lease, a security interest in such party's merchandise, inventory, personal property, fixtures, furnishings, and accounts receivable (and in the proceeds of all of the foregoing) with respect to its operations in the Demised Premises, and in connection therewith, such party shall execute such security agreements, financing statements and other documents (the forms of which are to be prepared by Lessor) as are necessary to perfect such lien.

THIRTEENTH: BINDING EFFECT/ORAL AGREEMENTS. This Lease shall bind Lessor and its assigns or successors, as well as the heirs, assigns, administrators, legal representatives, executors or successors of Lessee. Any amendment or modification of this Lease shall be in writing and executed by all parties hereto.

FOURTEENTH: TIME OF THE ESSENCE. It is understood and agreed between the parties hereto that time is of the essence of this Lease as to all terms and conditions contained herein.

FIFTEENTH: NOTICE. It is understood and agreed between the parties hereto that written notice mailed (certified - return receipt requested) or delivered by hand to the Demised Premises to the attention of John Morris, who shall act an agent for Lessee, shall constitute sufficient notice to Lessee. Written notice mailed (certified - return receipt requested) to Lessor at 801 Maplewood Drive, Jupiter, Florida 33458 shall constitute sufficient notice to Lessor, to comply with the terms of this Lease.

SIXTEENTH: WORK PERFORMED FOR LESSEE. It is understood and agreed between the parties hereto that any charges against Lessee by Lessor for services or for work done on the Demised Premises by order of Lessee or otherwise accruing under this Lease shall be considered as rent due and shall be included in any lien for rent due and unpaid.

SEVENTEENTH: APPROVAL OF SIGNS. Any signs or advertising to be installed and displayed by Lessee, including awnings, on or in connection with the Demised Premises shall be first submitted to Lessor for approval before installation, which approval may be withheld in Lessor's sole and absolute discretion. Any signs or advertising approved by Lessor shall be maintained by Lessee in good condition during the term of this Lease. Lessee will be permitted to erect any sign approved by Lessor on the sign monument located on the easterly boundary of the property; however, Lessee shall be responsible to pay all expenses incurred by Lessee in the installation of the same.

EIGHTEENTH: Deleted.

NINETEENTH: ATTORNEY'S FEES AND VENUE. In the event of any litigation whatsoever arising under or out of this lease, the parties hereto agree that the venue for same shall be in a court of competent jurisdiction in Palm Beach County, Florida, and the parties further agree that the laws of the State of Florida shall govern the construction and enforcement of this Lease. Notwithstanding anything else herein to the contrary, Lessee shall pay to Lessor, on demand, such expenses as Lessor may incur, including without limitation, court costs, attorney's fees and disbursements in enforcing the performance of any obligation of lessee under this Lease, whether suit is filed or not and, in the event of litigation, Lessee shall be responsible for all such expenses, both at the trial and appellate levels. **Lessor and Lessee hereby waive trial by jury in any action, proceeding or counter-claim brought by either of the parties hereto against the other on any matters arising out of, or in any way connected with, this lease, the relationship of Lessor and Lessee, Lessee's use or occupancy of the Demised Premises and any emergency or other statutory remedy.** Lessee further agrees that it shall not interpose any counter-claim(s) in a summary proceeding or other possessory action seeking the eviction of the Tenant from (i) asserting any defense(s) which it may have to eviction in the summary proceeding or possessory action, or (ii) filing an action for damages either in a separate proceeding, or as a counterclaim to any action seeking damages filed by Landlord, as long as the same is not consolidated with, or asserted as a defense to, the summary proceeding or possessory action.

TWENTIETH: SECURITY DEPOSIT. Upon the execution of this Lease, Lessee has delivered to Lessor a security deposit in the sum of $1,000.00, which deposit may be commingled with the funds of Lessor. The security deposit will not bear interest and Lessor is not obligated to account for, or pay to, Lessee interest on the security deposit. The security deposit made by Lessee shall be held by Lessor as security for the faithful performance by Lessee of all of Lessee's obligations under this lease. If any rent or other charges shall be overdue and unpaid after the expiration of notice and cure periods, or if Lessee shall fail to observe or perform any of his obligations under this lease after the expiration of notice and cure periods, then Lessor may, at his option and without prejudice to any other remedy which Lessor may have on account thereof, apply the entire security deposit, or so much thereof as may be necessary to compensate Lessor with regard to the payment of rent or other damages sustained by Lessor due to such breach on the part of Lessee; and Lessee shall forthwith upon demand restore said security deposit to the original sum deposited. Should Lessee comply with all of its obligations under this lease and promptly pay all of the rent and other charges due, the security deposit shall be returned in full to Lessee at the end of the term after delivery of the possession of the Demised Premises to Lessor in accordance with the terms of this lease.

TWENTY-FIRST: DISCLAIMER OF MECHANICS LIEN. Nothing in this lease shall be deemed, construed, or interpreted to imply any consent or agreement on the part of Lessor to subject Lessor's interest or estate to any liability under any mechanic's lien or other lien law for improvements made by, or on behalf of, Lessee. If any mechanic's lien or other lien is claimed or filed against the Demised Premises, or any part thereof, for any work, labor, services or materials claimed to have been performed or furnished for or on behalf of Lessee or anyone holding any part of the Demised Premises through or under Lessee, Lessee shall cause the same to be cancelled and discharged of record by payment, bond or court order within twenty days after notice by Lessor to Lessee. Lessee hereby indemnifies and holds Lessor harmless from any claim, loss, liability or damage suffered by Lessor as a result of any such mechanic's lien or equitable lien. Lessee shall execute any Memorandum of Lease prepared by Lessor containing a confirmation that the interest of Lessor shall not be subject to liens for improvements made by Lessee to the Demised Premises.

TWENTY-SECOND: INSURANCE. Lessee shall maintain commercial general public liability insurance for the Demised Premises and the conduct or operation of business therein with Lessor designated as an additional named insured, which insurance shall have limits no less than $1,000,000.00 for bodily injury or death to any one person and $500,000.00 for property damage, including water damage. Lessee shall also maintain fire and extended coverage insurance with regard to Lessee's stock and trade, fixtures, furniture, furnishings, equipment, signs and all other property of Lessee on the Demised Premises in the amount of their full insurable value. Lessee shall procure and pay the premiums for such insurance prior to its occupancy and shall deliver to Lessor copies of such policies to confirm the insurance coverage. Such policies shall be renewed at least thirty (30) days before the expiration of the policy term and shall contain a provision whereby the same cannot be cancelled unless Lessor is given at least ten (10) days prior written notice of such cancellation.

TWENTY-THIRD: SUBORDINATION. This Lease is subject and subordinate to all present and future mortgages and other encumbrances affecting the real property of which the

Demised Premises form a part, and to all renewals, modifications, consolidations, replacements and extensions thereof. Lessee agrees to execute at no expense to Lessor any instrument which may be deemed necessary by Lessor to further effect the subordination of the Lease herein provided.

TWENTY-FOURTH: WAIVER OR CONSENT. No consent, approval or waiver, whether expressed or implied, by Lessor of any breach of any covenant, agreement or obligation of Lessee hereunder shall be construed as a consent or waiver to, or of, any other breach of the same or any other covenant, agreement or obligation herein. All typewritten or handwritten provisions of this lease shall prevail *over* and control any printed portions inconsistent herewith.

TWENTY-FIFTH: WAIVER OF SUBROGATION. In case of damage or destruction to the Demised Premises, or any contents thereof, Lessee shall look first to any insurance in his *favor* before making any claim against Lessor; and Lessee (i) hereby releases Lessor, his agents, employees and invitees for loss or damage covered under such policies, and (ii) shall immediately notify its insurance carrier that the foregoing waiver of subrogation is contained in this Lease, and shall obtain for each policy of such insurance, a waiver of subrogation endorsement permitting waiver of any claim against Lessor for loss or damage within the scope of the insurance.

TWENTY-SIXTH: CONDEMNATION. If the whole or any substantial part of the Demised Premises shall be condemned by eminent domain for any public or quasi-public purpose, this Lease shall terminate on the date of the vesting of title, and Lessee shall have no claim against Lessor for the value of any unexpired portion of the term of this Lease, nor shall Lessee be entitled to any part of the condemnation award. If less than a substantial part of the Demised Premises is condemned, this Lease shall not terminate, but rent shall abate in proportion to the portion of the Demised Premises condemned, unless Lessee is compensated for such in any condemnation award or settlement received by him.

TWENTY-SEVENTH: INDEMNITY. In consideration of the lease of the premises to the Lessee, Lessee indemnifies and shall hold harmless Lessor from all losses, damages, liabilities, expenses or claims for any injuries or damages, including bodily injury or death, to any parties whatsoever, as well as any injuries or damages to the personal property of any such parties, which injuries or damages arise from the use or occupancy of the Demised Premises by Lessee or are caused by the acts, omissions, neglect, or fault of Lessee or Lessor, their agents, servants, employees, licensees, customers or invitees. Furthermore, Lessor shall not be liable to Lessee for any damage, loss or injury to the person or property of Lessee which may be caused by the acts, neglect, omission or fault of any person, firm or corporation, specifically including that of Lessor.

TWENTY-EIGHTH: END OF TERM/ABANDONED PROPERTY. At the end of the initial term, or the renewal term if elected by Lessee, Lessee shall vacate and surrender the Demised Premises to Lessor, broom clean, and in as good condition as the Demised Premises were at the beginning of the term, ordinary wear and tear, and damage by fire and the elements excepted, and Lessee shall remove all of Lessee's property. All installations, property, and additions required to be removed by Lessee at the end of the term which remain in the Demised Premises after Lessee has vacated shall be considered abandoned by Lessee and, at the option of the Lessor, may either be retained as Lessor's property or may be removed by Lessor at Lessee's expense.

TWENTY-NINTH: HOLDING OVER/DOUBLE RENT. If Lessee holds *over* and continues in possession of the Demised Premises, or any part thereof, after the expiration or termination of the Lease without Lessor's permission, Lessor may recover double the amount of the rent due for each day Lessee holds *over* and refuses to surrender possession. Such daily rent shall be computed by dividing the rent for the last month of the Lease by fifteen.

THIRTIETH: BROKER'S COMMISSION. Lessee represents to Lessor that Lessee has not dealt with any broker in connection with this transaction. Lessee hereby indemnifies and holds Lessor harmless from and against any damages, loss, claim or liability suffered by Lessor (including attorney's fees incurred in the defense of any such claim and the enforcement of this indemnity) as a result of any claim made by any broker arising out of any contact between Lessee and such broker with regard to the Demised Premises.

THIRTY-FIRST: HAZARDOUS MATERIALS. For purposes of this Thirty-Third Paragraph, the following definitions shall apply:

- "Hazardous Materials" shall mean any flammable explosives, radioactive

materials, hazardous wastes, toxic substances or related materials and shall also mean, but shall not be limited to, substances defined as "hazardous substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601-9657; the Hazardous Materials Transportation Act of 1975, 49 U.S.C. Sections 1801-1812; the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Sections 6901- 6987; and those substances defined as "hazardous substance" in the Florida Hazardous Substances Law, Sections 501.061-501.121, Florida Statutes.

- "Hazardous Materials Laws" shall mean any Federal, State or local laws, ordinances or regulations relating to Hazardous Materials.

- "Hazardous Materials Claims" shall mean: (i) any and all enforcement, cleanup, remedial, removal or other governmental or regulatory actions instituted, completed or threatened pursuant to Hazardous Materials Laws; (ii) all claims made or threatened by any third party against the Lessee or the Demised Premises relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials.

Lessee hereby covenants with Lessor:

(A) To notify Lessor in writing of the nature of any Hazardous Materials Claims as hereinafter defined, immediately upon their occurrence.

(B) To indemnify and hold harmless Lessor, its employees and agents from and against any and all claims, damages and liabilities arising in connection with the presence, use, storage, disposal or transport of any Hazardous Materials on, under, from or about the Demised Premises including, without limitation: (i) all foreseeable and all unforeseeable consequential damages directly or indirectly arising out of the use, generation, storage or disposal of Hazardous Materials by Lessee; and (ii) all costs of any required or necessary repair, cleanup or detoxification and the preparation of any closure or other required plans, to the full extent that such action is attributable, directly or indirectly, to the presence, use, generation, storage, release, threatened release or disposal of Hazardous Materials by any person on the Demised Premises. Lessee's obligation pursuant to the foregoing indemnity shall survive the term of this Lease.

(C) To keep and maintain the Demised Premises in compliance with (and not cause or permit the Demised Premises to be in violation of) any Federal, State or local laws, ordinances or regulations relating to industrial hygiene or to environmental conditions on, under or about the Demised Premises including, but not limited to, soil and underground conditions.

(D) Not to use, generate manufacture, store or dispose of Hazardous Materials (as hereinafter set out) on the Demised Premises; provided however, Lessee may store and use (i) Hazardous Materials to the extent that they are necessary for the maintenance of the Demised Premises, and (ii) those substances described in Exhibit A attached hereto in quantities substantially similar to those set forth in Exhibit A, provided that the storage and use described in subparagraphs (i) and (ii) hereof shall be consistent with, and in compliance with, all applicable federal, state and local laws.

(E) Lessor shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims. Lessor's reasonable attorney's fees and costs in connection therewith shall be reimbursed by Lessee upon demand. All such fees and costs shall be added to the indebtedness under this Lease and shall be secured thereby.

(F) Lessee shall, at any time and from time to time, within thirty (30) days after notice and written demand by Lessor, deliver to Lessor a written environmental evaluation of the Demised Premises, which evaluation shall address matters as to whether the Demised Premises, or any part thereof, has or is being used for the use, handling, storage, transportation or disposal of Hazardous Materials and if so, as to whether such use, handling, storage, transportation or disposal conforms to the requirements of Hazardous Materials Laws. The evaluation shall be performed by an independent, recognized environmental consulting firm of duly licensed registered engineers.

IN WITNESS WHEREOF, the parties hereto have hereunto executed this instrument for the purpose herein expressed, the day and year above written.

Signed, sealed and delivered
in the presence of:

Lessor:

By: /s/ John E. Morris
John E. Morris, Managing Member

As to Lessor

As to Lessor

Lessee (if corporate):
Dyadic International (USA), Inc.

As to Lessor

By: /s/ Mark Emalfarb
Mark Emalfarb, President

As to Lessor

(Corporate Seal)

LEASE AGREEMENT

This LEASE AGREEMENT made and entered into on the 27th day of June, 2005, by and between JOHN E, MORRIS, as trustee of the John E, Morris Revocable Trust u/a/d 6/11/96, as amended and restated 10/5/99 or assing to newly formed LLC hereinafter referred to as lessor, party of the first part, and Dyadic International (USA), Inc., a Floride Corporation hereinafter referred to as Lessee, party of the second part:

WITNESSETH:

That Lessor does this day lease unto Lessee, and Lessee, does hereby fire and take under this Lease, that portion of the premises located at 500 Commerce Way, Jupiter, Floride, Known as hereinafter referred to as the "Demised Premises"). In addition to th Demised Promises, Lessee shall be entitled to the non-exclusive use of the parking lot (for purposes of ingress, egress and parking only) and the exterior sidewalks to and from the Demised Premises (for pedestrian Ingress and egress only).

The Demised Precises shall be used and occupied by Lessee as Dyadic International (USA), Inc., and for no other purposes or uses whatsoever. Leasee specifically covenants and agrees that it will not use, or permit to be used, any part of the Demised Premises as anything other than Dyadic International (USA), Inc. The term of the lease shall be one (1) year, beginning on the 1st day of July, 2005 and ending on the 30th day of June, 2003 at 12:00 A.M. (midnight), for the total sum of Eighteen Thousand Dollar ($18,000.00) ("Total sum Due"), plus sales tax (presently at a rate of 6 1/2%). Provided that Lessee is not in default hereunder beyond the expiration of all applicable notice and cure periods, Lessee may pay the Total Sum Due in installemnets of $1,500.00 per month (plus sales tax). All payments of rent shall be made to Lessor in advance without demand on the 1st day of such month at 801 Maplewood Drive, Suite 17, Jupiter, Floride 33458, or at such other place and to such other person, as Lessor may designate in writing. All rent shall ba paid to Lessor without demand, set-off or any deduction whatsoever. If any payment is not received within ten (10) days after the date due, a late charge of five (5%) per cent of the total payment shall be due Lessor as additional rent. Upon the execution of this Lease, Lessee shall pay to Lessor the sum of $3,200.00, representing first and last months' rent (plus sales tax) and a security deposit in the sum of $1,000,00. Provided that Lessee is not in default hereunder, Lessee shall have the option to extend the lease for two (2) additional one-year terms (Lease Options); For the first such additional one-year term, Lessee shall pay a total sum of $13,200 plus sales tax, in monthly installments of $1,600 plus sales tax. For the second such additional one-year term, Lessee shall pay a total sum of $20,400 plus sales tax, in monthly installments of $1,700 plus sales tax. Each Lease Option shall be exercised automatically unless cancelled by the Lesses upon a thirty (30) day written notice prior to the expiration of the respective one-year term.

Lessor and Lessee agree to the following express stipulations and conditions:

FIRST; ASSIGNMENT, ENCUMBRANCE ANE IMPROVEMENTS. Lessee shall not assign this lease, nor sublet the Demised Premises or any part thereof nor use the same, or any part thereof, nor permit the same, or any part there of, to be used for any other purpose than as above stipulated, without the prior written consent of Lessor, which consent may be arbitrarily withheld by Lessor.

SECOND; PERSONAL PRPPERTY. All personal property placed or moved on the Demised Premises above described shall be at the risk of Lessee or the owner thereof, regardless of the cause of said damage, including butat limited to, damage arising from the bursting or leaking of water pipes or from any act of negligence of any co-Lessee, other occupants of the building or of any other person whomsoever.

THIRD; COMPLIANCE WITH LAW- Lessee shall promptly execute and comply with all statutes, ordinances, rules, orders, regulations and requirements of the Federal, State and City Government and of any and all their Departments and bureaus applicable to said Demised Premises, for the correction, prevention, and abatement of nuisances or other grievances, in, upon, or connected with said Demised Premises during said term; and shall also promptly comply with and execute all rules, orders and regulations of the Southeastern Underwriters Association forthe prevention of fires, at Lessee's own cost and expense.

FOURTH: DEMISED PREMISES RENDERED UNTENANTABLE BY CASUALTY . If the Demised Premises are damaged or destroyed so that the Demised Promises are rendered wholly untenantable, rent shall be proportionately paid upto the time of the casualty and there forth shall cease until the date when the Demised Premises have been repaired or restored by Lessor to the condition existing just prior to the date of casualty; provided, however,

that in the event the Demised Premises have been rendered wholly untenantable, and if Lessor will be unable to restore the Demised Premises within sixty (60) days from the date of the casualty, Lessor or Lessee shall have the right to terminate the term of the Lease by giving notice to the other of its exercise of such right at any time within thirty (30) days after the occurrence of such damage or destruction, if this notice is given, the term of the Lease shall terminate on the date specified in the notice, (which shall be not more than fifteen days after givingof such notice), as fully and completely as if such date were the date set forth in the Lease. If Lessee exercises the option to terminate the Lease, Lessee must vacate the Demised Premises no later than three (3) days after the delivery of the notice of termination. If neither party has given the notice of termination as herein provided, Lessor shall proceed to repair the Demised Premises, and the Lease shall not terminate.

If the Demised Premises shall be partially damaged or partially destroyed, the damages shall be repaired by and at the expense of Lessor and the rent, until such repairs are made, shall be apportioned according to the part of the Demised Premises which is usable by Lessee. Lessor shall not be liable for any inconvenience or annoyance to Lessee resulting from such damage or the repair thereof, and shall not be liable for any delay in restoring the Demised Premises. If the Demised Premises are partially damaged or partially destroyed as a result of the wrongfulor negligent act of Lessee or any person on the Demised Premises with Lessee's consent, there shall be no apportionment or abatement of rent.

FIFTH: EVENTS OP DEFAULT. Lessee shall be in default under this Lease (a) if rent or additional rent is not paid within five (5) days after the date due; or (b) If Lessee falls to cure a default in the performance of any other term or covenant of the Lease within twenty (20) days after written notice thereof from Lessor, or if default cannot be completely cured in such time, if Leasee shall not promptly proceed to cure such default within said twenty (20) days; or (c) if a petition in bankruptcy shall be filed by Lessee or if Lessee shall make a general assignment for the benefit of creditors; or (d) If a petition in bankruptcy shall be filed against Lessee and such proceeding is not vacated within twenty (20) days; or (e) if the Demised Premises become and remain vacant for a period of thirty (30) days; or (f) if the Demised Premises are used for some purpose other than the authorized use; (g) if the Lease is mortgaged or assigned without the written consent of Lessor; or (h) if any portion of the Demised Premises is sublet without the writen consent of Lessor.

SIXTH: REMEDIES UPON DEFAULT. In the event Lessee defaults under this Lease and falls to cure the same after the expiration of any notice and cure period provided herein, then Lessor may, at any time thereafter without notice or demand and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such default, resort to any of the following remedies:

A. Declare all rent (including any additional rent due hereunder) for the remainder of the Lease, or part thereof, due in full and file an action to recover said rent

B. Immediately re-enter the Demised Premises and remove all persons and property therefrom and store such property in a public warehouse or elsewhere at the cost of, and for the account of, Lessee, In the event of re-entry, Lessor shall not be guilty of trespass or incur any liability for any loss or damage incurred by Lessee occasioned thereby. If Lessor elects to re-enter, as herein provided, or should it take possession pursuant to legal proceedings, Lessor may either (1) terminate this Lease, or (11) without terminating this Lease, re-let the Demised Premises or any part of the same for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rent or rents and on such other terms and conditions as Lessor, in its sole and absolute discretion, may deem advisable, with the right to make alterations and repairs to the Demised Premises at the sole expense of Lessee. On each such re-letting;

(1) Lessee shall be immediately liable to pay to Lessor, In addition to any indebtedness other than rent due under this Lease, the expenses of such re-letting and repairs (except ordinary wear and tear), Incurred by Lessor, and the amount, if any, by which the rent reserved in this Lease for the period of such re-letting (up to but not beyond the term of this Lease) exceeds the amount agreed to be paid as rent for the Demised Premises as a result of such re-letting; or

(2) At the option of Lessor, rents received by such Lessor from such re-letting shall be applied, first, to the payment of any expenses of such re-letting and repairs; then, to the payment of rent due and unpaid hereunder; and the residue, if any, shall be held by Lessor and applied in payment of rent as the same becomes due and payable under this Lease.

If Lessee has been credited with any rent to be received by such re-letting pursuant to subparagraph (1) above, and such rent shall not be promptly paid to Lessor by the new tenant, or if such rentals received from such re-letting under above subparagraph (2) above during any month is less than that to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor. Such deficiency shall be calculated and paid monthly. No such re-entry or taking possession of the Demised Premises by Lessor shall be construed as an election on the part of Lessor to terminate this Lease unless a written notice of such intention is given to Lessee or unless the termination of the Lease is decreed by a court of competent jurisdiction,

C. Notwithstanding any election by Lessor to re-let the Demised Premises without terminating this Lease, Lessor may at any time thereafter elect to terminate this Lease for such previous default. If Lessor terminates this Lease at any time for any default hereunder, then, in addition to any other remedy it may have, Lessor may recover from Lessee all damages Incurred by reason of such breach, including the cost of recovering the Demised Premises, and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the remainder of the stated term over the then reasonable rental value of the premises for the remainder of the stated term, all of which amounts shall be immediately due and payable from Lessee to Lessor.

The rights and remedies granted herein to Lessor are distinct, separate and cumulative remedies, and the exercise of any remedy or remedies shall not be deemed to bar Lessor from exercising any or all of the others. Any failure on the part of Lessor to exercise promptly any such remedies or rights granted hereunder shall not operate to forfeit any other of said remedies or rights.

In the event of a proceeding involving Lessee under the Bankruptcy Code, 11 U.S.C. §101 et seq., if the Lease is assumed by Lessee's trustee in bankruptcy (after he has cured all existing defaults, compensated Lessor for any loss resulting therefrom and provided adequate assurance of future performance), then the Lease may not be assigned by the trustee to a third party, unless such parly (a) executes and delivers to Lessor an agreement in recordable form whereby such party assumes and agrees with Lessor to discharge all obligations of Lessee under the Lease, (b) has a net worth of operating experience at least comparable to that possessed by Lessee, as of the time of execution of the Lease; and (c) grants to Lessor, to secure the performance of such party's obligations' under the Lease, a security interest in such party's merchandise, inventory, personal property, fixtures, furnishings, and accounts receivable (and in the proceeds of all of the foregoing) with respect to its operations in the Demised Premises, and In connection therewith, such party shall execute such security agreements, financing statements and other documents (the forms of which are to be prepared by Lessor) as are necessary to perfect such lien.

SEVENTH: PAYMENT OF UTILITIES AND RELATED EXPENSES. Lessee agrees to pay all charges for telephone, water, gas, electricity and all other utilities consumed on the Demised Premises by Lessee. Any Interruption or failure of utilities service due to causes beyond Lessor's control shall not entitle Lessee to any allowance or reduction of rent or any other form of damages as against Lessor, except to the extent caused by Lessor's or Lessor's agent's, employee's or contractor's negligence or intentional misconduct.

EIGHTH: Deleted.

NINTH: RIGHT OF ENTRY. Lessor, or any of his agents, shall have the right to enter the Demised Premises during all reasonable hours but upon no less than twenty-four (24) hours' notice, to examine the same to make such repairs, additions or alterations as may be deemed necessary for the safety, comfort, or preservation thereof, or of said building, or to exhibit said Demised Premises. The right of entry shall likewise exist for the purpose of removing placards, signs, fixtures, alterations, or additions, which do not conform to this agreement, or to the rules and regulations of the building.

TENTH; MAINTENANCE OF DEMISED PREMISES. Lessee hereby accepts the Demised Premises in the condition which exists at the commencement of this lease and agrees to maintain all of the Demised Premises (including all air conditioning, heating, plumbing, sewer (or septic tank), water (or well), electrical and mechanical equipment and fixtures serving them same located thereon and therein) at its own expense in good working order and condition, provided that Lessor will be responsible for any air-conditioning repairs over $250.00. Lessee shall repair immediately upon demand, any damage to water apparatus, or any fixture, appliances or appurtenances of said Demised Premises, or of the building, caused by any act or neglect of Lessee, or of any person or persons in the employ or under the control of Lessee, Lessor shall be responsible only to repair structural damage to the Demises Premises and the

common areas, provided however, any structural repairs necessitated by the fault or negilgence of Lessee, all agents, employees or invitees shall be repaired at the sole expense of Lessee.

ELEVENTH; DISCLAIMER OF LIABILITY. It is expressly agreed and understood by and between the parties to this agreement, that the Lessor shall not be liable for any damage or injury by water, which may be sustained by Leasee or for any other damage or injury resulting from the carelessness, negligence, or improper conduct on the part of any other lessee, or its agents or employees, or by reason of the breakage, leakage, or obstruction of the water, sewer or soil pipes, or other leakage in or about the said building.

TWELFTH: INSOLVENCY OR BANKRUPTCY. In the event of a proceeding involving Lessee under the Bankruptcy Code, 11 U.S.C. §101 et saq., if the Lease is assumed by Lessee's trustee in bankruptcy (after he has cured all existing defaults, compensated Lessor for any loss resulting therefrom and provided adequate assurance of future performance), then the Lease may not be assigned by the trustee to a third part; unless such party (a) executes and delivers to Lessor an agreement in recordable form Whereby such party assumes and agrees with Lessor to discharge all obligations of Lessee under the Lease, (b) has a net worth of operating experience at least comparable to that possessed by Lessee and any guarantor hereof as of the time of execution of the Lease; and (c) grants to Lessor, to secure the performance of such party's obligations under the Lease , a security interest in such party's merchandise,Inventory, personal property, fixtures, furnishings, and accounts receivable (and in the proceeds of all of the Foregoing) with respect to its operations in the Demised Premises, and in connection therewith, such party shall execute such security agreements, financing statements and other documents (the forms of which are to be prepared by Lessor) as are necessary to perfect such lien.

THIRTEENTH: BINDING EFFECTIONAL AGREEMENTS. This Lease shall bind Lessor and its assigns or successors, as well as the heirs, assigns, administrators, legal representatives, executors or successors of Lessee. Any amendment or modification of this Lease shall be in writing and executed by all parties hereto.

FOURTEENTH: TIME OF THE ESSENCE. It is understood and agreed between the parties hereto that time is of the essence of this Lease is to all terms and conditions contained herein.

FIFTEENTH: NOTICE. It is understood and agreed between the parties hereto that written notice melted (certified - return receipt requested) or delivered by hand to the Demised Premises to the attention of John Morris, who shall act un agent for Lessee, shall constitute sufficient notice to Lessee. Written notice mailed (certified - return receipt requested) to Lessor at 801 Maplawood Drive, Jupiter, Florida 33456 shall constitute sufficient notice to Lessor, to comply with the terms of this Lease,

SIXTEENTH: WORK PERFORMED FOR LESSEE. It s understood and agreed between tha parties hereto that any charges against Leases by Lessor for serviced or for work done on the Demised Premises by order of Lessee otherwise accruing under this Lease shall be considered as rent due and shall be included in any lien for rent due and unpaid.

SEVENTEENTH: APPROVAL OF SIGNS. Any sings or advertising to be installed and displayed by Lessee, including awnings, on or in connection with the Demised Premises shall be first submitted to Lessor for approval before installation, which approval may be withheld in Lessor's sole and absolute discretion. Any signs or advertising approved by Lessor shall be maintained by Lessee i n good condition during the term of this Lease. Lessee will be permitted to erect any sign approved by Lessor on the sign monument locatedon the easterly boundary of the property; however, Leasee shall be responsible to say all expenses incurred by Leasee in the I
installation of the same.

EIGHTEENTH: Deleted.

NINETEENTH: ATTORNEY'S FEES AND VALUE. In the event of any litigation whatsoever arising Under or out of this lease, the parties hereto agree that the venue for same shall be i n a court of competent jurisdiction i n Palm Beach County, Florida, and the parties further agree that t he laws ❑f the State of Florida shall govern the construction and enforcement of this Lease. Notwithstanding anything else herein to the contrary, lessee shall pay to Lessor, on demand, such expenses as Lessor may incur, inducing without limitation, court costs, attorney's fees and disbursements i n enforcing the performance of any obligation of lessee under this Lease , whether suit is filed or not and, in the event of litigation, Lessee shall be responsible for all such expenses, both at the trial and appellate levels. Lessor and Lessee

hereby waive trail by jury in any action, peoceeding of countor-claim brought bt either of the parties hereto against the other on any matters arising out of, or in any way connected with, this lease, the relationship of Lessor and Lessee, Lesses's use or occupancy of the Demised Premises and emergency or other statutory remedy. Lessee further agrees that it shall not interpse any counter-claim (a) in a summary proceeding or other possessory action seeking the eviction of the Tenant from (i) separating any defense(s) which it may have to eviction in the smmary proceeding or possessory action, or (ii) Filing an action for damages either in a separate proceeding, or an counter claim to any action seeking damages filed by Landlord, as long as the same is not consolidated with, or asserted as a defense to, the summary proceeding or possessory action.

TWENTIETH: SECURITY DEPOSIT. Upon the execution of this Lease, Lessee has delivered to Lessor a security deposit in the sum of $1,000.00, which deposit may be commingled with the funds of Lessor, The security deposite will not bear interest and Lessor is not obligated to account for, or pay to, Lessee interest on the security deposit. The security deposit made by Lessee shall be held by Lessor as security for the faithful performance by Losses of all of Lessee's obligations under this lease. Is any rent or other charges shall be overdue and unpaid after the expiration of notice and cure periods, or if Leasee shall fall to observe or perform any of his obligations under this lease after the expiration of notice and cure periods, than Lessor may, at his option and without prejudice to any other remedy which Lessor may have on account thereof, apply the entire security deposit, or so much thereof as may be necessary to compensate Lessor with regard to the payment of rent or other damages sustained by Lessor due to such breach on the part Lessor; and Lessee shall forthwith upon demand restore said security deposit to the original our deposited, should Lessee comply with all of its obligations under this lease and promptly pay all of the rent and other charges due, the security deposit shall be returned in full to Lessee at the end of the term after delivery of the possession of the Demised Premises to Lessor accordance with the terms of this lease,

TWENTY-FIRST: DISCLAIMER OF MECHANIC LIEN. Nothing in this lease shall be deemed, construed, or interpreted to imply any consent or agreement on the part of Lessor to subject Lessor's interest or estate to any liability under any mechanic's lien or other lien law for improvements made by, or on behalf of, Lessee. If any mechanic's lien or other lien is claimed or filed against the Demised Premises, or any part thereof, for any work, labor, services or materials claimed to have been performed or furnished for or on behalf or Lessee or anyone holding any part of the Demised Premises through or under Lessee, Lessee shall cause the same to be cancelled and discharged of record by payment, bond or court order within twenty (20) days after notice by Lessor to Lessee, Lessee hereby indemnifies and holds Lessor harmless from any claim, loss, liability or damage sufferred by Lessor as a result of any such mechanic's lien or equitable lien. Lessee shall execute any Memorandum of Lease prepared by Lessor containing a confirmation that the interest of Lessor shall not be subject to liens for improvements made by Lessor to the Demised Premise.

TWENTY-SECOND: INSURANCE. Lessee shall maintain commercial general public liability insurance for the Demised Premises and the conduct or operation of business therein with Lessor designated as an additional named insured, which insurance shall have limits no less than $1,000,000.00 for bodily injury or death to any one person and $500,000.00 for property damage, including water damage. Lessee shall also maintain fire and extended coverage insurance with regard to Lessee's stock and trada, fixtures, furniture, furnishings, equipment, signs and all other property of Lessee on tha Demised Premises in the amount of their full insurable value. Lessee shall procure and pay the premiums for such insurance prior to its occupancy and shall deliver to Lessor copies of such policies to confirm the insurance coverage. Such policies shall be renewed at least thirty (30) days before the expiration of the policy term and shall contain a provision whereby the same cannot be cancelled unless Lessor is given at least ten (10) days prior written notice of such cancellation.

TWENTY-THIRD: SUBORDINATION. This Lease is subject and subordinate to all present and future mortgages and other encumbrance affecting the real property of which the Demised Premises form a part, and to all renewals, mcdification, consolidations, replacements and extensions thereof, Lessee agrees to execute at expense to Lessor any instrument which may be deemed necessary by Lessor to further affect the subordination of the Lease herein provided.

TWENTY-FOURTH; WAIVER OR CONSENT. No consent, approval or waiver, whether expressed or implied, by Lessor of any breach of any covenant, agreement or obligation of Lessee hereunder shall be construed as a consent or waiver to, or of, any other breach of the same or any other covenant, agreement or obligation are in. All typewritten or handwritten provisions of this lease shall prevail over and control any printed portions inconsistent herewith.

"Hazardous Materials Claims" shall mean: (i) any and all enforcement, cleanup, remedial, removal or other governmental or regulatory actions instituted, completed or threatened pursuant to Hazardous Materials Laws; (ii) all claims made or threatened by any third party against the Lessee or the Demised Promises islating to damage, contribution, cost recovery compensation, lose or injury resulting from any Hazardous Materials.

Lessee hereby covenants with Lessor.

(A) To notify Lessor in writing of the nature of any Hazardous Materials Claims as hereinafter defined, immediately upon their occurrence.

(B) To indemnify and hold harmless Lessor, its employees and agents from and against any and all claims, damages and liabilities arising in connection with the presence, use, storage, disposal or transport of any Hazardous Materials on, under, from or about the Demised Premises including, without limitation: (I) all foreseeable and all unforeseeable consequential damages directly or indirectly arising out of the use, generation, storage or disposal of Hazardous Materials by Lessee; and (II) all costs of any required or necessary repair, cleanup or detoxification and the preparation of any closure or other required plane, to the full extent that such action is attributable, directly or indirectly to the presence, use, generation, storage, release, threatened release or disposal of Hazardous Materials by any person on the Demised Premises. Leasee's obligation pursuant to the foregoing indemnity shall survive the term of this Lease.

(C) To keep and maintain the Demised Premises in compliance with (and not causa or permit the Demised Premises to be in violation of) any Federal, State or local laws, ordinances or regulations relating to industrial hygiene or to environmental conditions on, under or about the Demised Premises including, but not not limits to, soil and underground conditions,

(D) Not to use, generate manufacture, store or dispose of Hazardous Materials (as hereinafter set out) on the Demised Premises; provided however, Lessee may store and use (I) Hazardous Materials to the extent that they are necessary for the maintenance of the Demised Premises, and (II) those substances describe in Exhibit A attached hereto in quantities substantially similar to those set forth in Exhibit A, provided thai the storage and use describe in subparagraphs (I) and (II) hereof shall be consistent with, and in compliance with, all applicable federal, state and local laws,

(E) Lessor shall have the right to join and participate in, as a party if it so electe, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims. Lessor's reasonable attorney's fees and costs in connection therewith shall be reimbursed by Leasee upon demand. All such fees and costs shall be added to the indebtedness under this Lease and shall be secured thereby.

