

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## DYADIC INTERNATIONAL INC

**Form: 8-K**

**Date Filed: 2007-11-19**

Corporate Issuer CIK: 1213809

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

Pursuant to SECTION 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 12, 2007**

**Dyadic International, Inc.**

(Exact name of registrant as specified in its charter)



**Delaware**

(State or other jurisdiction of incorporation)

**333-102629**

(Commission File Number)

**45-0486747**

(IRS Employer Identification No.)

**140 Intracoastal Pointe Drive, Suite 404**

**Jupiter, Florida 33477**

(Address of principal executive offices) (Zip Code)

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

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## Item 1.01 Entry into a Material Definitive Agreement.

### Retention Bonus Plan for Non-Management Employees

On November 12, 2007, Dyadic International, Inc. (the "Company") adopted a Retention Bonus Plan for Non-Management Employees of the Company (the "Retention Bonus Plan") applicable to the approximately 28 non-management employees of the Company who have an annual base salary of less than \$115,000. The purpose of the Retention Bonus Plan is to enable the Company to retain the services of its non-management employees in order to ensure that the Company is not disrupted or adversely affected by the possible loss of personnel or their commitment to the Company during a period when the Company is encountering certain distressful circumstances and while the Company is exploring a potential sale, business combination or restructuring. Under the Retention Bonus Plan, as approved by the Compensation Committee (the "Compensation Committee") of the Board of Directors of the Company, the participating non-management employees of the Company would become entitled to receive a cash bonus payment (a "Target Bonus") equal to a specified percentage, which ranges from approximately 20% to 31%, of the participant's annual base salary, if the participant remains employed by the Company for each of the relevant retention periods as described below. Pursuant to the Retention Bonus Plan, the Compensation Committee determined the participants in the Retention Bonus Plan and determined each participant's Target Bonus. The aggregate amount of Target Bonuses that may be paid to all participants under the Retention Bonus Plan is \$450,000.

The Retention Bonus Plan provides for the payment of a percentage of the Target Bonus at the end of three designated retention periods. Participants, as to whom the conditions of the Retention Bonus Plan are satisfied, will become entitled to receive payments of 50% of their Target Bonus as of March 31, 2008, 25% of their Target Bonus as of June 30, 2008, and 25% of their Target Bonus as of September 30, 2008. A participant will become entitled to receive the applicable percentage of his or her Target Bonus only if the participant remains in the employment of the Company as of the relevant payment date or is terminated by the Company without Cause (as defined in the Retention Bonus Plan) prior to the next relevant payment date. In the event of a Change of Control Transaction (as defined in the Retention Bonus Plan) prior to March 31, 2008, a participant will become entitled to receive 50% of his or her Target Bonus. In the event of a Change of Control Transaction after March 31, 2008 and prior to September 31, 2008, the participant will become entitled to receive a *pro rata* share of the applicable percentage of his or her Target Bonus calculated from the most recent relevant payment date to the closing date of the Change of Control Transaction.

In addition, under the Retention Bonus Plan, each participant is entitled to a severance payment equal to three months of his or her annual base salary, in the event that such participant (a) is terminated without Cause by the Company (1) prior to the closing date of a Change of Control Transaction, or (2) within 45 days after the closing date of a Change of Control Transaction, or (b) terminates his or her employment with the Company during the period beginning 15 calendar days after and ending 45 calendar days after the closing date of a Change of Control Transaction. The aggregate amount of severance payments that may be paid to all participants under the Retention Bonus plan is approximately \$420,000.

The cash compensation payable pursuant to the Retention Bonus Plan is in lieu of any discretionary bonus or any other bonus plan or bonus payment that the participant may be entitled to be paid for any reason by the Company. The Retention Bonus Plan is effective until September 30, 2008.

The Retention Bonus Plan is attached hereto as Exhibit 10.1 and is incorporated by reference herein. The foregoing description of the Retention Bonus Plan is a summary only, does not purport to be complete and is qualified in its entirety by reference to the full text of the Retention Bonus Plan.

### Change of Control Transaction Bonus Plan for Executive and Management Employees

On November 15, 2007, the Company adopted a Change of Control Transaction Bonus Plan for Executive and Management Employees of the Company (the "Transaction Bonus Plan") applicable to all six of the Company's executive and management employees with an annual base salary of more than \$115,000. The purpose of the Transaction Bonus Plan is to enable the Company to retain the services of and to incentivize its executive and management employees in order to ensure that the Company is not disrupted or adversely affected by the possible loss of personnel or their commitment to the Company during a period when the Company is encountering certain distressful circumstances and while the Company is exploring a potential sale, business combination or restructuring. Under the Transaction Bonus Plan, which was approved by the Compensation Committee, the participating executive and management employees of the Company would be entitled to receive a cash bonus payment (a "Transaction Bonus") equal to 50% of his or her annual base salary in the event of the closing of a Change of Control Transaction (as defined in the Transaction Bonus Plan). The aggregate amount of Transaction Bonuses that may be paid to all participants under the Transaction Bonus Plan is \$625,000.

