

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **September 30, 2023**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: **000-55264**



DYADIC INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

State or Other Jurisdiction of Incorporation or Organization

45-0486747

I.R.S. Employer Identification No.

**1044 North U.S. Highway One, Suite 201
Jupiter, Florida**

Address of Principal Executive Offices

33477

Zip Code

(561) 743-8333

Registrant's Telephone Number, Including Area Code

N/A

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	DYAI	The NASDAQ Stock Market LLC

The number of shares outstanding of the registrant's Common Stock as of November 7, 2023 was 28,811,061.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of the Federal securities laws, particularly under Item 2 “Management’s Discussion and Analysis”. All statements other than statements of historical fact are forward-looking. Examples of forward-looking statements include, but are not limited to, statements regarding industry prospects, future business, future results of operations or financial condition, future liquidity and capital resources, our ability to implement our agreements with third parties, management strategies, and our competitive position. 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. Dyadic International, Inc., and its subsidiaries 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 many risks, uncertainties or other factors beyond Dyadic’s control. These factors include, but are not limited to, (1) general economic, political and market conditions; (2) our ability to generate the required productivity, stability, purity, performance, cost, safety and other data necessary to carry out and implement our biopharmaceutical and non-pharmaceutical research and business plans and strategic initiatives; (3) our ability to retain and attract employees, consultants, directors and advisors; (4) our ability to implement and successfully carry out Dyadic’s and third parties’ research and development efforts; (5) our ability to obtain new license and research agreements; (6) our ability to maintain our existing access to, and/or expand access to third party contract research organizations and other service providers in order to carry out our research and development projects and commercial activities for ourselves and third parties; (7) competitive pressures and reliance on our key customers and collaborators; (8) our ability, and the ability of the contract research organizations and other third-party service providers with whom we are currently working with or may work with in the future, to advance product candidates into, and successfully complete, preclinical studies and clinical trials and non-pharmaceutical application trials; (9) the commercialization of our product candidates, if approved; (10) the pharmaceutical, non-pharmaceutical and biotech industries, governmental regulatory and other agencies’ willingness to adopt, utilize and approve the use of our fungal based microbial protein production platforms and our other technologies; (11) the risk of theft, misappropriation or expiration of owned or licensed proprietary and intellectual property, genetic and biological materials owned by us and/or Danisco US, Inc. and VTT Technical Research Centre of Finland Ltd, and other contract research organizations that we engage with; (12) the speculative nature and illiquidity of equity securities received as consideration from sub-licenses; and (13) other factors discussed in Dyadic’s publicly available filings, including information set forth under the caption “Risk Factors” in this Quarterly Report and in our Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 29, 2023. We caution you that the foregoing list of important factors is not exclusive. Any forward-looking statements are based on our beliefs, assumptions and expectations of future performance, considering the information currently available to us. Before investing in our common stock, investors should carefully read the information set forth under the caption “Risk Factors” and elsewhere in this Quarterly Report, in our Form 10-K filed with the SEC on March 29, 2023 and in our other SEC filings, which could have a material effect on our business, results of operations and financial condition. The forward-looking statements contained in this Form 10-Q are made only as of the date hereof, and except as required by law, we undertake no obligation to publicly update any forward-looking statements for any reason after the date of this Quarterly Report to conform these statements to actual results or to changes in our expectations.