(F) Lessee shall, at any time and from time to timo, within thirty (30) days after notice and written demand by Lessor, deliver to Lessor a written environmental evaluation of the Demised Premises, which evaluation shall address matters as to whether the Demised Premises, or any part thereof, has or is being used for the use, handling, storage, transportation or disposal of Hazardous Materials and if so, as to whether such use, handling, storage, transportation or disposal conforms to the requirements of Hazardous Materials Laws, The evaluation shall be performed by an independent, recognized environmental consulting firm of duly licensed registered engineers.

IN WITNESS WHEREOF, the parties hereto have hereunto executed this instrument for the purpose herein expressed, the day and year above- written.

Signed, sealed and delivered
in the presence of:

Lessor
_____

By: _____

_____
As to Lessor

_____

As to Lessor

Lessee (if corporate)
Dyadic International, Inc

Mark Emalfard
As to Lessor

By: Mark Emalfard
President

as to Lessee

Exhibit A.

DYADIC INTERNATIONAL (USA), INC. HAZARDOUS MATERIALS LIST

Dyadic Quality Assurance Laboratory
500 Commerce Way West, #6-7
Jupiter, FL 33458

Inventory as of 6/8/05

Product Name	MSDS	Haz Mat Waste Code	Dry Liquid Solid	Container Size	Catalog No.	Lot Number	Loc.	Producer	Received Date
Acetic Acid, glacial	on file	D002	L	500ml	BP-1185-500	031576	L	Fisher	1/13/04
Acetic Acid, glacial	on file	D002	L	500ml	BP-1185-500	041163	L	Fisher	12/7/04
Acetone GR	on file	F003	L	1L	AX0120-9	40137021	M	EM Science	1/11/01
Ethyl Alcohol 190 proof (Ethanol)	on file	D001	L	1L	49,351-1	BB1906BB	M	Aldrich	1/30/04
Ethyl Alcohol 200 proof	on file	D001	L	500ml x6	EM-4450	05Q24GA	M	EM Science	3/18/05
Grain Alcohol 75.5%		D001	L	750ml			M	Everclear	4/1/04
Grain Alcohol 95% (190 Proof)		D001	L	1.75Lx4			M	Everclear	4/1/05
Hydrochloric Acid	on file	D002	L	500ml	H-7020	12K34851	L	Sigma	4/1/02
Hydrochloric Acid	on file	D002	L	500ml	H-7020	97H3562	L	Sigma	4/1/02
Isopropyl Alcohol 70%	on file	D001	L	1gal	04 3b5 71	537667	M	Decon Labs Inc	2/8/04
Methanol, HPLC grade	on file	F003	L	1L	MX04-75P-4	40297043	M	EM Science	1/1/00
Phosphoric Acid	on file	D002	L	500ml	P-6560	38H3450	L	Sigma	1/1/00
Phosphoric Acid	on file	D002	L	500ml	PX0995-13	40341226	L	EM Science	7/1/02
Phosphoric Acid	on file	D002	L	500ml	PX0995-13	41178908	L	EM Science	7/1/02
Potassium Hydroxide	on file	D002	D	1kg	P-6310	101K1248	6-1	Sigma	7/1/02
Sodium Hydroxide	on file	D002	D	500g	S-0899	121K0125	14-2	Sigma	8/4/02
Sodium Hydroxide	on file	D002	D	500g	S-0899	121K0126	14-2	Sigma	8/4/02
Sulfuric Acid	on file	D002	L	500ml	S-1526	77H3642	L	Sigma	1/1/00

Exhibit A.

DYADIC INTERNATIONAL (USA), INC. HAZARDOUS MATERIALS LIST

Dyadic Quality Assurance Laboratory
500 Commerce Way West, #6-7
Jupiter, FL 33458

Inventory as of 6/6/05

Product Name	MSDS	Hazardous Waste Code	Dry Liquid Solid	Container Size	Catalog No.	Lot Number	Loc.	Producer	Received Date
Acetic Acid, glacial	on file	D002	L	500ml	BP-1185-500	031576	L	Fisher	1/13/04
Acetic Acid, glacial	on file	D002	L	500ml	BP-1185-500	041163	L	Fisher	12/7/04
Acetone GR	on file	F003	L	1L	AX0120-9	40137021	M	EM Science	1/11/01
Ethyl Alcohol 190 proof (Ethanol)	on file	D001	L	1L	49,351-1	BB18906BB	M	Aldrich	1/30/04
Ethyl Alcohol 200 proof	on file	D001	L	500ml x6	EM-4450	05Q24GA	M	EM Science	3/18/05
Grain Alcohol 75.5%		D001	L	750ml			M	Everclear	4/1/04
Grain Alcohol 95% (190 Proof)		D001	L	1.75Lx4			M	Everclear	4/1/05
Hydrochloric Acid	on file	D002	L	500ml	H-7020	12K34891	L	Sigma	4/1/02
Hydrochloric Acid	on file	D002	L	500ml	H-7020	97H3562	L	Sigma	4/1/02
Isopropyl Alcohol 70%	on file	D001	L	1gal	04 365 71	537857	M	Decon Labs Inc.	2/6/04
Methanol, HPLC grade	on file	F003	L	1L	MX04-75P-4	40297043	M	EM Science	1/1/00
Phosphoric Acid	on file	D002	L	500ml	P-6560	38H3450	L	Sigma	1/1/00
Phosphoric Acid	on file	D002	L	500ml	PX0995-13	40341226	L	EM Science	7/1/02
Phosphoric Acid	on file	D002	L	500ml	PX0995-13	41178908	L	EM Science	7/1/02
Potassium Hydroxide	on file	D002	D	1kg	P-6310	101K1248	6-1	Sigma	7/1/02
Sodium Hydroxide	on file	D002	D	500g	S-0899	121K0125	14-2	Sigma	8/4/02
Sodium Hydroxide	on file	D002	D	500g	S-0899	121K0126	14-2	Sigma	8/4/02
Sulfuric Acid	on file	D002	L	500ml	S-1526	77H3642	L	Sigma	1/1/00

6/27/2005

Page 1 of 1

LEASE AGREEMENT

THIS LEASE AGREEMENT,made and entered into on the 1st day of July, 2008, by and between **500 West Commerce Way LLC,** hereinafter referred to as Lessor, party of the first part, and Dyadic International (USA), Inc., a Florida Corporation hereinafter referred to as Lessee, party of the second part:

W I T N E S S E T H:

That Lessor does this day lease unto Lessee, and Lessee does hereby hire and take under this Lease, that portion of the premises located at 500 Commerce Way, Jupiter, Florida, known as Units 5, 6 & 7 (hereinafter referred to as the "Demised Premises"). In addition to the Demised Premises, Lessee shall be entitled to the non-exclusive use of the parking lot (for purposes of ingress, egress and parking only) and the exterior sidewalks to and from the Demised Premises (for pedestrian ingress and egress only).

The Demised Premises shall be used and occupied by Lessee as Dyadic International (USA), Inc., and for no other purposes or uses whatsoever . Lessee specifically covenants and agrees that it will not use, or permit to be used, any part of the Demised Premises as anything other than Dyadic International (USA), Inc. The term of the lease shall be five (5) years, beginning on the 1st day of July, 2008 and ending on the 30th day of June, 2013 at 12:00 A.M.

Annual Period	Annual Rent	Sales Tax	Total Annual Sum Due
8/1/08-7/31/09	$ 40,800.00	$ 2652.00	$ 43,452.00
8/1/09-7/31/10	$ 42,000.00	$ 2730.00	$ 44,730.00
8/1/10-7/31/11	$ 43,200.00	$ 2808.00	$ 46,008.00
8/1/11-7/31/12	$ 44,400.00	$ 2886.00	$ 47,286.00
8/1/12-7/31/13	$ 45,600.00	$ 2964.00	$ 48,564.00
			Total Sum Due: $ 230,040.00

Provided that Lessee is not in default hereunder beyond the expiration of all applicable notice and cure periods, Lessee may pay the Total Sum Due in monthly installments as follows:

$3621.00 per month for the period of 8/1/08 - 7/31/09
$3727.50 per month for the period of 8/1/09 - 7/31/10
$3834.00 per month for the period of 8/1/10 - 7/31/11
$3940.50 per month for the period of 8/1/11 - 7/31/12
$4047.00 per month for the period of 8/1/12 - 7/31/13

All payments of rent shall be made payable to Prima Properties (as agent for Lessor) in advance without demand on the 1st day of each month at 801 Maplewood Drive, Suite 17, Jupiter, Florida 33458, or at such other place and to such other person, as Lessor may designate in writing. All rent shall be paid to Prima Properties without demand, set-off or any deduction whatsoever. If any payment is not received within ten (10) days after the date due, a late charge of five (5%) per cent of the total payment shall be due Lessor as additional rent. Lease can be broken without any penalties provided Lessee gives Lessor a minimum of 60 day notice. The demising wall between units 5 & 6 must be put back to its original condition.

Lessor and Lessee agree to the following express stipulations and conditions:

FIRST: ASSIGNMENT, ENCUMBRANCE AND IMPROVEMENTS . Lessee has permission to sublease all or part of the demised premises but with Lessor's consent not unreasonably withheld.

SECOND: PERSONAL PROPERTY . All personal property placed or moved on the Demised Premises above described shall be at the risk of Lessee or the owner thereof, regardless of the cause of said damage, including but not limited to, damage arising from the bursting or leaking of water pipes or from any act of negligence of any co-Lessee, other occupants of the building or of any other person whomsoever.

THIRD: COMPLIANCE WITH LAW. Lessee shall promptly execute and comply with all statutes, ordinances, rules, orders, regulations and requirements of the Federal, State and City Government and of any and all their Departments and Bureaus applicable to said Demised Premises, for the correction, prevention, and abatement of nuisances or other grievances, in, upon, or connected with said Demised Premises during said term; and shall also promptly comply with and execute all rules, orders and regulations of the Southeastern Underwriters Association for the prevention of fires, at Lessee's own cost and expense.

FOURTH: DEMISED PREMISES RENDERED UNTENANTABLE BY CASUALTY. If the Demised Premises are damaged or destroyed so that the Demised Premises are rendered wholly untenantable, rent shall be proportionately paid up to the time of the casualty and thenceforth shall cease until the date when the Demised Premises have been repaired or restored by Lessor to the condition existing just prior to the date of casualty; provided, however, that in the event the Demised Premises have been rendered wholly untenantable, and if Lessor will be unable to restore the Demised Premises within sixty (60) days from the date of the casualty, Lessor or Lessee shall have the right to terminate the term of the Lease by giving notice to the other of its exercise of such right at any time within thirty (30) days after the occurrence of such damage or destruction. If this notice is given, the term of the Lease shall terminate on the date specified in the notice, (which shall be not more than fifteen days after giving of such notice), as fully and completely as if such date were the date set forth in the Lease. If Lessee exercises the option to terminate the Lease, Lessee must vacate the Demised Premises no later than three (3) days after the delivery of the notice of termination. If neither party has given the notice of termination as herein provided, Lessor shall proceed to repair the Demised Premises, and the Lease shall not terminate.

If the Demised Premises shall be partially damaged or partially destroyed, the damages shall be repaired by and at the expense of Lessor and the rent, until such repairs are made, shall be apportioned according to the part of the Demised Premises which is usable by Lessee. Lessor shall not be liable for any inconvenience or annoyance to Lessee resulting from such damage or the repair thereof, and shall not be liable for any delay in restoring the Demised Premises. If the Demised Premises are partially damaged or partially destroyed as a result of the wrongful or negligent act of Lessee or any person on the Demised Premises with Lessee's consent, there shall be no apportionment or abatement of rent.

FIFTH: EVENTS OF DEFAULT. Lessee shall be in default under this Lease (a) if rent or additional rent is not paid within ten (10) days after the date due; or (b) if Lessee fails to cure a default in the performance of any other term or covenant of the Lease within twenty (20) days after written notice thereof from Lessor, or if default cannot be completely cured in such time, if Lessee shall not promptly proceed to cure such default within said twenty (20) days; or (c) if a petition in bankruptcy shall be filed by Lessee or if Lessee shall make a general assignment for the benefit of creditors; or (d) if a petition in bankruptcy shall be filed against Lessee and such proceeding is not vacated within twenty (20) days; or (e) if the Demised Premises become and remain vacant for a period of thirty (30) days; or (f) if the Demised Premises are used for some purpose other than the authorized use; (g) if the Lease is mortgaged or assigned without the written consent of Lessor; or (h) if any portion of the Demised Premises is sublet without the written consent of Lessor.

SIXTH: REMEDIES UPON DEFAULT. In the event Lessee defaults under this Lease and fails to cure the same after the expiration of any notice and cure period provided herein, then Lessor may, at any time thereafter without notice or demand and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such default, resort to any of the following remedies:

A. Declare all rent (including any additional rent due hereunder) for the remainder of the Lease, or part thereof, due in full and file an action to recover said rent.

B. Immediately re-enter the Demised Premises and remove all persons and property therefrom and store such property in a public warehouse or elsewhere at the cost of, and for the account of, Lessee. In the event of re-entry, Lessor shall not be guilty of trespass or incur any liability for any loss or damage incurred by Lessee occasioned thereby. If Lessor elects to re-enter, as herein provided, or should it take possession pursuant to legal proceedings, Lessor may either (i) terminate this Lease, or (ii) without terminating this Lease, re let the Demised Premises or any part of the same for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rent or rents and on such other terms and conditions as Lessor, in its sole and absolute discretion, may deem advisable, with the right to make alterations and repairs to the Demised Premises at the sole expense of Lessee. On each such re-letting:

(1) Lessee shall be immediately liable to pay to Lessor, in addition to any indebtedness other than rent due under this Lease, the expenses of such re-letting and repairs (except ordinary wear and tear), incurred by Lessor, and the amount, if any, by which the rent reserved in this Lease for the period of such re-letting (up to but not beyond the term of this Lease) exceeds the amount agreed to be paid as rent for the Demised Premises as a result of such re-letting; or

(2) At the option of Lessor, rents received by such Lessor from such re-letting shall be applied, first, to the payment of any expenses of such re-letting and repairs; then, to the payment of rent due and unpaid hereunder; and the residue, if any, shall be held by Lessor and applied in payment of rent as the same becomes due and payable under this Lease.

If Lessee has been credited with any rent to be received by such re-letting pursuant to subparagraph (1) above, and such rent shall not be promptly paid to Lessor by the new tenant, or if such rentals received from such re-letting under above subparagraph (2) above during any month is less than that to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor. Such deficiency shall be calculated and paid monthly. No such re entry or taking possession of the Demised Premises by Lessor shall be construed as an election on the part of Lessor to terminate this Lease unless a written notice of such intention is given to Lessee or unless the termination of the Lease is decreed by a court of competent jurisdiction.

C. Notwithstanding any election by Lessor to re-let the Demised Premises without terminating this Lease, Lessor may at any time thereafter elect to terminate this Lease for such previous default. If Lessor terminates this Lease at any time for any default hereunder, then, in addition to any other remedy it may have, Lessor may recover from Lessee all damages incurred by reason of such breach, including the cost of recovering the Demised Premises, and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the remainder of the stated term over the then reasonable rental value of the premises for the remainder of the stated term, all of which amounts shall be immediately due and payable from Lessee to Lessor.

The rights and remedies granted herein to Lessor are distinct, separate and cumulative remedies, and the exercise of any remedy or remedies shall not be deemed to bar Lessor from exercising any or all of the others. Any failure on the part of Lessor to exercise promptly any such remedies or rights granted hereunder shall not operate to forfeit any other of said remedies or rights.

In the event of a proceeding involving Lessee under the Bankruptcy Code, 11 U.S.C. §101 et seq., if the Lease is assumed by Lessee's trustee in bankruptcy (after he has cured all existing defaults, compensated Lessor for any loss resulting therefrom and provided adequate assurance of future performance), then the Lease may not be assigned by the trustee to a third party, unless such party (a) executes and delivers to Lessor an agreement in recordable form whereby such party assumes and agrees with Lessor to discharge all obligations of Lessee under the Lease, (b) has a net worth of operating experience at least comparable to that possessed by Lessee, as of the time of execution of the Lease; and (c) grants to Lessor, to secure the performance of such party's obligations under the Lease, a security interest in such party's merchandise, inventory, personal property, fixtures, furnishings, and accounts receivable (and in the proceeds of all of the foregoing) with respect to its operations in the Demised Premises, and in connection therewith, such party shall execute such security agreements, financing statements and other documents (the forms of which are to be prepared by Lessor) as are necessary to perfect such lien.

SEVENTH: PAYMENT OF UTILITIES AND RELATED EXPENSES. Lessee agrees to pay all charges for telephone, water, gas, electricity and all other utilities consumed on the Demised Premises by Lessee. Any interruption or failure of utilities service due to causes beyond Lessor's control shall not entitle Lessee to any allowance or reduction of rent or any other form of damages as against Lessor, except to the extent caused by Lessor's or Lessor's agent's, employee's or contractor's negligence or intentional misconduct.

EIGHTH: LESSOR'S LIEN. Deleted

NINTH: RIGHT OF ENTRY. Lessor, or any of his agents, shall have the right to enter the Demised Premises during all reasonable hours but upon no less than twenty-four (24) hours' notice, to examine the same to make such repairs, additions or alterations as may be deemed necessary for the safety, comfort, or preservation thereof, or of said building, or to exhibit said Demised Premises. The right of entry shall likewise exist for the purpose of removing placards, signs, fixtures, alterations, or additions, which do not conform to this agreement, or to the rules and regulations of the building.

TENTH: MAINTENANCE OF DEMISED PREMISES. Lessee hereby accepts the Demised Premises in the condition which exists at the commencement of this lease and agrees to maintain all of the Demised Premises (including all air conditioning, heating, plumbing, sewer (or septic tank), water (or well), electrical and mechanical equipment and fixtures serving them same located thereon and therein) at its own expense in good working order and condition, provided that Lessor will be responsible for any air-conditioning repairs over $250.00. Lessee shall repair immediately upon demand, any damage to water apparatus, or any fixture, appliances or appurtenances of said Demised Premises, or of the building, caused by any act or neglect of Lessee, or of any person or persons in the employ or under the control of Lessee. Lessor shall be responsible only to repair structural damage to the Demises Premises and the common areas, provided however, any structural repairs necessitated by the fault or negligence of Lessee, its agents, employees or invitees shall be repaired at the sole expense of Lessee.

ELEVENTH: DISCLAIMER OF LIABILITY. It is expressly agreed and understood by and between the parties to this agreement, that the Lessor shall not be liable for any damage □r injury by water, which may be sustained by Lessee or for any other damage or injury resulting from the carelessness, negligence, or improper conduct on the part of any other lessee, or its agents or employees , or by reason of the breakage, leakage, or obstruction of the water, sewer or soil pipes, or other leakage in or about the said building.

TWELFTH: INSOLVENCY OR BANKRUPTCY. In the event of a proceeding involving Lessee under the Bankruptcy Code, 11 U.S.C. §101 et seq., if the Lease is assumed by Lessee's trustee in bankruptcy (after he has cured all existing defaults, compensated Lessor for any loss resulting therefrom and provided adequate assurance of future performance), then the Lease may not be assigned by the trustee to a third party, unless such party (a) executes and delivers to Lessor an agreement in recordable form whereby such party assumes and agrees with Lessor to discharge all obligations of Lessee under the Lease, (b) has a net worth of operating experience at least comparable to that possessed by Lessee and any guarantor hereof as of the time of execution of the Lease; and (c) grants to Lessor, to secure the performance of such party's obligations under the Lease, a security interest in such party's merchandise, inventory, personal property, fixtures, furnishings, and accounts receivable (and in the proceeds of all of the foregoing) with respect to its operations in the Demised Premises, and in connection therewith, such party shall execute such security agreements, financing statements and other documents (the forms of which are to be prepared by Lessor) as are necessary to perfect such lien.

THIRTEENTH: BINDING EFFECT/ORAL AGREEMENTS. This Lease shall bind Lessor and its assigns or successors, as well as the heirs, assigns, administrators , legal representatives, executors or successors of Lessee. Any amendment or modification of this Lease shall be in writing and executed by all parties hereto.

FOURTEENTH : TIME OF THE ESSENCE. It is understood and agreed between the parties hereto that time is of the essence of this Lease as to all terms and conditions contained herein.

FIFTEENTH: NOTICE. It is understood and agreed between the parties hereto that written notice mailed (certified - return receipt requested) or delivered by hand to the Demised Premises to the attention of John Morris, who shall act an agent for Lessee, shall constitute sufficient notice to Lessee. Written notice mailed (certified - return receipt requested) to Lessor at 801 Maplewood Drive, Jupiter, Florida 33458 shall constitute sufficient notice to Lessor, to comply with the terms of this Lease.

SIXTEENTH: WORK PERFORMED FOR LESSEE. It is understood and agreed between the parties hereto that any charges against Lessee by Lessor for services or for work done on the Demised Premises by order of Lessee or otherwise accruing under this Lease shall be considered as rent due and shall be included in any lien for rent due and unpaid.

SEVENTEENTH: APPROVAL OF SIGNS. Any signs or advertising to be installed and displayed by Lessee, including awnings, on or in connection with the Demised Premises shall be first submitted to Lessor for approval before installation, which approval may be withheld in Lessor's sole and absolute discretion. Any signs or advertising approved by Lessor shall be maintained by Lessee in good condition during the term of this Lease. Lessee will be permitted to erect any sign approved by Lessor on the sign monument located on the easterly boundary of the property; however, Lessee shall be responsible to pay all expenses incurred by Lessee in the installation of the same.

EIGHTEENTH: Deleted.

NINETEENTH: ATTORNEY'S FEES AND VENUE. In the event of any litigation whatsoever arising under or out of this lease, the parties hereto agree that the venue for same shall be in a court of competent jurisdiction in Palm Beach County, Florida, and the parties further agree that the laws of the State of Florida shall govern the construction and enforcement of this Lease. Notwithstanding anything else herein to the contrary, Lessee shall pay to Lessor, on demand, such expenses as Lessor may incur, including without limitation, court costs, attorney's fees and disbursements in enforcing the performance of any obligation of lessee under this Lease, whether suit is filed or not and, in the event of litigation, Lessee shall be responsible for all such expenses, both at the trial and appellate levels. **Lessor and Lessee hereby waive trial by jury in any action, proceeding or counter-claim brought by either of the parties hereto against the other on any matters arising out of, or in any way connected with, this lease, the relationship of Lessor and Lessee, Lessee's use or occupancy of the Demised Premises and any emergency or other statutory remedy.** Lessee further agrees that it shall not interpose any counter-claim(s) in a summary proceeding or other possessory action seeking the eviction of the Tenant from (i) asserting any defense(s) which it may have to eviction in the summary proceeding or possessory action, or (ii) filing an action for damages either in a separate proceeding, or as a counterclaim to any action seeking damages filed by Landlord, as long as the same is not consolidated with, or asserted as a defense to, the summary proceeding or possessory action.

TWENTIETH: SECURITY DEPOSIT. A security deposit in the amount of $1,000 has already been collected.

TWENTY-FIRST: DISCLAIMER OF MECHANICS LIEN. Nothing in this lease shall be deemed, construed, or interpreted to imply any consent or agreement on the part of Lessor to subject Lessor's interest or estate to any liability under any mechanic's lien or other lien law for improvements made by, or on behalf of, Lessee. If any mechanic's lien or other lien is claimed or filed against the Demised Premises, or any part thereof, for any work, labor, services or materials claimed to have been performed or furnished for or on behalf of Lessee or anyone holding any part of the Demised Premises through or under Lessee, Lessee shall cause the same to be cancelled and discharged of record by payment, bond or court order within twenty (20)days after notice by Lessor to Lessee. Lessee hereby indemnifies and holds Lessor harmless from any claim, loss, liability or damage suffered by Lessor as a result of any such mechanic's lien or equitable lien. Lessee shall execute any Memorandum of Lease prepared by Lessor containing a confirmation that the interest of Lessor shall not be subject to liens for improvements made by Lessee to the Demised Premises.

TWENTY-SECOND: INSURANCE. Lessee shall maintain commercial general public liability insurance for the Demised Premises and the conduct or operation of business therein with Lessor designated as an additional named insured, which insurance shall have limits no less than $1.000.000.00 for bodily injury or death to any one person and $500,000.00 for property damage, including water damage. Lessee shall also maintain fire and extended coverage insurance with regard to Lessee's stock and trade, fixtures, furniture, furnishings, equipment, signs and all other property of Lessee on the Demised Premises in the amount of their full insurable value . Lessee shall procure and pay the premiums for such insurance prior to its occupancy and shall deliver to Lessor copies of such policies to confirm the insurance coverage. Such policies shall be renewed at least thirty (30) days before the expiration of the policy term and shall contain a provision whereby the same cannot be cancelled unless Lessor is given at least ten (10) days prior written notice of such cancellation.

TWENTY-THIRD: SUBORDINATION. This Lease is subject and subordinate to all present and future mortgages and other encumbrances affecting the real property of which the Demised Premises form a part, and to all renewals, modifications, consolidations, replacements and extensions thereof. Lessee agrees to execute at no expense to Lessor any instrument which may be deemed necessary by Lessor to further effect the subordination of the Lease herein provided.

TWENTY-FOURTH: WAIVER OR CONSENT. No consent, approval or waiver, whether expressed or implied, by Lessor of any breach of any covenant, agreement or obligation of Lessee hereunder shall be construed as a consent or waiver to, or of, any other breach of the same or any other covenant, agreement or obligation herein. All typewritten or handwritten provisions of this lease shall prevail over and control any printed portions inconsistent herewith.

TWENTY-FIFTH: WAIVER OF SUBROGATION. In case of damage or destruction to the Demised Premises, or any contents thereof, Lessee shall look first to any insurance in his favor before making any claim against Lessor; and Lessee (i) hereby releases Lessor, his agents, employees and invitees for loss or damage covered under such policies, and (ii) shall immediately notify its insurance carrier that the foregoing waiver of subrogation is contained in this Lease, and shall obtain for each policy of such insurance, a waiver of subrogation endorsement permitting waiver of any claim against Lessor for loss or damage within the scope of the insurance.

TWENTY-SIXTH: CONDEMNATION. If the whole or any substantial part of the Demised Premises shall be condemned by eminent domain for any public or quasi-public purpose, this Lease shall terminate on the date of the vesting of title, and Lessee shall have no claim against Lessor for the value of any unexpired portion of the term of this Lease, nor shall Lessee be entitled to any part of the condemnation award. If less than a substantial part of the Demised Premises is condemned, this Lease shall not terminate, but rent shall abate in proportion to the portion of the Demised Premises condemned, unless Lessee is compensated for such in any condemnation award or settlement received by him.

TWENTY-SEVENTH: INDEMNITY. In consideration of the lease of the premises to the Lessee, Lessee indemnifies and shall hold harmless Lessor from all losses, damages, liabilities, expenses or claims for any injuries or damages, including bodily injury or death, to any parties whatsoever, as well as any injuries or damages to the personal property of any such parties, which injuries or damages arise from the use or occupancy of the Demised Premises by Lessee or are caused by the acts, omissions, neglect, or fault of Lessee or Lessor, their agents, servants, employees, licensees, customers or invitees. Furthermore, Lessor shall not be liable to Lessee for any damage, loss or injury to the person or property of Lessee which may be caused by the acts, neglect, omission or fault of any person, firm or corporation, specifically including that of Lessor.

TWENTY-EIGHTH: END OF TERM/ABANDONED PROPERTY. At the end of the initial term, or the renewal term if elected by Lessee, Lessee shall vacate and surrender the Demised Premises to Lessor, broom clean, and in as good condition as the Demised Premises were at the beginning of the term, ordinary wear and tear, and damage by fire and the elements excepted, and Lessee shall remove all of Lessee's property. All installations, property, and additions required to be removed by Lessee at the end of the term which remain in the Demised Premises after Lessee has vacated shall be considered abandoned by Lessee and, at the option of the Lessor, may either be retained as Lessor's property or may be removed by Lessor at Lessee's expense .

TWENTY-NINTH: HOLDING OVER/DOUBLE RENT. If Lessee holds over and continues in possession of the Demised Premises, or any part thereof, after the expiration or termination of the Lease without Lessor's permission, Lessor may recover double the amount of the rent due for each day Lessee holds over and refuses to surrender possession. Such daily rent shall be computed by dividing the rent for the last month of the Lease by fifteen.

THIRTIETH: BROKER'S COMMISSION. Lessee represents to Lessor that Lessee has not dealt with any broker in connection with this transaction. Lessee hereby indemnifies and holds Lessor harmless from and against any damages, loss, claim or liability suffered by Lessor (including attorney's fees incurred in the defense of any such claim and the enforcement of this indemnity) as a result of any claim made by any broker arising out of any contact between Lessee and such broker with regard to the Demised Premises.

THIRTY-FIRST: HAZARDOUS MATERIALS. For purposes of this Thirty-Third Paragraph, the following definitions shall apply:

- "Hazardous Materials" shall mean any flammable explosives, radioactive materials, hazardous wastes, toxic substances or related materials and shall also mean, but shall not be limited to, substances defined as "hazardous substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601-9657; the Hazardous Materials Transportation Act of 1975, 49 U.S.C. Sections 1801-1812; the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Sections 6901- 6987; and those substances defined as "hazardous substance" in the Florida Hazardous Substances Law, Sections 501.061-501.121, Florida Statutes.

- "Hazardous Materials Laws" shall mean any Federal, State or local laws, ordinances or regulations relating to Hazardous Materials.

- "Hazardous Materials Claims" shall mean: (i) any and all enforcement, cleanup, remedial, removal or other governmental or regulatory actions instituted, completed or threatened pursuant to Hazardous Materials Laws; (ii) all claims made or threatened by any third party against the Lessee or the Demised Premises relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials.

Lessee hereby covenants with Lessor:

(A) To notify Lessor in writing of the nature of any Hazardous Materials Claims as hereinafter defined, immediately upon their occurrence.

(B) To indemnify and hold harmless Lessor, its employees and agents from and against any and all claims, damages and liabilities arising in connection with the presence, use, storage, disposal or transport of any Hazardous Materials on, under, from or about the Demised Premises including, without limitation: (i) all foreseeable and all unforeseeable consequential damages directly or indirectly arising out of the use, generation, storage or disposal of Hazardous Materials by Lessee; and (ii) all costs of any required or necessary repair, cleanup or detoxification and the preparation of any closure or other required plans, to the full extent that such action is attributable, directly or indirectly, to the presence, use, generation, storage, release, threatened release or disposal of Hazardous Materials by any person on the Demised Premises. Lessee's obligation pursuant to the foregoing indemnity shall survive the term of this Lease.

(C) To keep and maintain the Demised Premises in compliance with (and not cause or permit the Demised Premises to be in violation of) any Federal, State or local laws, ordinances or regulations relating to industrial hygiene or to environmental conditions on, under or about the Demised Premises including, but not limited to, soil and underground conditions.

(D) Not to use, generate manufacture, store or dispose of Hazardous Materials (as hereinafter set out) on the Demised Premises; provided however, Lessee may store and use (i) Hazardous Materials to the extent that they are necessary for the maintenance of the Demised Premises, and (ii) those substances described in Exhibit A attached hereto in quantities substantially similar to those set forth in Exhibit A, provided that the storage and use described in subparagraphs (i) and (ii) hereof shall be consistent with, and in compliance with, all applicable federal, state and local laws.

(E) Lessor shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims. Lessor's reasonable attorney's fees and costs in connection therewith shall be reimbursed by Lessee upon demand. All such fees and costs shall be added to the indebtedness under this Lease and shall be secured thereby.

(F) Lessee shall, at any time and from time to time, within thirty (30) days after notice and written demand by Lessor, deliver to Lessor a written environmental evaluation of the Demised Premises, which evaluation shall address matters as to whether the Demised Premises, or any part thereof, has or is being used for the use, handling, storage, transportation or disposal of Hazardous Materials and if so, as to whether such use, handling, storage, transportation or disposal conforms to the requirements of Hazardous Materials Laws. The evaluation shall be performed by an independent, recognized environmental consulting firm of duly licensed registered engineers.

IN WITNESS WHEREOF, the parties hereto have hereunto executed this instrument for the purpose herein expressed, the day and year above written.

Signed, sealed and delivered in the presence of:

Lessor:

/s/ Lucia Collins
As to Lessor Lucia Collins

/s/ Brian J. Smith
As to Lessor Brian J. Smith

By: /s/ 500 Commerce Way LLC
500 Commerce Way LLC

Lessee (if corporate)
Dyadic International (USA), Inc.

/s/ Richard H. Jundzil
As to Lessee Richard H. Jundzil

By: /s/ Mark A. Emalfarb
Mark A. Emalfarb, CEO

/s/
As to Lessee

(Corporate Seal)

[SEAL]

STATE OF NORTH CAROLINA

COUNTY OF GUILFORD

LEASE AGREEMENT

THIS LEASE, made this 18th day of November, by and between Thomas & Howard Company, Inc., a North Carolina Corporation, hereinafter called the "Landlord", and CPN **International Ltd., Inc., an Illinois Corporation, hereinafter called the 11Tenant 11 •**

W I T N E S S E T H

'That for and in consideration of the covenants and agreements hereinafter set out, to be kept and performed by the Tenant, the Landlord has demised and leased and by these presents does hereby demise and lease, to the Tenant, for the term and upon the conditions hereinafter set out, the following described office and warehouse space, (hereinafter referred to as the "premises"), in a building located in the City of Greensboro, Guilford County, North Carolina, and more particularly described as follows:

Approximy a,te0 square feet out ota 15,000 square foot building located at 81 -'P. ost Street together with the non-exclusive use of the front par ot and rear loading area.

TO HAVE AND TO HOLD said premises and privileges and appurtenances thereunto belonging to the Tenant, its successors and assigns, upon the following terms and conditions:

1. TIIBM. This Lease shall befor a term oftwo (2) years, which term shall begin on January **1, 1998, and unless sooner tenninated as hereinafter provided, shall continue until midnight ou** December 31, 1999.

2. BfilIT. As rental for said premises, the Tenant covenants and agrees to pay the Landlord for the period January 1, 1998, through December 31, 1999, the sum of One Thousand Two Hundred Fifty and 00/100 Dollars ($1,250.00) per month.

All rent shall be due and payable on the first day of each month, in advance. Ifrent or any other payment due hereunder from Tenant to Landlord remains unpaid ten (10) days after said payment is due, the amount of such unpaid rent or other payment shall be increased by a late charge to be paid to Landlord by Tenant in an amount equal to five percent (5%) of the amount of the delinquent rent or other payment.

3. !I.SE. Premises shall be used for such office, assembly, storage, distribution and manufacturing activities as are allowed under existing zoning and recorded covenants. Tenant shall not receive, store or otherwise handle any product, material, merchandise that is highly flanunable, toxic or hazardous within the premises. Tenant intends to use said facility for a wet processing laboratory and sample/distribution outlet. As such, Tenant will install and maintain up to six (6) washer and/or washer-extractors with capacity from 5-125 pounds. Tenant will install and maintain a gas-fired hot water heater for said washer (extractors) and up to four (4) 50-125 pound gas-fired tumble dryers. Tenant will further install a conference and laboratory area to conduct research and development (R&D) and support the aforementioned activities.

4. ASSIGNMENT OR SUBLEASE. Tenant is hereby granted the right to sublease any part or all of premises to any subtenants who conform to zoning or recorded covenants and with the prior written consent of the Landlord which shall not beunreasonably withheld; provided, however, Tenant shall not be released in any fashion from all covenants of this Lease.

5. TAXES AND OTHER CHARQES. Duringthe term of *this* Lease, the Landlord shall pay **all ad valorem taxes and municipal assessments assessed against said premises, and the Tenant shall** pay all taxes and assessments against its personal property within the premises and all taxes and assessments, ifany, imposed by lawful authority as a result of its use and occupancy of the premises, including leasehold improvements. Tenant agrees to reimburse Landlord in each tax year after 1998 **in an amount equal to Tenant's prorata share of any increase in real property taxes over and above** taxes fur the tax year 1998 against the demised premises; each such reimbursement shall be made for each year within thirty (30) days after receipt of copies of paid tax statements for the year. The Tenant shall pay all charges for electrical current, gas, water and other public utilities.