A participant will be entitled to receive his or her Transaction Bonus if the participant is employed by the Company on the closing date of a Change of Control Transaction and the participant (a) continues to be employed by the Company for 15 calendar days after the closing date, (b) is terminated without Cause (as defined in the Transaction Bonus Plan) by the Company during such 15 calendar day period or (c) terminates his or her employment with the Company for Good Reason (as defined in the Transaction Bonus Plan) during such 15 calendar day period. In addition, in the event that a participating executive or management employee is terminated without Cause or terminates his or her employment for Good Reason within 60 days after the closing date of a Change of Control Transaction, such participant will be relieved and released from any non-competition provision, covenant not to compete provision, and any non-solicitation of customer provision (but not any solicitation of employee or confidentiality provisions) contained in the participant's employment agreement with the Company.

The cash compensation payable pursuant to the Transaction Bonus Plan is in lieu of any discretionary bonus or any other bonus plan or bonus payment that the participant may be entitled to be paid for any reason by the Company, but does not effect a participant's right to receive severance payments under his or her employment agreement with the Company. The Transaction Bonus Plan is effective until September 30, 2008.

The Transaction Bonus Plan is attached hereto as Exhibit 10.2 and is incorporated by reference herein. The foregoing description of the Transaction Bonus Plan is a summary only, does not purport to be complete and is qualified in its entirety by reference to the full text of the Transaction Bonus Plan.

**Item 2.02. Results of Operations and Financial Condition.**

(a) As part of the Company's press release issued on November 19, 2007 (attached hereto as Exhibit 99.1), the Company's management commented on the Company's liquidity and top-line sales from the Company's U.S.-based industrial enzyme business.

**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

(e) As discussed in Item 1.01 above (which discussion is incorporated herein by this reference), the Company has adopted the Transaction Bonus Plan.

The Company's Chief Executive Officer, Chief Financial Officer and other named executive officers are eligible for Transaction Bonuses under and in accordance with the terms of the Transaction Bonus Plan in the following amounts:

Named Executive Officer	Title	Potential Transaction Bonus Amount
Wayne Moor	Chief Executive Officer and President	\$132,500
Lisa De La Pointe	Executive Vice President and Chief Financial Officer	\$98,750
Alexander (Sasha) Bondar	Executive Vice President and Chief Business Officer	\$98,750
Kent Sproat	Executive Vice President, Manufacturing and Special Projects	\$100,750

**Item 8.01. Other Events.**

On November 7, 2007, Abengoa Bioenergy New Technologies, Inc. (f/k/a Abengoa Bioenergy R&D, Inc.) ("Abengoa") filed a complaint in the Circuit Court of the 15th Judicial Circuit of Florida, in Palm Beach County, Florida (Case No. 2007CA019997), naming the Company and Mark A. Emalfarb, a director of the Company, as defendants. The lawsuit relates to that certain Securities Purchase Agreement dated as of October 26, 2006 (the "Securities Purchase Agreement") by and between the Company and Abengoa pursuant to which the Company sold 2,136,752 shares of the Company's common stock for an aggregate purchase price of \$10.0 million, which transaction closed on November 8, 2006.

The lawsuit claims that one or both defendants, defrauded Abengoa, violated Delaware securities laws, breached the covenant of good faith and fair dealing, and breached the Securities Purchase Agreement by making various false and misleading representations that Abengoa relied upon in entering into and closing its purchase of Company shares. The complaint seeks indemnification under the Securities Purchase Agreement, monetary damages of at least \$10 million, and the costs and expenses incurred in prosecuting the action, among other things. Although the Company has not yet been served with a summons and complaint in this action, the Company intends to vigorously contest and defend the allegations under the complaint, but no assurances can be given as to the costs to defend or the ultimate outcome of this matter.

Also on November 7, 2007, the Company was served with a third summons and complaint filed in the United States District Court for the Southern District of Florida on October 29, 2007 (Case No. 07-61544), purporting to be a class action. The complaint names the Company, Wayne Moor, a director and Chief Executive Officer and President of the Company, the Company's other current directors, Mark A. Emalfarb, Stephen J. Warner, Harry Z. Rozengart, and Richard J. Berman, and former directors, Robert B. Shapiro and Glenn E. Nedwin, as defendants. The lawsuit claims that all or some of the defendants, among other things, violated federal securities laws by issuing various materially false and misleading statements that had the effect of artificially inflating the market price of the Company's securities and causing class members to overpay for securities purchased during the period from November 10, 2006 through April 23, 2007. The complaint, among other things, seeks unspecified monetary damages and the costs and expenses incurred in prosecuting the action. The Company intends to vigorously contest and defend the allegations under the complaint, but no assurances can be given as to the costs to defend or the ultimate outcome of this matter.