PART I

Item 1. Financial Statements

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,403,176	\$ 5,794,272
Short-term investment securities	772,804	6,847,270
Interest receivable	9,822	58,285
Accounts receivable	417,878	330,001
Prepaid expenses and other current assets	484,188	392,236
Total current assets	<u>9,087,868</u>	<u>13,422,064</u>
Non-current assets:		
Operating lease right-of-use asset, net	153,112	—
Investment in Alphazyme	—	284,709
Other assets	14,586	6,045
Total assets	<u>\$ 9,255,566</u>	<u>\$ 13,712,818</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 600,148	\$ 1,276,313
Accrued expenses	620,242	955,081
Deferred research and development obligations	13,897	40,743
Deferred license revenue, current portion	176,471	176,471
Operating lease liability, current portion	46,599	—
Total current liabilities	<u>1,457,357</u>	<u>2,448,608</u>
Deferred license revenue, net of current portion	44,118	176,471
Operating lease liability, net of current portion	101,567	—
Total liabilities	<u>1,603,042</u>	<u>2,625,079</u>
Commitments and contingencies (Note 4)		
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 shares - 41,064,563 and 40,816,602, outstanding shares - 28,811,061 and 28,563,100 as of September 30, 2023 and December 31, 2022, respectively	41,065	40,817
Additional paid-in capital	104,746,897	103,458,697
Treasury stock, shares held at cost - 12,253,502	(18,929,915)	(18,929,915)
Accumulated deficit	(78,205,523)	(73,481,860)
Total stockholders' equity	<u>7,652,524</u>	<u>11,087,739</u>
Total liabilities and stockholders' equity	<u>\$ 9,255,566</u>	<u>\$ 13,712,818</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues:				
Research and development revenue	\$ 352,942	\$ 835,480	\$ 2,079,918	\$ 1,983,636
License revenue	44,118	44,117	132,353	202,941
Total revenue	<u>397,060</u>	<u>879,597</u>	<u>2,212,271</u>	<u>2,186,577</u>
Costs and expenses:				
Costs of research and development revenue	105,869	602,847	1,625,731	1,418,702
Research and development	716,351	743,585	2,444,469	3,917,245
General and administrative	1,282,361	1,383,433	4,164,970	4,753,162
Foreign currency exchange loss	12,600	13,205	38,143	23,578
Total costs and expenses	<u>2,117,181</u>	<u>2,743,070</u>	<u>8,273,313</u>	<u>10,112,687</u>
Loss from operations	<u>(1,720,121)</u>	<u>(1,863,473)</u>	<u>(6,061,042)</u>	<u>(7,926,110)</u>
Other income:				
Interest income	105,862	54,300	319,787	87,277
Other income	—	—	1,017,592	250,000
Total other income	<u>105,862</u>	<u>54,300</u>	<u>1,337,379</u>	<u>337,277</u>
Net loss	<u>\$ (1,614,259)</u>	<u>\$ (1,809,173)</u>	<u>\$ (4,723,663)</u>	<u>\$ (7,588,833)</u>
Basic and diluted net loss per common share	\$ (0.06)	\$ (0.06)	\$ (0.16)	\$ (0.27)
Basic and diluted weighted-average common shares outstanding	28,811,061	28,391,894	28,794,712	28,302,332

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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

(Unaudited)

Nine Months Ended September 30, 2023

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
January 1, 2023	40,816,602	\$ 40,817	(12,253,502)	\$ (18,929,915)	\$ 103,458,697	\$ (73,481,860)	\$ 11,087,739
Stock-based compensation expense	—	—	—	—	330,639	—	330,639
Issuance of common stock upon vesting of restricted stock units	247,961	248	—	—	341,938	—	342,186
Net loss	—	—	—	—	—	(956,444)	(956,444)
March 31, 2023	41,064,563	\$ 41,065	(12,253,502)	\$ (18,929,915)	\$ 104,131,274	\$ (74,438,304)	\$ 10,804,120
Stock-based compensation expense	—	—	—	—	334,316	—	334,316
Net loss	—	—	—	—	—	(2,152,960)	(2,152,960)
June 30, 2023	41,064,563	\$ 41,065	(12,253,502)	\$ (18,929,915)	\$ 104,465,590	\$ (76,591,264)	\$ 8,985,476
Stock-based compensation expense	—	—	—	—	281,307	—	281,307
Net loss	—	—	—	—	—	(1,614,259)	(1,614,259)
September 30, 2023	41,064,563	\$ 41,065	(12,253,502)	\$ (18,929,915)	\$ 104,746,897	\$ (78,205,523)	\$ 7,652,524

Nine Months Ended September 30, 2022

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
January 1, 2022	40,482,659	\$ 40,483	(12,253,502)	\$ (18,929,915)	\$ 101,026,496	\$ (63,746,602)	\$ 18,390,462
Stock-based compensation expense	—	—	—	—	453,791	—	453,791
Issuance of common stock upon exercise of stock options	35,000	35	—	—	42,315	—	42,350
Net loss	—	—	—	—	—	(2,491,665)	(2,491,665)
March 31, 2022	40,517,659	\$ 40,518	(12,253,502)	\$ (18,929,915)	\$ 101,522,602	\$ (66,238,267)	\$ 16,394,938
Stock-based compensation expense	—	—	—	—	454,500	—	454,500
Net loss	—	—	—	—	—	(3,287,995)	(3,287,995)
June 30, 2022	40,517,659	\$ 40,518	(12,253,502)	\$ (18,929,915)	\$ 101,977,102	\$ (69,526,262)	\$ 13,561,443
Stock-based compensation expense	—	—	—	—	499,919	—	499,919
Issuance of common stock upon exercise of stock options	198,943	199	—	—	359,542	—	359,741
Net loss	—	—	—	—	—	(1,809,173)	(1,809,173)
September 30, 2022	40,716,602	\$ 40,717	(12,253,502)	\$ (18,929,915)	\$ 102,836,563	\$ (71,335,435)	\$ 12,611,930

The accompanying notes are an integral part of these unaudited consolidated financial statements.