6. INSURANCE. Landlord covenants and agrees to maintain standard fire and extended coverage insurance covering the building on the premises in an amount not less than eighty percent (80/'o) of the replacement cost thereof. Tenant shall pay any addition to, or inorease in the premiums on such insurance, caused solely by the use to which the premises are put by the Tenant, or by any other act of the Tenant. Tenant agrees that it shall bear the full risk of any loss or daruage to its property located on, within or in the vicinity of the premises and shall maintain fire and extended covotage thereon at its sole cost and expense. Landlord shall not be liable in any manner for any loss or damage to Tenant's property located within the premises, it being understood that such loss or **damage is Tenant•s risk.**

Tenant shall procure and maintain throughout the term of this lease a policy or policies of insurance, at its sole cost and expense, insuring both Landlord and Tenant against all claims, demands **or actions arising out of or in connection with Tenant1s use or occupancy of the premises, or as a** result ofthe condition of the premises, the liability limits of such policy or policies to be in an amount not less than Two Hundred Fifty Thousand and 00/100 Dollars ($250,000.00) with respect to injuries to or death of any one person, and in an amount not less than One Million and 00/100 Dollars ($1,000,000.00) with respect to loss from any one accident or disaster, and in an amount of not less than Two Hundred Fifty Thousand and 00/100 Dollars ($250,000.00) with respect to property damaged or destroyed. Said policy shall bewritten by an insurance company qualified to do business in the state within which the premises are located. Such policy or a duly executed certificate of insurance shall be delivered to Landlord within ten (JO) days of first occupancy of premises. Any and all renewals thereof shall be delivered to Landlord at least ten (!0) days prior to the expiration of the then current policy terrn.

7. DAMAGE OR DESTRUCTION. Ifthe building in which the leased space is located shall bedamaged or destroyed by fire or other casualty, the Landlord shall, except as provided below as soon as practical, repair and restore the sarue to at least as good condition as before such damage or destruction occurred. Provided, however, ifthe building is damaged to the extent that the Landlord is unable to continue to provide at least seventy-five percent (75%) of the leased square footage for the purposes of the Tenant, either party may terminate this Lease by giving written notice of such termination to the other party within thirty (30) days after the occurrence of such damage or destruction. Inthe event of such termination, the Tenant's liability for payment of further rent shall cease as of the date of such destruction or damage or the date of receipt of notice of such termination, whichever shall later occur, and it shall be entitled to a refund of any rent previously paid proportionate to the remainder of the month following such date. IfLandlord or Tenant shall not terminate this Lease as hereinfore provided, and if seventy five (75%) percent or less of the leased square footage suitable for the purpose of Tenant is available after such destruction, Tenant may use such available square footage with rent payable hereunder equal to an amount based upon the **remaining tenable premises in relation to the total square footage of the premises.**

8. DEFAULT IN PAYMENT OR BENr: BBEACH OF OTIIBR COVENANTS. Inthe event of any defuuh by the Tenant in the payment of rent, which default shall not be cured within ten (JO) days, or the performance of any other agreement, covenant or obligation under this Lease, which shall not be cured within twenty (20) days unless Tenant commences to remedy such default within said twenty (20) day period and proceeds with due diligence; after written notice thereof, **either with or without process of law, Landlord may re-enter and expel or remove Tenant, or any** person or persons occupying the sarue, in addition to any other remedies which may then be provided by law or contsined in this Lease. Landlord shall have the right, upon such re-entry, to remove from the leased premises all, or any, personal property or trade fixtures of Tenant located therein, and may

place the same in storage in a public warehouse at the expense or risk of the owner or owners thereof. Landlord may exercise said right ofre-entry or taking possession of the leased premises, with or without terminating *this* Lease. No such re-entry or taking possession of said premises by Landlord, shall be construed as an election on his part to terminate this Lease unless written notice of such election is given by Landlord to Tenant or unless such termination is decreed by a court of competent jurisdiction. Landlord may re-let said premises, or any part thereof, upon re-entry for all or any part of the remainder of the term of this Lease at such rental and upon such terms and conditions as Landlord may, with reasonable diligence, be able to secure. Rentals collected by Landlord from such re-letting said premises shall be applied first to the expenses ofre-letting, and next to the payment of the rental and any other indebtedness due from Tenant to Landlord hereunder. Should the rentals collected frO!ll such re-letting be insufficient to cover the foregoing items, Tenant shall pay the deficiency to Landlord.

If the rent or any other sums due to Landlord by Tenant hereunder is collected by or through an attorney at law, Tenant agrees to pay Landlord's actual and reasonable attorneys' fees incurred with respect thereto not in excess of fifteen percent (15%) of the amount collected. Ifthe laws of the State of North Carolina in effect at the time of such collection limit the amount so payable as attorneys' fees, then the maximum percentage (not in excess of fifteen percent (15%) of the amount so collected} allowed by such laws shall be applicable.

9. REPAIRS. The Landlord shall keep and maintain the exterior walls and roof of the building (excluding windows and other glass and all exterior doors), located upon the premises in good state of repair and condition; provided, that ifthe Landlord fails to commence any repairs necessary to maintain the exterior walls and roof in such condition, within ten (l0) days after written notice from the Tenant to do so, and to have the repairs completed within a reasonable time, the Tenant may have such repairs made and charge the expense thereof against the Landlord, deducting the same from rentals due or to become due at its option. Landlord agrees to indemnify and hold the Tenant harmless for any loss to property suffered as a result of Landlord's negligence to keep the premises in good repair as provided in this paragraph. Tenant shall maintain the air conditioning and heating equipment; Landlord, if said heating and air conditioning equipment is properly maintained, shall be responsible for replacement of fan motors, compressors, heat exchangers and the housing of said equipment, ifnecessary. Landlord warrants that the plumbing, electrical, and heating and air conditioning systems are in good operable condition on the initial date of occupancy by Tenant. Tenant agrees to maintain and pay for a maintenance contract on the heating and air conditioning system serving the premises. Such contract must provide that upon cancellation, written notice of the same shall be give to Landlord by both parties and shall include at least quarterly service for the filters, motor and belts. Tenant agrees to provide Landlord at all times with a copy of the then currently effective service contract. All other parts and portions of the premises including plumbing, electrical systems, plate glass exterior doors, and grounds shall be kept and maintained in good condition and repair by the Tenant.

10. STATUTES AND ORDINANCES. The Tenant shall at all times fully and promptly comply with all applicable laws, ordinances, regulations and other order of any public authority.

11. ALTERATIONS IMPROVEMENTS AND RETURN OF PREMJSES. The Tenant, at its own expense, may make alterations, additions and improvements to the premises; provided, however, that all such alterations additions and improvements of a material or structural nature shall be made only with the prior written consent of the Landlord. All alterations, additions and improvements to the premises, paid for by Tenant, may be removed by Tenant upon termination of this Lease, but Tenant shall restore the premises to their original condition if such alterations, additions and improvements are so removed at the Tenant's expense. The Tenant shall have the right to remove all fixtures, equipment and machinery installed upon the premises by it, provided that removal can be effected without materially damaging or affecting the building structurally. Any damage caused by such removal shall be repaired by the Tenant at its expense. The Tenant agrees that it will return the leased premises at the end of the term or upon any earlier termination of this Lease, in as good order and condition, fire or other casualty, wear and tear excepted, as the same are at the time of commencement of the Lease.

12. INSPECTION OF PREMISES. SIGNS AND ENTRY BY LANDLORD. The Landlord shall have the right to inspect and examine the premises at all reasonable hours. During the last three (3) months of the term of this Lease, the Landlord shall have the right to post on the premises signs indicating that the same is for sale or for rent and during such time the Landlord, its agents and employees, may enter upon the premises with prospective purchasers or tenants; provided, however, that such entry or entries shall be made only at reasonable times and hours.

13. NOTICES. All notices required by or provided in this Agreement shall be sufficiently given if mailed by registered or certified mail, addressed as follows:

If intended for the Landlord to: Thomas & Howard Company, Inc.
P. 0. Box 20387
Greensboro, North Carolina 27420

If intended for the Tenant to: CPN International Ltd, Inc.
140 Intracoastal Pointe Drive, Suite 404
Jupiter, Florida 33477

Rent checks should be made payable to Grubb & Ellis The Bissell Companies, Inc. and mailed to:
4602 Dundas Drive, Suite 200
Greensboro, North Carolina 27407

14. QUIET AND PEACEABLE ENJOYMENT OF PREMISES BY TENANT. The Landlord covenants that the Tenant on paying the rent reserved and performing the covenants and agreements aforesaid, shall, peaceably and quietly, have, hold and enjoy the leased premises.

I S. INDEMNITY. The Tenant shall save the Landlord hannless from any liability by reason of personal injuries or property damage suffered by any person or persons while on the premises or **as a result of the operation of the Tenant's business on the premises.**

16. ENVIRONMENTAL MATTERS· INDEMNITIES. Tenant hereby indemnifies Landlord and agrees to hold Landlord hannless from and against any and all losses, liabilities, **damages, injuries, costs, expenses and claims of any and every kind whatsoever paid, incurred or** suffered by or asserted against Landlord for, with respect to, or as •direct or indirect result of the presence on or under, or the escape, seepage, leakage, spillage, discharge, omission, discharging or release from the Premises of any "Hazardous Material" (and as defined herein), including without **limitation any losses. liabiliti damages, injuries, costs, expenses or claims asserted or arising under** the Comprehensive Environmental Response, Compensation and Liability Act, or any so-called "Suped\md' or "Superlien' law, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating or relating to or imposing liability or standards of conduct conceming any Hazardous Material, but only to the extent caused by, or within the control of Tenant. Otherwise, Landlord agrees to indemnify and hold Tenant hannless from all of the foregoing that may have occurred prior to the commencement of the Lease. The provisions of and undertakings and indemnifications set out in this paragraph shall survive the termination of this Lease. Landlord represents, to the best of its knowledge, that the premises do not contain hazardous materials.

For purposes of this Lease, 11Hazardous Material" means and includes any hazardous, toxic or dangerous waste, substance or material defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act, any so-called "Superfimd" or "Superlien" law, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, or relating to or imposing liability or standards of conduct concerning any hazardous, toxic **or dangerous waste, substance or material, as now or any time hereafter in effect.**

17. .fil§NS. All signs to be approved by the Landlord whose decision therein shall be final. The approval of the Landlord shall not be unreasonably withheld.

18. HOLDING OVER. If Landlord allows the Tenant to hold over or remain in the possession or occupancy ofthe premises hereby leased after the expiration of the term of this Lease, without any written Lease of said premises being actually made and entered into between Landlord

and Tenant, such holding over or continued possession or occupancy shall not be deemed or held to operate as any renewal or extension of this Lease, and shall ifrent is paid by Tenant and accepted by Landlord for or during any period of time it so holds over or remains in possession of occupancy, only create a tenancy from month to month at a rental rate of one hundred fifty percent (150%) of the rent hereinbefore specified, which may at any time be tenninated by either Landlord or Tenant giving to the other thirty (30) days' notice of such intention to tenninate the same. The Landlord may refuse, however, to allow the Tenant to hold over upon the expiration of the term of this Lease.

19. INSOLVENCY OR BANKRUPTCY OF TENANT. Ifat any time during the term of this Lease, the Tenant shall be adjudged bankrupt or insolvent by a federal or state court of competent jurisdiction, at the option of the Landlord, such adjudication shall tenninate and cancel this Lease without any further action on the part of either party hereto, and the Landlord may at once re-enter and take possession of the premises.

20. SUCCESSORS AND ASSIGNS. This Lease and all the covenants and provisions thereof shall inure to the benefit of and also be binding upon the successors, heirs, and assigns of the parties hereto. Each provision hereof shall be deemed both a covenant and a condition and shall run with the land.

21. RENEWAL OPTIONS. In consideration of the premises, the Landlord hereby grants

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periods of one (1) year each commencing at the expiration of the original two (2) year term or the then-current term, however, that notice(s) of the exercise of such options shall be given by Tenant to the Landlord at least ninety (90) days before the expiration of the original term of this Lease or the then-current term, which notice(s) must be in writing. All the terms, provisions, covenants and conditions of the Lease shall apply to the option(s) to renew or extend except: At the beginning of each option to renew or extend, rent shall be increased in the same percentage as the Cost of Living Index has been increased on December 31, 1999; December 31, 2000; or December 31, 2001, from the January 1, 1998, level. The Cost of Living Index shall be measured by the Consumer Price Index ofthe Bureau of Labor Statistics of the United States Department of Labor if such Index shall be in use on December 31, 1999; December 31, 2000; or December 31, 2001; and if not, then by the Index generally acceptable as being comparable thereto. In no event shall rent be less than One Thousand Two Hundred Fifry and 00/100 Dollars ($1,250.00) by reason of this provision. * (SEE BELOW)

22. SECURITY DEPOSIT. Tenant agrees to deposit with Landlord the sum of One Thousand Two Hundred Fifty and 00/100 Dollars ($1,250.00) which sum shall be held by Landlord, without obligation of interest, as security for the performance of Tenant's covenants and obligations under this lease, it being expressly understood and agreed that such deposit is not an advance rental **deposit or a measure of l.andlord's damages in case of Tenant's default. Upon the occurrence of any** event of default by Tenant, Landlord may, from time to time, without prejudice to any other remedy provided herein or provided by law, use such fond to the extent necesswy to make good any arrears of rent and any other damage, injury, expense or liability caused by such event of default and Tenant shall pay to Landlord on demand the amount so applied in order to restore the security deposit to its **original amount. Upon tennination of this lease. if Tenant is not then in default, any remaining** balance of such deposit shall be returned by Landlord to Tenant within ten (JO) days of request.

23. COMPLETE AGREEMENT. This written Lease contains the complete agreement of the parties with reference to the leasing of said property. No waiver of any breach of contract herein shall be construed as a waiver of the covenant itself or any subsequent breach thereof.

21. *(CONTINUED) In addition, the increases for the years 2000, 2001 , 2002 shall be the lesser of the Consumer Price Index of the Bureau of Labor Statistics of the US Dept. of Labor if such index shall be in use on December -31 , 1 999;and if not, then.by the index generally acceptable as being comparable thereto or 4%.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed in triplicate, this 18th day of November, l997.

Attest:

/s/ Thomas & Howard Company
Corporate Secretary

Attest:
/s/
Corporate Secretary

LANDLORD:
Thomas & Howard Company) Inc.

/s/ Thomas & Howard Company

TENANT
CPN International Ltd, Inc.
/s/ Mark A. Emalfarb
President

STATE OF NORTH CAROLINA

COUNTY OF GUILFORD

2nd LEASE AMENDMENT

THIS AMENDMENT made and entered into this 29th day of June, 2005, by and between **Thomas & Howard Company**, hereinafter referred to as "Landlord", party of the first part, and **DYADIC INTERNATIONAL, INC.**, a Florida Corporation hereinafter referred to as "Tenant", party of the second part.

W I T N E S S E T H:

WHEREAS, under date of November 18, 1997, CPN International, Ltd entered into a Lease with Landlord covering 3150 square feet out of a 15,000 SF building located at 812 E. Post Street, Greensboro, North Carolina.

WHEREAS, subsequent to the date of November 18, 1997, CPN International, Ltd. was succeeded in interest by Dyadic International, and

WHEREAS, Tenant exercised its 1st option to renew it's lease for a term expiring December 31, 2000 via Tenant's letterhead dated April 7, 1999 and

WHEREAS, Tenant exercised its 2nd option to renew it's lease for a term expiring December 31, 2001 via Tenant's letterhead dated July 25, 2000 and

WHEREAS, Tenant exercised its 3rd option to renew it's lease for a term expiring December 31, 2002 via Tenant's letterhead dated September 4, 2001, and

WHEREAS, Landlord and Tenant amended said Lease of November 18, 1997 for the purpose of granting to Tenant two (2) additional options to renew it's Lease, and

WHEREAS, Tenant exercised its 4th option to renew it's lease for a term expiring December 31, 2003 via Tenant's letterhead dated July 15, 2002, and

WHEREAS, Tenant exercised its 5th option to renew it's lease for a term expiring December 31, 2004 via Tenant's letterhead dated August 21. 2003, and

WHEREAS, Tenant exercised its 6th option to renew it's lease for a term expiring December 31, 2005 via Tenant's letterhead dated October 19, 2004

WHEREAS, by mutual agreement, it is the desire purpose and intent of the Landlord and Tenant to amend said Lease to set forth their agreement relative leasing additional space and changing the rental rate, and to that end and in consideration of the premises and the sum of One Dollar ($1.00) in hand paid by each of the parties to the other, the receipt of both sums being acknowledged hereby, the said Lease is amended as follows:

1. The Lease of November 18, 1998, entered into by and between Landlord and Tenant is amended hereby by adding the lease of an air conditioned storage building to the rear of Tenant's premises beginning July 1, 2005 through the current termination date of the lease December 31, 2005.

2. The monthly rent for the period July 1, 2005 through December 31, 2005 will be changed to ONE THOUSAND NINE HUNDRED FIFTY-FIVE AND 09/100 DOLLARS ($1,955.09).

3. This Amendment is effective as of the date of execution by both parties.

4. The said Lease of November 18, 1998, with 1st Amendment dated July 19, 2002 and with this 2 nd Amendment by and between Landlord and Tenant as amended by this instrument is ratified, approved and confirmed hereby by Landlord and Tenant.

IN WITNESS WHEREOF, the Landlord has caused this instrument to be executed by its duly authorized officer, and the Tenant has caused this instrument to be executed by its duly authorized officer, for the uses and purposes stated herein this 29 day of June, 2005.

LANDLORD:
Thomas & Howard Company

/s/ Thomas & Howard Company
President

Secretary

Attest:

TENANT:
Dyadic International, Inc.

/s/ Mark A. Emalfarb
President

Secretary

STATE OF NORTH CAROLINA COUNTY OF

GUILFORD

3rd LEASE AMENDMENT

THIS AMENDMENT, made and entered into this 19th day of July, 2002,, by and between **Thomas** & **Howard Company.** Hereinafter referred to as "Landlord", party of the first part, and **DYADIC INTERNATIONAL, INC.,** a Florida Corporation hereinafter referred to as "Tenant", party of the second part.

W I T N E S S **E** T H:

WHEREAS, under date of November 18, 1997, CPN International, Ltd entered into a Lease with Landlord covering 3150 square feet out of a 15,000 SF building located at 812 E. Post Street, Greensboro, North Carolina.

WHEREAS, subsequent to the date of November 18, 1997, CPN International, Ltd. was succeeded in interest by Dyadic International, and

WHEREAS, Tenant exercised its 1st option to renew it's lease for a term expiring December 31, 2000 via Tenant's letterhead dated April 7, 1999 and

WHEREAS, Tenant exercised its 2nd option to renew it's lease for a term expiring December 31, 2001 via Tenant's letterhead dated July 25, 2000 and

WHEREAS, Tenant exercised its 3rd option to renew it's lease for a term expiring December 31, 2002 via Tenant's letterhead dated September 4, 2001, and

WHEREAS, by mutual agreement, it is the desire purpose and intent of the Landlord and Tenant to amend said Lease to set forth their agreement relative renewing the Lease, changing the rental rate and adding two (2) additional one (1) year options, and to that end and in consideration of the premises and the sum of One Dollar ($1.00) in hand paid by each of the parties to the other, the receipt of both sums being acknowledged hereby, the said Lease is amended as follows:

1. The Lease of November 19, 1998, entered into by and between Landlord and Tenant is amended hereby by changing on Page 1 of the Lease within Paragraph 1 TERM, the expiration of the date of the Lease to December 31, 2003.

2. The Lease of November 18, 1998 is further amended hereby changing the rental rate effective January 1, 2003, to **One Thousand Three Hundred Ninety and 00/100** dollars ($1,390.00) per month through December 31, 2003.

3. The following paragraph 24 Additional Renewal Options is hereby added to said Lease of November 18, 1998:

Additional Renewal Options: In consideration of the premises, the Landlord hereby grants unto the Tenant the exclusive right and option to renew or extend this Lease for two further periods of one (1) year each, commencing January 1, 2004 and January 1, 2005, provided however, that notice of the exercise of such option shall be given by the Tenant to the Landlord at least NINETY (90) days before the expiration of the original term of NINETY (90) days before the end of the then current term of this Lease, which notice must be in writing. All terms, provisions, covenants and conditions of the Lease shall apply to the options to renew except" At the beginning of the option to renew or extend, the rent paid during the year of 2003 (1,390.00) shall be increased by the percentage the Cost of Living index has been increased on December 31, 2003 and December 31, 2004 from the January 1, 2003 level. The Cost of Living Index shall be measured by the Consumer Price Index of the Bureau of Labor Statistics of the United States Department of Labor (All Urban Consumers - South, 1982-84= 100>) if such Index shall be in use on December 31, 2003 and December 31, 2004 and if not, then by the Index generally accepted as being comparable thereto. In no event shall rent be less than one thousand three hundred ninety 00/100 dollars (1,390.00) per month by reason of this provision.

4. This Amendment is effective as of the date of execution by both parties.

5. The said Lease of November 18, 1998, with Amendment, by and between Landlord and Tenant as amended by this instrument is ratified, approved and confirmed hereby by Landlord and Tenant.

IN WITNESS WHEREOF, the Landlord has caused this instrument to be executed by its duly authorized officer, and the Tenant has caused this instrument to be executed by its duly authorized officer, for the uses and purposes stated herein this _____.

Attest:

/s/ Thomas & Howard Company
Secretary

LANDLORD:
Thomas & Howard Company

/s/ Thomas & Howard Company
President

Attest:

Secretary

TENANT:
Dyadic International, Inc.

/s/ Mark A. Emalfarb
President

STATE OF NORTH CAROLINA

COUNTY OF GUILFORD

3rd LEASE AMENDMENT

THIS AMENDMENT made and entered into this 28th day of September, 2005, by and between **Thomas & Howard Company,** hereinafter referred to as "Landlord';, party of the first part, and **DYADIC INTERNATIONAL (USA), INC.,** a Florida Corporation hereinafter referred to as "Tenant", party of the second part.

W I T N E S S E T H:

WHEREAS, under date of November 18, 1997, CPN International, Ltd entered into a Lease with Landlord covering 3150 square feet out of a 15,000 SF building located at 812 E. Post Street, Greensboro, North Carolina.

WHEREAS, subsequent to the date of November 18, 1997, CPN International, Ltd. was succeeded in interest by Dyadic International, and

WHEREAS, Tenant exercised its 1st option to renew it's lease for a term expiring December 31, 2000 via Tenant's letterhead dated April 7, 1999 and

WHEREAS, Tenant exercised its 2nd option to renew it's lease for a term expiring December 31, 2001 via Tenant's letterhead dated July 25, 2000 and

WHEREAS, Tenant exercised its 3rd option to renew it's lease for a term expiring December 31, 2002 via Tenant's letterhead dated September 4, 2001, and

WHEREAS, via 1st Amendment to lease dated July 19, 2002, Landlord and Tenant amended said Lease of November 18, 1997 for the purpose of granting to Tenant two (2) additional options to renew it's Lease, and

WHEREAS, Tenant exercised its 4th option to renew it's lease for a term expiring December 31, 2003 via Tenant's letterhead dated July 15, 2002, and

WHEREAS, Tenant exercised its 5th option to renew it's lease for a term expiring December 31, 2004 via Tenant's letterhead dated August 21, 2003, and

WHEREAS, Tenant exercised its 6th option to renew it's lease for a term expiring December 31, 2005 via Tenant's letterhead dated October 19, 2004, and

WHEREAS, via 2nd Lease Amendment dated June 29, 2005, Tenant leased additional space, and

WHEREAS, by mutual agreement, it is the desire purpose and intent of the Landlord and Tenant to amend said Lease to set forth their agreement relative to renewing the Lease and changing the rental rate, and to that end and in consideration of the premises and the sum of One Dollar ($1.00) in hand paid by each of the parties to the other, the receipt of both sums being acknowledged hereby, the said Lease is amended as follows:

1. The Lease of November 18, 1998, entered into by and between Landlord and Tenant is amended hereby by changing the expiration date of the Lease in paragraph 1 TERM to December 31, 2006.

2. The current monthly rent of ONE THOUSAND NINE HUNDRED FIFTY-FIVE AND 09/100 DOLLARS ($1,955.09) shall be adjusted for the changes in the CPI from January 1, 2005 to December 31, 2005 for the period January 1, 2006 through December 31, 2006.

3. This Amendment is effective as of the date of execution by both parties.

4. The said Lease of November 18, 1998, with 1st Amendment dated July 19, 2002, 2nd Lease Amendment dated June 20, 2005, and with this 2nd Amendment by and between Landlord and Tenant as amended by this instrument is ratified, approved and confirmed hereby by Landlord and Tenant.

IN WITNESS WHEREOF, the Landlord has caused this instrument to be executed by its duly authorized officer, and the Tenant has caused this instrument to be executed by its duly authorized officer, for the uses and purposes stated herein this _____day of December, 2005.

Attest:

/s/ Thomas & Howard Company
Secretary

LANDLORD:
Thomas & Howard Company

/s/ Thomas & Howard Company
President

Attest:

Secretary

TENANT:
Dyadic International, Inc.

/s/ Mark A. Emalfarb
President

BISSELL
COMPANIES

January 2, 2007

Ms. Heidi Quededeaux
Dyadic International, Inc.
140 Intercoastal Pointe Dr.
Jupiter, FL 33477-5064

Dear Ms. Quededeaux:

Please find enclosed a fully executed 4th Lease Amendment for your records.

Please call me if you have any questi□ns concerning this document.

Sincerely,

THE BISSELL COMPANIES, INC

/s/ Daniel G. Pierce
Daniel G. Pierce, SIOR
Sales Associate

DGP/ckp

Enclosure

The Bissell Companies, Inc.
4310 Regency DriveHigh Point, North Carolina 27265-9400 336.294.8900 336.292 .7910, fax e-mail : bissell@bellsouth.net

Independently Owned and Operated

website: www.BissellGreensboro.com

STATE OF NORTH CAROLINA

COUNTY OF GUILFORD

4th LEASE AMENDMENT

THIS AMENDMENT made and entered into this 18th day of October, 2006, by and between **Thomas & Howard Company,** hereinafter referred to as "Landlord", party of the first part, and **DYADIC INTERNATIONAL (USA), INC.,** a Florida Corporation hereinafter referred to as "Tenant", party of the second part.

W I T N E S S E T H:

WHEREAS, under date of November 18, 1997, CPN International, Ltd entered into a Lease with Landlord covering 3150 square feet out of a 15,000 SF building located at 812 E. Post Street, Greensboro, North Carolina.

WHEREAS, subsequent to the date of November 18, 1997, CPN International, Ltd. was succeeded in interest by Dyadic International, and

WHEREAS, Tenant exercised its 1st option to renew its lease for a term expiring December 31, 2000 via Tenant's letterhead dated April 7, 1999 and

WHEREAS, Tenant exercised its 2nd option to renew its lease for a term expiring December 31, 2001 via Tenant's letterhead dated July 25, 2000 and

WHEREAS, Tenant exercised its 3rd option to renew its lease for a term expiring December 31, 2002 via Tenant's letterhead dated September 4, 2001, and

WHEREAS, via 1st Amendment to lease dated July 19, 2002, Landlord and Tenant amended said Lease of November 18, 1997 for the purpose of granting to Tenant two (2) additional options to renew it's Lease, and

WHEREAS, Tenant exercised its 4th option to renew its lease for a term expiring December 31, 2003 via Tenant's letterhead dated July 15, 2002, and

WHEREAS, Tenant exercised its 5th option to renew its lease for a term expiring December 31, 2004 via Tenant's letterhead dated August 21, 2003, and

WHEREAS, Tenant exercised its 6th option to renew its lease for a term expiring December 31, 2005 via Tenant's letterhead dated October 19, 2004, and

WHEREAS, via 2nd Lease Amendment dated June 29, 2005, Tenant leased additional space, and

WHEREAS, via 3rd Lease Amendment dated September 28, 2005, Landlord and Tenant renewed said Lease term expiring December 31, 2006, and

WHEREAS, by mutual agreement, it is the desire purpose and intent of the Landlord and Tenant to amend said Lease to set forth their agreement relative to renewing the Lease and changing the rental rate, and to that end and in consideration of the premises and the sum of One Dollar ($1.00) in hand paid by each of the parties to the other, the receipt of both sums being acknowledged hereby, the said Lease is amended as follows:-

1. The Lease of November 18, 1998, entered into by and between Landlord and Tenant is amended hereby by changing the expiration date of the Lease in paragraph 1 TERM to December 31, 2007.

2. The monthly rent will increase to TWO THOUSAND THIRTY-FOUR AND 54/100 DOLLARS ($2,034.54) for the period January 1, 2007 through December 31, 2007.

3. This Amendment is effective as of the date of execution by both parties.

4. The said Lease of November 18, 1998, with 1st Amendment dated July 19, 2002, 2nd Lease Amendment dated June 20, 2005, 3rd Lease Amendment dated September 28, 2005, and with this 4th Lease Amendment by and between Landlord and Tenant as amended by this instrument is ratified, approved and confirmed hereby by Landlord and Tenant.

IN WITNESS WHEREOF, the Landlord has caused this instrument to be executed by its duly authorized officer, and the Tenant has caused this instrument to be executed by its duly authorized officer, for the uses and purposes stated herein this 18th day of October, 2006.

Attest:

Secretary

LANDLORD:
Thomas & Howard Company

/s/ Thomas & Howard Company
President

Attest:

Secretary

TENANT:
Dyadic International (USA), Inc.

/s/ Mark A. Emalfarb
President
12-19-06

STATE OF NORTH CAROLINA

COUNTY OF GUILFORD

LEASE AGREEMENT

THIS LEASE, made this 18th day of November, by and between Thomas & Howard Company, Inc., a North Carolina Corporation, hereinafter called the "Landlord", and CPN International Ltd., Inc., an Illinois Corporation, hereinafter called the "Tenant".

W I T N E S S E T H:

That for and inconsideration of the covenants and agreements hereinafter set out, to be kept and performed by the Tenant, the Landlord has demised and leased and by these presents does hereby demise and lease, to the Tenant, for the term and upon the conditions hereinafter set out, the following described office and warehouse space, (hereinafter referred to as the "premises"), in a building located in the City of Greensboro, Guilford County, North Carolina, and more particularly described as follows:

Approximately 3,150 square feet out of a 15,000 square foot building located at 812 Post Street together with the non-exclusive use of the front parking lot and rear loading area.

TO HAVE AND TO HOLD said premises and privileges and appurtenances thereunto belonging to the Tenant, its successors and assigns, upon the following terms and conditions:

1. TERM. This Lease shall be for a term of two (2) years, which term shall begin on January 1, 1998, and uniess sooner terminated as hereinafter provided, shaH continue untii midnight on December 31, 1999.

2. RENT. As rental for said premises, the Tenant covenants and agrees to pay the Landlord for the period January 1, 1998, through December 31, 1999, the sum of One Thousand Two Hundred Fifty and 00/100 Dollars ($1,250.00) per month.

All rent shall be due and payable on the first day of each month, in advance. Ifrent or any other payment due hereunder from Tenant to Landlord remains unpaid ten (10) days after said payment is due, the amount of such unpaid rent or other payment late charge to be paid to Landlord by Tenant in an amount equal to five percent (5%) of the amount of the delinquent rent or other payment.

3. USE. Premises shall be used for such office, assembly, storage, distribution and manufacturing activities as are allowed under existing zoning and recorded covenants. Tenant shall not receive, store or otherwise handle any product, material, merchandise that is highly flammable, toxic or hazardous within the premises. Tenant intends to use said facility for a wet processing laboratory and sample/distribution outlet. As such, Tenant will install and maintain up to six (6) washer and/or washer-extractors with capacity from 5-125 pounds. Tenant will install and maintain a gas-fired hot water heater for said washer (extractors) and up to four (4) 50-125 pound gas-fired tumble dryers. Tenant will further install a conference and laboratory area to conduct research and development (R&D) and support the aforementioned activities.

4. ASSIGNMENT OR SUBLEASE. Tenant is hereby granted the right to sublease any part or all of premises to any subtenants who conform to zoning or recorded covenants and with the prior written consent of the Landlord which shall not be unreasonably withheld; provided, however, Tenant shall not be released in, any fashion from all covenants of this Lease.

5. TAXES AND OTHER CHARGES. During the term of this Lease, the Landlord shall pay all ad valorem taxes and municipal assessments assessed against said premises, and the Tenant shall pay all taxes and assessments against its personal property within the premises and all taxes and assessments, ifany, imposed by lawful authority as a result of its use and occupancy of the premises, including leasehold improvements. Tenant agrees to reimburse Landlord in each tax year after 1998 in an amount equal to Tenant's prorata share of any increase in real property taxes over and above taxes for the tax year 1998 against the demised premises; each such reimbursement shall be made for each year within thirty (30) days after receipt of copies of paid tax statements for the year. The Tenant shall pay all charges for electrical current, gas, water and other public utilities.

6. INSURANCE. Landlord covenants and agrees to maintain standard fire and extended coverage insurance covering the building on the premises in an amount not less than eighty percent (80%1) of tl.ie replacement c.ost thereof Tenant shall pay any addition to, or inrease in the premiums on such insurance, caused solely by the use to which the premises are put by the Tenant, or by any other act of the Tenant. Tenant agrees that it shall bear the full risk of any loss or damage to its property located on, within or in the vicinity of the premises and shall maintain fire and extended coverage thereon at its sole cost and expense. Landlord shall not be liable in any manner for any loss or damage to Tenant's property located within the premises, it being understood that such loss or damage is Tenant's risk.

Tenant shall procure and maintain throughout the term of this lease a policy or policies of insurance, at its sole cost and expense, insuring both Landlord and Tenant against all claims, demands or actions arising out of or in connection with Tenant's use or occupancy of the premises, or as a result of the condition of the premises, the liability limits of such policy or policies to be in an amount not less than Two Hundred Fifty Thousand and 00/100 Dollars ($250,000.00) with respect to injuries to or death of any one person, and in an amount not less than One Million and 00/100 Dollars ($1,000,000.00) with respect to loss from any one accident or disaster, and in an amount of not less than Two Hundred Fifty Thousand and 00/100 Dollars ($250,000.00) with respect to property damaged or destroyed. Said policy shall be written by an insurance company qualified to do business in the state within which the premises are located. Such policy or a duly executed certificate of insurance shall be delivered to Landlord within ten (10) days of first occupancy of premises. Any and all renewals thereof shall be delivered to Landlord at least ten (IO) days prior to the expiration of the then current policy term.

7. DAMAGE OR DESTRUCTION. Ifthe building in which the leased space is located shall be damaged or destroyed by fire or other casualty, the Landlord shall, except as provided below as soon as practical, repair and restore the same to at least as good condition as before such damage or destruction occurred. Provided, however, if the building is damaged to the extent that the Landlord is unable to continue to provide at least seventy-five percent (75%) of the leased square footage for the purposes of the Tenant, either party may terminate this Lease by giving written notice of such termination to the other party within thirty (30) days after the occurrence of such damage or destruction. In the event of such termination, the Tenant's liability for payment of further rent shall ce.ase as of the date of such destruction or damage or the date of receipt of notice of such termination, whichever shall later occur, and it shall be entitled to a refund of any rent previously paid proportionate to the remainder of the month following such date. IfLandlord or Tenant shall not terminate this Lease as hereinfore provided, and if seventy five (75%) percent or less of the leased square footage suitable for the purpose of Tenant is available after such destruction, Tenant may use such available square footage with rent payable hereunder equal to an amount based upon the remaining tenable premises in relation to the total square footage of the premises.

8. DEFAULT IN PAYMENT OR RENT: BREACH OF OTHER COVENANTS. In the event of any default by the Tenant in the payment of rent, which default shall not be cured within ten (10) days, or the performance of any other agreement, covenant or obligation under this Lease, which shall not be cured within twenty (20) days unless Tenant commences to remedy such default within said twenty (20) day period and proceeds with due diligence; after written notice thereof, either with or without process of law, Landlord may re-enter and expel or remove Tenant, or any person or persons occupying the same, in addition to any other remedies which may then be provided by law or contained inthis Lease. Landlord shall have the right, upon such re-entry, to remove from the leased premises all, or any, personal property or trade fixtures of Tenant located therein, and may

place the same in storage in a public warehouse at the expense or risk of the owner or owners thereof Landlord may exercise said right of re-entry or taking possession of the leased premises, with or without terminating this Lease. No such re-entry or taking possession of said premises by Landlord, shall be construed as an election on his part to terminate this Lease unless written notice of such election is given by Landlord to Tenant or unless such termination is decreed by a court of competent jurisdiction. Landlord may re-let said premises, or any part thereof, upon re-entry for all or any part of the remainder of the term of this Lease at such rental and upon such terms and conditions as Landlord may, with reasonable diligence, be able to secure. Rentals collected by Landlord from such re-letting said premises shall be applied first to the expenses of re-letting, and next to the payment of the rental and any other indebtedness due from Tenant to Landlord hereunder. Should the rentals collected from such re-letting be insufficient to cover the foregoing items, Tenant shall pay the deficiency to Landlord.