On November 9, 2007, a fourth complaint was filed in the United States District Court for the Southern District of Florida (Case No. 07-81068), purporting to be a class action. The complaint names the Company, Wayne Moor, a director and Chief Executive Officer and President of the Company, and Mark A. Emalfarb, a director, as defendants. The lawsuit claims that all or some of the defendants, among other things, violated federal securities laws by issuing various materially false and misleading statements that had the effect of artificially inflating the market price of the Company's securities and causing class members to overpay for securities purchased during the period from March 30, 2006 through April 23, 2007. The complaint seeks, among other things, unspecified monetary damages and the costs and expenses incurred in prosecuting the action. Although the Company has not yet been served with a summons and complaint in this action, the Company intends to vigorously contest and defend the allegations under the complaint, but no assurances can be given as to the costs to defend or the ultimate outcome of this matter.

On November 14, 2007, Mark A. Emalfarb, in his capacity as trustee of the Mark A. Emalfarb Trust U/A/D October 1, 1987, a stockholder in the Company, filed a petition in the Court of Chancery of the State of Delaware pursuant to Section 211 of the General Corporation Law of the State of Delaware (the "211 Action") seeking an order of the court directing the Company to call and hold an annual meeting of its stockholders for the election of directors. [The Company held its last annual meeting of stockholders on June 12, 2006. Under the Company's Certificate of Incorporation, the Company has a staggered board of directors divided into three classes, with approximately one-third of its board members elected each year to serve a three-year term. The Company has been unable to call, notice and hold an annual stockholders' meeting for the election of directors in 2007 because of its inability to comply with the Securities and Exchange Commission's proxy rules in connection with any such meeting (which proxy rules require that the related proxy or information statement be accompanied or preceded by an annual report to stockholders that includes audited financial statements and meets the other applicable requirements of the proxy rules). As the Company reported in its Current Reports on Form 8-K filed on April 25, 2007, May 22, 2007 and September 29, 2007, the Company's financial statements, including those contained in its Annual Reports on Form 10-KSB and Quarterly Reports on Form 10-QSB, as previously filed with the Securities and Exchange Commission, should no longer be relied upon.] The Company, which desires to notice, convene and hold an annual meeting of stockholders if and when legally permitted to do so, is currently evaluating its position regarding the 211 Action with the assistance of counsel and will respond in due course.

As previously disclosed in the Company's Current Report on Form 8-K (filed on October 24, 2007), on October 23, 2007, the Company engaged Gordian Group, LLC, to serve as the Company's investment banker and financial adviser, to assist the Company in evaluating, exploring and, if deemed appropriate, pursuing and implementing certain strategic and financial options that may be available to the Company, including a possible sale, merger, restructuring, recapitalization, reorganization or other strategic or financial transaction. Since that time, the Company has commenced evaluating its available options, is preparing to implement a process of soliciting indications of interest from qualified third parties, and anticipates that by year-end 2007 it will have reached conclusions on one or more specific courses of action and will have commenced taking steps to implement its decisions. Notwithstanding this, no conclusion as to any specific option or transaction has been reached, nor has any specific timetable been fixed for accomplishing this effort, and there can be no assurance that any strategic, financial or other option or transaction will be presented, implemented or consummated.

On November 19, 2007, the Company issued a press release regarding the matters described in this Form 8-K Report and other matters. The complete text of the press release is attached hereto as Exhibit 99.1

**Item 9.01. Financial Statements and Exhibits.**

(c) The following exhibits are filed with this report:

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
10.1	Retention Bonus Plan for Non-Management Employees of Dyadic International, Inc. adopted November 12, 2007
10.2	Control Transaction Bonus Plan for Executive and Management Employees of Dyadic International, Inc. adopted November 15, 2007
99.1	Press Release of Dyadic International, Inc. dated November 19, 2007

## SIGNATURES

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

### DYADIC INTERNATIONAL, INC.

Date: October 24, 2007

By: /s/ Lisa De La Pointe

Name: Lisa De La Pointe

Title: Executive Vice President and Chief Financial Officer

### Index to Exhibits

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99.1	Press Release of Dyadic International, Inc. dated November 19, 2007

**RETENTION BONUS PLAN**  
**FOR NON-MANAGEMENT EMPLOYEES**  
**OF**  
**DYADIC INTERNATIONAL, INC.**  
**ADOPTED NOVEMBER 7, 2007**

**Background**

Dyadic International, Inc. (the "**Company**") recognizes that its employees are essential to the Company's past and continued operation, value and success. More specifically, the Company recognizes that the employees who are eligible to participate in this Plan (the "**Employees**" and, individually, an "**Employee**") make a significant contribution to the operation, value and success of the Company. In recognition of this fact, the Company desires to adopt this Retention Bonus Plan (the "**Plan**"), the purpose of which is to enable the Company to retain the Employees' services, during a period when the Company is encountering certain distressful circumstances and is exploring a potential sale, business combination or restructuring, in order to ensure the Company is not disrupted or adversely affected by the loss of personnel or their commitment to the Company. The Company has determined that it is in the best interests of the Company to provide for the following arrangements with the Employees. These arrangements provide for compensation to be paid to the Employees who participate, upon the occurrence of certain events as described herein.