Ifthe rent or any other sums due to Landlord by Tenant hereunder is collected by or through an attorney at law, Tenant agrees to pay Landlord's actual and reasonable attorneys' fees incurred with respect thereto not in excess of fifteen percent (15%) of the amount collected. Ifthe laws of the State of North Carolina in effect at the time of such collection limit the amount so payable as attorneys' fees, then the maximum percentage (not in excess of fifteen percent (15%) of the amount so collected) allowed by such laws shall be applicable.

9. REPAIRS. The Landlord shall keep and maintain the exterior walls and roof of the building (excluding windows and other glass and all exterior doors), located upon the premises in good state of repair and condition; provided, that if the Landlord fails to commence any repairs necessary to maintain the exterior walls and roof in such condition, within ten (10) days after written notice from the Tenant to do so, and to have the repairs completed within a reasonable time, the Tenant may have such repairs made and charge the expense thereof against the Landlord, deducting the same from rentals due or to become due at its option. Landlord agrees to indemnify and hold the Tenant harmless for any loss to property suffered as a result of Landlord's negligence to keep the premises in good repair as provided in this paragraph. Tenant shall maintain the air conditioning and heating equipment; Landlord, if said heating and air conditioning equipment is properly maintained, shall be responsible for replacement of fan motors, compressors, heat exchangers and the housing of said equipment, if necessary. Landlord warrants that the plumbing, electrical, and heating and air conditioning systems are in good operable condition on the initial date of occupancy by Tenant. Tenant agrees to maintain and pay for a maintenance contract on the heating and air conditioning system serving the premises. Such contract must provide that upon cancellation, written notice of the same shall be give to Landlord by both parties and shall include at least quarterly service for the filters, motor and belts. Tenant agrees to provide Landlord at all times with a copy of the then currently effective service contract. All other parts and portions of the premises including plumbing, electrical systems, plate glass exterior doors, and grounds shall be kept and maintained in good condition and repair by the Tenant.

10. STATUTES AND ORDINANCES. The Tenant shall at all times fully and promptly comply with all applicable laws, ordinances, regulations and other order of any public authority.

11. ALTERATIONS, IMPROVEMENTS, AND RETURN OF PREMISES. The Tenant, at its own expense, may make alterations, additions and improvements to the premises; provided, however, that all such alterations additions and improvements of a material or structural nature shall be made only with the prior written consent of the Landlord. All alterations, additions and improvements to the premises, paid for by Tenant, may be removed by Tenant upon termination of this Lease, but Tenant shall restore the premises to their original condition if such alterations, additions and improvements are so removed at the Tenant's expense. The Tenant shall have the right to remove all fixtures, equipment and machinery installed upon the premises by it, provided that removal can be effected without materially damaging or affecting the building structurally. Any damage caused by such removal shall be repaired by the Tenant at its expense. The Tenant agrees that it will return the leased premises at the end of the term or upon any earlier termination of this Lease, in as good order and condition, fire or other casualty, wear and tear excepted, as the same are at the time of commencement of the Lease.

12. INSPECTION OF PREMISES. SIGNS AND ENTRY BY LANDLORD. The Landlord shall have the right to inspect and examine the premises at all reasonable hours. During the last three (3) months of the term of this Lease, the Landlord shall have the right to post on the premises signs indicating that the same is for sale or for rent and during such time the Landlord, its agents and employees, may enter upon the premises with prospective purchasers or tenants; provided, however, that such entry or entries shall be made only at reasonable times and hours.

13. NOTICES. All notices required by or provided in this Agreement shall be sufficiently given ifmailed by registered or certified mail, addressed as follows:

If intended for the Landlord to:

Thomas & Howard Company, Inc.
P. 0. Box 20387
Greensboro, North Carolina 27420

If intended for the Tenant to:

CPN International Ltd, Inc.
140 Intracoastal Pointe Drive, Suite 404
Jupiter, Florida 33477

Rent checks should be made payable to Grubb & Ellis The Bissell Companies, Inc. and mailed to:

4602 Dundas Drive, Suite 200
Greensboro, North Carolina 27407

14. QUIET AND PEACEABLE ENJOYMENT OF PREMISES BY TENANT . The Landlord covenants that the Tenant on paying the rent reserved and performing the covenants and agreements aforesaid, shall, peaceably and quietly, have, hold and enjoy the leased premises.

15. INDEMNITY. The Tenant shall save the Landlord harmless from any liability by reason of personal injuries or property damage suffered by any person or persons while on the premises or as a result of the operation of the Tenant's business on the premises.

16. ENVIROMENTAL MATTERS: INDEMNITIES. Tenant hereby indemnifies Landlord and agrees to hold Landlord harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses and claims of any and every kind whatsoever paid, incurred or suffered by or asserted against Landlord for, with respect to, or as a direct or indirect result of the presence on or under, or the escape, seepage, leakage, spillage, discharge, omission, discharging or release from the Premises of any "Hazardous Material" (and as defined herein), including without limitation any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under the Comprehensive Environmental Response, Compensation and Liability Act, or any so-called "Superfund" or "Superlien" law, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating or relating to or imposing liability or standards of conduct concerning any Hazardous Material, but only to the extent caused by, or within the control of Tenant. Otherwise, Landlord agrees to indemnify and hold Tenant harmless from all of the foregoing that may have occurred prior to the commencement of the Lease. The provisions of and undertakings and indemnifications set out in this paragraph shall survive the termination of this Lease. Landlord represents, to the best of its knowledge, that the premises do not contain hazardous materials.

For purposes of this Lease, "Hazardous Material" means and includes any hazardous, toxic or dangerous waste, substance or material defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act, any so-called "Superfund" or "Superlien" law, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, or relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, as now or any time hereafter in effect.

17. SIGNS. All signs to be approved by the Landlord whose decision therein shall be final. The approval of the Landlord shall not be unreasonably withheld.

18. HOLDING OVER. If Landlord allows the Tenant to hold over or remain in the possession or occupancy of the premises hereby leased after the expiration of the term of this Lease, without any written Lease of said premises being actually made and entered into between Landlord

and Tenant, such holding over or continued possession or occupancy shall not be deemed or held to operate as any renewal or extension of this Lease, and shall ifrent is paid by Tenant and accepted by Landlord for or during any period of time it so holds over or remains in possession of occupancy, only create a tenancy from month to month at a rental rate of one hundred fifty percent (150%) of the rent hereinbefore specified, which may at any time be terminated by either Landlord or Tenant giving to the other thirty (30) days' notice of such intention to terminate the same. The Landlord may refuse, however, to allow the Tenant to hold over upon the expiration of the term ofthis Lease.

19. INSOLVENCY OR BANKRUPTCY OF TENANT. If at any time during the term of this Lease, the Tenant shall be adjudged bankrupt or insolvent by a federal or state court of competent jurisdiction, at the option of the Landlord, such adjudication shall terminate and cancel this Lease without any further action on the part of either party hereto, and the Landlord may at once re-enter and take possession of the premises.

20. SUCCESSORS AND ASSIGNS. This Lease and all the covenants and provisions thereof shall inure to the benefit of and also be binding upon the successors, heirs, and assigns of the parties hereto. Each provision hereof shall be deemed both a covenant and a condition and shall run with the land.

21. RENEWAL OPTIONS. In consideration of the premises, the Landlord hereby grants unto the Tenant the exclusive right and option to renew or extend this Lease for three (3) further periods of one (1) year each commencing at the expiration of the original two (2) year term or the then-current term, however, that notice(s) of the exercise of such options shall be given by Tenant to the Landlord at least ninety (90) days before the expiration of the original term ofthis Lease or the then-current term, which notice(s) must be in writing. All the terms, provisions, covenants and conditions of the Lease shall apply to the option(s) to renew or extend except: At the beginning of each option to renew or extend, rent shall be increased in the same percentage as the Cost of Living Index has been increased on December 31, 1999; December 31, 2000; or December 31, 2001, from the January 1, 1998, level. The Cost of Living Index shall be measured by the Consumer Price Index of the Bureau of Labor Statistics of the United States Department of Labor if such Index shall be in use on December 31, 1999; December 31, 2000; or December 31, 2001; and if not, then by the Index generally acceptable as being comparable thereto. In no event shall rent be less than One Thousand
Two Hundred Fifty and 00/100 Dollars ($1,250.00) by reason ofthis provision. *(SEE BELOW)

22. SECURITY DEPOSIT. Tenant agrees to deposit with Landlord the sum of One Thousand Two Hundred Fifty and 00/100 Dollars ($1,250.00) which sum shall be held by Landlord, without obligation of interest, as security for the performance of Tenant's covenants and obligations under this lease, it being expressly understood and agreed that such deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon the occurrence of any event of default by Tenant, Landlord may, from time to time, without prejudice to any other remedy provided herein or provided by law, use such fund to the extent necessary to make good any arrears of rent and any other damage, injury, expense or liability caused by such event of default and Tenant shall pay to Landlord on demand the amount so applied in order to restore the security deposit to its original amount. Upon termination of this lease, if Tenant is not then in default, any remaining balance of such deposit shall be returned by Landlord to Tenant within ten (10) days of request.

23. COMPLETE AGREEMENT. This written Lease contains the complete agreement of the parties with reference to the leasing of said property. No waiver of any breach of contract herein shall be construed as a waiver of the covenant itself or any subsequent breach thereof

21 . *(CONTINUED) In addition, the increases for the years 2000, 2001 , 2002 shall be the lesser of the Consumer Price Index of the Bureau of Labor Statistics of the US Dept. of Labor if such index shall be in use on December 31 , 1999;and if not, then by the index generally acceptable as being comparable thereto or 4%.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed in triplicate, this 18th day of November, 1997.

Attest:

/s/ Thomas & Howard Company, Inc.
Corporate Secretary (SEAL)

LANDLORD:
Thomas & Howard Company, Inc.

/s/ Thomas & Howard Company, Inc.
President

Attest:

/s/
Corporate Secretary (SEAL)

TENANT:
CPN International Ltd, Inc.

/s/ Mark A. Emalfarb
President

STATE OF NORTH CAROLINA

COUNTY OF GUILFORD

5th LEASE AMENDMENT

THIS AMENDMENT made and entered into this 15th day of November, 2007, by and between **Thomas & Howard Company,** hereinafter referred to as "Landlord", party of the first part, and **DYADIC INTERNATIONAL (USA), INC.,** a Florida Corporation hereinafter referred to as "Tenant", party of the second part.

W I T N E S S E T H:

WHEREAS, under date of November 18, 1997, CPN International, Ltd entered into a Lease with Landlord covering 3150 square feet out of a 15,000 SF building located at 812 E. Post Street, Greensboro, North Carolina.

WHEREAS, subsequent to the date of November 18, 1997, CPN International, Ltd. was succeeded in interest by Dyadic International, and

WHEREAS, Tenant exercised its 1st option to renew its lease for a term expiring December 31, 2000 via Tenant's letterhead dated April 7, 1999 and

WHEREAS, Tenant exercised its 2nd option to renew its lease for a term expiring December 31, 2001 via Tenant's letterhead dated July 25, 2000 and

WHEREAS, Tenant exercised its 3rd option to renew its lease for a term expiring December 31, 2002 via Tenant's letterhead dated September 4, 2001, and

WHEREAS, via 1st Amendment to lease dated July 19, 2002, Landlord and Tenant amended said Lease of November 18, 1997 for the purpose of granting to Tenant two (2) additional options to renew it's Lease, and

WHEREAS, Tenant exercised its 4th option to renew its lease for a term expiring December 31, 2003 via Tenant's letterhead dated July 15, 2002, and

WHEREAS, Tenant exercised its 5th option to renew its lease for a term expiring December 31, 2004 via Tenant's letterhead dated August 21, 2003, and

WHEREAS, Tenant exercised its 5th option to renew its lease for a term expiring December 31, 2005 via Tenant's letterhead dated October 19, 2004, and

WHEREAS, via 2nd Lease Amendment dated June 29, 2005, Tenant leased additional space, and WHEREAS, via 3rd Lease Amendment dated September 28, 2005, Landlord and Tenant renewed said Lease term expiring December 31, 2006, and

WHEREAS, via 4th Lease Amendment dated October 18, 2006, Landlord and Tenant renewed said Lease term expiring December, 31, 2007, and

WHEREAS, by mutual agreement, it is the desire purpose and intent of the Landlord and Tenant to amend said Lease to set forth their agreement relative to renewing the Lease and changing the rental rate, and to that end and in consideration of the premises and the sum of One Dollar ($1.00) in hand paid by each of the parties to the other, the receipt of both sums being acknowledged hereby, the said Lease is amended as follows:

1. The Lease of November 18, 1998, entered into by and between Landlord and Tenant is amended hereby by changing the expiration date of the Lease in paragraph 1 TERM to December 31, 2008.

2. The monthly rent will increase to TWO THOUSAND NINETY-FIVE AND 84/100 DOLLARS ($2,095.84) for the period January 1, 2008 through December 31, 2008.

3. This Amendment is effective as of the date of execution by both parties.

4. The said Lease of November 18, 1998, with 1st Amendment dated July 19, 2002, 2nd Lease Amendment dated June 20, 2005, 3rd Lease Amendment dated September 28, 2005, 4th Lease Amendment dated October 18, 2006, and with this 5th Lease Amendment by and between Landlord and Tenant as amended by this instrument is ratified, approved and confirmed hereby by Landlord and Tenant.

IN WITNESS WHEREOF, the Landlord has caused this instrument to be executed by its duly authorized officer, and the Tenant has caused this instrument to be executed by its duly authorized officer, for the uses and purposes stated herein this 15th da of November, 2007.

Attest:

/s/ Thomas & Howard Company, Inc.
Secretary

LANDLORD:
Thomas & Howard Company

/s/ Thomas & Howard Company, Inc.
President

Attest:

/s/
Secretary

TENANT:
Dyadic International (USA), Inc.

/s/ Mark A. Emalfarb
President

STATE OF NORTH CAROLINA

COUNTY OF GUILFORD

6th LEASE AMENDMENT

THIS AMENDMENT made and entered into this 19th day of November, 2008, by and between THOMAS & HOWARD COMPANY, hereinafter referred to as ALandlord@, party of the first part, and DYADIC INTERNATIONAL (USA), INC., a Florida Corporation hereinafter referred to as ATenant@, party of the second part.

W I T N ES S E T H:

WHEREAS, under date of November 18, 1997, CPN International, Ltd entered into a Lease with Landlord covering 3150 square feet out of a 15,000 SF building located at 812 E. Post Street, Greensboro, North Carolina.

WHEREAS, subsequent to the date of November 18, 1997, CPN International, Ltd. was succeeded in interest by Dyadic International, and

WHEREAS, Tenant exercised its 1st option to renew its lease for a term expiring December 31, 2000 via Tenant's letterhead dated April 7, 1999 and

WHEREAS, Tenant exercised its 2nd option to renew its lease for a term expiring December 31, 2001 via Tenant's letterhead dated July 25, 2000 and

WHEREAS, Tenant exercised its 3rd option to renew its lease for a term expiring December 31, 2002 via Tenant's letterhead dated September 4, 2001, and

WHEREAS, via 1st Amendment to lease dated July 19, 2002, Landlord and Tenant amended said Lease of November 18, 1997 for the purpose of granting to Tenant two (2) additional options to renew it's Lease, and

WHEREAS, Tenant exercised its 4th option to renew its lease for a term expiring December 31, 2003 via Tenant's letterhead dated July 15, 2002, and

WHEREAS, Tenant exercised its 5th option to renew its lease for a term expiring December 31, 2004 via Tenant's letterhead dated August 21, 2003, and

WHEREAS, Tenant exercised its 6th option to renew its lease for a term expiring December 31, 2005 via Tenant's letterhead dated October 19, 2004, and

WHEREAS, via 2nd Lease Amendment dated June 29, 2005, Tenant leased additional space, and

WHEREAS, via 3rd Lease Amendment dated September 28, 2005, Landlord and Tenant renewed said Lease term expiring December 31, 2006, and

WHEREAS, via 4th Lease Amendment dated October 18, 2006, Landlord and Tenant renewed said Lease term expiring December, 31, 2007, and

WHEREAS, via 5th Lease Amendment dated November 15, 2007, Landlord and Tenant renewed said lease term expiring December 31, 2008, and

WHEREAS, by mutual agreement, it is the desire purpose and intent of the Landlord and Tenant to amend said Lease to set forth their agreement relative to renewing the Lease and changing the rental rate, and to that end and in consideration of the premises and the sum of One Dollar ($1.00) rn hand paid by each of the parties to the other, the receipt of both sums being acknowledged hereby, the said Lease is amended as follows:

1. The Lease of November 18, 1998, entered into by and between Landlord and Tenant is amended hereby by changing the expiration date of the Lease in paragraph 1 TERM to December 31, 2009.

2. The monthly rent continues at TWO THOUSAND NINETY-FIVE AND 84/100 DOLLARS ($2,095.84) for the period January 1, 2009 through December 31, 2009.

Tenant shall have the option to give to Landlord anytime during the one (1) year extension of the lease a sixty (60) day prior written notice of its intention to cancel this lease.

3. This Amendment is effective as of the date of execution by both parties.

4. The said Lease of November 18, 1998, with 1st Amendment dated July 19, 2002, 2nd Lease Amendment dated June 20, 2005, 3rd Lease Amendment dated September 28, 2005, 4th Lease Amendment dated October 18, 2006, and with this 5th Lease Amendment dated November 15, 2007, and with this 6th Lease Agreement, by and between Landlord and Tenant, as amended by this instrument, is ratified, approved and confirmed hereby by Landlord and Tenant.

IN WITNESS WHEREOF, the landlord has caused this instrument to be executed by its duly authorized officer, and the Tenant has caused this instrument to be executed by its duly authorized officer, for the uses and purposes stated herein this 19th day of November, 2008.

Attest:

/s/ Thomas & Howard Company, Inc.
Secretary

LANDLORD:
Thomas & Howard Company
/s/ Thomas & Howard Company, Inc.
President

Attest:

/s/
Secretary/ INTERIM CFO

TENANT:
Dyadic International (USA), Inc.
/s/ Mark A. Emalfarb
CEO

January 5, 2010

Mr. Richard Jundzil
Dyadic International, Inc.
140 Intercoastal Pointe
Dr. Jupiter, FL 33477-5064

Dear Richard:

Please find enclosed a fully executed 7 th Lease Amendment between Thomas & Howard Company and Dyadic International (USA), Inc. for property located at 812 E. Post Street, Greensboro, North Carolina for your records.

Please call me if you have any questions.

Sincerely,

THE BISSELL COMPANIES, INC
/s/ Daniel G. Pierce
Daniel G. Pierce, SIOR Sales Associate

DGP/ckp
Enclosure

The Bissell Companies, Inc.
3859 Battleground Avenue Suite 300 Greensboro, North Carolina 27410 336.294.8900 336.282.8103, fax e-mail: bissell@bellsouth .net
Independently Owned and Operated website : www.BissellGreensboro.com

STATE OF NORTH CAROLINA

COUNTY OF GUILFORD

7th LEASE AMENDMENT

THIS AMENDMENT made and entered into this 17th day of December, 2009, by and between THOMAS & HOWARD COMPANY, hereinafter referred to as "Landlord", party of the first part, and DYADIC INTERNATIONAL (USA), INC., a Florida Corporation hereinafter referred to as "Tenant", party of the second part.

W I T N E S S E T H:

WHEREAS, under date of Novermber 18, 1997, CPN International, Ltd entered into a Lease with Landlord covering 3150 square feet out of a 15,000 SF building located at 812 E. Post Street, Greensboro, North Carolina.

WHEREAS, subsequent to the date of November 18, 1997, CPN International, Ltd. was succeeded in interest by Dyadic International, and

WHEREAS, Tenant exercised its 1st option to renew its lease for a term expiring December 31, 2000 via Tenant's letterhead dated April 7, 1999 and

WHEREAS, Tenant exercised its 2nd option to renew its lease for a term expiring December 31, 2001 via Tenant's letterhead dated July 25, 2000 and

WHEREAS, Tenant exercised its 3rd option to renew its lease for a term expiring December 31, 2002 via Tenant's letterhead dated September 4, 2001, and

WHEREAS, via 1st Amendment to lease dated July 19, 2002, Landlord and Tenant amended said Lease of November 18, 1997 for the purpose of granting to Tenant two (2) additional options to renew it's Lease, and

WHEREAS, Teriant exercised its 4th option to renew its lease for a term expiring December 31, 2003 via Tenant's letterhead dated July 15, 2002, and

WHEREAS, Tenant exercised its 5th option to renew its lease for a term expiring December 31, 2004 via Tenant's letterhead dated August 21, 2003, and

WHEREAS, Tenant exercised its 6th option to renew its lease for a term expiring December 31, 2005 via Tenant's letterhead dated October 19,'2004, and

WHEREAS, via 2nd Lease Amendment dated June 29, 2005, Tenant leased additional space, and

WHEREAS, via 3rd Lease Amendment dated September 28, 2005, Landlord and Tenant renewed said Lease term expiring December 31, 2005, and

WHEREAS, via 4th Lease Amendment dated October 18, 2005, Landlord and Tenant renewed said Lease term expiring December, 31, 2007, and

WHEREAS, via 5th Lease Amendment dated November 15, 2007, Landlord and Tenant renewed said Lease term expiring December 31, 2008, and

WHEREAS, via 6th Lease Amendment dated November 19, 2008, Landlord and Tenant renewed said Lease term expiring December 31, 2009, and

WHEREAS, by mutual agreement, it is the desire purpose and intent of the Landiord and Tenant to amend said Lease to set forth their agreement relative to renewing the Lease and changing the rental rate, and to that end and in consideration of the premises and the sum of One Dollar ($1.00) in hand paid by each of the parties to the other, the receipt of both sums being acknowledged hereby, the said Lease is amended as follow:

1. The Lease of November 18, 1998, entered into by and between Landlord and Tenant is amended hereby by changing the expiration date of the Lease in paragraph 1 TERM to December 31,2010.

2. The monthly rent continues at **TWO THOUSAND NINETY-FIVE AND 84/100 DOLLARS ($2,095.84)** for the period January 1, 2010 through December 31, 2010.

Tenant shall have the option to give to Landlord anytime during the one (1) year extension of the lease a sixty (60) day prior written notice of its intention to cancel this lease.

3. This Amendment is effective as of the date of execution by both parties.

4. The said Lease of November 18, 1998, with 1st Amendment dated July 19,2002, 2nd Lease Amendment dated June 20, 2005, 3rd Lease Amendment dated September 28, 2005, 4th Lease Amendement dated October 18, 2006, 5th Lease Amendment dated November 15,2007, 6th Lease Amendment dated November 19th 2008, and this 7th Lease Amendment by and between Landlord and Tenant, as amended by this instrument, is ratified, approved and confirmed hereby by Landlord and Tenant.

IN WITNESS WHEREOF, the Landlord has caused this instrument to be executed by its duly authorized officer, and the Tenant has caused this instrument to be executed by its duly authorized officer, for the uses and purposes stated herein this 17th day of December, 2009.

Attest:

/s/ Thomas & Howard Company, Inc.
Secretary

LANDLORD :
Thomas & Howard Company
/s/ Thomas & Howard Company, Inc.
President

Attest:

/s/
Secretary

TENANT:
Dyadic International (USA), Inc.
/s/ Mark A. Emalfarb
CEO

Translation from Dutch
This translation can only be used in combination with and as explanation to the Dutch text. In the event of a disagreement or dispute relating to the interpretation of the English text the Dutch text will be binding. This tenancy is subject to Dutch law.

LEASE OF OFFICE ACCOMMODATION
and other commercial accommodation within the meaning of Article 7:230A of the Civil Code

The undersigned:

BioPartner Center Wageningen B.V., having its (registered) address at 6709 PA Wageningen, Nieuwe Kanaal 7, registered in the Trade Register under number 09113198, represented by Mr. J.Th. Gielen, hereinafter referred to as "the Landlord",

AND

Dyadic Nederland B.V., having its registered address at Zeist, Utrechtseweg 48, registered in the Trade Register under number 30186473, Turnover Tax number [.....], represented by Dyadic International Inc., a company organized under the law of [country] with its corporate seat at Jupiter, Florida, United States of America, 140 Intercoastal Pointe Drive Suite 404, registered in the Trade Register at the Department of State, Florida under number p9600018919, duly represented by [.....] hereinafter referred to as "the Tenant",

HAVE AGREED AS FOLLOWS:

The Subjects, Intended use

1.1. The Landlord hereby lets to the Tenant and the Tenant hereby rents from the Landlord the office accommodation, hereinafter referred to as "the Subjects", whose address is: Nieuwe Kanaal 7, 6709 PA Wageningen, Land Register reference: Wageningen, Section H, number 548, on the third floor phase 3 incubator building BioPartner Center Wageningen, the accommodation is more particularly indicated on the sketch thereof annexed as Appendix 1 to, and forming part of, this contract and initialled by the parties and the official report on transfer, also initialled by the parties, containing details of those systems and other provisions which do and do not form part of the Subjects and also containing a description of the condition in which the Subjects are handed over, supplemented by any photographs initialled by the parties.

Parties shall also confirm in writing which installations, furnishings and other facilities have been installed specifically by the Landlord for the Tenant, i.e. the so-called Tenant-specific investments. This description of state of acceptance shall be drawn up at such time as the Landlord makes available the leased property to the Tenant, and duly initialled and signed, possibly

Landlord's initials Tenant's initials

supplemented by photographic and/or video material. This initialled and signed description shall be appended to and become part of this contract.

Space	Square meters	Intended Use	Permitted floor loading
second floor phase 2	ca. 491 m2	Office and laboratory space	400 kg/m2

1.2. The Subjects are intended exclusively for use by or on behalf of the Tenant as office and laboratory space for its business being the execution of investigation on contract base for the discovery and expression of natural genes and organism for the production of protein, peptides, enzyme and other biomolecules, which will be used for agriculture, chemical products, diagnostics, food, industrial enzymes, personal care, pharmaceutical and other.

1.3 The Tenant shall not be permitted to allocate a different use to the Subjects than that detailed in 1.2 unless the Landlord has given prior written permission to do so.

1.4 The maximum permitted floor loading in the Subjects is 400 kg/m2.

Conditions

2.1 The "GENERAL TERMS AND CONDITIONS FOR LEASE OF OFFICE ACCOMMODATION, and other commercial accommodation within the meaning of Article 7:230A of the Civil Code", lodged with the Clerk of the Court in The Hague on 11 July 2003 and registered there under number 72/2003, hereinafter referred to as "the General Conditions", shall form part of this contract. The parties are familiar with contents of these General Conditions. The Landlord and the Tenant have each received a copy of them.

2.2 The General Conditions referred to in Clause 2.1 shall apply except insofar as expressly amended in this contract or insofar as their application is not possible in relation to the Subjects.

Duration, extension and termination

3.1 This contract is entered into for a period of 5 (five) years, commencing on September 1, 2007 and continuing up to and including August 31, 2012.

3.2 This contract shall the expiry of the period mentioned in 3.1 continue for periods of 1 (one) year at a time.

3.3 Termination of this contract shall be effected by notice of termination with effect from the end of a rental period, with a period of notice of at least one year.

3.4 Notice of termination must be given by bailiff's service or by registered letter.

Rental, Turnover Tax, Rent Review, Obligation for payment, Payment periods

4.1 The commencing rental for the Subjects amounts to € 99.673,= per annum (in words: ninety-nine thousand six hundred and seventy three euros).

Landlord's initials Tenant's initials

4.2 The parties have agreed that the Landlord shall charge Turnover Tax on the rental.

4.3 If the parties have agreed to rental subject to Turnover Tax, the Landlord and the Tenant shall avail themselves of the opportunity to waive, on the basis of Information Note 45, Order of 24 March 1999, no. VB 99/571, the service of a joint option request for a rental subject to Turnover Tax. By signing the Lease Contract, the Tenant declares, also for the benefit of the Landlord's legal successors, that it shall use the Subjects or cause them to be used continuously for purposes for which a complete or virtually complete deduction of Turnover Tax is available under Section 15 of the Turnover Tax Act 1968.

4.4 The Tenant's financial year runs from *** to *** inclusive.

4.5 The rental shall be reviewed annually as at 1 January 2008, for the first time with effect from 1 January 2008, in accordance with Clause 9.1 to 9.4 inclusive of the General Conditions.

4.6 The amount due by the Tenant for ancillary supplies and services provided by or on behalf of the Landlord shall be determined in accordance with Clause 16 of the General Conditions. A system of advance payments with subsequent re calculation shall be applied to these advance payments as detailed in said Clause.

4.7.1 The Tenant's payment obligations shall comprise per month:
- the rental;
- the Turnover Tax (BTW);
- the advance payment for the ancillary supplies and services arranged by or on behalf of the Landlord, without completeness described in article 5 of this agreement, together with Turnover Tax due thereon;
- the advance payment for energy cost;
- Real Estate Tax (Onroerende zaak belasting) in relation to the Subjects.

4.7.2 The Tenant's obligation to pay Turnover Tax on the rental shall discontinue if the Subjects may no longer be let out subject to Turnover Tax, even though the parties have agreed that they should be. In such a case, the payments specified in the provisions of Clause 19.3. a of the General Conditions shall be substituted for Turnover Tax and the advance payment specified in Clause 19.3.a, sub I, shall be set in advance at the as then current tax Turnover Tax rate of the current rental.

4.8 For every payment period of 1 month(s), the payments, on commencement of the Lease, shall be:

-	the rental	€	8.306,=
-	the advance payment for ancillary supplies and services - including but not limited to Clause 5 of this contract - arranged by or on behalf of the Landlord,	€	l.555,=
-	the advance payment energy cost	€	1.500,=
-	Real Estate Tax	€	pm
	TOTAL	€	11.361 ,=

Landlord's initials Tenant's initials

(in words: eleven thousand three hundred and sixty one euros) The amounts are excluding Turnover Tax (BTW).

4.9 Taking into account the commencement date of the Lease and the Tenant specific investments to be made by the Landlord, the Tenant's first payment shall relate to the period from 1 September 2007 to 30 September 2007 and the amount for this first period shall be € 11.361,= not including BTW. This amount, including BTW, shall be due from the Tenant within one week after signing this agreement.

4.10 The regular payments due by the Tenant to the Landlord under the terms of this Lease, as per Clause 4.8, shall be paid, in advance, in a single sum, in euros, and must be paid in full on or before the first day of the payment period to which they relate. Payments shall be made by direct debt order (automatische incasso-opdracht) to the Landlord at bank account number 85.24.29.479.

4. 11 Unless otherwise stated, all amounts stated in this Lease Contract, and the General Conditions which form part of it, are exclusive of Turnover Tax.

Supplies and services

5. Parties agree that the following supplies and services are to be provided by or on behalf of the Landlord:

Energy costs for actual use:
- electricity used;
- gas used;
- laboratory ventilation;
- central heating installation;
- water use;
- standing charge including metering.

Operational management, fault clearing service, inspection costs, energy use, insurance, etc. of integral premises installations for:
- lift;
- air treatment;
- central heating;
- hot water;
- fire alarm system;
- intercom;
- entrance doors; sun blinds;
- fire extinguishers (and refills);
- sweeping of chimney and ventilation ducts, cleaning of boilers and burners;

- shared heat supply, water and lighting, including the costs of fixtures, tubes and bulbs;
- glass insurance for all exterior windows and window frames;
- patrolling/security service;
- washing/cleaning of windows, inc. frames for the general and shared service areas, interior and exterior;
- disposal of regular garbage, waste paper and all related items (hire of garbage containers, municipal charges, etc.);
- waste water disposal;
- garden maintenance;
- cleaning of general/shared areas and service areas, general areas, parking spaces, including snow clearance;
- maintenance and replacement of plant boxes, furniture and upholstery in the general/shared areas;
- service personnel for the premises including the leased section;
- service costs of towel -, soap dispenser suppliers etc;
- shared costs of promotion for the Bio Partner Center te Wageningen.
- 6% management and administration costs for the above supplies and services.

Bank Guarantee

6. The amount of the bank guarantee specified in Clause 12.1 of the General Conditions is hereby established between the parties to be € 40.560,== (in words: forty thousand five hundred and sixty euros). The Tenant is required to submit this bank guarantee within one week of signing the contract.

Manager

7.1 Until the Landlord advises otherwise, the Manager shall be the Landlord.

7.2 Unless agreed otherwise in writing, the Tenant should consult with the Manager on the contents of and all other circumstances pertaining to this Lease.

Special Conditions

8.1 The Tenant is required to comply with all standing orders. The bylaws (attached as appendix) and other established appendices form an integral part of this agreement. The Tenant shall notify its personnel and other persons working for it, of said bylaws and shall ensure their compliance.

8.2 In deviation from article 6.7.1. et seq. and from the General Provisions parties agree that the Landlord shall be applicant for and holder of the required licenses, namely: the Pollution of Surface Waters Act (Wvo), Environmental management Act (Wm) and the user licence. On request the Tenant shall, in good time, provide the Landlord with all necessary information. Furthermore, the Tenant undertakes strictly to comply with all related conditions, costs and all other obligations resulting from the licence (s), without prejudice to the

stipulations of articles 6.8.1. to 6.8.3. inclusive and 6.11.1 to 6.1 1.7 inclusive of the General Provisions, and further to accept all liabilities that may arise, had the license been granted in the name of the Tenant. The Tenant undertakes to indemnify the Landlord unconditionally at law and otherwise. To ensure the Tenant's compliance with said obligations in this matter, the Landlord, or a third party introduced by the Landlord, shall, on prior appointment, have access to the premises at all times. Similarly, in order to comply with legislation or licence conditions the Landlord is authorised to examine all documents of the Tenant and the third parties employed by the Tenant, and if necessary issue unilateral instructions, and further regulations, whereby the Tenant is required to co-operate fully in this. However, the latter in no way releases the Tenant from its obligation to notify the Landlord, by return, of any and all necessary information of importance to the licenses and/or application and changes within its organisation which may influence the license. The full costs related to the changes are for the account of the Tenant. Refusal or withdrawal of the license shall not provide grounds for termination of the lease contract or any or further actions against the Landlord. The Landlord is only subject to an obligation to perform to the best of its ability in regard to the stipulations of this paragraph of the article. Insofar as governmental authorities require that the Tenant itself applies for the license and/or exemption, the stipulations of articles 6.7. l. and the General Provisions apply undiminished.

8.3 The Tenant shall use the Tenant-specific installations stated in article 1.1., and the furnishing of the spaces, correctly and shall properly maintain them, as per legal regulations and the recommendations of the suppliers or manufacturers. All maintenance costs of these Tenant-specific installations and the said furnishings shall be for the account of the Tenant and are not included in the rent as set out in article 4.1 nor in the service costs as set out in article 5 of this agreement. Replacements of the installations (or parts thereof) within ten (10) years after commencement of this contract shall be considered to be maintenance and hence for the account of the Tenant. After the said period of ten years parties shall reach further agreements as to maintenance and replacement of the installations; for so long as parties have not reached said agreement, maintenance and replacement of installations shall be totally for the account of the Tenant.

8.4 Without prejudice to its liability to the Landlord for loss of lease revenues and related costs, the Tenant owes the following amounts as compensation of the Tenant-specific investments financed by the Landlord, should this contract be unexpectedly terminated earlier than agreed for whatever reasons.

Effective date of termination:	Compensation
Date of signing this lease contract until 1 September 2008 inclusive:	€ 195,000
1 September 2008 to 1 September 2009 inc.:	€ 180,000
1 September 2009 to 1 September 2010 inc.:	€ 165,000
1 September 2010 to 1 September 2011 inc.:	€ 145,000
1 September 2011 to 1 September 2012 inc.:	€ 125,000
1 September 2012 to 1 September 2013 inc.:	€ 105,000

1 September 2013 to 1 September 2014 inc.:	€ 85,000
1 September 2014 to 1 September 2015 inc.:	€ 60,000
1 September 2015 to 1 September 2016 inc.:	€ 35,000
1 September 2016 to 1 September 2017 inc.:	no compensation.
These amounts do not include BTW.	

Early termination is taken to include the right of the Landlord to dissolve the lease contract without notice of default being required, with immediate effect, in the event that the Landlord deems circumstances to be such as to seriously impede or jeopardise its potential for recovery against the Tenant, without prejudice to the right of the Landlord to demand fulfilment and/or damages from the Tenant.
Said circumstances shall include a petition for suspension of payments or liquidation by the Tenant or in the event that the Tenant, in whatsoever manner, loses control of all or part of its capital. In the event of the dissolution of the Tenant on the basis of the aforesaid, the remaining rent instalments and compensation of the Tenant-specific investments shall be due and payable forthwith: the period of the lease shall terminate at the moment of dissolution. Damages due by the Tenant to the Landlord at any given time shall be due forthwith, and in the case of dissolution by the Landlord, shall in any event be equal to the amount of all remaining rent instalments and compensation of the Tenant-specific investments which would have been due had the contract taken its normal course.

8.5 The premises will be handed over, including the Tenant-specific installations as in article 1.1., together with the current floor and lighting fixtures. No rights can be derived from this. The aforesaid remain the property of the Landlord. The Tenant is responsible for normal use and maintenance. Where the Tenant is of the opinion that a given item/items is/are due for replacement, the costs shall be for its (the Tenant's) account. The prior written approval of the Landlord is required for replacements.

8.6 This contract is governed by Dutch law.

Thus agreed and signed in duplicate

place *	date *	place *	date *
Signature(s) for Tenant(s) *		Signature(s) for Landlord(s) *	
Dyadic Nederland B.V.		BioPartner Center Wageningen B.V.	
……		J.Th. Gielen	
Signature(s) for Dyadic International			

Landlord's initials Tenant's initials

*

Appendices:
the General Conditions
sketch of the leased commercial accommodation
official report on transfer
bylaws
Bank Guarantee

Separate signature(s) of the Tenant(s) (each) acknowledging receipt of a copy of the GENERAL TERMS AND CONDITIONS FOR LEASE OF OFFICE ACCOMMODATION and other commercial accommodation within the meaning of Article 7:230A of the Civil Code, as specified in Clause 2.

Signature(s) of Tenant(s):

Landlord's initials Tenant's initials

Translation from Dutch
This translation can only be used in combination with and as explanation to the Dutch text. In the event of a disagreement or dispute relating to the interpretation of the English text the Dutch text will be binding. This tenancy is subject to Dutch law.

LEASE OF OFFICE ACCOMMODATION
and other commercial accommodation within the meaning of Article 7:230A of the Civil Code

The undersigned:

BioPartner Center Wageningen B.V., having its (registered) address at 6709 PA Wageningen, Nieuwe Kanaal 7, registered in the Trade Register under number 09113198, represented by Mr. J.Th. Gielen, hereinafter referred to as "the Landlord",

AND

Dyadic Nederland B.V., having its registered address at Zeist, Utrechtseweg 48, registered in the Trade Register under number 30186473, Turnover Tax number [.....], represented by Dyadic International Inc., a company organized under the law of [country] with its corporate seat at Jupiter, Florida, United States of America, 140 Intercoastal Pointe Drive Suite 404, registered in the Trade Register at the Department of State, Florida undernumber p9600018919, duly represented by [.....] hereinafter referred to as "the Tenant",

HAVE AGREED AS FOLLOWS:

The Subjects, Intended use

1.1 The Landlord hereby lets to the Tenant and the Tenant hereby rents from the Landlord the office accommodation, hereinafter referred to as "the Subjects", whose address is: Nieuwe Kanaal 7, 6709 PA Wageningen, Land Register reference: Wageningen, Section H, number 548, on the third floor phase 3 incubator build ing BioPartner Center Wageningen, the accommodation is more particularly indicated on the sketch thereof annexed as Append ix 1 to, and forming part of, this contract and initialled by the parties and the official report on transfer, also initialled by the parties, containing details of those systems and other provisions which do and do not fonn part of the Subjects and also containing a description of the condition in which the Subjects are handed over, supplemented by any photographs initialled by the parties.

Parties shall also confirm in writing which installations, furnishings and other facilities have been installed specifically by the Landlord for the Tenant, i.e. the so-called Tenant-specific investments. This description of state of acceptance shall be drawn up at such time as the Landlord makes available the leased property to the Tenant, and duly initialled and signed, possibly

supplemented by photographic and/or video material. This initialled and signed description shall be appended to and become part of this contract.

Space	Square meters	Intended Use	Permitted floor loading
second floor phase 2	ca. 491 m2	Office and laboratory space	400 kg/m2

1.2 The Subjects are intended exclusively for use by or on behalf of the Tenant as office and laboratory space for its business being the execution of investigation on contract base for the discovery and expression of natural genes and organism for the production of protein, peptides, enzyme and other biomolecules, which will be used for agriculture, chemical products, diagnostics, food, industrial enzymes, personal care, pharmaceutical and other.

1.3 The Tenant shall not be permitted to allocate a different use to the Subjects than that detailed in 1.2 unless the Land lord has given prior written permission to do so .

1.4 The maximum permitted floor loading in the Subjects is 400 kg/m2.

Conditions

2.1 The "GENERAL TERMS AND CONDITIONS FOR LEASE OF OFFICE ACCOMMODATION, and other commercial accommodation within the meaning of Article 7:230A of the Civil Code", lodged with the Clerk of the Court in The Hague on 11 July 2003 and registered there under number 72/2003, hereinafter referred to as "the General Conditions", shall form part of this contract. The parties are familiar with contents of these General Conditions. The Landlord and the Tenant have each received a copy of them.

2.2 The General Conditions referred to in Clause 2.1 shall apply except insofar as expressly amended in this contract or insofar as their application is not possible in relation to the Subjects .

Duration, extension and termination

3.1 This contract is entered into for a period of 5 (five) years, commencing on September I , 2007 and continuing up to and including August 31, 2012.

3.2 This contract shall the expiry of the period mentioned in 3.1 continue for periods of 1 (one) year at a time.

3.3 Termination of this contract shall be effected by notice of termination with effect from the end of a rental period, with a period of notice of at least one year.

3.4 Notice of termination must be given by bailiff s service or by registered letter.

Rental, Turnover Tax, Rent Review, Obligation for payment, Payment periods

4.1 The commencing rental for the Subjects amounts to € 99.673,= per annum (in words: ninety-nine thousand six hundred and seventy three euros).

4.2 The parties have agreed that the Landlord shall charge Turnover Tax on the rental.

4.3 If the parties have agreed to rental subject to Turnover Tax, the Land lord and the Tenant shall avail themselves of the opportunity to waive, on the basis of Information Note 45, Order of 24 March 1999, no. VB 99/571, the service of a joint option request for a rental subject to Turnover Tax. By signing the Lease Contract, the Tenant declares, also for the benefit of the Landlord's legal successors, that it shall use the Subjects or cause them to be used continuously for purposes for which a complete or virtually complete deduction of Turnover Tax is available under Section 15 of the Turnover Tax Act 1968.

4.4 The Tenant's financial year runs from "" to *** inclusive.

4.5 The rental shall be reviewed annually as at 1 January 2008, for the first time with effect from 1 January 2008, in accordance with Clause 9.1 to 9.4 inclusive of the General Conditions.

4.6 The amount due by the Tenant for ancillary supplies and services provided by or on behalf of the Landlord shall be determined in accordance with Clause 16 of the General Conditions. A system of advance payments with subsequent re-calculation shall be applied to these advance payments as detailed in said Clause.

4.7.1 The Tenant's payment obligations shall comprise per month: the rental;
- the Turnover Tax (BTW);
- the advance payment for the ancillary supplies and services arranged by or on behalf of the Landlord, without completeness described in article 5 of this agreement, together with Turnover Tax due thereon;
- the advance payment for energy cost;
- Real Estate Tax (Onroerende zaak belasting) i n relation to the Subjects.

4.7.2 The Tenant's obl igation to pay Turnover Tax on the rental shall discontinue if the Subjects may no longer be let out subject to Turnover Tax, even though the parties have agreed that they should be. In such a case, the payments specified in the provisions of Clause 19.3. a of the General Conditions shall be substituted for Turnover Tax and the advance payment specified in Clause 19.3.a, sub I, shall be set in advance at the as then current tax Turnover Tax rate of the current rental.

4.8 For every payment period of 1 month(s), the payments, on commencement of the Lease, shall be:
- the rental € 8.306,=
- the advance payment for ancillary supplies and services - including but not limited to Clause 5 of this contract - arranged by or on behalf of

the Landlord,
- the advance payment energy cost
- Real Estate Tax

	€ 1.555,=
	€ 1.500,=
	€ pm
TOTAL	€ 11.361 ,=

(in words: eleven thousand three hundred and sixty one euros) The amounts are excluding Turnover Tax (BTW).

4.9 Taking into account the commencement date of the Lease and the Tenant specific investments to be made by the Landlord, the Tenant's first payment shall relate to the period from I September 2007 to 30 September 2007 and the amount for this first period shall be € 11.361,= not including BTW. This amount, including BTW, shall be due from the Tenant within one week after signing this agreement.

4. 10 The regular payments due by the Tenant to the Land lord under the terms of this Lease, as per Clause 4.8, shall be paid, in advance, in a single sum, in euros, and must be paid in full on or before the first day of the payment period to which they relate. Payments shall be made by direct debt order (automatische incasso-opdracht) to the Landlord at bank account number 85.24.29.479.

4.11 Unless otherwise stated, all amounts stated in this Lease Contract, and the General Conditions which form part of it, are exclusi ve of Turnover Tax.

Supplies and services

5. Parties agree that the following supplies and services are to be provided by or on behalf of the Landlord:

Energy costs for actual use:
- -electricity used;
- gas used;
- laboratory ventilation;
- central heating installation;
- water use;
- standing charge including metering.

Operational management, fault clearing service, inspection costs, energy use, insurance, etc. of integral premises installations for:
- lift;
- air treatment;
- central heating;
- hot water;
- fire alarm system;
- intercom;
- entrance doors;
- sun blinds;
- fire extinguishers (and refills);
- sweeping of chimney and ventilation ducts, cleaning of boilers and burners;

- shared heat supply, water and lighting, including the costs of fixtures, tubes and bulbs;
- glass insurance for all exterior windows and window frames;
- patrolling/security service;
- washing/cleaning of windows, inc. frames for the general and shared service areas, interior and exterior;
- disposal of regular garbage, waste paper and all related items (hire of garbage containers, municipal charges, etc.);
- waste water disposal;
- garden maintenance;
- cleaning of general/shared areas and service areas, general areas, parking spaces, including snow clearance;
- maintenance and replacement of plant boxes, furniture and upholstery in the general/shared areas;
- service personnel for the premises including the leased section;
- service costs of towel -, soap dispenser suppliers etc;
- shared costs of promotion for the Bio Partner Center te Wageningen.
- 6% management and administration costs for the above supplies and services.

Bank Guarantee

6. The amount of the bank guarantee specified in Clause 12.1 of the General Conditions is hereby established between the parties to be €40.560,= (in words: forty thousand five hundred and sixty euros). The Tenant is required to submit this bank guarantee within one week of signing the contract.

Manager

7.1 Until the Landlord advises otherwise, the Manager shall be the Landlord.

7.2 Unless agreed otherwise in writing, the Tenant should consult with the Manager on the contents of and all other circumstances pertaining to this Lease.

Special Conditions

8.1 The Tenant is required to comply with all standing orders. The bylaws (attached as appendix) and other established appendices form an integral part of this agreement. The Tenant shall notify its personnel and other persons working for it, of said bylaws and shall ensure their compliance.

8.2 In deviation from article 6.7.1. et seq. and from the General Provisions parties agree that the Landlord shall be applicant for and holder of the required licenses, namely: the Pollution of Surface Waters Act (Wvo), Environmental management Act (Wm) and the user licence. On request the Tenant shall, in good time, provide the Landlord with all necessary information. Furthermore, the Tenant undertakes strictly to comply with all related conditions, costs and all other obligations resulting from the licence (s), without prejudice to the

stipulations of articles 6.8.1. to 6.8.3. inclusive and 6.11.1 to 6.1 1 .7 inclusive of the General Provisions, and further to accept all liabilities that may arise, had the license been granted in the name of the Tenant. The Tenant undertakes to indemnify the Landlord unconditionally at law and otherwise. To ensure the Tenant's compliance with said obligations in this matter, the Landlord, or a third party introduced by the Land lord, shall, on prior appointment, have access to the premises at all times. Similarly, in order to comply with legislation or licence conditions the Landlord is authorised to examine all documents of the Tenant and the third parties employed by the Tenant, and if necessary issue unilateral instructions, and further regulations, whereby the Tenant is required to co-operate fully in this. However, the latter in no way releases the Tenant from its obligation to notify the Landlord, by return, of any and all necessary information of importance to the licenses and/or application and changes within its organisation which may influence the license. The full costs related to the changes are for the account of the Tenant. Refusal or withdrawal of the license shall not provide grounds for termination of the lease contract or any or further actions against the Land lord. The Landlord is only subject to an obligation to perform to the best of its ability in regard to the stipulations of this paragraph of the article. Insofar as governmental authorities require that the Tenant itself applies for the license and/or exemption, the stipu lations of articles 6.7.1. and the General Provisions apply undiminished.

8.3 The Tenant shall use the Tenant-specific installations stated in article 1.1., and the furnishing of the spaces, correctly and shall properly maintain them, as per legal regulations and the recommendations of the suppliers or manufacturers. All maintenance costs of these Tenant-specific installations and the said furnishings shall be for the account of the Tenant and are not included in the rent as set out in article 4.1 nor in the service costs as set out in article 5 of this agreement. Replacements of the installations (or parts thereof) within ten (10) years after commencement of this contract shall be considered to be maintenance and hence for the account of the Tenant. After the said period of ten years parties shall reach further agreements as to maintenance and replacement of the installations; for so long as parties have not reached said agreement, maintenance and replacement of installations shall be totally for the account of the Tenant.

8.4 Without prejudice to its liability to the Landlord for loss of lease revenues and related costs, the Tenant owes the following amounts as compensation of the Tenant-specific investments financed by the Landlord, should this contract be unexpectedly terminated earlier than agreed for whatever reasons.

Effective date of termination:

Date of signing this lease contract until		Compensation
1 September 2008 inclusive:	€	195,000
1 September 2008 to 1 September 2009 inc.:	€	180,000
1 September 2009 to 1 September 2010 inc.:	€	165,000
1 September 2010 to 1 September 2011 inc.:	€	145,000
1 September 201 1 to 1 September 2012 inc.:	€	125,000
1 September 2012 to 1 September 2013 inc.:	€	105,000

1 September 2013 to 1 September 2014 inc.:	€	85,000
1 September 2014 to I September 2015 inc.:	€	60,000
1 September 2015 to 1 September 2016 inc.:	€	35,000
1 September 2016 to 1 September 2017 inc.:		no compensation.

These amounts do not include BTW.

Early termination is taken to include the right of the Landlord to dissolve the lease contract without notice of default being required, with immediate effect, in the event that the Landlord deems circumstances to be such as to seriously impede or jeopardise its potential for recovery against the Tenant, without prejudice to the right of the Land lord to demand fulfilment and/or damages from the Tenant. Said circumstances shall include a petition for suspension of payments or liquidation by the Tenant or in the event that the Tenant, in whatsoever manner, loses control of all or part of its capital. In the event of the dissolution of the Tenant on the basis of the aforesaid, the remaining rent instalments and compensation of the Tenant-specific investments shall be due and payable forthwith: the period of the lease shall terminate at the moment of dissolution. Damages due by the Tenant to the Landlord at any given time shall be due forthwith, and in the case of dissolution by the Landlord, shall in any event be equal to the amount of all remaining rent instalments and compensation of the Tenant-specific investments which would have been due had the contract taken its normal course.

8.5 The premises will be handed over, including the Tenant-specific installations as in article 1.1., together with the current floor and lighting fixtures. No rights can be derived from this. The aforesaid remain the property of the Landlord. The Tenant is responsible for normal use and maintenance. Where the Tenant is of the opinion that a given item/items is/are due for replacement, the costs shall be for its (the Tenant's) account. The prior written approval of the Landlord is required for replacements.

8.6 This contract is governed by Dutch law.

Thus agreed and signed in duplicate

place *	date *	place *	date *
Signature(s) for Tenant(s) * Dyadic Nederland B.V. ********** Signature(s) for Dyadic International		Signature(s) for Landlord(s) * BioPartner Center Wageningen B.V. J.Th. Gielen	

*

Appendices:
the General Conditions
sketch of the leased commercial accommodation official report on transfer
bylaws
Bank Guarantee

Separate signature(s) of the Tenant(s) (each) acknowledging recei pt of a copy of the GENERAL TERMS AND CONDITIONS FOR LEASE OF OFFICE ACCOMMODATION and other commercial accommodation within the meaning of Article 7:230A of the Civil Code, as specified in Clause 2.

Signature(s) of Tenant(s):

Landlord's initials Tenant's initials

TEKENVERSIE

KADANS
BIOFACILITIES

Nieuwe Kanaal 7
6709 PA Wageningen
Postbus 143
5260 AC Vught
T 0411 625 628
F 0411 625 620
info@ biofacilities.n1
www.biofacilities.n1

2e ADDENDUM OP HUUROVEREENKOMST KANTOORRUIMTE
en andere bedrijfsruimte in de zin van artikel 7:230a BW
d.d. 4 augustus 2007

Ondergetekenden:

Kadans Biopartner B.V., gevestigd aan het Nieuwe Kanaal 7 (6709 PA) te Wageningen, ingeschreven in het handelsregister onder nummer 09113198, rechtsgeldig vertegenwoordigd door de heer J.Th. Gielen, hierna te noemen 'verhuurder';

en

Dyadic Nederland B.V., gevestigd aan het Nieuwe Kanaal 7s (6709 PA) te Wageningen, ingeschreven in het handelsregister onder nummer 30186473, omzetbeiastingnummer NL8117.99.128.B.01, rechtsgeldig vertegenwoordigd door Dyadic International Inc., gevestigde Jupiter, Florida 33477, Verenigde Staten van Amerika aan de 140 Intracoastal Pointe Drive, Suite 404, ingeschreven in het handelsregister in de Department of State, Florida onder nummer p96000018919, op haar beurt rechtsgeldig vertegenwoordigd door de heer W. van derWilden, hierna te noemen 'huurder';

in aanmerking nemende dat:

- huurder op 4 augustus 2007 een huurovereenkomst heeft gesloten met BioPartner Center Wageningen B.V. die haar naam per 1januari 2010 heeft gewijzigd in Kadans Biopartner B.V.;
- de huurovereenkomst betrekking heeft op de huur van een deel in het BioPartner Center Wageningen;
- partijen op 1 juli 2009 een addendum op de huurovereenkomst van 4 augustus 2007 hebben ondertekend;
- partien de bpende huurovereenkomst incl. het addendum willen verlengen tot 1 november 2017;
- partijen overeenstemming hebben bereikt over de huurcondities van deze verlenging en dilin onderhavig (2e) addendum willen vastleggen;

komen hierbij overeen dat in de huurovereenkomst d.d. 4 augustus 2007, c.q. he\ addendum d.d. 1 juli 2009, de volgende artikelen warden gewijzigd c.q. aangevuld: 3.1, 4.1 en 4.8

Duur, verlenging en opzegging

3.1 Partijen komen overeen de bestaande huurovereenkomst incl. addendum tot en met 31 oktober 2017 te verlengen.

2e *ad en um Dyadic Nederland B.V.*

Paraaf huurder ***Paraaf huurder:***

Huurprijs, huurprijsaanpassing, betalingsverplichting, betaalperiode

4.1 De huurprijs bedraagt exciusief btw, € 110.280,-- op jaarbasis.

4.8 Per betaalperiode van Mn kalendermaand is huurder aan verhuurder, vanaf 1 maart 2012, verschuldigd:

- *de* huurprijs per maand	€	9.190,--
- de over de huurverschuldigde omzetbelasting	€	1.746,10
- voorschot op *de* vergoeding voor door of vanwege verhuurder verzorgde leveringen en diensten	€	1.821,89
- voorschot op de vergoeding voor door of vanwege verhuurder verzorgde leveringen van elektriciteit, gas en water (incl. BTW)	€	1.856,40
- OZB (overig) (incl. btw)	€	150,54
Totaal (incl. BTW):	€	**14.764,93**

zegge: veertienduizend en zevenhonderd en vierenzestig 93/100 euro

De overige bepalingen in de huurovereenkomst d.d. 4 augustus 2007 en addendum d.d. 1 juli 2009 blijven onverminderd van kracht.

Dit addendum en de huurovereenkomst d.d. 4 augustus 2007 en addendum d.d. 1 juli 2009 met bijbehorende bijlagen zijn onlosmakelijk met elkaar verbonden.

Aldus opgemaakt en ondertekend intweevoud

Wageningen, 31 januari 2012

/s/ W. van der Wilden
W. van der Wilden

Dyadic Nederland B.V.

/s/ J. Th. Gielen
J. Th. Gielen

Kadans Biopartner B.V.

2e *ad en um Dyadic Nederland B.V.*

Paraaf huurder ***Paraaf huurder:***

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partjen de lopende huurovereenkomst Incl. het addendum wiilen verlengen tot 1 november 2017

Symbols & accents

The current lease addendum partjen including the wish to extend to November 1, 2017

See more translation results below

EXPAND

Translate popular phrases into English below

BASIC PHRASES

Hello
Goodbye
My name is
What is your name?
What lime Is It?
Thank you
You're welcome
Have a nice day
Pleased to meet you
Pardon me

TIME AND PLACES

What time Is it?
What day Is tt today?
Where is the nearest restaurant?
Where Is the nearest metro?
Where Is the nearest lrain station?
Where Is the nearest bank?
Where Is the nearest hotel?
Where can I find a taxi?
Where Is the toilet?
Is this the bus stop?

TRAVEL WORDS & PHRASES

Take me to the airport
Take me to the hotel
Where Is the Taxi stand?
I am on vacation
iam here on business
How much are the rooms?
What does this cost?
I am from the United States
Where are you from?
These are my bags

COMMON VERBS

Ask
Buy
Drive
Drink
Eat
Give
See
Sleep
Walk
Work

FOOD & RESTAURANT PHRASES

I would like a table for two
I would like to make a reservation
Do you serve breakfast?
Do you serve lunch?
Do you serve dinner?
What dish do you recommend?
What do you have for dessert?
Can I see the wine list?
May t have the check please?
I am allergic to shellfish

LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement") made this ____ day of August, 2010 by and among _____ a _____ (the "Lender"), and **DYADIC INTERNATIONAL, INC.**, a Delaware corporation, and its wholly-owned subsidiary **DYADIC INTERNATIONAL (USA), INC.**, a Florida corporation (together, the "Borrower").

Recitals:

A. The Borrower seeks to borrow up to four million dollars ($4,000,000) in the aggregate on or before September 30, 2010 from private lenders (the "Offering").

B. The Lender has agreed to participate in the Offering.

C. The loans comprising the Offering shall be subordinated, secured and convertible into restricted shares of the Borrower's common stock, all on the terms set forth herein below.

NOW THEREFORE, based on the foregoing and for valuable consideration, the parties hereto hereby agree as follows:

1. Lending Commitment. The Lender hereby commits to lend _____ dollars ($_____) to the Borrower (the "Commitment"). The Lender shall disburse funds under the Commitment upon receipt of a fully executed Convertible Subordinated Secured Promissory Note in the form attached hereto as Exhibit "A" (the "Note") and a fully executed Security Agreement in the form attached hereto as Exhibit "B" (the "Security Agreement"), each of which forms a part hereof, provided such receipt occurs on or before August 31, 2010.

2. Representations and Warranties. The Borrower hereby represents and warrants that:

   (a) The Borrower is duly organized, validly existing and in good standing under the laws of Delaware in the case of Dyadic International, Inc. and the laws of Florida in the case of Dyadic International (USA), Inc.; has the corporate power to carry out the business in which it is engaged; and the execution and delivery of this Agreement and any related documents (including but not limited to the Note and the Security Agreement) have been duly authorized by all necessary action of the directors of the Borrower and are not and will not be in contravention of any provision of law nor in contravention of any organizational documents of the Borrower, nor result in the breach of any agreement, indenture, or undertaking to which it is a party or by which it is bound.

   (b) There is no action, suit, proceeding or investigation at law in equity or before any court, public board or body pending, or to the Borrower's knowledge, threatened against or affecting it, that could or might adversely affect the validity or enforceability of this Agreement, or the Borrower's ability to discharge its

obligations under this Agreement., or would, if there were an unfavorable decision, individually or in the aggregate, have or reasonably be expected to result in a material and adverse effect on the results of operations, assets, prospects, business or condition (financial or otherwise) of the Lender and its subsidiaries (a "Material Adverse Effect").

(c) No consent or approval is necessary from any governmental authority as a condition to the execution and delivery of this Agreement by the Borrower or the performance of any of its obligations hereunder.

(d) The execution, delivery and performance of this Agreement, the Note and the Security Agreement (the "Transaction Documents") by the Borrower and the consummation by the Borrower of the transactions contemplated thereby do not and will not (i) conflict with or violate any provision of the Borrower's or any of the Borrower's subsidiaries' certificate or articles of incorporation (as applicable), bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Borrower or subsidiary debt or otherwise) or other understanding to which the Borrower or any subsidiary is a party or by which any property or asset of the Borrower or any subsidiary is bound or affected, or (iii) result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Borrower or any subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Borrower or any subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

(e) The common stock of Dyadic International, Inc. issuable upon conversion of the Note (the "Common Stock," and together with the Note, the "Securities") have been duly authorized and, when issued and paid for in accordance with the Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all liens. The Borrower has reserved from its duly authorized capital stock a number of shares of Common Stock issuable upon conversion of the Note. All securities previously issued by the Borrower were duly and validly issued, fully paid and nonassessable when issued.

(f) The number of shares and type of all authorized, issued and outstanding capital stock of the Borrower, and all shares of Common Stock reserved for issuance under the Borrower's various option and incentive plans, are specified in Schedule 2(f). Except as specified in Schedule 2(f), no securities of the Borrower are entitled to preemptive or similar rights, and no person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as

specified in Schedule 2(f), there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exchangeable for, or giving any person any right to subscribe for or acquire, any shares of Common Stock, or contracts, commitments, understandings or arrangements by which the Borrower or any subsidiary is or may become bound to issue additional shares of Common Stock, or securities or rights convertible or exchangeable into shares of Common Stock. The issue and sale of the Securities will not, immediately or with the passage of time, obligate the Borrower to issue shares of Common Stock or other securities to any person and will not result in a right of any holder of the Borrower securities to adjust the exercise, conversion, exchange or reset price under such securities.

(g) Since the date of the latest audited financial statements, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Borrower has not incurred any liabilities (contingent or otherwise) other than (A) trade payables, accrued expenses and other liabilities incurred in the ordinary course of business consistent with past practice and (B) liabilities (not to exceed fifty thousand dollars ($50,000)) not required to be reflected in the Borrower's financial statements pursuant to United States Generally Accepted Accounting Principles, (iii) the Borrower has not altered its method of accounting or the identity of its auditors, (iv) the Borrower has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock, and (v) the Borrower has not issued any equity securities to any officer, director or affiliate, except pursuant to existing the Borrower stock option plans and consistent with past practice.

(h) No material labor dispute exists or, to the knowledge of the Borrower, is imminent with respect to any of the employees of the Borrower.

(i) Neither the Borrower nor any subsidiary (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Borrower or any subsidiary under), nor has the Borrower or any subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any order of any court, arbitrator or governmental body, or (iii) is or has been in violation of any statute, rule or regulation of any governmental authority, including, without limitation, all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

(j) The Borrower and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses, except where the failure to possess such permits could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, and neither the Borrower nor any subsidiary has received any notice of proceedings relating to the revocation or modification of any such permits.

(k) The Borrower and the subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, licenses and other similar rights that are necessary or material for use in connection with their respective businesses and which the failure to so have could, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect (collectively, the "Intellectual Property Rights"). Neither the Borrower nor any subsidiary has received a written notice that the Intellectual Property Rights used by the Borrower or any subsidiary violates or infringes upon the rights of any person. To the knowledge of the Borrower, all such Intellectual Property Rights are enforceable and there is no existing infringement by another person of any of the Intellectual Property Rights.

(l) The Borrower and the subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with United States Generally Accepted Accounting Principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(m) The Borrower's assets constitute sufficient capital to carry on its business for the current fiscal year as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Borrower, and projected capital requirements and capital availability thereof.

(n) The Borrower is not, and is not an affiliate of, and immediately following the date hereof will not have become, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(o) As of the date of this Agreement, other than as set forth in Schedule 2(o), the Borrower has no debt that is secured by any lien.

(p) As of the date of this Agreement, except as set forth on Schedule 2(p), no

indebtedness of the Borrower is senior to the Note in right of payment, whether with respect to interest or upon liquidation or dissolution, or otherwise.

(q) The Borrower confirms that neither it nor any person acting on its behalf has provided the Lender or its respective agents or counsel with any information that the Borrower believes constitutes material, non-public information except insofar as the existence and terms of the proposed transactions hereunder may constitute such information. The Borrower understands and confirms that the Lender will rely on the foregoing representations and covenants in effecting transactions in securities of the Borrower. All disclosure provided to the Lender regarding the Borrower, its business and the transactions contemplated hereby, furnished by or on behalf of the Borrower (including the Borrower's representations and warranties set forth in this Agreement) are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

3. Covenants. The Borrower shall at all times preserve its legal existence. In the event the Borrower wishes to: sell, lease, or otherwise dispose of all or substantially all of its assets; make a public offering of its capital stock; or take any action which would result in a change in the control of, or in fifty percent (50%) or more of, the equity ownership (including, without limitation, a merger, reorganization or consolidation) of the Borrower from the form of ownership or control (as the case may be) which exists as of the date of this Agreement, the Borrower shall provide the Lender thirty (30) days written notice prior to the effective date of such event and, upon the date of closing of such event, the outstanding principal and any accrued interest under the Note shall be immediately due and payable to the Lender and this Agreement may be terminated by the Lender.

4. Independent Status. Neither this Agreement nor any provisions hereof shall be deemed to create a partnership or joint venture between the Lender and the Borrower. The relationship of the parties is strictly that of a borrower and lender. The Borrower specifically agrees that it shall not represent itself as an agent or employee of the Lender, nor is this Agreement intended to be construed so as to make the Borrower an agent or employee of the Lender.

5. Disclosure of Information.

(a) Although the Borrower is under no obligation to provide trade secrets or confidential proprietary information to the Lender, in the event that the Borrower provides any such information to the Lender, the Lender shall exert its best efforts to protect the confidentiality of technical, scientific or financial information considered proprietary by the Borrower until such time as such information becomes publicly available through no fault of the Lender and in accordance with the terms of any confidentiality agreement between the Borrower and the Lender. The Borrower acknowledges and agrees that as of the date hereof no trade secrets,

confidential proprietary information, or non-public information with respect to the Borrower or its subsidiaries has been provided to the Lender.

(b) The Borrower periodically discloses material financial and other information to the public through its financial statements. The Lender hereby acknowledges having had the opportunity to review such financial statements before entering into this Agreement including, but not limited to, the Borrower's financial statements for the year ended December 31, 2009 and the quarterly periods ended March 31, and June 30, 2010.

6. Events of Default and Remedies.

(a) Each of the following shall constitute an "Event of Default" by the Borrower under this Agreement, whatever the reason for such Event of Default and whether it shall be voluntary or involuntary, or be affected by operation of law or otherwise:

i. Any payment of principal or interest on the Note, or any other amount due hereunder, is not made when due;

ii. Any provision, covenant or agreement of the Borrower in this Agreement (including the Note and the Security Agreement), is breached or proves to be untrue or misleading in any material respect;

iii. Any warranty, representation or statement made or furnished to the Lender by the Borrower in this Agreement (including the Note and the Security Agreement), is untrue or misleading in any material respect;

iv. Any voluntary or involuntary bankruptcy, reorganization, insolvency, arrangement, receivership, or similar proceeding is commenced by or against the Borrower under any federal or state law, or the Borrower makes an assignment for the benefit of creditors; or

v. Any substantial part of the inventory, equipment or other property of the Borrower, real or personal, tangible or intangible, is damaged or destroyed and the damage or destruction is not covered by collectible insurance.

(b) Subject to Section 7.3(a) of the Security Agreement, upon the occurrence of any Event of Default, and in every such event, the Lender, upon notice to the Borrower, may declare the principal of and interest on the Note and other amounts payable under this Agreement to be, and the Note and all such other amounts shall thereupon become, due and payable to the Lender, without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or the Note to the contrary notwithstanding. In addition to the foregoing, the Lender shall have all the rights and remedies of a secured party under Florida law. No remedy herein conferred upon or reserved to the Lender is

intended to be exclusive of any other remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now hereafter existing in law or equity. No failure or delay by the Lender in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its other or further exercise of any power or right. The Lender may, by written notice to the Borrower, at any time and from time to time, waive any Event of Default or "Unmatured Event of Default" (as defined below), which shall be for such period and subject to such conditions as shall be specified in any such notice. In the case of any such waiver, the Lender and the Borrower shall be restored to their former position and rights hereunder, and any Event of Default or Unmatured Event of Default so waived shall be deemed to be cured and not continuing; but no such waiver shall extend to or impair any subsequent or other Event of Default or Unmatured Event of Default. No failure to exercise, and no delay in exercising, on the part of the Lender of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of the Lender herein provided are cumulative and not exclusive of any rights or remedies provided by law. "Unmatured Event of Default" means any event or condition which might become an Event of Default if continuing after notice or the passage of time or both.

7. Notices. All notices required or permitted to be delivered hereunder and all communications in respect hereof shall be in writing and shall be deemed given on the date it is personally delivered or on the date it is deposited in the United States mail, certified, return receipt requested, first class postage prepaid and addressed as follows:

If to the Lender, to:

Attn.:

If to the Borrower, to: Dyadic International, Inc.
Dyadic International (USA), Inc.
140 Intracoastal Pointe Dr., Suite 404
Jupiter, FL 33477
Attn: General Counsel

or addressed to such other address or to the attention of such other individual as the Lender or the Borrower shall have specified in a notice delivered pursuant to this section.

8. Construction. This Agreement shall be construed and governed by the laws of the State of Florida, excepting only its conflict of law principles.

9. Benefit and Assignment. The rights, duties and obligations of the parties under this Agreement shall inure to the benefit of the parties and shall be binding upon their successors and permitted assigns. Neither this Agreement nor the respective rights,

duties, obligations, and responsibilities of the Borrower may by transferred or assigned, in whole or in part, by the Borrower to any other person, firm or organization (including sub-agents) without the prior written consent of the Lender. The Lender may freely assign or transfer its rights, duties, obligations and responsibilities, in whole or in part, to any other party, other than a competitor of the Borrower, without the prior consent of the Borrower.

10. Survival. All representations and warranties made by the Borrower herein shall survive delivery of the Note hereunder.

11. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any manner, in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

12. Furnishing of Information. If the Borrower is not required to file reports pursuant to the Securities Exchange Act of 1934, as amended, it will prepare and furnish to the Lender and make publicly available in accordance with Rule 144(c) such information as is required for the Lender to sell the Common Stock under Rule 144. The Borrower further covenants that it will take such further action as the Lender may reasonably request, all to the extent required from time to time to enable the Lender to sell the Common Stock without registration under the Securities Act of 1933, as amended, within the limitation of the exemptions provided by Rule 144.

13. Reservation of Shares. The Borrower shall maintain a reserve from its duly authorized shares of Common Stock equal to the shares of Common Stock required to comply with its conversion obligations under the Note. If on any date the Borrower would be, if notice of conversion were to be delivered on such date, precluded from issuing the number of shares of Common Stock issuable upon conversion in full of the Note due to the unavailability of a sufficient number of authorized but unissued or reserved shares of Common Stock, then the Board of Directors of the Borrower shall promptly prepare and mail to the stockholders of the Borrower proxy materials or other applicable materials requesting authorization to amend the Borrower's certificate of incorporation or other organizational document to increase the number of shares of Common Stock which the Borrower is authorized to issue so as to provide enough shares for issuance of the Common Stock. In connection therewith, the Board of Directors shall (a) adopt proper resolutions authorizing such increase, (b) recommend to and otherwise use its best efforts to promptly and duly obtain stockholder approval to carry out such resolutions (and hold a special meeting of the stockholders as soon as practicable, but in any event not later than the 60th day after delivery of the proxy or other applicable materials relating to such meeting) and (c) within five (5) business days of obtaining such stockholder authorization, file an appropriate amendment to the Borrower's certificate of incorporation or other organizational document to evidence such increase.

14. Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Lender and the Borrower will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations described in the foregoing sentence and hereby agrees to waive in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

15. Indemnification of Lender. The Borrower will indemnify and hold the Lender and its members, partners, employees and agents (each, a "Lender Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation (collectively, "Losses") that any such Lender Party may suffer or incur as a result of or relating to any misrepresentation, breach or inaccuracy of any representation, warranty, covenant or agreement made by the Borrower in the Transaction Documents. In addition to the indemnity contained herein, the Borrower will reimburse each Lender Party for its reasonable legal and other expenses (including the cost of any investigation, preparation and travel in connection therewith) incurred in connection therewith, as such expenses are incurred.

16. Payment Set Aside. To the extent the Borrower makes a payment or payments to the Lender pursuant to any Transaction Document or the Lender enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Borrower, a trustee, receiver or any other person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

17. Entire Agreement. This Agreement (including the Note and the Security Agreement) and any related documents (including financing statements as applicable) supersede all prior discussions and/or agreements between the Lender and the Borrower, and express the entire understanding with respect to the subject matter hereof, and shall not be amended, modified, or altered, nor any of their provisions waived, without the prior written consent of both the Borrower and the Lender.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

LENDER:

[Name of Entity]

By: _____
Name:
Title:

BORROWER:

DYADIC INTERNATIONAL, INC.

By: _____
Name: Adam J Morgan
Title: Vice President General Counsel & Business Development

DYADIC INTERNATIONAL (USA), INC.

By: _____
Name: Adam J. Morgan
Title: Vice President General Counsel & Business Development

NEITHER THIS CONVERTIBLE SUBORDINATED SECURED PROMISSORY NOTE NOR THE SECURITIES ISSUABLE UPON CONVERSION HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER SAID ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN APPLICABLE EXEMPTION THEREFROM.

CONVERTIBLE SUBORDINATED SECURED PROMISSORY NOTE

Jupiter, Florida
$_____ August ___, 2010

FOR VALUE RECEIVED, Dyadic International, Inc., a Delaware corporation, and Dyadic International (USA), Inc., a Florida corporation (together, " ***Payor***"), hereby promises to pay to the order of _____, a _____ ("***Holder***"), the principal sum of _____ dollars ($_____) with interest on the outstanding principal amount at the rate of eight percent (8%) per annum, compounded annually based on a 365-day year. Interest shall commence upon the date hereof and shall continue on the outstanding principal until paid in full or converted pursuant to Section 2 below.

1. PAYMENT; MATURITY. At any time upon or after the earlier of (i) January 1, 2013, (ii) an Event of Default, or (iii) a Change of Control (the " ***Maturity Date***"), if this Note has not been converted in accordance with the terms of Section 2 below, Holder may demand payment of the entire outstanding principal balance of this Note and all unpaid accrued interest thereon. Interest shall be paid on the last day of each calendar quarter beginning on December 31, 2010. All payments of interest and principal shall be in lawful money of the United States of America. All payments shall be applied first to accrued interest, and thereafter to principal. If any payments on this Note become due on a Saturday, Sunday or a public holiday under the laws of the State of Florida, such payment shall be made on the next succeeding business day and such extension of time shall be included in computing interest in connection with such payment. An "***Event of Default***" shall have the meaning set forth in that certain Loan Agreement dated of even date herewith between Payor and Holder (the "***Loan Agreement***") to which this Note is an exhibit. A " ***Change of Control***" means (a) the consummation of a sale, transfer or lease of all or substantially all of Payor's assets, or (b) the consummation of an acquisition of Payor by another entity in which Payor's stockholders immediately prior to the transaction do not control a majority of the voting securities of the surviving entity.

2. ELECTIVE CONVERSION.

(a) The outstanding principal balance and the interest thereon of this Note may be converted, in whole or in part, by Holder, as follows. To effectuate Holder's election to convert this Note pursuant to this Section 2(a), Holder shall deliver to Payor a notice setting forth its desire to convert no earlier than January 1, 2011 and Holder shall surrender this Note, duly endorsed, to Payor or its transfer agent. Payor shall not be obligated to issue certificates evidencing the common stock of Dyadic International, Inc. (the "***Common Stock***") issuable upon such conversion unless this Note is either delivered to Payor or its transfer agent, or Holder notifies Payor or its transfer agent that this Note has been lost, stolen or destroyed and executes an agreement satisfactory to Payor to indemnify Payor from any loss incurred by it in connection with this Note. Payor shall, within five (5) business days after such

delivery, or such agreement and indemnification, issue and deliver at such office to Holder a certificate or certificates for the Common Stock to which Holder shall be entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of the closing of receipt of Holder's notice of election. The person or persons entitled to receive Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock on such date.

(b) If by the fifth trading day after the date the Note is delivered for conversion Payor fails to deliver to Holder such shares issuable upon conversion of this Note in such amounts and in the manner requested, then Holder will have the right to rescind its conversion request pertaining thereto by giving written notice to Payor prior to Holder's receipt of such shares.

(c) If by the fifth trading day after the date the Note is delivered for conversion Payor fails to deliver to Holder the required number of shares in the manner requested, and if after such fifth trading day and prior to the receipt of such shares, the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by Holder of the shares which Holder anticipated receiving upon such conversion (a "***Buy-In***"), then Payor shall: (1) pay in cash to Holder (in addition to any other remedies available to or elected by Holder) the amount by which (x) Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (A) the number of shares that Payor was required to deliver to Holder in connection with the exercise at issue by (B) the closing price at the time of the obligation giving rise to such purchase obligation and (2) at the option of Holder, either void the conversion at issue and reinstate the principal amount of the Note (plus accrued interest therein) for which such conversion was not timely honored or deliver to Holder the number of shares of Common Stock that would have been issued had Payor timely complied with its exercise and delivery obligations hereunder. Holder shall provide Payor reasonably detailed evidence or written notice indicating the amounts payable to Holder in respect of the Buy-In.

(d) Notwithstanding anything to the contrary contained herein, the number of shares of Common Stock that may be acquired by Holder upon conversion of the Note (or otherwise in respect hereof) shall be limited to the extent necessary to insure that, following such conversion (or other issuance), the total number of shares of Common Stock then beneficially owned by Holder and its affiliates and any other persons whose beneficial ownership of Common Stock would be aggregated with Holder's for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), does not exceed 4.9% of the total number of issued and outstanding shares of Common Stock (including for such purpose the shares of Common Stock issuable upon such conversion) of Payor. For such purposes, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. By written notice to Payor, Holder may waive the provisions of this Section 2(d) as to itself but any such waiver will not be effective until the 61st day after delivery thereof.

(e) The conversion price in the event of such an elective conversion shall be equal to one hundred twenty percent (120%) of the trailing 30-day average closing price of Payor's Common Stock as of the date that the Loan Agreement, this Note and the Security Agreement (as defined below) are executed and delivered by Holder and Payor, subject to equitable adjustment for any stock dividends, splits, combination, distribution, or other transaction having similar effect.

3. SUBORDINATE DEBT. The indebtedness represented by this Note is subordinate in right of payment to all current secured indebtedness of Payor as set forth in the condensed consolidated financial statements, including the notes thereto, of Payor for the quarter ended June 30, 2010.

4. **SECURITY**. Payment of this Note is secured and otherwise entitled to the benefits of that certain Security Agreement of even date herewith (the " ***Security Agreement***") made by Payor in favor of Holder.

5. **WAIVER; PAYMENT OF FEES AND EXPENSES.**

(a) Payor expressly and irrevocably waives presentment, protest and demand for payment. The right to plead any and all statutes of limitations as a defense to any demands hereunder is hereby waived to the full extent permitted by law. No delay by Holder shall constitute a waiver, election or acquiescence by it.

(b) Payor agrees to pay upon demand all expenses (including without limitation attorneys' fees, legal costs and expenses, whether in or out of court, in original or appellate proceedings or in bankruptcy) incurred or paid by Holder or any holder hereof in connection with the enforcement or preservation of its rights hereunder or under any document or instrument executed in connection herewith.

6. **REPRESENTATIONS AND WARRANTIES OF HOLDER.** Holder hereby represents and warrants to Payor as follows:

(a) **Purchase Entirely for Own Account**. This Note is issued to Holder in reliance upon the Holder's representation to Payor, which by Holder's execution of this Note Holder hereby con-firms, that this Note and the Common Stock issuable upon the conversion hereof (together, the "***Securities***") will be acquired for investment for Holder's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that Holder has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Note, Holder further represents that Holder does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Securities. Holder has not been formed for the specific purpose of acquiring the Securities.

(b) **Restricted Securities**. Holder understands that no public market now exists for any of the Securities to be issued by Payor in the event of conversion of the Note and that Payor has made no assurances that a public market will ever exist for the Securities. Holder understands that the Securities have not been and may never be registered under the Act, and without such registration, may only be sold through a specific exemption from the registration provisions of the Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of Holder's representations as expressed herein. Holder understands that the Securities are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, Holder must hold the Securities indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available.

(c) **Accredited Investor**. Holder is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Act.

7. MISCELLANEOUS

(a) **Governing Law.** This Note and any document or instrument executed in connection herewith shall be governed by and construed in accordance with the internal laws of the State of Florida.

(b) **Successors and Assigns; Assignment.** The terms and conditions of this Note shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Payor may not assign this Note or delegate any of its obligations hereunder without the written consent of Holder. Holder may freely assign or transfer its rights, duties, obligations and responsibilities, in whole or in part, to any other party, other than a competitor of Payor, without the prior consent of Payor.

(c) **Titles and Subtitles.** The titles and subtitles used in this Note are used for convenience only and are not to be considered in construing or interpreting the Note.

(d) **Notices.** All notices required or permitted under this Note shall be given in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after deposit in the United States mail, by registered or certified mail, postage prepaid and properly addressed to the party to be notified, or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt.

(e) **Default Rate of Interest**. Upon the occurrence of an Event of Default, interest shall accrue on the outstanding principal of this Note so long as such default continues at the rate of four-teen percent (14%) per annum. Payor does not intend or expect to pay, nor does Holder intend or expect to charge, accept or collect any interest which, when added to any fee or other charge upon the principal which may legally be treated as interest, is in excess of the highest lawful rate. If acceleration, prepayment or any other charges upon the principal or any portion thereof, or any other circumstance, result in the computation or earning of interest in excess of the highest lawful rate, then any and all such excess is hereby waived and shall be applied against the remaining principal balance. Without limiting the generality of the foregoing, and notwithstanding anything to the contrary contained herein or otherwise, no deposit of funds shall be required in connection herewith which will, when deducted from the principal amount outstanding hereunder, cause the rate of interest hereunder to exceed the highest lawful rate.

(f) **Miscellaneous**. Unless the context requires otherwise, wherever used herein the singular shall include the plural and vice versa, and the use of one gender shall also denote the other. Captions herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof; references herein to Sections or provisions without reference to the document in which they are contained are references to this Note.

In Witness Whereof, the parties have executed this **Convertible Subordinated secured Promissory Note** as of the date first written above.

DYADIC INTERNATIONAL, INC.

By: _____
Name: Adam J. Morgan
Title: Vice President General Counsel & Business Development

DYADIC INTERNATIONAL (USA), INC.

By: _____
Name: Adam J. Morgan
Title: Vice President General Counsel & Business Development

AGREED TO AND ACCEPTED
this __ day of August, 2010:

[Name of Entity]

By: _____
Name:
Title:

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Agreement") made this _____ day of August, 2010 by and among **DYADIC INTERNATIONAL, INC.**, a Delaware corporation, and **DYADIC INTERNATIONAL (USA), INC.**, a Florida corporation (together, the "Obligor"), and _____, a _____ (the "Secured Party").

Recitals:

A. The Secured Party is simultaneously herewith providing the Obligor with a loan pursuant to the terms of a Loan Agreement of even date herewith (the "Loan Agreement").

B. The Obligor is evidencing its repayment obligation for such loan by executing and delivering to the Secured Party a Convertible Subordinated Secured Promissory Note of even date herewith (the "Note"). Payment of the Note is secured by the security interest granted herein below.

NOW THEREFORE, based on the foregoing, for value received, the parties hereto agree as follows:

Section 1 Grant of Security Interest.

1.1 Grant of Security. To secure the Obligor's obligation to pay the principal amount represented by the Note and any accrued and unpaid interest, the Obligor hereby grants to the Secured Party a continuing subordinated security interest in and to all of the Obligor's right, title and interest in, to and under:

(a) all of the assets of the Obligor and its subsidiaries, wherever located, of every kind and description, tangible or intangible, including, but not limited to, all biological materials, strains and molecular tools of any kind, all laboratory and other equipment, including, without limitation, the following property of the Obligor, whether now or hereafter owned (in whole or in part), existing, acquired or arising and wherever now or hereafter located: (a) all Accounts and all Goods the sale, lease or other disposition of which by the Obligor has given rise to Accounts and has been returned to, or repossessed or stopped in transit by, the Obligor; (b) all Chattel Paper, Instruments, Documents and General Intangibles (including, without limitation, all patents, patent applications, trademarks, trademark applications, tradenames, trade secrets, goodwill, copyrights, copyright applications, registrations, licenses, software, franchises, customer lists, tax refund claims, claims against carriers and shippers, guarantee claims, contract rights including, without limitation, leases and grants, payment intangibles, security interests, security deposits, rights to indemnification, strains and microorganisms and related mutants and derivatives thereof now existing or hereafter produced, fermentation processes and protocols, proprietary and confidential information and materials, sequenced genome, annotated genome, genes, genetic material, research and development projects, research tools and materials, research equipment and supplies and know-how); (c) all Inventory including, without limitation, raw materials; (d) all Goods (other than Inventory) including, without limitation, Equipment, vehicles and Fixtures; (e) all Investment Property; (f) all Deposit Accounts, bank accounts,

prepaid expenses and all deposits and cash; (g) all Letter of Credit Rights; (h) all Commercial Tort Claims, and all other claims and causes of action, whether in contract, tort or otherwise, including but not limited to the proceeds of any recovery in the Obligor's professional negligence/malpractice lawsuit against its former auditors and legal counsel; (i) any property of the Obligor now or hereafter in the possession, custody or control of the Secured Party or any agent or any parent, affiliate or subsidiary of the Secured Party for any purpose (whether for safekeeping, deposit, collection, custody, pledge, transmission or otherwise); (j) all additions and accessions to, substitutions for, and replacements, products and Proceeds of the foregoing property, including, without limitation, proceeds of all insurance policies insuring the foregoing property including, but not limited to, the proceeds of all insurance policies owned or for the benefit of the Obligor including, but not limited to, life insurance policies on its officers, directors and/or employees, all of the Obligor's books and records relating to any of the foregoing and to the Obligor's business; and (k) all access fees, milestone payments, facility fees, royalties, research and commercial payments and any other payments made in the past, present or future by any of the Obligor's licensees, collaborators or strategic partners. "Account", "Account Obligor" "Chattel Paper", "Commercial Tort Claims", Deposit Accounts", "Documents", "Equipment", "Fixtures", "General Intangibles", "Goods", "Instruments", "Inventory", "Investment Property", "Letter of Credit Rights", "Proceeds" and "Tangible Chattel Paper" shall have the meanings assigned to such terms, as of the date of this Agreement in the Uniform Commercial Code ("UCC");

(b) all proceeds of any and all of the foregoing (including, without limitation, any property or cash) and, to the extent not otherwise included, all payments under insurance (whether or not the Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing; and

(c) any other property or right constituting any part of the foregoing.

The items covered in subsections (a) - (c) shall be collectively referred to as the "Collateral".

1.2 Financing Statements. The Secured Party is hereby authorized by the Obligor to file any documents, including, without limitation, UCC Financing Statements, to perfect and/or record the security interest in the Collateral granted herein and to file amendments, releases and termination statements relating to any UCC Financing Statements.

1.3 Assignment. The rights under this Agreement and the security interest granted hereby only may be assigned or transferred by the Secured Party together with the Note in circumstances where the transfer of the Note is allowed under the terms of the Note.

Section 2 Security for Obligations. This Agreement secures the payment of all obligations of the Obligor now or hereafter existing under the Note (all such obligations of the Obligor being the "Obligations").

Section 3 Obligor Remains Liable. Anything herein to the contrary notwithstanding, should any agreements or contracts of the Obligor to the Secured Party be deemed part of the Obligor's assets and, accordingly, a part of the Collateral, (a) the Obligor shall remain liable under the

contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Secured Party of any of the rights hereunder shall not release the Obligor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) the Secured Party shall have no obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall the Secured Party be obligated to perform any of the obligations or duties of the Obligor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 4 Representations and Warranties. The Obligor represents and warrants as follows:

(a) The Obligor is the legal and beneficial owner of the Collateral subject to those liens, security interests, and other encumbrances reflected in the public records and/or on the Obligor's financial statements.

(b) This Agreement has been duly executed and delivered by the Obligor and is a valid and binding obligation of the Obligor, enforceable against the Obligor in accordance with its terms.

(c) The execution and delivery by the Obligor of this Agreement and the performance of its obligations hereunder are within the Obligor's authority and capacity and, to its knowledge, do not contravene any law, regulation, order or contractual restriction binding on or affecting the Obligor.

(d) The grant of the security interest in the Collateral pursuant to this Agreement creates a valid subordinated security interest in the Collateral in favor of the Secured Party securing the payment of all of the Obligations.

Section 5 The Obligor's Covenants.

5.1 Affirmative Covenants. The Obligor hereby covenants that so long as this Agreement remains in effect or any amount due hereunder or under the Note remains outstanding and unpaid, it will, unless otherwise consented to in writing by the Secured Party:

(a) do all things necessary to preserve and keep in full force and effect its corporate existence, including, without limitation, all licenses or similar qualifications required by it to engage in business as presently conducted; and continue to (i) engage in business as presently conducted, and (ii) conduct business substantially as presently conducted or as otherwise permitted hereunder;

(b) pay and discharge when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits, or in respect of its assets or upon any properties belonging to it, before the same shall become delinquent or in default which, if unpaid, would reasonably be expected to give rise to liens or charges upon such assets or any part thereof; provided, however, that the Obligor shall not be required to pay any such tax, assessment, charge or levy which is being contested in good faith by proper proceedings and adequate reserves for the accrual of same are maintained if required by GAAP;

(c) comply in all material respects with all federal, state and local laws and regulations, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations and requirements applicable to the operation of its business (collectively, "Requirements") of all governmental bodies, departments, commissions, boards, companies or associations insuring the Obligor or any of its assets, except where the failure so to comply would not have a material adverse effect ("Material Adverse Effect") on the Obligor or the assets; provided, however, that nothing provided herein shall prevent the Obligor from contesting the validity or the application of any Requirements;

(d) keep proper records and books of account with respect to its business activities, in which proper entries reflecting all financial transactions are made. Such books and records shall be open at reasonable times and upon reasonable notice to inspection by the Secured Party;

(e) notify the Secured Party in writing, promptly upon learning thereof, of any litigation or administrative proceeding commenced or threatened against the Obligor which involves a claim in excess of one hundred thousand dollars ($100,000);

(f) maintain at all times, preserve, protect and keep its assets used or useful in the conduct of its business in good repair, working order and condition, and make all needed and proper repairs, renewals, replacements and improvements thereof as shall be reasonably required in the conduct of its business;

(g) to the extent necessary for the operation of its business, keep adequately insured by financially sound reputable insurers, all property of a character usually insured by similar entities and carry such other insurance as is usually carried by similar entities;

(h) defend the title to the Collateral against all persons and against all claims and demands whatsoever, other than secured parties with priority lien positions;

(i) keep the Collateral free and clear of all further liens, security interests, options or other charges or encumbrances, except as authorized herein and in the ordinary course of the Obligor's business;

(j) in addition to the requirements set forth in Section 1.2 herein, on at least twenty (20) days notice in writing by the Secured Party, furnish further assurance of title, execute any written agreement or do any other acts necessary to effectuate the purposes and provisions of this Agreement, execute any instrument or statement required by law or otherwise in order to perfect, continue or terminate the security interest of the Secured Party in the Collateral including, but not limited to, filing the proper UCC financing statements and entering into account control agreements with the Obligor's banking institutions, and pay all costs in connection therewith;

(k) retain possession of the Collateral and not remove, sell, exchange, assign, loan, deliver, lease, license, mortgage or otherwise dispose of same outside of the normal course of business without the prior written consent of the Secured Party; and

(l) promptly give notice in writing to the Secured Party of the occurrence

of any default or Event of Default under this Agreement or of any default under any other material instrument or agreement to which any of them is a party.

5.2 Negative Covenants. The Obligor hereby covenants that so long as this Agreement remains in effect or any amount due hereunder or under the Note remains outstanding and unpaid, it will not, unless otherwise consented to in writing by the Secured Party:

(a) take any action or fail to take any action that would cause any lien, security interest, option or other charge or encumbrance (except for the security interests contemplated in this Agreement), whether by contract or operation of law, to be placed on any of the Collateral or otherwise to sell or transfer any such Collateral, except in the ordinary course of business;

(b) amend its Certificate of Incorporation in the case of Dyadic International, Inc., or Articles of Incorporation, in the case of Dyadic International (USA), Inc. or its respective Bylaws;

(c) incur any subsequent indebtedness senior to the Note; other than in cases of trade payables incurred in the ordinary course of business;

(d) create, incur, assume or suffer to exist any lien, security interest, option or other charge or encumbrance (except for the security interests contemplated in this Agreement) upon the Collateral (tangible or intangible) or assets, income or profits secured hereunder, whether now owned or hereafter acquired, except for (i) liens contemplated by this Agreement; (ii) statutory liens; (iii) purchase money liens and other liens granted in the ordinary course of business on equipment, fixtures and similar property; and (iv) liens which, in the aggregate, would not exceed one hundred thousand dollars ($100,000);

(e) guarantee, assume or otherwise become responsible for (directly or indirectly) the indebtedness for borrowed funds or performance obligations of any person;

(f) consummate any merger, combination or consolidation involving the Obligor (whether in a single transaction or a related series of transactions) or sell, lease, transfer or assign to any persons or otherwise dispose of (whether in a single transaction or a related series of transactions) all or substantially all of the assets (whether now owned or hereafter acquired);

(g) negatively alter the compensation or employment status of Mark A. Emalfarb, or remove him as Chairman of the Board of Directors or Director or President or Chief Executive Officer of the companies defined as the Obligor or its subsidiaries without his written consent; or

(h) Purchase or acquire any stock, obligations, assets or securities of, or any interest in, or make any capital contribution or loan or advance of money, credit or property to, any other person, or make any other investments.

Section 6 Further Assurances.

(a) The Obligor agrees that from time to time it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Secured Party may reasonably request, in order to perfect and protect the security interest granted or purported to be granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral including, but not limited to, account control agreements with the Obligor's banking institutions. Without limiting the generality of the foregoing, the Obligor will: (i) deliver and pledge to the Secured Party promptly upon receipt thereof all instruments or certificates representing or evidencing any of the Collateral duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Secured Party; and (ii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Secured Party may request, in order to perfect and preserve the security interest granted or purported to be granted hereby.

(b) The Obligor hereby authorizes the Secured Party to file financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without the signature of the Obligor where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) The Obligor will furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Party may reasonably request, all in reasonable detail.

Section 7 Default; Acceleration.

7.1 Events of Default. An Event of Default shall have been deemed to have occurred hereunder immediately at such time as any Event of Default under the Loan Agreement or the Note shall have occurred and any period for remedying such default prescribed in the Loan Agreement, the Note or this Agreement shall have expired.

7.2 Acceleration. In addition to any other remedies provided by the Loan Agreement or the Note, upon the occurrence of an Event of Default, the Secured Party may, by written notice to the Obligor, take any or all of the following actions to enforce the Secured Party's claims against the Obligor: (a) declare the principal of and any accrued interest and all other amounts payable under the Note to be due and payable, whereupon the same shall become forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Obligor, or (b) exercise any other remedies available at law or in equity, including specific performance of any covenant or other agreement contained in this Agreement. In addition to any other remedies provided by the Note, upon the occurrence of an Event of Default, then without prejudice to the rights and remedies specified in clause (b) above, the Note and other obligations of the Obligor pursuant to this Agreement shall automatically be immediately due and payable with interest and other fees, if any, thereon

without notice, demand or any other act by the Secured Party.

7.3 Remedies.

(a) On the occurrence of an Event of Default, the Secured Party shall have the following rights and remedies, which are cumulative in nature and are in addition to the rights set forth in the Loan Agreement and the Note and shall be available to the Secured Party after the Secured Party provides the Obligor written notice of the Event of Default and ten (10) days from the date of receipt of the notice to cure the default. However, if the nature of the Event of Default is such that it cannot be cured within such ten (10) day period, the Obligor shall not be deemed to be in default if the Obligor within that period commences to cure the Event of Default and thereafter diligently pursues the cure to completion within a thirty (30) day period:

(i) All rights and remedies provided by law, including but not limited to those provided by the UCC, and equitable remedies for specific performance and injunctive relief; and

(ii) All rights and remedies provided in the Loan Agreement including the Note and this Agreement.

(b) Upon any default by the Obligor hereunder, the Secured Party shall have all the rights, remedies and privileges with respect to repossession, retention and sale of any or all of the Collateral of the Obligor and disposition of the proceeds as are accorded by the applicable sections of the UCC and the Obligor shall fully cooperate with the Secured Party in exercising such rights, remedies and privileges.

(c) Upon any default by the Obligor hereunder and upon demand of the Secured Party, the Obligor shall, at its sole expense, assemble the Collateral and make it available to the Secured Party at the place and at the time designated in the demand.

Section 8 Secured Party May Perform. If the Obligor fails to perform any agreement contained herein, after notice of such failure and a reasonable cure period, the Secured Party may itself perform, or cause performance of, such agreement including, but not limited to, taking any other action which the Secured Party deems necessary or desirable for the preservation of the Collateral or the Secured Party's interest therein and the carrying out of this Agreement or the Loan Agreement or the Note, including without limiting the generality of the foregoing: (i) any action to collect or realize upon the Collateral; (ii) the discharge of taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral; (iii) the discharge or keeping current of any obligation of the Obligor having an effect on the Collateral; or (iv) receiving, endorsing and collecting all checks and other orders for the payment of money made payable to the Obligor representing any dividend, interest payment or other distribution payable or distributable in respect of the Collateral or any part thereof, and to give full discharge for the same, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Obligor.

Section 9 Secured Party's Duties. The powers conferred on the Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for accounting for moneys actually received by the Obligor

hereunder, the Secured Party shall have no duty as to any Collateral, or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

Section 10 Remedies. If any Event of Default shall have occurred and be continuing:

(a) the Secured Party may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party in the event of default under the UCC in effect in the State of Florida at that time (whether or not the UCC applies to the affected Collateral), and also may (i) require the Obligor to, and the Obligor hereby agrees that it will at its expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties, and (ii) without notice except as specified below, sell or, to the extent permitted by applicable law, purchase the Collateral or any part thereof at public or private sale, for cash, on credit or for future delivery, and upon such other terms as the Secured Party may deem commercially reasonable. The Obligor agrees that, to the extent notice of sale shall be required by law, at least twenty (20) days' notice to the Obligor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Obligor hereby waives any claim against the Secured Party arising by reason of the fact that the price at which any Collateral may have been sold at a private sale was less than the price that might have been obtained at a public sale, even if the Secured Party accepts the first offer received and does not offer such Collateral to more than one offeree; and

(b) any cash held by the Secured Party as Collateral and all cash proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Secured Party, be held by the Secured Party as collateral for, and then or at any time thereafter be applied (after payment of any amounts payable to the Secured Party under Section 14 of this Agreement) in whole or in part by the Secured Party against all or any part of the Obligations in such order as the Secured Party shall elect. Any surplus of such cash or cash proceeds held by the Secured Party and remaining after payment in full of all the Obligations shall be paid over to the Obligor or to whomsoever may be lawfully entitled to receive such surplus.

Section 11 Obligations Unconditional; Waiver of Defenses. The Obligor irrevocably agrees that no fact or circumstance whatsoever which might at law or in equity constitute a discharge or release of, or defense to the obligations of, a guarantor or surety shall limit or affect any obligations of the Obligor under this Agreement or any document or instrument executed in connection herewith. Without limiting the generality of the foregoing:

(a) The Secured Party may at any time and from time to time, without notice to the Obligor, take any or all of the following actions without affecting or impairing the liability

of the Obligor on this Agreement:

(i) renew or extend time of payment of the Obligations;

(ii) accept, substitute, release or surrender any security for the Obligations; and

(iii) release any person primarily or secondarily liable on the Obligations (including without limitation any endorser, and any guarantor)

(b) No delay in enforcing payment of the Obligations, nor any amendment, waiver, change, or modification of any terms of any document or instrument which evidences or is given in connection with the Secured Obligations, shall release the Obligor from any obligation hereunder. The obligations of the Obligor under this Agreement are and shall be primary, continuing, unconditional and absolute (notwithstanding that at any time or from time to time all of the Obligations may have been paid in full), irrespective of the value, genuineness, regularity, validity or enforceability of any documents or instruments respecting or evidencing the Obligations. In order to hold the Obligor liable or exercise rights or remedies hereunder, there shall be no obligation on the part of the Secured Party, at any time, to resort for payment to any guarantor or to any other security for the Secured Obligations. The Secured Party shall have the right to enforce this Agreement as against any one or all of the Obligor and irrespective of whether or not other proceedings or steps are being taken against any other property securing the Obligations or any other party primarily or secondarily liable on any of the Obligations.

(c) Expect as otherwise provided in any note, agreement, instrument or document evidencing the Obligations, the Obligor irrevocably waives presentment, protest, demand, notice of dishonor or default, notice of acceptance of this Agreement, notice of any loans made, extensions granted or other action taken in reliance hereon, and all demands and notices of any kind in connection with this Agreement or the Obligations.

(d) While this Agreement remains in full force and effect, the Obligor waives any claim or other right which the Obligor might now have or hereafter acquire against any other person primarily or contingently liable on the Obligations (including without limitation any maker, endorser or guarantor) or that arises from the existence or performance of the Obligor's obligations under this Agreement, including without limitation any right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim or remedy of the Secured Party against the Obligor or any other person primarily or contingently liable on the Obligations (including without limitation any maker, endorser or guarantor) or any other collateral security for the Obligations, which the Secured Party now has or hereafter acquires, however arising.

Section 12 Amendments. No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Obligor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Secured Party.

Section 13 Continuing Security Interest. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the payment in full of

the Obligations and all other amounts payable under the Note; (b) be binding upon the Obligor, its successors and assigns; and (c) inure to the benefit of, and be enforceable by, the Secured Party and its successors, transferees and assigns.

Section 14 Payment of Fees. The Obligor agrees to pay all costs and expenses of the Secured Party in enforcing or preserving any of the rights and remedies available to the Secured Party under this Agreement, the Note, the Loan Agreement or under any other documents, instruments or writings executed and delivered to the Secured Party in connection herewith including, without limitation, legal fees, costs and disbursements of the Secured Party's attorneys in the enforcement thereof.

Section 15 Liability for Deficiency. The Obligor shall remain liable for any deficiency relating to the obligations underlying the Note resulting from a sale of the Collateral and shall pay any such deficiency forthwith on demand.

Section 16 Survival of Agreements. All agreements, representations and warranties made herein and in any certificates delivered pursuant hereto shall survive the execution and delivery of this Agreement and the Note, and shall continue in full force and effect until the indebtedness of the Obligor under the Note and all other Obligations hereunder and thereunder have been paid in full.

Section 17 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Obligor and its successors and assigns, except that the Obligor may not transfer or assign any of its rights or interests hereunder without the prior written consent of the Secured Party, which consent may be given or withheld in the Secured Party's absolute discretion. The Secured Party may only assign this Agreement and its rights or interests hereunder together with an assignment of the Loan Agreement and the Note that is allowable under the terms of the Loan Agreement and the Note.

Section 18 Construction of Agreement; Jurisdiction and Venue. This Agreement and the Note and the rights and obligations of the parties hereunder and thereunder shall be governed by, and construed and interpreted in accordance with, the law of the State of Florida, without regard to principles of conflicts of law. THE OBLIGOR AND THE SECURED PARTY, IN ANY LITIGATION IN WHICH THE SECURED PARTY OR THE OBLIGOR SHALL BE AN ADVERSE PARTY, WAIVE TRIAL BY JURY, WAIVE THE RIGHT TO CLAIM THAT A FORUM OR VENUE SPECIFIED HEREIN IS AN INCONVENIENT FORUM OR VENUE AND WAIVE THE RIGHT TO INTERPOSE ANY SETOFF, DEDUCTION OR COUNTERCLAIM OF ANY NATURE OR DESCRIPTION, AND IRREVOCABLY CONSENT TO THE JURISDICTION OF THE FLORIDA STATE COURT IN PALM BEACH COUNTY IN ANY SUCH SUIT, ACTION OR PROCEEDING, AND THE OBLIGOR AND THE SECURED PARTY FURTHER AGREE TO ACCEPT AND ACKNOWLEDGE SERVICE OF ANY AND ALL PROCESS WHICH MAY BE SERVED UPON THEM IN ANY SUCH SUIT, ACTION OR PROCEEDING VIA CERTIFIED MAIL TO THE ADDRESS AS SET FORTH IN THE ASSET PURCHASE AGREEMENT WITH RESPECT TO THE OBLIGOR AND THE SECURED PARTY. If any of the provisions of this Agreement shall be or become illegal or unenforceable under any law, the other provisions shall remain in full force and effect.

Section 19 Counterparts. This Agreement may be signed in counterparts with the same effect as if the signatures to each counterpart were upon a single instrument, and both such counterparts together shall be deemed an original of this Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands as of the date first written above.

[Name of Entity]

By: _____
Name:
Title:

DYADIC INTERNATIONAL, INC.

By: _____
Name: Adam J. Morgan
Title: Vice President General Counsel & Business Development

DYADIC INTERNATIONAL (USA), INC.

By: _____
Name: Adam J. Morgan
Title: Vice President General Counsel & Business Development

Capital Stock

Common Stock, $.001 par value

Authorized Shares: 100,000,000 (as of June 30, 2010)
Issued and Outstanding: 31,006,995 and 30,613,995, respectively (as of June 30, 2010)

Preferred Stock, $.0001 par value

Authorized Shares: 5,000,000 (as of June 30, 2010)
Issued and Outstanding: None (as of June 30, 2010)

Description of Equity Plans

The Borrower maintains the Dyadic International, Inc. 2001 Equity Compensation Plan (as amended and restated, the "2001 Equity Plan") and the Dyadic International, Inc. 2006 Stock Option Plan, as amended (the "2006 Option Plan") (the 2001 Equity Plan and the 2006 Option Plan are hereinafter collectively referred to as the "Equity Compensation Plans"). All options granted under the Equity Compensation Plans are service-based and typically vest over a four year period.

2001 Equity Plan

Under the 2001 Equity Plan, 4,478,475 shares of common stock have been reserved for issuance. As of the date hereof, there were 43,500 stock options outstanding and 3,926,475 stock options available for grant under the 2001 Equity Plan. The term of the stock options outstanding under the 2001 Equity Plan is five years.

2006 Stock Option Plan

Under the 2006 Option Plan, 4,700,000 shares of common stock have been reserved for issuance. As of the date hereof, there were 3,147,125 stock options outstanding and 1,403,000 stock options available for grant under the 2006 Option Plan. The term of the stock options outstanding under the 2006 Option Plan is ten years.

Secured Indebtedness

The Amended and Restated Note dated as of November 14, 2008 (the "MAE Note") payable to the Mark A. Emalfarb Trust under agreement dated October 1, 1987, as amended (the "MAE Trust"), matured on January 1, 2009 and has not been amended since that time. The MAE Note is secured by all of the assets of the Borrower.

As of June 30, 2010, the outstanding principal amount of the MAE Note was approximately $1.4 million.

As of June 30, 2010, accrued interest payable to the MAE Trust under the MAE Note was approximately $34,000.

Exhibit 10.16

LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement") made this 30th day of September, 2011 by and among _____, (the "Lender"), and **DYADIC INTERNATIONAL, INC.**, a Delaware corporation, and its wholly-owned subsidiary **DYADIC INTERNATIONAL (USA), INC.**, a Florida corporation (together, the "Borrower").

Recitals:

A. The Borrower seeks to borrow up to three million dollars ($3,000,000) in the aggregate on or before October 31, 2011 from private lenders (the "Offering").

B. The Lender has agreed to participate in the Offering.

C. The loans comprising the Offering shall be subordinated, secured and convertible into restricted shares of the Borrower's common stock, all on the terms set forth herein below.

NOW THEREFORE, based on the foregoing and for valuable consideration, the parties hereto hereby agree as follows:

1. Lending Commitment. The Lender hereby commits to lend _____ dollars ($_____) to the Borrower (the "Commitment"). The Lender shall disburse funds under the Commitment upon receipt of a fully executed Convertible Subordinated Secured Promissory Note in the form attached hereto as Exhibit "A" (the "Note") and a fully executed Security Agreement in the form attached hereto as Exhibit "B" (the "Security Agreement"), each of which forms a part hereof, provided such receipt occurs on or before September 30, 2011.