**Plan**

In consideration of the foregoing and an Employee's continued employment and services with the Company, and intending to be legally bound, the Company adopts the following Plan on the terms and subject to the conditions set forth below:

1. **Participation and Maximum Aggregate Amount of Potential Retention Bonuses**. All full time Employees of the Company whose annual base salary is less than \$115,000 are eligible to participate in this Plan. The Chief Executive Officer of the Company shall recommend to the Compensation Committee of the Company's Board of Directors (the "**Compensation Committee**") which Employees shall participate and the amount of the total Potential Retention Bonus, as defined below, each Employee participant in this Plan will be paid upon the occurrence of the events set forth in Section 2 (the "**Potential Retention Bonus**"). Upon such recommendation, the Compensation Committee shall determine, in its sole discretion, whether to admit such Employee as a participant in this Plan and the amount of such Employee's Potential Retention Bonus. Once the Compensation Committee has admitted an Employee as a participant in this Plan and determined the amount of such Employee's Potential Retention Bonus, the Company's Chief Executive Officer, Chief Financial Officer or other designated officer shall communicate the admission and decision to such Employee. The aggregate amount of Potential Retention Bonuses that may be paid to all Employees under this Plan is \$450,000.

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2. **Retention Bonus and Severance Payment.**

(a) If an Employee participant remains employed by and is in the employment of the Company on the last day of each Retention Period as set forth in Section 2(b) below (a "**Retention Date**"), or is terminated on or prior to the applicable Retention Date by the Company without Cause (as defined in Section 5(a) below), and a Change of Control Transaction Bonus (as defined in Section 3 below) has not been paid pursuant to Section 3 hereof, the Company will pay to each such Employee a cash bonus equal to the applicable percentage set forth in Section 2(c) below (the "**Retention Bonus**") of such Employee's Potential Retention Bonus. The Retention Bonus shall be paid to the Employee, after withholding of all federal, state or local income or payroll taxes or any other amounts that the Company is required by applicable law to withhold from such payments. Payment of the Retention Bonus shall be made no later than the 11<sup>th</sup> business day after the Retention Date, or if earlier, the 11<sup>th</sup> business day following the Employee's termination by the Company without Cause.

(b) There shall be three retention periods (each a "**Retention Period**") as follows:

October 1, 2007 - March 31, 2008 First Retention Period

April 1, 2008 - June 30, 2008 Second Retention Period

July 1, 2008 - September 30, 2008 Third Retention Period

(c) If an Employee participant remains employed by and is in the employment of the Company on a Retention Date, or is terminated on or prior to the applicable Retention Date by the Company without Cause, and a Change of Control Transaction Bonus has not been paid pursuant to Section 3 hereof, each Employee shall be entitled to receive a Retention Bonus for each applicable Retention Period as follows:

First Retention Period 50% of Potential Retention Bonuses

Second Retention Period 25% of Potential Retention Bonuses

Third Retention Period 25% of Potential Retention Bonuses

(d) In addition to the Retention Bonuses described in Section 2(c), if an Employee (A) is terminated by the Company without Cause on or prior to a Closing Date (as defined in Section 5(c) below) with respect to a Change of Control Transaction (as defined in Section 5(b) below) or (B) if an Employee who is not so terminated either (i) is terminated by the Company without Cause within 45 calendar days after the Closing Date or (ii) terminates his employment by notice to the Company during the period beginning 15 calendar days after the Closing Date and ending 45 calendar days after the Closing Date, then each such Employee who is so terminated or terminates shall be entitled to a severance payment equal to three months of such Employee's annual base salary as in effect as of the date of termination. Any severance payment shall be paid to the Employee, after withholding of all federal, state or local income or payroll taxes or any other amounts that the Company is required by applicable law to withhold from such payments. Payment of any severance payment shall be made no later than the 11<sup>th</sup> business day after the date of termination.