2. Representations and Warranties. The Borrower hereby represents and warrants that:

   (a) The Borrower is duly organized, validly existing and in good standing under the laws of Delaware in the case of Dyadic International, Inc. and the laws of Florida in the case of Dyadic International (USA), Inc.; has the corporate power to carry out the business in which it is engaged; and the execution and delivery of this Agreement and any related documents (including but not limited to the Note and the Security Agreement) have been duly authorized by all necessary action of the directors of the Borrower and are not and will not be in contravention of any provision of law nor in contravention of any organizational documents of the Borrower, nor result in the breach of any agreement, indenture, or undertaking to which it is a party or by which it is bound.

   (b) There is no action, suit, proceeding or investigation at law in equity or before any court, public board or body pending, or to the Borrower's knowledge, threatened against or affecting it, that could or might adversely affect the validity or enforceability of this Agreement, or the Borrower's ability to discharge its obligations under this Agreement., or would, if there were an unfavorable

decision, individually or in the aggregate, have or reasonably be expected to result in a material and adverse effect on the results of operations, assets, prospects, business or condition (financial or otherwise) of the Lender and its subsidiaries (a "Material Adverse Effect").

(c) No consent or approval is necessary from any governmental authority as a condition to the execution and delivery of this Agreement by the Borrower or the performance of any of its obligations hereunder.

(d) The execution, delivery and performance of this Agreement, the Note and the Security Agreement (the "Transaction Documents") by the Borrower and the consummation by the Borrower of the transactions contemplated thereby do not and will not (i) conflict with or violate any provision of the Borrower's or any of the Borrower's subsidiaries' certificate or articles of incorporation (as applicable), bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Borrower or subsidiary debt or otherwise) or other understanding to which the Borrower or any subsidiary is a party or by which any property or asset of the Borrower or any subsidiary is bound or affected, or (iii) result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Borrower or any subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Borrower or any subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

(e) The common stock of Dyadic International, Inc. issuable upon conversion of the Note (the "Common Stock," and together with the Note, the "Securities") have been duly authorized and, when issued and paid for in accordance with the Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all liens. The Borrower has reserved from its duly authorized capital stock a number of shares of Common Stock issuable upon conversion of the Note. All securities previously issued by the Borrower were duly and validly issued, fully paid and nonassessable when issued.

(f) The number of shares and type of all authorized, issued and outstanding capital stock of the Borrower, and all shares of Common Stock reserved for issuance under the Borrower's various option and incentive plans, are specified in Schedule 2(f). Except as specified in Schedule 2(f), no securities of the Borrower are entitled to preemptive or similar rights, and no person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as specified in Schedule 2(f), there are no outstanding options, warrants, scrip rights

to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exchangeable for, or giving any person any right to subscribe for or acquire, any shares of Common Stock, or contracts, commitments, understandings or arrangements by which the Borrower or any subsidiary is or may become bound to issue additional shares of Common Stock, or securities or rights convertible or exchangeable into shares of Common Stock. The issue and sale of the Securities will not, immediately or with the passage of time, obligate the Borrower to issue shares of Common Stock or other securities to any person and will not result in a right of any holder of the Borrower securities to adjust the exercise, conversion, exchange or reset price under such securities.

(g) Since the date of the latest audited financial statements, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Borrower has not incurred any liabilities (contingent or otherwise) other than (A) trade payables, accrued expenses and other liabilities incurred in the ordinary course of business consistent with past practice and (B) liabilities (not to exceed fifty thousand dollars ($50,000)) not required to be reflected in the Borrower's financial statements pursuant to United States Generally Accepted Accounting Principles, (iii) the Borrower has not altered its method of accounting or the identity of its auditors, (iv) the Borrower has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock, and (v) the Borrower has not issued any equity securities to any officer, director or affiliate, except pursuant to existing the Borrower stock option plans and consistent with past practice.

(h) No material labor dispute exists or, to the knowledge of the Borrower, is imminent with respect to any of the employees of the Borrower.

(i) Neither the Borrower nor any subsidiary (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Borrower or any subsidiary under), nor has the Borrower or any subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any order of any court, arbitrator or governmental body, or (iii) is or has been in violation of any statute, rule or regulation of any governmental authority, including, without limitation, all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

(j) The Borrower and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses, except where the failure to possess such permits could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, and neither the Borrower nor any subsidiary has received any notice of proceedings relating to the revocation or modification of any such permits.

(k) The Borrower and the subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, licenses and other similar rights that are necessary or material for use in connection with their respective businesses and which the failure to so have could, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect (collectively, the "Intellectual Property Rights"). Neither the Borrower nor any subsidiary has received a written notice that the Intellectual Property Rights used by the Borrower or any subsidiary violates or infringes upon the rights of any person. To the knowledge of the Borrower, all such Intellectual Property Rights are enforceable and there is no existing infringement by another person of any of the Intellectual Property Rights.

(l) The Borrower and the subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with United States Generally Accepted Accounting Principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(m) The Borrower's assets constitute sufficient capital to carry on its business for the current fiscal year as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Borrower, and projected capital requirements and capital availability thereof.

(n) The Borrower is not, and is not an affiliate of, and immediately following the date hereof will not have become, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(o) As of the date of this Agreement, other than as set forth in Schedule 2(o), the Borrower has no debt that is secured by any lien.

(p) As of the date of this Agreement, except as set forth on Schedule 2(p), no indebtedness of the Borrower is senior to the Note in right of payment, whether

with respect to interest or upon liquidation or dissolution, or otherwise.

(q) The Borrower confirms that neither it nor any person acting on its behalf has provided the Lender or its respective agents or counsel with any information that the Borrower believes constitutes material, non-public information except insofar as the existence and terms of the proposed transactions hereunder may constitute such information. The Borrower understands and confirms that the Lender will rely on the foregoing representations and covenants in effecting transactions in securities of the Borrower. All disclosure provided to the Lender regarding the Borrower, its business and the transactions contemplated hereby, furnished by or on behalf of the Borrower (including the Borrower's representations and warranties set forth in this Agreement) are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

3. Covenants. The Borrower shall at all times preserve its legal existence. In the event the Borrower wishes to: sell, lease, or otherwise dispose of all or substantially all of its assets; make a public offering of its capital stock; or take any action which would result in a change in the control of, or in fifty percent (50%) or more of, the equity ownership (including, without limitation, a merger, reorganization or consolidation) of the Borrower from the form of ownership or control (as the case may be) which exists as of the date of this Agreement, the Borrower shall provide the Lender thirty (30) days written notice prior to the effective date of such event and, upon the date of closing of such event, the outstanding principal and any accrued interest under the Note shall be immediately due and payable to the Lender and this Agreement may be terminated by the Lender.

4. Independent Status. Neither this Agreement nor any provisions hereof shall be deemed to create a partnership or joint venture between the Lender and the Borrower. The relationship of the parties is strictly that of a borrower and lender. The Borrower specifically agrees that it shall not represent itself as an agent or employee of the Lender, nor is this Agreement intended to be construed so as to make the Borrower an agent or employee of the Lender.

5. Disclosure of Information.

(a) Although the Borrower is under no obligation to provide trade secrets or confidential proprietary information to the Lender, in the event that the Borrower provides any such information to the Lender, the Lender shall exert its best efforts to protect the confidentiality of technical, scientific or financial information considered proprietary by the Borrower until such time as such information becomes publicly available through no fault of the Lender and in accordance with the terms of any confidentiality agreement between the Borrower and the Lender. The Borrower acknowledges and agrees that as of the date hereof no trade secrets, confidential proprietary information, or non-public information with respect to the Borrower or its subsidiaries has been provided to the Lender.

(b) The Borrower periodically discloses material financial and other information to the public through its financial statements. The Lender hereby acknowledges having had the opportunity to review such financial statements before entering into this Agreement including, but not limited to, the Borrower's financial statements for the year ended December 31, 2010 and the quarterly periods ended March 31, and June 30, 2011.

6. Events of Default and Remedies.

(a) Each of the following shall constitute an "Event of Default" by the Borrower under this Agreement, whatever the reason for such Event of Default and whether it shall be voluntary or involuntary, or be affected by operation of law or otherwise:

i. Any payment of principal or interest on the Note, or any other amount due hereunder, is not made when due;

ii. Any provision, covenant or agreement of the Borrower in this Agreement (including the Note and the Security Agreement), is breached or proves to be untrue or misleading in any material respect;

iii. Any warranty, representation or statement made or furnished to the Lender by the Borrower in this Agreement (including the Note and the Security Agreement), is untrue or misleading in any material respect;

iv. Any voluntary or involuntary bankruptcy, reorganization, insolvency, arrangement, receivership, or similar proceeding is commenced by or against the Borrower under any federal or state law, or the Borrower makes an assignment for the benefit of creditors; or

v. Any substantial part of the inventory, equipment or other property of the Borrower, real or personal, tangible or intangible, is damaged or destroyed and the damage or destruction is not covered by collectible insurance.

(b) Subject to Section 7.3(a) of the Security Agreement, upon the occurrence of any Event of Default, and in every such event, the Lender, upon notice to the Borrower, may declare the principal of and interest on the Note and other amounts payable under this Agreement to be, and the Note and all such other amounts shall thereupon become, due and payable to the Lender, without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or the Note to the contrary notwithstanding. In addition to the foregoing, the Lender shall have all the rights and remedies of a secured party under Florida law. No remedy herein conferred upon or reserved to the Lender is intended to be exclusive of any other remedy

or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now hereafter existing in law or equity. No failure or delay by the Lender in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its other or further exercise of any power or right. The Lender may, by written notice to the Borrower, at any time and from time to time, waive any Event of Default or "Unmatured Event of Default" (as defined below), which shall be for such period and subject to such conditions as shall be specified in any such notice. In the case of any such waiver, the Lender and the Borrower shall be restored to their former position and rights hereunder, and any Event of Default or Unmatured Event of Default so waived shall be deemed to be cured and not continuing; but no such waiver shall extend to or impair any subsequent or other Event of Default or Unmatured Event of Default. No failure to exercise, and no delay in exercising, on the part of the Lender of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of the Lender herein provided are cumulative and not exclusive of any rights or remedies provided by law. "Unmatured Event of Default" means any event or condition which might become an Event of Default if continuing after notice or the passage of time or both.

7. Notices. All notices required or permitted to be delivered hereunder and all communications in respect hereof shall be in writing and shall be deemed given on the date it is personally delivered or on the date it is deposited in the United States mail, certified, return receipt requested, first class postage prepaid and addressed as follows:

If to the Lender, to:

If to the Borrower, to: Dyadic International, Inc.
Dyadic International (USA), Inc.
140 Intracoastal Pointe Dr., Suite 404
Jupiter, FL 33477
Attn: General Counsel

or addressed to such other address or to the attention of such other individual as the Lender or the Borrower shall have specified in a notice delivered pursuant to this section.

8. Construction. This Agreement shall be construed and governed by the laws of the State of Florida, excepting only its conflict of law principles.

9. Benefit and Assignment. The rights, duties and obligations of the parties under this Agreement shall inure to the benefit of the parties and shall be binding upon their successors and permitted assigns. Neither this Agreement nor the respective rights, duties, obligations, and responsibilities of the Borrower may by transferred or assigned, in whole or in part, by the Borrower to any other person, firm or organization (including sub-agents) without the prior written consent of the Lender. The Lender may freely assign or transfer its rights, duties, obligations and responsibilities, in whole or in part, to

any other party, other than a competitor of the Borrower, without the prior consent of the Borrower.

10. Survival. All representations and warranties made by the Borrower herein shall survive delivery of the Note hereunder.

11. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any manner, in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

12. Furnishing of Information. If the Borrower is not required to file reports pursuant to the Securities Exchange Act of 1934, as amended, it will prepare and furnish to the Lender and make publicly available in accordance with Rule 144(c) such information as is required for the Lender to sell the Common Stock under Rule 144. The Borrower further covenants that it will take such further action as the Lender may reasonably request, all to the extent required from time to time to enable the Lender to sell the Common Stock without registration under the Securities Act of 1933, as amended, within the limitation of the exemptions provided by Rule 144.

13. Reservation of Shares. The Borrower shall maintain a reserve from its duly authorized shares of Common Stock equal to the shares of Common Stock required to comply with its conversion obligations under the Note. If on any date the Borrower would be, if notice of conversion were to be delivered on such date, precluded from issuing the number of shares of Common Stock issuable upon conversion in full of the Note due to the unavailability of a sufficient number of authorized but unissued or reserved shares of Common Stock, then the Board of Directors of the Borrower shall promptly prepare and mail to the stockholders of the Borrower proxy materials or other applicable materials requesting authorization to amend the Borrower's certificate of incorporation or other organizational document to increase the number of shares of Common Stock which the Borrower is authorized to issue so as to provide enough shares for issuance of the Common Stock. In connection therewith, the Board of Directors shall (a) adopt proper resolutions authorizing such increase, (b) recommend to and otherwise use its best efforts to promptly and duly obtain stockholder approval to carry out such resolutions (and hold a special meeting of the stockholders as soon as practicable, but in any event not later than the 60th day after delivery of the proxy or other applicable materials relating to such meeting) and (c) within five (5) business days of obtaining such stockholder authorization, file an appropriate amendment to the Borrower's certificate of incorporation or other organizational document to evidence such increase.

14. Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Lender and the Borrower will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations described in the foregoing sentence and hereby agrees to waive

in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

15. Indemnification of Lender. The Borrower will indemnify and hold the Lender and its members, partners, employees and agents (each, a "Lender Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation (collectively, "Losses") that any such Lender Party may suffer or incur as a result of or relating to any misrepresentation, breach or inaccuracy of any representation, warranty, covenant or agreement made by the Borrower in the Transaction Documents. In addition to the indemnity contained herein, the Borrower will reimburse each Lender Party for its reasonable legal and other expenses (including the cost of any investigation, preparation and travel in connection therewith) incurred in connection therewith, as such expenses are incurred.

16. Payment Set Aside. To the extent the Borrower makes a payment or payments to the Lender pursuant to any Transaction Document or the Lender enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Borrower, a trustee, receiver or any other person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

17. Entire Agreement. This Agreement (including the Note and the Security Agreement) and any related documents (including financing statements as applicable) supersede all prior discussions and/or agreements between the Lender and the Borrower, and express the entire understanding with respect to the subject matter hereof, and shall not be amended, modified, or altered, nor any of their provisions waived, without the prior written consent of both the Borrower and the Lender.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

LENDER:
[Name of Entity]
By: _____
Name:
Title:

BORROWER:

DYADIC INTERNATIONAL, INC.

By: _____

Name: Adam J Morgan
Title: Vice President General Counsel & Business Development

DYADIC INTERNATIONAL (USA), INC.

By: _____

Name: Adam J. Morgan
Title: Vice President General Counsel & Business Development

NEITHER THIS CONVERTIBLE SUBORDINATED SECURED PROMISSORY NOTE NOR THE SECURITIES ISSUABLE UPON CONVERSION HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER SAID ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN APPLICABLE EXEMPTION THEREFROM.

CONVERTIBLE SUBORDINATED SECURED PROMISSORY NOTE

Jupiter, Florida
$_____ September 30, 2011

FOR VALUE RECEIVED, Dyadic International, Inc., a Delaware corporation, and Dyadic International (USA), Inc., a Florida corporation (together, " ***Payor***"), hereby promises to pay to the order of _____ ("***Holder***"), the principal sum of _____ dollars ($_____) with interest on the outstanding principal amount at the rate of eight percent (8%) per annum, compounded annually based on a 365-day year. Interest shall commence upon the date hereof and shall continue on the outstanding principal until paid in full or converted pursuant to Section 2 below.

1. PAYMENT; MATURITY. At any time upon or after the earlier of (i) January 1, 2013, (ii) an Event of Default, or (iii) a Change of Control (the " ***Maturity Date***"), if this Note has not been converted in accordance with the terms of Section 2 below, Holder may demand payment of the entire outstanding principal balance of this Note and all unpaid accrued interest thereon. Interest shall be paid on the last day of each calendar quarter beginning on December 31, 2011. All payments of interest and principal shall be in lawful money of the United States of America. All payments shall be applied first to accrued interest, and thereafter to principal. If any payments on this Note become due on a Saturday, Sunday or a public holiday under the laws of the State of Florida, such payment shall be made on the next succeeding business day and such extension of time shall be included in computing interest in connection with such payment. An "***Event of Default***" shall have the meaning set forth in that certain Loan Agreement dated of even date herewith between Payor and Holder (the "***Loan Agreement***") to which this Note is an exhibit. A " ***Change of Control***" means (a) the consummation of a sale, transfer or lease of all or substantially all of Payor's assets, or (b) the consummation of an acquisition of Payor by another entity in which Payor's stockholders immediately prior to the transaction do not control a majority of the voting securities of the surviving entity.

2. ELECTIVE CONVERSION.

(a) The outstanding principal balance and the interest thereon of this Note may be converted, in whole or in part, by Holder, as follows. To effectuate Holder's election to convert this Note pursuant to this Section 2(a), Holder shall deliver to Payor a notice setting forth its desire to convert and Holder shall surrender this Note, duly endorsed, to Payor or its transfer agent. Payor shall not be obligated to issue certificates evidencing the common stock of Dyadic International, Inc. (the "***Common Stock***") issuable upon such conversion unless this Note is either delivered to Payor or its transfer agent, or Holder notifies Payor or its transfer agent that this Note has been lost, stolen or destroyed and executes an agreement satisfactory to Payor to indemnify Payor from any loss incurred by it in connection with this Note. Payor shall, within

five (5) business days after such delivery, or such agreement and indemnification, issue and deliver at such office to Holder a certificate or certificates for the Common Stock to which Holder shall be entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of the closing of receipt of Holder's notice of election. The person or persons entitled to receive Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock on such date.

(b) If by the fifth trading day after the date the Note is delivered for conversion Payor fails to deliver to Holder such shares issuable upon conversion of this Note in such amounts and in the manner requested, then Holder will have the right to rescind its conversion request pertaining thereto by giving written notice to Payor prior to Holder's receipt of such shares.

(c) If by the fifth trading day after the date the Note is delivered for conversion Payor fails to deliver to Holder the required number of shares in the manner requested, and if after such fifth trading day and prior to the receipt of such shares, the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by Holder of the shares which Holder anticipated receiving upon such conversion (a "***Buy-In***"), then Payor shall: (1) pay in cash to Holder (in addition to any other remedies available to or elected by Holder) the amount by which (x) Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (A) the number of shares that Payor was required to deliver to Holder in connection with the exercise at issue by (B) the closing price at the time of the obligation giving rise to such purchase obligation and (2) at the option of Holder, either void the conversion at issue and reinstate the principal amount of the Note (plus accrued interest therein) for which such conversion was not timely honored or deliver to Holder the number of shares of Common Stock that would have been issued had Payor timely complied with its exercise and delivery obligations hereunder. Holder shall provide Payor reasonably detailed evidence or written notice indicating the amounts payable to Holder in respect of the Buy-In.

(d) Notwithstanding anything to the contrary contained herein, the number of shares of Common Stock that may be acquired by Holder upon conversion of the Note (or otherwise in respect hereof) shall be limited to the extent necessary to insure that, following such conversion (or other issuance), the total number of shares of Common Stock then beneficially owned by Holder and its affiliates and any other persons whose beneficial ownership of Common Stock would be aggregated with Holder's for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), does not exceed 4.9% of the total number of issued and outstanding shares of Common Stock (including for such purpose the shares of Common Stock issuable upon such conversion) of Payor. For such purposes, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. By written notice to Payor, Holder may waive the provisions of this Section 2(d) as to itself but any such waiver will not be effective until the 61st day after delivery thereof.

(e) The conversion price in the event of such an elective conversion shall be equal to the lesser of (i) $1.82 and (ii) one hundred twenty percent (120%) of the 30-day average closing price of Payor's Common Stock for the 30 trading days immediately following the date on which Payor publicly discloses the final determination of its binding arbitration proceedings against Ernst & Young LLP and Ernst & Young-Hong Kong, L.P., subject to equitable adjustment for any stock dividends, splits, combination, distribution, or other transaction having similar effect.

3. Subordinate Debt. The indebtedness represented by this Note is subordinate in right of payment to all current secured indebtedness of Payor as set forth in the condensed consolidated financial statements, including the notes thereto, of Payor for the quarter ended June 30, 2011.

4. Security. Payment of this Note is secured and otherwise entitled to the benefits of that certain Security Agreement of even date herewith (the " ***Security Agreement***") made by Payor in favor of Holder.

5. Waiver; Payment of Fees and Expenses.

(a) Payor expressly and irrevocably waives presentment, protest and demand for payment. The right to plead any and all statutes of limitations as a defense to any demands hereunder is hereby waived to the full extent permitted by law. No delay by Holder shall constitute a waiver, election or acquiescence by it.

(b) Payor agrees to pay upon demand all expenses (including, without limitation, attorneys' fees, legal costs and expenses, whether in or out of court, in original or appellate proceedings or in bankruptcy) incurred or paid by Holder or any holder hereof in connection with the enforcement or preservation of its rights hereunder or under any document or instrument executed in connection herewith.

6. REPRESENTATIONS AND WARRANTIES OF HOLDER. Holder hereby represents and warrants to Payor as follows:

(a) **Purchase Entirely for Own Account**. This Note is issued to Holder in reliance upon the Holder's representation to Payor, which by Holder's execution of this Note Holder hereby con-firms, that this Note and the Common Stock issuable upon the conversion hereof (together, the "***Securities***") will be acquired for investment for Holder's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that Holder has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Note, Holder further represents that Holder does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Securities. Holder has not been formed for the specific purpose of acquiring the Securities.

(b) **Restricted Securities**. Holder understands that no public market now exists for any of the Securities to be issued by Payor in the event of conversion of the Note and that Payor has made no assurances that a public market will ever exist for the Securities. Holder understands that the Securities have not been and may never be registered under the Act, and without such registration, may only be sold through a specific exemption from the registration provisions of the Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of Holder's representations as expressed herein. Holder understands that the Securities are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, Holder must hold the Securities indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available.

(c) **Accredited Investor**. Holder is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Act.

7. MISCELLANEOUS

(a) **Public Disclosure of Arbitration.** Payor covenants to publicly disclose the final determination of its binding arbitration proceedings against Ernst & Young LLP and Ernst & Young-Hong Kong, L.P. as promptly as possible following its being notified of the final determination of such proceeding.

(b) **Governing Law.** This Note and any document or instrument executed in connection herewith shall be governed by and construed in accordance with the internal laws of the State of Florida.

(c) **Successors and Assigns; Assignment.** The terms and conditions of this Note shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Payor may not assign this Note or delegate any of its obligations hereunder without the written consent of Holder. Holder may freely assign or transfer its rights, duties, obligations and responsibilities, in whole or in part, to any other party, other than a competitor of Payor, without the prior consent of Payor.

(d) **Titles and Subtitles.** The titles and subtitles used in this Note are used for convenience only and are not to be considered in construing or interpreting the Note.

(e) **Notices.** All notices required or permitted under this Note shall be given in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after deposit in the United States mail, by registered or certified mail, postage prepaid and properly addressed to the party to be notified, or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt.

(f) **Default Rate of Interest**. Upon the occurrence of an Event of Default, interest shall accrue on the outstanding principal of this Note so long as such default continues at the rate of four-teen percent (14%) per annum. Payor does not intend or expect to pay, nor does Holder intend or expect to charge, accept or collect any interest which, when added to any fee or other charge upon the principal which may legally be treated as interest, is in excess of the highest lawful rate. If acceleration, prepayment or any other charges upon the principal or any portion thereof, or any other circumstance, result in the computation or earning of interest in excess of the highest lawful rate, then any and all such excess is hereby waived and shall be applied against the remaining principal balance. Without limiting the generality of the foregoing, and notwithstanding anything to the contrary contained herein or otherwise, no deposit of funds shall be required in connection herewith which will, when deducted from the principal amount outstanding hereunder, cause the rate of interest hereunder to exceed the highest lawful rate.

(g) **Miscellaneous**. Unless the context requires otherwise, wherever used herein the singular shall include the plural and vice versa, and the use of one gender shall also denote the other. Captions herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof; references herein to Sections or provisions without reference to the document in which they are contained are references to this Note.

In Witness Whereof, the parties have executed this **Convertible Subordinated secured Promissory Note** as of the date first written above.

DYADIC INTERNATIONAL, INC.

By: _____

Name: Adam J. Morgan
Title: Vice President General Counsel & Business Development

DYADIC INTERNATIONAL (USA), INC.

By: _____

Name: Adam J. Morgan
Title: Vice President General Counsel & Business Development

AGREED TO AND ACCEPTED
this 30th day of September, 2011:

[Name of Lender]

By: _____

Name:
Title:

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Agreement") made this 30th day of September, 2011 by and among **DYADIC INTERNATIONAL, INC.**, a Delaware corporation, and **DYADIC INTERNATIONAL (USA), INC.**, a Florida corporation (together, the "Obligor"), and _____ (the "Secured Party").

Recitals:

A. The Secured Party is simultaneously herewith providing the Obligor with a loan pursuant to the terms of a Loan Agreement of even date herewith (the "Loan Agreement").

B. The Obligor is evidencing its repayment obligation for such loan by executing and delivering to the Secured Party a Convertible Subordinated Secured Promissory Note of even date herewith (the "Note"). Payment of the Note is secured by the security interest granted herein below.

NOW THEREFORE, based on the foregoing, for value received, the parties hereto agree as follows:

Section 1 Grant of Security Interest.

1.1 Grant of Security. To secure the Obligor's obligation to pay the principal amount represented by the Note and any accrued and unpaid interest, the Obligor hereby grants to the Secured Party a continuing subordinated security interest in and to all of the Obligor's right, title and interest in, to and under:

(a) all of the assets of the Obligor and its subsidiaries, wherever located, of every kind and description, tangible or intangible, including, but not limited to, all biological materials, strains and molecular tools of any kind, all laboratory and other equipment, including, without limitation, the following property of the Obligor, whether now or hereafter owned (in whole or in part), existing, acquired or arising and wherever now or hereafter located: (a) all Accounts and all Goods the sale, lease or other disposition of which by the Obligor has given rise to Accounts and has been returned to, or repossessed or stopped in transit by, the Obligor; (b) all Chattel Paper, Instruments, Documents and General Intangibles (including, without limitation, all patents, patent applications, trademarks, trademark applications, tradenames, trade secrets, goodwill, copyrights, copyright applications, registrations, licenses, software, franchises, customer lists, tax refund claims, claims against carriers and shippers, guarantee claims, contract rights including, without limitation, leases and grants, payment intangibles, security interests, security deposits, rights to indemnification, strains and microorganisms and related mutants and derivatives thereof now existing or hereafter produced, fermentation processes and protocols, proprietary and confidential information and materials, sequenced genome, annotated genome, genes, genetic material, research and development projects, research tools and materials, research equipment and supplies and know-how); (c) all Inventory including, without limitation, raw materials; (d) all Goods (other than Inventory) including, without limitation, Equipment, vehicles and Fixtures; (e) all Investment Property; (f) all Deposit Accounts, bank accounts,

prepaid expenses and all deposits and cash; (g) all Letter of Credit Rights; (h) all Commercial Tort Claims, and all other claims andcauses of action, whether in contract, tort or otherwise, including but not limited to the proceeds of any recovery in the Obligor's professional negligence/malpractice lawsuit against its former auditors and legal counsel; (i) any property of the Obligor now or hereafter in the possession, custody or control of the Secured Party or any agent or any parent, affiliate or subsidiary of the Secured Party for any purpose (whether for safekeeping, deposit, collection, custody, pledge, transmission or otherwise); (j) all additions and accessions to, substitutions for, and replacements, products and Proceeds of the foregoing property, including, without limitation, proceeds of all insurance policies insuring the foregoing property including, but not limited to, the proceeds of all insurance policies owned or for the benefit of the Obligor including, but not limited to, life insurance policies on its officers, directors and/or employees, all of the Obligor's books and records relating to any of the foregoing and to the Obligor's business; and (k) all access fees, milestone payments, facility fees, royalties, research and commercial payments and any other payments made in the past, present or future by any of the Obligor's licensees, collaborators or strategic partners. "Account", "Account Obligor" "Chattel Paper", "Commercial Tort Claims", Deposit Accounts", "Documents", "Equipment", "Fixtures", "General Intangibles", "Goods", "Instruments", "Inventory", "Investment Property", "Letter of Credit Rights", "Proceeds" and "Tangible Chattel Paper" shall have the meanings assigned to such terms, as of the date of this Agreement in the Uniform Commercial Code ("UCC");

(b) all proceeds of any and all of the foregoing (including, without limitation, any property or cash) and, to the extent not otherwise included, all payments under insurance (whether or not the Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing; and

(c) any other property or right constituting any part of the foregoing.

The items covered in subsections (a) - (c) shall be collectively referred to as the "Collateral".

1.2 Financing Statements. The Secured Party is hereby authorized by the Obligor to file any documents, including, without limitation, UCC Financing Statements, to perfect and/or record the security interest in the Collateral granted herein and to file amendments, releases and termination statements relating to any UCC Financing Statements.

1.3 Assignment. The rights under this Agreement and the security interest granted hereby only may be assigned or transferred by the Secured Party together with the Note in circumstances where the transfer of the Note is allowed under the terms of the Note.

Section 2 Security for Obligations. This Agreement secures the payment of all obligations of the Obligor now or hereafter existing under the Note (all such obligations of the Obligor being the "Obligations").

Section 3 Obligor Remains Liable. Anything herein to the contrary notwithstanding, should any agreements or contracts of the Obligor to the Secured Party be deemed part of the Obligor's assets and, accordingly, a part of the Collateral, (a) the Obligor shall remain liable under the

contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Secured Party of any of the rights hereunder shall not release the Obligor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) the Secured Party shall have no obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall the Secured Party be obligated to perform any of the obligations or duties of the Obligor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 4 Representations and Warranties. The Obligor represents and warrants as follows:

(a) The Obligor is the legal and beneficial owner of the Collateral subject to those liens, security interests, and other encumbrances reflected in the public records and/or on the Obligor's financial statements.

(b) This Agreement has been duly executed and delivered by the Obligor and is a valid and binding obligation of the Obligor, enforceable against the Obligor in accordance with its terms.

(c) The execution and delivery by the Obligor of this Agreement and the performance of its obligations hereunder are within the Obligor's authority and capacity and, to its knowledge, do not contravene any law, regulation, order or contractual restriction binding on or affecting the Obligor.

(d) The grant of the security interest in the Collateral pursuant to this Agreement creates a valid subordinated security interest in the Collateral in favor of the Secured Party securing the payment of all of the Obligations.

Section 5 The Obligor's Covenants.

5.1 Affirmative Covenants. The Obligor hereby covenants that so long as this Agreement remains in effect or any amount due hereunder or under the Note remains outstanding and unpaid, it will, unless otherwise consented to in writing by the Secured Party:

(a) do all things necessary to preserve and keep in full force and effect its corporate existence, including, without limitation, all licenses or similar qualifications required by it to engage in business as presently conducted; and continue to (i) engage in business as presently conducted, and (ii) conduct business substantially as presently conducted or as otherwise permitted hereunder;

(b) pay and discharge when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits, or in respect of its assets or upon any properties belonging to it, before the same shall become delinquent or in default which, if unpaid, would reasonably be expected to give rise to liens or charges upon such assets or any part thereof; provided, however, that the Obligor shall not be required to pay any such tax, assessment, charge or levy which is being contested in good faith by proper proceedings and adequate reserves for the accrual of same are maintained if required by GAAP;

(c) comply in all material respects with all federal, state and local laws and regulations, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations and requirements applicable to the operation of its business (collectively, "Requirements") of all governmental bodies, departments, commissions, boards, companies or associations insuring the Obligor or any of its assets, except where the failure so to comply would not have a material adverse effect ("Material Adverse Effect") on the Obligor or the assets; provided, however, that nothing provided herein shall prevent the Obligor from contesting the validity or the application of any Requirements;

(d) keep proper records and books of account with respect to its business activities, in which proper entries reflecting all financial transactions are made. Such books and records shall be open at reasonable times and upon reasonable notice to inspection by the Secured Party;

(e) notify the Secured Party in writing, promptly upon learning thereof, of any litigation or administrative proceeding commenced or threatened against the Obligor which involves a claim in excess of one hundred thousand dollars ($100,000);

(f) maintain at all times, preserve, protect and keep its assets used or useful in the conduct of its business in good repair, working order and condition, and make all needed and proper repairs, renewals, replacements and improvements thereof as shall be reasonably required in the conduct of its business;

(g) to the extent necessary for the operation of its business, keep adequately insured by financially sound reputable insurers, all property of a character usually insured by similar entities and carry such other insurance as is usually carried by similar entities;

(h) defend the title to the Collateral against all persons and against all claims and demands whatsoever, other than secured parties with priority lien positions;

(i) keep the Collateral free and clear of all further liens, security interests, options or other charges or encumbrances, except as authorized herein and in the ordinary course of the Obligor's business;

(j) in addition to the requirements set forth in Section 1.2 herein, on at least twenty (20) days notice in writing by the Secured Party, furnish further assurance of title, execute any written agreement or do any other acts necessary to effectuate the purposes and provisions of this Agreement, execute any instrument or statement required by law or otherwise in order to perfect, continue or terminate the security interest of the Secured Party in the Collateral including, but not limited to, filing the proper UCC financing statements and entering into account control agreements with the Obligor's banking institutions, and pay all costs in connection therewith;

(k) retain possession of the Collateral and not remove, sell, exchange, assign, loan, deliver, lease, license, mortgage or otherwise dispose of same outside of the normal course of business without the prior written consent of the Secured Party; and

(l) promptly give notice in writing to the Secured Party of the occurrence

of any default or Event of Default under this Agreement or of any default under any other material instrument or agreement to which any of them is a party.

5.2 Negative Covenants. The Obligor hereby covenants that so long as this Agreement remains in effect or any amount due hereunder or under the Note remains outstanding and unpaid, it will not, unless otherwise consented to in writing by the Secured Party:

(a) take any action or fail to take any action that would cause any lien, security interest, option or other charge or encumbrance (except for the security interests contemplated in this Agreement), whether by contract or operation of law, to be placed on any of the Collateral or otherwise to sell or transfer any such Collateral, except in the ordinary course of business;

(b) amend its Certificate of Incorporation in the case of Dyadic International, Inc., or Articles of Incorporation, in the case of Dyadic International (USA), Inc. or its respective Bylaws;

(c) incur any subsequent indebtedness senior to the Note; other than in cases of trade payables incurred in the ordinary course of business;

(d) create, incur, assume or suffer to exist any lien, security interest, option or other charge or encumbrance (except for the security interests contemplated in this Agreement) upon the Collateral (tangible or intangible) or assets, income or profits secured hereunder, whether now owned or hereafter acquired, except for (i) liens contemplated by this Agreement; (ii) statutory liens; (iii) purchase money liens and other liens granted in the ordinary course of business on equipment, fixtures and similar property; and (iv) liens which, in the aggregate, would not exceed one hundred thousand dollars ($100,000);

(e) guarantee, assume or otherwise become responsible for (directly or indirectly) the indebtedness for borrowed funds or performance obligations of any person;

(f) consummate any merger, combination or consolidation involving the Obligor (whether in a single transaction or a related series of transactions) or sell, lease, transfer or assign to any persons or otherwise dispose of (whether in a single transaction or a related series of transactions) all or substantially all of the assets (whether now owned or hereafter acquired);

(g) negatively alter the compensation or employment status of Mark A. Emalfarb, or remove him as Chairman of the Board of Directors or Director or President or Chief Executive Officer of the companies defined as the Obligor or its subsidiaries without his written consent; or

(h) Purchase or acquire any stock, obligations, assets or securities of, or any interest in, or make any capital contribution or loan or advance of money, credit or property to, any other person, or make any other investments.

Section 6 Further Assurances.

(a) The Obligor agrees that from time to time it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Secured Party may reasonably request, in order to perfect and protect the security interest granted or purported to be granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral including, but not limited to, account control agreements with the Obligor's banking institutions. Without limiting the generality of the foregoing, the Obligor will: (i) deliver and pledge to the Secured Party promptly upon receipt thereof all instruments or certificates representing or evidencing any of the Collateral duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Secured Party; and (ii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Secured Party may request, in order to perfect and preserve the security interest granted or purported to be granted hereby.