3. **Change of Control Transaction Bonus.** The Change of Control Transaction Bonus is not an additional payment to the Retention Bonus provided in Sections 2(a), (b) and (c) but replaces any Retention Bonuses otherwise payable after the Closing Date, and no further Retention Bonuses shall be payable after a Change of Control Transaction. On or prior to the Closing Date, an Employee employed on such date will be entitled to a cash bonus payment equal (i) the Retention Bonus in the event the Closing occurs during the First Retention Period, (ii) to a fraction of the Second Retention Bonus payable under this Plan in accordance with Section 2 hereof in the event the Closing occurs during the Second Retention Period, the numerator of which is the number of days from the first day of the Second Retention Period to and including the Closing Date, and the denominator of which is the total number of days in the Second Retention Period or (iii) to a fraction of the Third Retention Bonus payable under this Plan in accordance with Section 2 hereof in the event the Closing occurs during the Third Retention Period, the numerator of which is the number of days from the first day of the Third Retention Period to and including the Closing Date, and the denominator of which is the total number of days in the Third Retention Period (the "**Change of Control Transaction Bonus**"). In such event, the Employee will not be entitled to any payment of Retention Bonuses which are payable after the Closing Date. The Change in Control Transaction Bonus shall be paid to the Employee, after withholding of all federal, state or local income or payroll taxes or any other amounts that the Company is required by applicable law to withhold from such payments. Payment of the Change of Control Transaction Bonus shall be made no later than the 11<sup>th</sup> business day after the Closing Date.

4. **Additional Payment; Additional Participants.** The Retention Bonuses set forth herein are intended to be in lieu of the discretionary bonuses that have historically been paid to most employees with respect to each fiscal year of the Company. Nevertheless, from time to time, at the sole discretion of the Compensation Committee, the Company may pay such additional amounts to an Employee as the Company deems appropriate and in the best interests of the Company consistent with the goals and purposes of this Plan or otherwise.

5. **Definitions.**

As used in this Plan, the following terms shall have the following meanings:

(a) "**Cause**" means any (i) breach by an Employee of any written agreement with the Company, (ii) violation of any Company procedure or policy (including any of the same contained in the Company's Employee Handbook), (iii) failure or refusal by an Employee to perform the assigned duties of his employment by the Company to the Company's reasonable satisfaction, which, if capable of being remedied, is not remedied to the Company's satisfaction within five days after receipt of written notice from the Company or (iv) conviction of an Employee of a felony involving moral turpitude.

(b) "**Change of Control Transaction**" means (i) a sale of all or substantially all of the assets of the Company or (ii) a merger, consolidation, business combination or recapitalization of the Company as a result of which the shareholders of the Company immediately prior to such merger, consolidation, business combination or recapitalization do not, immediately after such merger, consolidation or business combination, "beneficially own" (as such term is defined in Rule 13d-3 under the Securities Exchange Act of 1934) shares representing in the aggregate 50.1% or more of the combined voting power of the securities of the corporation or corporations or other entity or entities issuing cash or securities in the merger, consolidation, business combination or recapitalization.

(c) **"Closing"** means the closing and consummation of a Change of Control Transaction.

(d) **"Closing Date"** means the date on which the Closing occurs.

6. **Interpretation of Plan; Compensation Committee Authority.** Subject to Section 7 below, the Compensation Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any payment issued or paid or to be issued or paid under the Plan (and to determine the form and substance of all agreements relating thereto), and to otherwise supervise the administration of the Plan. Subject to Section 7 below, all decisions made by the Compensation Committee pursuant to the provisions of the Plan shall be made in the Compensation Committee's sole discretion and shall be final and binding upon all persons, including the Company and the Employees.

7. **Amendment and Termination.** The Compensation Committee may at any time, and from time to time, amend, alter, suspend or discontinue any of the provisions of the Plan, but no amendment, alteration, suspension or discontinuance thereof shall be made which would impair the rights of an Employee under the Plan theretofore accrued and vested hereunder, without the Employee's consent.

8. **Term of Plan.** The Plan shall be effective as of November 7, 2007 (the **"Effective Date"**). Unless terminated sooner by the Compensation Committee, the Plan shall continue to remain effective until September 30, 2008.

9. **General Provisions.**

(a) **Unfunded Status of Plan.** The Plan is intended to constitute an "unfunded" plan for retention, incentive and deferred compensation. With respect to any payments not yet made to an Employee by the Company, nothing contained herein shall give any such Employee any rights that are greater than those of a general unsecured creditor of the Company.

(b) **Termination for Cause.** Except as otherwise expressly provided in a separate written agreement with an Employee, the Compensation Committee may, in the event an Employee's employment with the Company is terminated for Cause, annul any right under the Plan to such Employee and, in such event, the Compensation Committee, in its sole discretion, may require such Employee to return to the Company any payment which was realized or obtained by such Employee at any time during the term of the Plan and the Employee agrees to return any such payment to the Company.

(c) No Right of Employment. All Employees are and shall continue to be "at will." Nothing contained in the Plan shall be deemed to confer upon any Employee any right to continued employment with the Company, nor shall it interfere in any way with the right of the Company to terminate the employment of any Employee at any time.

(d) Governing Law. The Plan and all awards made and actions taken thereunder shall be governed by and construed, interpreted and enforced in accordance with the laws of the State of Florida (without regard to choice of law provisions).

(e) Other Benefit Plan. Any right under the Plan shall not be deemed compensation for purposes of computing benefits under any retirement plan of the Company and shall not affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation (unless required by specific reference in any such other plan to awards under this Plan).

(f) Non-Transferability. No right or benefit under the Plan may be alienated, sold, assigned, hypothecated, pledged, exchanged, transferred, encumbered or charged, and any attempt to alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same shall be null and void.

(g) Conflicts. If any of the terms or provisions of the Plan conflict with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "**Code**"), then such terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of said Sections 162(m) of the Code. Additionally, if the Plan does not contain any provision required to be included herein under Sections 162(m) of the Code, such provision shall be deemed to be incorporated herein and therein with the same force and effect as if such provision had been set out at length herein.

AS ADOPTED, APPROVED AND AUTHORIZED BY THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF DYADIC INTERNATIONAL, INC. ON NOVEMBER 7, 2007



**CHANGE OF CONTROL TRANSACTION BONUS PLAN**  
**FOR EXECUTIVE AND MANAGEMENT EMPLOYEES**  
**OF**  
**DYADIC INTERNATIONAL, INC.**  
**ADOPTED NOVEMBER 15, 2007**

**Background**

Dyadic International, Inc. (the "**Company**") recognizes that its executive and management employees are essential to the Company's past and continued management, operation, value and success. More specifically, the Company recognizes that the employees who are eligible to participate in this Plan (the "**Managers**" and, individually, a "**Manager**") make a significant contribution to the management, operation, value and success of the Company. In recognition of this fact, the Company desires to adopt this Change of Control Transaction Bonus Plan (the "**Plan**"), the purpose of which is to enable the Company to retain the Managers' services and to incentivize their continued service and performance, during a period when the Company is encountering certain distressful circumstances and is exploring a potential sale, business combination or restructuring. The Company has determined that it is in the best interests of the Company to provide for the following arrangements with the Managers. These arrangements provide for compensation to be paid to the Managers who participate, upon the occurrence of certain events as described herein.

**Plan**

In consideration of the foregoing and a Manager's continued services with the Company, and intending to be legally bound, the Company adopts the following Plan on the terms and subject to the conditions set forth below:

1. **Participation and Maximum Aggregate Amount of Change of Control Transaction Bonuses.** All full time Managers of the Company whose annual base salary is equal to or greater than \$115,000 are eligible to participate in this Plan. The Chief Executive Officer of the Company shall recommend to the Compensation Committee of the Company's Board of Directors (the "**Compensation Committee**") which Managers shall participate in this Plan. Upon such recommendation, the Compensation Committee shall determine, in its sole discretion, whether to admit any such Manager as a participant in this Plan. Once the Compensation Committee has admitted a Manager as a participant in this Plan, the Company's Chairman of the Board or other designated officer shall communicate the admission and decision to such Manager. The aggregate amount of Change of Control Transaction Bonuses that may be paid to all Managers under this Plan by the Company is \$625,000.

2. **Change of Control Transaction Bonus; Severance Payment Provisions.**

(a) If a Manager participant (i) is employed by the Company on the Closing Date (as defined in Section 3(c) below) and (ii) either (A) continues to be employed by the Company for fifteen (15) calendar days after the Closing Date, or (B) is terminated by the Company without Cause or terminates his or her employment with the Company for Good Reason during such 15 calendar day period, such Manager will be entitled to receive from the Company a cash bonus (the "**Change of Control Transaction Bonus**") equal to fifty percent (50%) of the annual base salary of such Manager in effect immediately prior to such Closing Date or termination. The Change of Control Transaction Bonus shall be paid to the Manager, after withholding of all federal, state or local income or payroll taxes or any other amounts that the Company is required by applicable law to withhold from such payments. Payment of the Change of Control Transaction Bonus shall be made no later than the 5<sup>th</sup> business day after the 15 calendar day period described above.

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(b) The Change of Control Transaction Bonus payable pursuant to this Plan shall be reduced (but not below zero) by any bonus or similar payments (other than severance payments) required to be paid by the Company pursuant to any agreement with the Company, where such bonus or similar payments are triggered or become due or payable as a result of the occurrence of the same actions, events or transactions that caused the Change of Control Transaction Bonus to be and become payable pursuant to this Plan.

(c) The Change of Control Transaction Bonus provisions of this Plan are in lieu of any discretionary bonus or any other bonus plan or bonus payment (other than severance payments) that a Manager might be entitled to or paid for any reason by the Company, and the Manager shall not be paid any such bonus after the Effective Date. Each Manager's participation in the Plan is conditioned upon this provision.

(d) In addition to the Change of Control Transaction Bonus described in Section 2(a), the Manager shall continue to be entitled to any and all severance payments which are provided in such Manager's employment agreement with the Company.