(b) The Obligor hereby authorizes the Secured Party to file financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without the signature of the Obligor where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) The Obligor will furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Party may reasonably request, all in reasonable detail.

Section 7 Default; Acceleration.

7.1 Events of Default. An Event of Default shall have been deemed to have occurred hereunder immediately at such time as any Event of Default under the Loan Agreement or the Note shall have occurred and any period for remedying such default prescribed in the Loan Agreement, the Note or this Agreement shall have expired.

7.2 Acceleration. In addition to any other remedies provided by the Loan Agreement or the Note, upon the occurrence of an Event of Default, the Secured Party may, by written notice to the Obligor, take any or all of the following actions to enforce the Secured Party's claims against the Obligor: (a) declare the principal of and any accrued interest and all other amounts payable under the Note to be due and payable, whereupon the same shall become forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Obligor, or (b) exercise any other remedies available at law or in equity, including specific performance of any covenant or other agreement contained in this Agreement. In addition to any other remedies provided by the Note, upon the occurrence of an Event of Default, then without prejudice to the rights and remedies specified in clause (b) above, the Note and other obligations of the Obligor pursuant to this Agreement shall automatically be immediately due and payable with interest and other fees, if any, thereon without notice, demand or any other act by the Secured Party.

7.3 Remedies.

(a) On the occurrence of an Event of Default, the Secured Party shall have the following rights and remedies, which are cumulative in nature and are in addition to the rights set forth in the Loan Agreement and the Note and shall be available to the Secured Party after the Secured Party provides the Obligor written notice of the Event of Default and ten (10) days from the date of receipt of the notice to cure the default. However, if the nature of the Event of Default is such that it cannot be cured within such ten (10) day period, the Obligor shall not be deemed to be in default if the Obligor within that period commences to cure the Event of Default and thereafter diligently pursues the cure to completion within a thirty (30) day period:

(i) All rights and remedies provided by law, including but not limited to those provided by the UCC, and equitable remedies for specific performance and injunctive relief; and

(ii) All rights and remedies provided in the Loan Agreement including the Note and this Agreement.

(b) Upon any default by the Obligor hereunder, the Secured Party shall have all the rights, remedies and privileges with respect to repossession, retention and sale of any or all of the Collateral of the Obligor and disposition of the proceeds as are accorded by the applicable sections of the UCC and the Obligor shall fully cooperate with the Secured Party in exercising such rights, remedies and privileges.

(c) Upon any default by the Obligor hereunder and upon demand of the Secured Party, the Obligor shall, at its sole expense, assemble the Collateral and make it available to the Secured Party at the place and at the time designated in the demand.

Section 8 Secured Party May Perform. If the Obligor fails to perform any agreement contained herein, after notice of such failure and a reasonable cure period, the Secured Party may itself perform, or cause performance of, such agreement including, but not limited to, taking any other action which the Secured Party deems necessary or desirable for the preservation of the Collateral or the Secured Party's interest therein and the carrying out of this Agreement or the Loan Agreement or the Note, including without limiting the generality of the foregoing: (i) any action to collect or realize upon the Collateral; (ii) the discharge of taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral; (iii) the discharge or keeping current of any obligation of the Obligor having an effect on the Collateral; or (iv) receiving, endorsing and collecting all checks and other orders for the payment of money made payable to the Obligor representing any dividend, interest payment or other distribution payable or distributable in respect of the Collateral or any part thereof, and to give full discharge for the same, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Obligor.

Section 9 Secured Party's Duties. The powers conferred on the Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for accounting for moneys actually received by the Obligor hereunder, the Secured Party shall have no duty as to any Collateral, or as to the taking of any

necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

Section 10 Remedies. If any Event of Default shall have occurred and be continuing:

(a) the Secured Party may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party in the event of default under the UCC in effect in the State of Florida at that time (whether or not the UCC applies to the affected Collateral), and also may (i) require the Obligor to, and the Obligor hereby agrees that it will at its expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties, and (ii) without notice except as specified below, sell or, to the extent permitted by applicable law, purchase the Collateral or any part thereof at public or private sale, for cash, on credit or for future delivery, and upon such other terms as the Secured Party may deem commercially reasonable. The Obligor agrees that, to the extent notice of sale shall be required by law, at least twenty (20) days' notice to the Obligor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Obligor hereby waives any claim against the Secured Party arising by reason of the fact that the price at which any Collateral may have been sold at a private sale was less than the price that might have been obtained at a public sale, even if the Secured Party accepts the first offer received and does not offer such Collateral to more than one offeree; and

(b) any cash held by the Secured Party as Collateral and all cash proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Secured Party, be held by the Secured Party as collateral for, and then or at any time thereafter be applied (after payment of any amounts payable to the Secured Party under Section 14 of this Agreement) in whole or in part by the Secured Party against all or any part of the Obligations in such order as the Secured Party shall elect. Any surplus of such cash or cash proceeds held by the Secured Party and remaining after payment in full of all the Obligations shall be paid over to the Obligor or to whomsoever may be lawfully entitled to receive such surplus.

Section 11 Obligations Unconditional; Waiver of Defenses. The Obligor irrevocably agrees that no fact or circumstance whatsoever which might at law or in equity constitute a discharge or release of, or defense to the obligations of, a guarantor or surety shall limit or affect any obligations of the Obligor under this Agreement or any document or instrument executed in connection herewith. Without limiting the generality of the foregoing:

(a) The Secured Party may at any time and from time to time, without notice to the Obligor, take any or all of the following actions without affecting or impairing the liability of the Obligor on this Agreement:

(i) renew or extend time of payment of the Obligations;

(ii) accept, substitute, release or surrender any security for the Obligations; and

(iii) release any person primarily or secondarily liable on the Obligations (including without limitation any endorser, and any guarantor)

(b) No delay in enforcing payment of the Obligations, nor any amendment, waiver, change, or modification of any terms of any document or instrument which evidences or is given in connection with the Secured Obligations, shall release the Obligor from any obligation hereunder. The obligations of the Obligor under this Agreement are and shall be primary, continuing, unconditional and absolute (notwithstanding that at any time or from time to time all of the Obligations may have been paid in full), irrespective of the value, genuineness, regularity, validity or enforceability of any documents or instruments respecting or evidencing the Obligations. In order to hold the Obligor liable or exercise rights or remedies hereunder, there shall be no obligation on the part of the Secured Party, at any time, to resort for payment to any guarantor or to any other security for the Secured Obligations. The Secured Party shall have the right to enforce this Agreement as against any one or all of the Obligor and irrespective of whether or not other proceedings or steps are being taken against any other property securing the Obligations or any other party primarily or secondarily liable on any of the Obligations.

(c) Expect as otherwise provided in any note, agreement, instrument or document evidencing the Obligations, the Obligor irrevocably waives presentment, protest, demand, notice of dishonor or default, notice of acceptance of this Agreement, notice of any loans made, extensions granted or other action taken in reliance hereon, and all demands and notices of any kind in connection with this Agreement or the Obligations.

(d) While this Agreement remains in full force and effect, the Obligor waives any claim or other right which the Obligor might now have or hereafter acquire against any other person primarily or contingently liable on the Obligations (including without limitation any maker, endorser or guarantor) or that arises from the existence or performance of the Obligor's obligations under this Agreement, including without limitation any right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim or remedy of the Secured Party against the Obligor or any other person primarily or contingently liable on the Obligations (including without limitation any maker, endorser or guarantor) or any other collateral security for the Obligations, which the Secured Party now has or hereafter acquires, however arising.

Section 12 Amendments. No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Obligor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Secured Party.

Section 13 Continuing Security Interest. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the payment in full of the Obligations and all other amounts payable under the Note; (b) be binding upon the

Obligor, its successors and assigns; and (c) inure to the benefit of, and be enforceable by, the Secured Party and its successors, transferees and assigns.

Section 14 Payment of Fees. The Obligor agrees to pay all costs and expenses of the Secured Party in enforcing or preserving any of the rights and remedies available to the Secured Party under this Agreement, the Note, the Loan Agreement or under any other documents, instruments or writings executed and delivered to the Secured Party in connection herewith including, without limitation, legal fees, costs and disbursements of the Secured Party's attorneys in the enforcement thereof.

Section 15 Liability for Deficiency. The Obligor shall remain liable for any deficiency relating to the obligations underlying the Note resulting from a sale of the Collateral and shall pay any such deficiency forthwith on demand.

Section 16 Survival of Agreements. All agreements, representations and warranties made herein and in any certificates delivered pursuant hereto shall survive the execution and delivery of this Agreement and the Note, and shall continue in full force and effect until the indebtedness of the Obligor under the Note and all other Obligations hereunder and thereunder have been paid in full.

Section 17 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Obligor and its successors and assigns, except that the Obligor may not transfer or assign any of its rights or interests hereunder without the prior written consent of the Secured Party, which consent may be given or withheld in the Secured Party's absolute discretion. The Secured Party may only assign this Agreement and its rights or interests hereunder together with an assignment of the Loan Agreement and the Note that is allowable under the terms of the Loan Agreement and the Note.

Section 18 Construction of Agreement; Jurisdiction and Venue. This Agreement and the Note and the rights and obligations of the parties hereunder and thereunder shall be governed by, and construed and interpreted in accordance with, the law of the State of Florida, without regard to principles of conflicts of law. THE OBLIGOR AND THE SECURED PARTY, IN ANY LITIGATION IN WHICH THE SECURED PARTY OR THE OBLIGOR SHALL BE AN ADVERSE PARTY, WAIVE TRIAL BY JURY, WAIVE THE RIGHT TO CLAIM THAT A FORUM OR VENUE SPECIFIED HEREIN IS AN INCONVENIENT FORUM OR VENUE AND WAIVE THE RIGHT TO INTERPOSE ANY SETOFF, DEDUCTION OR COUNTERCLAIM OF ANY NATURE OR DESCRIPTION, AND IRREVOCABLY CONSENT TO THE JURISDICTION OF THE FLORIDA STATE COURT IN PALM BEACH COUNTY IN ANY SUCH SUIT, ACTION OR PROCEEDING, AND THE OBLIGOR AND THE SECURED PARTY FURTHER AGREE TO ACCEPT AND ACKNOWLEDGE SERVICE OF ANY AND ALL PROCESS WHICH MAY BE SERVED UPON THEM IN ANY SUCH SUIT, ACTION OR PROCEEDING VIA CERTIFIED MAIL TO THE ADDRESS AS SET FORTH IN THE ASSET PURCHASE AGREEMENT WITH RESPECT TO THE OBLIGOR AND THE SECURED PARTY. If any of the provisions of this Agreement shall be or become illegal or unenforceable under any law, the other provisions shall remain in full force and effect.

Section 19 Counterparts. This Agreement may be signed in counterparts with the same effect as if the signatures to each counterpart were upon a single instrument, and both such counterparts together shall be deemed an original of this Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands as of the date first written above.

[Name of Lender]

By: _____
Name:
Title:

DYADIC INTERNATIONAL, INC.

By: _____
Name: Adam J. Morgan
Title: Vice President General Counsel & Business Development

DYADIC INTERNATIONAL (USA), INC.

By: _____
Name: Adam J. Morgan
Title: Vice President General Counsel & Business Development

Capital Stock

Common Stock, $.001 par value

Authorized Shares: 100,000,000 (as of June 30, 2011)
Issued and Outstanding: 31,409,620 (as of June 30, 2011)

Preferred Stock, $.0001 par value

Authorized Shares: 5,000,000 (as of June 30, 2011)
Issued and Outstanding: None (as of June 30, 2011)

Description of Equity Plans

The Borrower maintains the Dyadic International, Inc. 2006 Stock Option Plan, as amended (the "2006 Option Plan") and the Dyadic International, Inc. 2011 Equity Incentive Award Plan (the "2011 Plan")(the 2006 Option Plan and the 2011 Plan are hereinafter collectively referred to as the "Equity Compensation Plans"). All options granted under the Equity Compensation Plans are service-based and typically vest over a four year period.

2006 Stock Option Plan

Under the 2006 Option Plan, 4,700,000 shares of common stock have been reserved for issuance. As of the date hereof, there were 4,050,375 stock options outstanding and 304,750 stock options available for grant under the 2006 Option Plan. The term of the stock options outstanding under the 2006 Option Plan is ten years.

2011 Plan

Under the 2011 Plan, 3,000,000 shares of our common stock will be initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights ("SARs"), restricted stock awards, restricted stock unit awards, deferred stock awards, dividend equivalent awards, stock payment awards and performance awards and other stock-based awards, plus the number of shares remaining available for future awards under our 2006 Option Plan. The number of shares initially reserved for issuance or transfer pursuant to awards under the 2011 Plan will be increased by (i) the number of shares represented by awards outstanding under our 2006 Stock Option Plan that are forfeited or lapse unexercised and which following the effective date are not issued under the 2006 Stock Option Plan and (ii) an annual increase on the first day of each fiscal year beginning in 2012 and ending in 2021, equal to either 1,500,000 shares or such smaller number of shares of stock as determined by our Board. As of the date hereof, there were no stock options outstanding under the 2011 Option Plan. The term of the stock options under the 2011 Option Plan will be ten years.

Secured Indebtedness

1.	Security Agreement dated May 7, 2000, as amended, by and between Dyadic International, Inc., a Florida corporation (now known as Dyadic International (USA), Inc.), and the Mark A. Emalfarb Trust under agreement dated October 1, 1987, as amended.
2.	Security Agreement dated May 29, 2003, as amended, by Dyadic International, Inc., a Florida corporation (now known as Dyadic International (USA), Inc.) in favor of the Mark A. Emalfarb Trust, under agreement dated October 1, 1987, as amended.
3.	Loan and Security Agreement dated as of November 14, 2008 by Dyadic International (USA), Inc. and Dyadic International, Inc. in favor of the Mark A. Emalfarb Trust under agreement dated as of October 1, 1987, as amended.
4.	Collateral Assignment of Inventions and Patents and Patent Application dated as of November 14, 2008 by Dyadic International (USA), Inc. and Dyadic International, Inc. in favor of the Mark A. Emalfarb Trust under agreement dated as of October 1, 1987, as amended.
5.	Collateral Assignment of Trademarks dated as of November 14, 2008 by Dyadic International (USA), Inc. and Dyadic International, Inc. in favor of the Mark A. Emalfarb Trust under agreement dated as of October 1, 1987, as amended.
6.	Security Agreement dated as of August 23, 2010 by and among Dyadic International, Inc., Dyadic International (USA), Inc. and John S. Lemak IRA Rollover Morgan Keegan &Co. Inc. Custodian.
7.	Security Agreement dated as of August 23, 2010 by and among Dyadic International, Inc., Dyadic International (USA), Inc. and JSL Kids Partners.
8.	Security Agreement dated as of August 23, 2010 by and among Dyadic International, Inc., Dyadic International (USA), Inc. and Lisa Joy Emalfarb.
9.	Security Agreement dated as of August 23, 2010 by and among Dyadic International, Inc., Dyadic International (USA), Inc. and Mario F. Maffei.
10.	Security Agreement dated as of August 23, 2010 by and among Dyadic International, Inc., Dyadic International (USA), Inc. and Mark A. Emalfarb Trust.
11.	Security Agreement dated as of August 23, 2010 by and among Dyadic International, Inc., Dyadic International (USA), Inc. and Michael J. Faby.
12.	Security Agreement dated as of August 23, 2010 by and among Dyadic International, Inc., Dyadic International (USA), Inc. and Michael Weiss.
13.	Security Agreement dated as of August 23, 2010 by and among Dyadic International, Inc., Dyadic International (USA), Inc. and Pinnacle Family Investments.
14.	Security Agreement dated as of August 23, 2010 by and among Dyadic International, Inc., Dyadic International (USA), Inc. and Samuel Fromkin.
15.	Security Agreement dated as of August 23, 2010 by and among Dyadic International, Inc., Dyadic International (USA), Inc. and Univest Management Inc. EPSP.

Exhibit 10.17

EXECUTION COPY

THE SALE, ASSIGNMENT OR TRANSFER OF THE OBLIGATIONS EVIDENCED HEREBY IS SUBJECT TO THE TERMS AND CONDITIONS OF A NON-DISTURBANCE AGREEMENT DATED AS OF NOVEMBER 14, 2008 BY AND BETWEEN CODEX'S, INC., THE MARK A. EMALFARB TRUST UNDER AGREEMENT DATED OCTOBER 1, 1987, AS AMENDED, FRANCISCO TRUST UNDER AGREEMENT DATED FEBRUARY 28, 1996, AS AMENDED, MARK A EMALFARB, AND DYADIC INTERNATIONAL (USA), INC. EACH SUCCESSIVE HOLDER OF THIS NOTE OR ANY PORTION THEREOF, AGREES (1) TO BE BOUND BY THE TERMS OF THE NON-DISTURBANCE AGREEMENT AND (2) THAT IF ANY CONFLICT EXISTS BETWEEN THE TERMS OF THIS NOTE OR ANY DOCUMENT OR SECURITY AGREEMENT EXECUTED IN CONNECTION WITH THE DELIVERY OF THIS NOTE AND THE TERMS OF THE NON-DISTURBANCE AGREEMENT, THE TERMS OF THE NON-DISTURBANCE AGREEMENT SHALL GOVERN AND BE CONTROLLING.

Jupiter, Florida
Dated as of November 14, 2008

AMENDED & RESTATED NOTE

FOR VALUE RECEIVED, DYADIC INTERNATIONAL (USA), INC. (formerly known as Dyadic International, Inc.), a Florida corporation ("Dyadic Florida") and DYADIC INTERNATIONAL, INC., a Delaware corporation ("Dyadic Delaware" and together with Dyadic Florida, the "Borrower"), jointly and severally promise to pay to the order of the MARK A. EMALFARB TRUST, under agreement dated October 1, 1987, as amended, (hereafter, together with any subsequent holder hereof, called "Lender"), at its main office at 193 Spyglass Court, Jupiter, Florida 33477, or at such other place as Lender may direct, on or before January 1, 2009, the scheduled maturity date hereof, the unpaid principal balance of TWO MILLION FOUR HUNDRED TWENTY FOUR THOUSAND TWO HUNDRED NINETY FOUR AND NO /100 UNITED STATES DOLLARS ($2,424,294.00) (the "Loan"), plus accrued interest.

This Amended & Restated Note ("Amended Note") modifies, amends and is issued in replacement of that certain Revolving Note dated as of May 29, 2003 as amended, by Dyadic Florida in favor of Lender in the original aggregate principal amount of Three Million and No/100 United States Dollars ($3,000,000.00) (the "Prior Note"). This Amended Note shall not operate as a novation, but only as a substitute for, and replacement of; the Prior Note.

1. PAYMENTS OF INTEREST AND PRINCIPAL AND FEES.

1.1 Interest under Prior Note. Borrower acknowledges and agrees that notwithstanding anything contained in the Prior Note to the contrary, (i) from and after January 1, 2008, interest payable under the Prior Note accrued at a rate equal to fourteen percent (14%) per annum (the "Interest Rate"), and (ii) Borrower paid quarterly interest payments to Lender from and after January 1, 2008 at a rate equal to eight percent (8%) per annum (the 'Payment Rate"), Any such interest which accrued but remained unpaid as of the date hereof pursuant to the Prior Note, as

modified, or interest which hereafter accrues under this Amended Note but is unpaid pursuant to the terms of Section 1.2 hereof, is hereinafter collectively referred to as the "Deferred Interest".

1.2 Interest under Amended Note. From and after the date hereof, interest shall accrue under this Amended Note at the Interest Rate payable on all sums due under the Loan Documents (as hereinafter defined), including, without limitation, on the principal balance and Deferred Interest outstanding hereunder from time to time, Notwithstanding the foregoing, Borrower agrees to pay interest to Lender hereunder at the Payment Rate, which interest payments shall be due on the last day of each calendar quarter after the date hereof. All accrued and unpaid interest, including, but not limited to Deferred Interest, shall be paid to Lender on the Maturity Date (as hereinafter defined).

1.3 Payment of Principal. The entire outstanding principal balance of the Loan and accrued interest thereon shall be due and payable on January 1, 2009 (or on the first Business Day thereafter, if said date is not a Business Day) ("Maturity Date"), unless earlier due and payable by reason of the acceleration of the maturity of this Amended Note. As used herein, the term "Business Day" shall mean any day on which banking associations are required to be open for business in Jupiter, Florida.

1.4 Scheduled Payments. Contemporaneously with the execution of this Amended Note, Dyadic Florida entered into a certain License Agreement with Codexis, Inc. ("License Agreement"). The terms of said License Agreement provide for payment to Dyadic Florida of certain license issuance fees ("License Fees"). Notwithstanding anything contained herein to the contrary and in addition to the payment of interest as required above, Borrower shall pay to Lender the following amounts from such License Fees: (1) One Million Dollars ($1,000,000) on or before the first to occur of December 15, 2008, or the date upon which Dyadic Florida receives or is scheduled to receive the first payment of such License Fees; and (ii) fifty percent (50%) or such lesser percentage as Lender is willing to accept of each additional payment received by Dyadic Florida pursuant to such License Agreement. Such amount shall first be applied to any accrued but unpaid interest existing as of such date, next to any Deferred Interest, and next to the payment of principal,

1.5 Calculation of Interest. Interest on this Amended Note shall be calculated on the basis of a 360-day year and the actual number of days elapsed in any portion of a month for which interest maybe due.

1.6 Fees. All costs, expenses and charges incurred in connection with this Loan, including but not limited to documenting, evidencing, securing, filing, protecting or enforcing any of Lender's rights under the Loan Documents (as hereinafter defined), unless otherwise agreed to in writing by the Lender, shall be charged to, and be borne and paid within three (3) Business Days (as hereinafter defined) of Lender's demand by Borrower, including but not limited to Lender's attorneys' fees.

2. REFERENCES TO COLLATERAL, FACILITY TYPE AND OTHER LOAN DOCUMENTS.

2.1 Lender's Funding Obligation. Borrower acknowledges that the Loan has been fully funded and that Lender shall have no obligation whatsoever to, make any additional advances

hereunder or otherwise to extend credit to Borrower. Any principal amount of the Loan which is repaid prior to the Maturity Date may not be reborrowed at any time.

2.2 Collateral. This Amended Note is secured without limitation as provided in the following and all related documents, in each case as amended, modified, renewed, restated or replaced fiom time to time (the Amended Note and such other documents are collectively referred to herein as the "Loan Documents"):

(a) Loan and Security Agreement of even date herewith executed by Borrower ("LSA");

(b) Collateral Assignment of Inventions and Patents and Patent Applications executed by Borrower;

(c) Control Agreement of even date herewith executed by and among Borrower, Lender and Citibank.

(d) Collateral Assignment of Trademarks executed by Borrower; and

(e) UCC Financing Statements of even date herewith of Borrower.

3. USE OF PROCEEDS.

Borrower represents and warrants that the proceeds of this Amended Note were and will be used solely for business purposes, and not for personal, family or household use, within the meaning of Federal Truth-in-Lending and similar state laws and regulations.

4. REPRESENTATIONS.

Borrower hereby represents and warrants to Lender that

(a) Borrower is existing and in good standing under the laws of their state or other jurisdiction of formation, are duly qualified, in good standing and authorized to do business in each jurisdiction where failure to do so might have a material adverse impact on the consolidated assets, condition or prospects of Borrower; the execution, delivery and performance of this Amended Note and all related documents and instruments are within Borrower's powers and have been authorized by all necessary corporate action;

(b) the execution, delivery and performance of this Amended Note and all related documents and instruments have received any and all necessary governmental approval, and do not and will not contravene or conflict with (i) any provision of law or charter, operating agreement or bylaws of Borrower or (ii) any agreement affecting Borrower or its property.

(c) There has been no material adverse change in the business, condition, properties, assets, operations or prospects of Borrower since the date of the latest financial statements, if any, provided on behalf of Borrower to Lender.

(d) Borrower has filed or caused to be filed all federal, state, and local tax returns that are required to be filed, and has paid or has caused to be paid all of its taxes, including without limitation any taxes shown on such returns or on any assessment received by it, to the extent that such taxes have become due.

5. DEFAULT.

The occurrence and continuation of any of the following events shall constitute a "Default":

(a) failure to pay, when and as due, any principal, interest or other amounts payable hereunder or failure to comply with or perform any agreement or covenant of Borrower contained herein; or failure to pay when and as due, any principal, interest, or other amounts payable to Lender under any other notes executed and delivered to Lender by Borrower; or

(b) any "Default" as defined in the LSA, or default, or event of default, or similar event shall occur or continue to occur beyond the expiration of any notice and cure periods under any other Loan Document, or any Loan Document shall not be, or shall cease to be, enforceable in accordance with its terms.

Notwithstanding the foregoing, or anything contained herein or in any of the Loan Documents, Debtor's failure to pay all of the sums payable under this Amended Note on the Maturity Date shall constitute a Default, and Secured Party shall be under no obligation to provide any notice of the Maturity Date, or failure to pay, and Debtor shall have no right or opportunity to cure such Default

6. DEFAULT REMEDIES.

(a) Upon the occurrence and during the continuance of any Default specified in Section 5, Lender at its option may declare this Amended Note (principal, interest and other amounts) immediately due and payable without action of any kind on the part of Lender. Upon the occurrence and during the continuance of any Default, Lender may exercise any rights and remedies under this Amended Note, any related document or instrument (including without limitation any pertaining to collateral), and at law or in equity.

(b) Lender may, by written notice to Borrower, at any time and from time to time, waive any Default or "Unmatured Event of Default" (as defined below), which shall be for such period and subject to such conditions as shall be specified in any such notice. In the case of any such waiver, Lender and Borrower shall be restored to their former position and rights hereunder, and any Default or Unmatured Event of Default so waived shall be deemed to be cured and not continuing; but no such waiver shall extend to or impair any subsequent or other Default or Unmatured Event of Default. No failure to exercise, and no delay in exercising, on the part of Lender of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of

Lender herein provided are cumulative and not exclusive of any rights or remedies provided by law. "Unmatured Event of Default" means any event or condition which might become a Default if continuing after notice or the passage of time or both.

(c) Borrower acknowledges the existence of certain defaults under the Prior Note and documents executed in connection therewith (the "Prior Loan Documents") and that it received proper notice and opportunity to cure such defaults flora Lender in accordance with the terms of the Prior Note and Prior Loan Documents. So long as no Default or Unmatured Event of Default shall occur under the terms of this Amended Note, Lender agrees to forbear in the exercise of the Lender's rights and remedies against Borrower under the Prior Note and Prior Loan Documents.

7. NO INTEREST OVER LEGAL RATE.

Borrower does not intend or expect to pay, nor does Lender intend or expect to charge, accept or collect any interest which, when added to any fee or other charge upon the principal which may legally be treated as interest, shall be in excess of the highest lawful rate. If acceleration, prepayment or any other charges upon the principal or any portion thereof, or any other circumstance, result in the computation or earning of interest in excess of the highest lawful rate, then any and all such excess is hereby waived and shall be applied against the remaining principal balance. Without limiting the generality of the foregoing, and notwithstanding anything to the contrary contained herein or otherwise, no deposit of funds shall be required in connection herewith which will, when deducted from the principal amount outstanding hereunder, cause the rate of interest hereunder to exceed the highest lawful rate.

8. PAYMENTS, ETC.

All payments hereunder shall be made in immediately available funds, and shall be applied first to accrued interest payable at the Payment Rate, then to Deferred Interest and then to principal; however, if a Default occurs, Lender may, in its sole discretion, and in such order as it may choose, apply any payment to interest, principal and/or lawful charges and expenses then accrued. All payments hereunder shall be made without deduction for or on account of any present or future taxes, duties or other charges levied or imposed on this Amended Note or the proceeds, Lender or Borrower, by any government or political subdivision thereof. Borrower shall upon request of Lender pay all such taxes, duties or other charges in addition to principal and interest, including without limitation all documentary stamp and intangible taxes, but excluding income taxes based solely on Lender's income.

9. NOTICES.

All notices, requests and demands to or upon the respective parties hereto shall be deemed to have been given or made when deposited in the mail, postage prepaid, addressed if to Lender to its main office indicated above, and if to Borrower to its address set forth below, or to such other address as may be hereafter designated in writing by the respective parties hereto or, as to Borrower, may appear in Lender's records.

10. MISCELLANEOUS.

This Amended Note and any document or instrument executed in connection herewith shall be governed by and construed in accordance with the internal laws of the State of Florida. Unless the context requires otherwise, wherever used herein the singular shall include the plural and vice versa, and the use of one gender shall also denote the other. Captions herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof; references herein to Sections or provisions without reference to the document in which they are contained are references to this Amended Note. This Amended Note shall bind Borrower, its successors and assigns, and shall inure to the benefit of Lender, its successors and assigns, except that Borrower may not transfer or assign any of its rights or interest hereunder without the prior written consent of Lender. Borrower agrees to pay upon demand all expenses (including without limitation attorneys' fees, legal costs and expenses, whether in or out of court, in original or appellate proceedings or in bankruptcy) incurred or paid by Lender or any holder hereof in connection with the enforcement or preservation of its rights hereunder or under any document or instrument executed in connection herewith. Borrower expressly and irrevocably waives notice of dishonor or Default or other default as well as presentment, protest, demand and notice of any kind in connection herewith.

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IN WITNESS WHEREOF, the undersigned have caused this Amended Note to be executed and delivered as of the 14th day of November, 2008, at Jupiter, Florida.

DYADIC INTERNATIONAL (USA), INC.
(formerly known as Dyadic International, Inc.),
a Florida corporation

By: /s/ Vito G. Pontrelli
Name: Vito G. Pontrelli
Title: Interim CFO

DYADIC INTERNATIONAL, INC., a
Delaware corporation

By: /s/ Vito G. Pontrelli
Name: Vito G. Pontrelli
Title: Interim CFO

Address of Borrower for Notices:

140 Intracostal Pointe Drive
Suite 404
Jupiter, Florida 33477

FIRST AMENDMENT TO AMENDED & RESTATED NOTE

This FIRST AMENDMENT TO AMENDED AND RESTATED NOTE (this **"Amendment"),** dated as of April 12, 2012, is entered into between DYADIC INTERNATIONAL, INC., a Delaware corporation, its wholly owned subsidiary, DYADIC INTERNATIONAL (USA), INC., a Florida corporation (together, the **"Borrower"),** and **THE MARK A. EMALFARB TRUST UNDER AGREEMENT DATED OCTOBER 1, 1987, AS AMENDED** (the **"Lender").**

RECITALS:

A. The Borrower has executed and delivered to the Lender that certain Amended & Restated Note dated as of November 14, 2008 (the "Amended Note"). All capitalized terms used herein which are not defined shall have the meaning ascribed to them in the Amended Note.

B. The Borrower has requested that the Lender amend the Amended Note, and the Lender has agreed to do so.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

1. The first sentence of Section 1.1 of the Amended Note is hereby deleted and replaced with the following:

"Borrower acknowledges and agrees that notwithstanding anything contained in the Prior Note to the contrary, from and after January 1, 2008 through December 31, 2009, interest payable under the Prior Note accrued at a rate equal to fourteen percent (14%) per annum. "

2. Section 1.2 of the Amended Note is hereby deleted and replaced with the following:

"7.2 *Interest under Amended Note. From and after January 1, 2010, interest shall accrue under this Amended Note at a rate equal to nine and one-half percent (9-1/2%) per annum through the Maturity Date (as hereinafter defined), which interest payments shall be due on the last day of each calendar quarter after the date hereof. All accrued and unpaid interest, including, but not limited to, Deferred Interest, shall be paid to Lender on the Maturity Date."*

3. The first sentence of Section 1.3 of the Amended Note is hereby deleted and replaced with the following:

"The entire outstanding principal balance of the Loan and accrued interest thereon shall be due and payable on January 1, 2014 (or on the first Business Day thereafter, if said date is not a Business Day ("Maturity Date"), unless earlier due and payable by reason of the acceleration of the maturity of this Amended Note"

4. The Lender represents that it has not assigned or transferred its rights, duties, obligations and responsibilities under the Amended Note, in whole or in part, to any other party.

5. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of winch taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or electronic mail shall be effective as delivery of a manually executed counterpart of this Amendment.

6. Except as specifically amended hereby, all terms and provisions of the Amended Note shall remain unaltered and in full force and effect.

IN WITNESS WHEREOF, the Borrower and the Lender have caused this Amendment to be duly executed and delivered by their duly authorized representatives as of the day and year first above written.

BORROWER

DYADIC INTERNATIONAL, INC.,
a Deleware corporation

By: /s/ Mark A. Emalfarb
Name: Mark A. Emalfarb
Title: President and CEO

DYADIC INTERNATIONAL (USA), INC.,
A Florida corporation

By: /s/ Mark A. Emalfarb
Name: Mark A. Emalfarb
Title: President and CEO

LENDER:

THE MARK A. EMALFARB TRUST UNDER AGREEMENT DATED OCTOBER 1, 1987, AS AMENDED

By: /s/ Mark A. Emalfarb
Name: Mark A. Emalfarb
Title: Trustee

SECOND AMENDMENT TO AMENDED & RESTATED NOTE

This SECOND AMENDEMNT TO AMENDED AND RESTATED NOTE (this "**Amendment**"), dated as of September 24, 2013, is entered into between DYADIC INTERNATIONAL, INC., a Delaware corporation, its wholly owned subsidiary, DYADIC INTERNATIONAL (USA), INC., a Florida corporation (together, the "**Borrower**"), and **THE MARK A. EMALFARB TRUST UNDER AGREEMENT DATED OCTOBER 1, 1987, AS AMENDED** (the "**Lender**").

Recitals:

A. The Borrower has executed and delivered to the Lender that certain Amended & Restated Note dates as of November 14, 2008 (the "Amended Note"). All capitalized terms used herein which are not defined shall have the meaning ascribed to them in the Amended Note.

B. The Borrower has requested that the Lender amend the Amended Note, and the Lender has agreed to do so.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

1. The first sentence of Section 1.3 of the Amended Note is hereby deleted and replaced with the following:

   "The entire outstanding principal balance of the Loan and accrued interest thereon shall be due and payable on January 1, 2015 (or on the first Business Day thereafter, if said date is not a Business Day ("Maturity Date"), unless earlier due and payable by reason of the acceleration of the maturity of this Amended Note."

2. The Lender represents that it has not assigned or transferred its rights, duties, obligations and responsibilities under the Amended Note, in whole or in part, to any other party.

3. This Amended may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or electronic mail shall be effective as delivery of a manually executed counterpart of this Amendment.

4. Except as specifically amended hereby, all terms and provisions of the Amended Note shall remain unaltered and in full force and effect.

IN WITNESS WHEREOF, the Borrower and the Lender have caused this Amendment to be duly executed and delivered by their duly authorized representatives as of the day and year first above written.

BORROWER:

DYADIC INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Mark A. Emalfarb
Name: Mark A. Emalfarb
Title: President and CEO

DYADIC INTERNATIONAL (USA), INC.
a Florida corporation

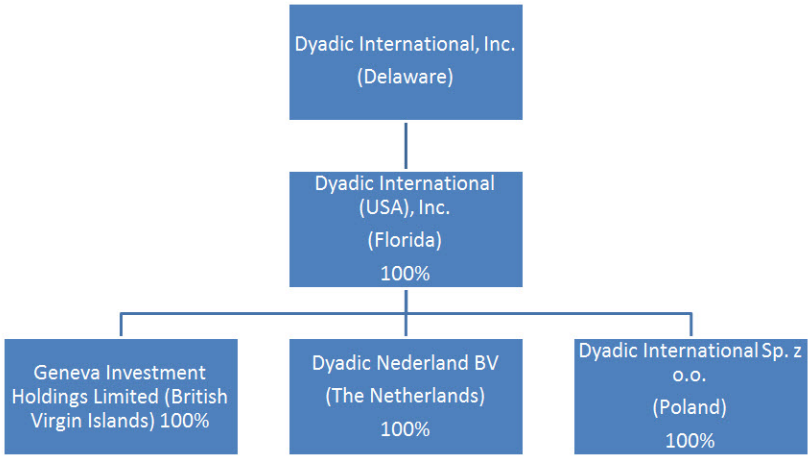
By: /s/ Mark A. Emalfarb
Name: Mark A. Emalfarb
Title: President and CEO

LENDER:

THE MARK A. EMALFARB TRUST UNDER AGREEMENT DATED OCTOBER 1, 1987, AS AMENDED

By: /s/ Mark A. Emalfarb
Name: Mark A. Emalfarb
Title: Trustee

Exhibit 21.1


Dyadic International, Inc.
(Delaware)
Dyadic International (USA), Inc.
(Florida)
100%
Geneva Investment Holdings Limited (British Virgin Islands) 100%
Dyadic Nederland BV
(The Netherlands)
100%
Dyadic International Sp. z o.o.
(Poland)
100%