(e) If there is a Change of Control Transaction and, within 60 calendar days of the Closing Date of such transaction, the Manager's employment with the Company is terminated without Cause or the Manager terminates his employment with the Company for Good Reason, the Manager shall be relieved and released, without the necessity of any further action on the part of the Company, from any non-competition provision, covenant not to compete provision, and any non-solicitation of customer(s) provision contained in such Manager's employment agreement with the Company; provided, however, that any other provisions including, without limitation, those related to ownership and assignment of propriety rights, confidentiality obligations and non-solicitation and no-hire of employee provisions, shall remain in full force and effect.

3. **Definitions.** As used in this Plan, the following terms shall have the following meanings:

(a) "**Cause**" means any (i) breach by a Manager of any written agreement with the Company, (ii) violation of any Company procedure or policy (including any of the same contained in the Company's Employee Handbook), (iii) failure or refusal by a Manager to perform the assigned duties of his employment by the Company to the Company's reasonable satisfaction, which, if capable of being remedied, is not remedied to the Company's satisfaction within five (5) days after receipt of written notice from the Company or (iv) conviction of a Manager of a felony involving moral turpitude.

(b) "**Change of Control Transaction**" means (i) a sale of all or substantially all of the assets of the Company, (ii) a sale of all or substantially all of the intellectual property assets owned by the Company, (iii) the acquisition by any person or group acting in concert in a transaction or series of transactions of shares representing in the aggregate 50.1% or more of the combined voting power of the securities of the Company, or (iv) a merger, consolidation, business combination or recapitalization of the Company as a result of which the shareholders of the Company immediately prior to such merger, consolidation, business combination or recapitalization do not, immediately after such merger, consolidation or business combination, "beneficially own" (as such term is defined in Rule 13d-3 under the Securities Exchange Act of 1934) shares representing in the aggregate 50.1% or more of the combined voting power of the securities of the Company (or corporations or other entities issuing cash or securities in the merger, consolidation, business combination or recapitalization).

(c) "**Closing**" means the closing and consummation of a Change of Control Transaction.

(d) "**Closing Date**" means the date on which the Closing occurs.

(e) "**Good Reason**" means a voluntary termination of the Manager's employment by the Manager within 30 days following the occurrence of any of the following events: (i) the Company's assignment to the Manager of duties materially inconsistent with the Manager's position, authority, duties or responsibilities as they exist as of the Effective Date which results in a diminution of the Manager's position, excluding for this purpose any isolated, insubstantial or inadvertent action not taken in bad faith and which is remedied by the Company within two (2) business days after the receipt of written notice thereof by the Manager; (ii) the Manager's annual base salary is reduced below the amount of the Manager's annual base salary in effect as of the Effective Date; (iii) the Manager is required by the Company to relocate the Manager's principal place of employment outside a 50 mile radius of such Manager's current principal place of employment; or (iv) the failure of the Company or its legal successor-in-interest to comply with any of the material terms or provisions of this Plan or the economic or financial provisions of the Manager's employment agreement with the Company, other than an isolated, insubstantial or inadvertent action not taken in bad faith and which is remedied by the Company within two (2) business days after the receipt of written notice thereof by the Manager.

4. **Interpretation of Plan; Compensation Committee Authority.** Subject to Section 5 below, the Compensation Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any payment (or offset or reduction of payment) issued or paid or to be issued or paid under the Plan (and to determine the form and substance of all agreements relating thereto), and to otherwise supervise the administration of the Plan. Subject to Section 5 below, all decisions made by the Compensation Committee pursuant to the provisions of the Plan shall be made in the Compensation Committee's sole discretion and shall be final and binding upon all persons, including the Company and the Managers.

5. **Amendment and Termination.** The Compensation Committee may at any time, and from time to time, amend, alter, suspend or discontinue any of the provisions of the Plan, but no amendment, alteration, suspension or discontinuance thereof shall be made which would impair the rights of a Manager under the Plan theretofore accrued and vested hereunder, without the Manager's consent.

6. **Term of Plan.** The Plan shall be effective as of November 15, 2007 (the "**Effective Date**"). Unless terminated sooner by the Compensation Committee, the Plan shall continue to remain effective until September 30, 2008.

7. **General Provisions.**

(a) **Unfunded Status of Plan.** The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Manager by the Company, nothing contained herein shall give any such Manager any rights that are greater than those of a general unsecured creditor of the Company.

(b) **Termination for Cause.** Except as otherwise expressly provided in a separate written agreement between the Company and a Manager, the Compensation Committee may, in the event a Manager's employment with the Company is terminated for Cause, annul any right under the Plan to such Manager and, in such event, the Compensation Committee, in its sole discretion, may require such Manager to return to the Company any payment which was realized or obtained by such Manager at any time during the term of the Plan and the Manager agrees to return any such payment to the Company.

(c) **No Right of Employment.** Nothing contained in the Plan shall be deemed to confer upon any Manager any right to continued employment with the Company, nor shall it interfere in any way with the right of the Company to terminate the employment of any Manager at any time.

(d) **Governing Law.** The Plan and all awards made and actions taken thereunder shall be governed by and construed, interpreted and enforced in accordance with the laws of the State of Florida (without regard to choice of law provisions).

(e) **Other Benefit Plan.** Any right under the Plan shall not be deemed compensation for purposes of computing benefits under any retirement plan of the Company and shall not affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation (unless required by specific reference in any such other plan to awards under this Plan).

(f) **Non-Transferability.** No right or benefit under the Plan may be alienated, sold, assigned, hypothecated, pledged, exchanged, transferred, encumbered or charged, and any attempt to alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same shall be null and void.

(g) Conflicts. If any of the terms or provisions of the Plan conflict with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), then such terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of said Sections 162(m) of the Code. Additionally, if the Plan does not contain any provision required to be included herein under Sections 162(m) of the Code, such provision shall be deemed to be incorporated herein and therein with the same force and effect as if such provision had been set out at length herein.

A S ADOPTED, APPROVED AND AUTHORIZED BY THE COMPENSATION COMMITTEE OF THE BOARD O F DIRECTORS OF DYADIC INTERNATIONAL, INC. ON NOVEMBER 15, 2007



## Dyadic Provides Strategic and Business Update

JUPITER, Fla - November 19, 2007 - Dyadic International, Inc. (AMEX: DIL) announced today that it has made progress in the Gordian Group-assisted value maximization process and has taken steps to ensure that the Company is not disrupted during this process.

As previously announced, on October 23, 2007, the Company engaged Gordian Group, LLC, to serve as the Company's investment banker and financial adviser, to assist the Company in evaluating, exploring and, if deemed appropriate, pursuing and implementing certain strategic and financial options that may be available to the Company, including a possible sale, merger, restructuring, recapitalization, reorganization or other strategic or financial transaction. Since that time, the Company has commenced evaluating its available options, is preparing to implement a process of soliciting indications of interest from qualified third parties, and anticipates that by year-end 2007 it will have reached conclusions on one or more specific courses of action and will have commenced taking steps to implement its decisions. Notwithstanding this, no conclusion as to any specific option or transaction has been reached, nor has any specific timetable been fixed for accomplishing this effort, and there can be no assurance that any strategic, financial or other option or transaction will be presented, implemented or consummated.

"Though the Company is facing many challenges, we believe that Dyadic's financial resources are sufficient to fund the Company's operations at least through 2008 and implement the Gordian Group-assisted value maximization process," commented Wayne Moor, President and CEO of Dyadic. "In the meantime, Dyadic continues to seek to pursue its strategic business plan. The Company also continues to meet its program objectives in its collaborations with Abengoa Bioenergy, Nedalco, and other partners, as well as in its self-funded R&D programs. Notably, year to date, top-line sales from Dyadic's U.S. based industrial enzyme business are comparable to the U.S. based enzyme sales in prior years."

In an effort to guard against potential disruption to the Company due to the loss of personnel or their commitment to Dyadic while the Company continues operations and explores a potential sale, business combination or restructuring, the Company has adopted a Retention Bonus Plan for its non-management employees and a Change of Control Transaction Bonus Plan for its executive and management employees, intended to retain the services of and incentivize its non-management and management employees during the Gordian-assisted value maximization process.

"We believe these bonus plans will help Dyadic retain employees and protect shareholder value as the Company evaluates and pursues strategic alternatives now being identified by our investment bankers," commented Harry Rosengart, Chairman of the Board of Dyadic.

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On November 19, 2007, the Company filed with the Securities and Exchange Commission a Current Report on Form 8-K, which includes a more detailed discussion of the above-mentioned items, other matters and related exhibits.

#### **About Dyadic**

Dyadic International, Inc. is a biotechnology company that uses its patented and proprietary technologies to conduct research and development activities for the discovery, development, and manufacture of products and enabling solutions to the bioenergy, industrial enzyme and pharmaceutical industries.

#### **Cautionary Statement for Forward-Looking Statements**

*Certain statements made in this press release may be considered "forward-looking statements." These forward-looking statements are based upon current expectations and involve a number of assumptions, risks and uncertainties that could cause our actual results, performance or achievements to be materially different from such forward-looking statements. In view of such risks and uncertainties, investors and stockholders should not place undue reliance on our forward-looking statements. Such statements speak only as of the date of this release, and we undertake no obligation to update any forward looking statements made herein. For a discussion of assumptions, risks and uncertainties identified by the Company, please see our filings from time to time with the Securities and Exchange Commission, which are available free of charge on the SEC's web site at <http://www.sec.gov>, including our Annual Report on Form 10-KSB for the year ended December 31, 2006, and our subsequent filings with the SEC.*

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