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (4,723,663)	\$ (7,588,833)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	946,262	1,408,210
Amortization of held-to-maturity securities, net	(47,516)	37,094
Gain from the sale of investment in Alphazyme	(1,017,592)	—
Foreign currency exchange loss (gain), net	38,143	23,579
Changes in operating assets and liabilities:		
Interest receivable	48,463	50,502
Accounts receivable	(107,666)	(14,837)
Prepaid expenses and other current assets	(91,537)	(70,051)
Operating lease assets and liabilities	(4,946)	-
Accounts payable	(691,471)	(716,964)
Accrued expenses	7,347	278,331
Deferred research and development obligation	(132,353)	293,897
Deferred license revenue	(26,846)	(102,941)
Net cash used in operating activities	(5,803,375)	(6,402,013)
Cash flows from investing activities		
Purchases of held-to-maturity investment securities	(2,251,018)	(8,487,198)
Proceeds from maturities of investment securities	8,373,000	5,500,000
Proceeds from the sale of investment in Alphazyme	1,293,760	—
Net cash provided by (used in) investing activities	7,415,742	(2,987,198)
Cash flows from financing activities		
Proceeds from exercise of options	—	402,091
Net cash provided by financing activities	—	402,091
Effect of exchange rate changes on cash	(3,463)	(22,243)
Net increase (decrease) in cash and cash equivalents	1,608,904	(9,009,363)
Cash and cash equivalents at beginning of period	5,794,272	15,748,480
Cash and cash equivalents at end of period	\$ 7,403,176	\$ 6,739,117
Supplemental cash flow information		
Vesting of restricted stock units	\$ 342,186	\$ —
Right-of-use asset obtained in exchange for lease obligations	\$ 156,983	\$ —

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies

Description of Business

Dyadic International, Inc. (“Dyadic”, “we”, “us”, “our”, or the “Company”) is a global biotechnology company based in Jupiter, Florida with operations in the United States and a satellite office in the Netherlands, and it utilizes several third-party consultants and research organizations to carry out the Company’s activities. Over the past two plus decades, the Company has developed a gene expression platform for producing commercial quantities of industrial enzymes and other proteins, and has previously licensed this technology to third parties, such as Abengoa Bioenergy, BASF, Codexis and others, for use in industrial (non-pharmaceutical) applications. This technology is based on the *Thermothelomyces heterothallica* (formerly known as *Myceliophthora thermophila*) fungus, which the Company named C1.

Subsequent to the Company selling its industrial technology business to Danisco USA (“Danisco”), the industrial biosciences business of DuPont (NYSE: DD) (the “DuPont Transaction”) on December 31, 2015, the Company has been focused on building the C1-cell protein production platform for the development and production of biologic products including enzymes and other proteins for human and animal health. Some examples of human and animal vaccines and drugs which have the potential to be produced from C1-cells are protein antigens, ferritin nanoparticles, virus-like particles (“VLPs”), monoclonal antibodies (“mAbs”), Bi/Tri-specific antibodies, Fab antibody fragments, Fc-fusion proteins, as well as other therapeutic enzymes and proteins. The Company is involved in multiple funded research collaborations with animal and human pharmaceutical companies which are designed to leverage its C1-cell protein production platform to develop innovative vaccines and drugs, biosimilars and/or biobetters.

The Company also developed the Dapibus™ thermophilic filamentous fungal based microbial protein production platform to enable the rapid development and large-scale manufacture of low-cost proteins, metabolites, and other biologic products for use in non-pharmaceutical applications, such as food, nutrition, and wellness.

Liquidity and Capital Resources

The Company expects to incur losses and have negative net cash flows from operating activities as it continues developing its microbial platforms and related products, and as it expands its pipelines and engages in further research and development activities for internal products as well as for its third-party collaborators and licensees. The success of the Company depends on its ability to develop its technologies and products to the point of regulatory approval and subsequent revenue generation or through the sublicensing of the Company’s technologies and products, to raise capital to finance these developmental efforts.

The Company expects its existing cash and cash equivalents, investments in debt securities, and operating cash flows will be sufficient to meet its operational, business, and other liquidity requirements for at least the next twelve (12) months from the date of issuance of the financial statements contained in this Form 10-Q. However, the Company has based this estimate on assumptions that may prove to be wrong, and its operating plan may change as a result of many factors currently unknown to it. In the event our financing needs are not able to be met by our existing cash, cash equivalents and investments, we would seek to raise additional capital through strategic financial opportunities that could include, but are not limited to, future public or private equity offerings, collaboration agreements, and/or other means. Any amounts raised may be used for the further development and commercialization of product candidates, and for other working capital purposes. There is no guarantee that any of these strategic or financing opportunities will be executed or realized on favorable terms, if at all, and some could be dilutive to existing shareholders.

The Company has self-funded the development and cGMP manufacturing costs of its proprietary COVID-19 vaccine candidate, DYAI-100. In February 2023, the dosing of the DYAI-100 Phase 1 clinical trial to demonstrate the safety in humans of a protein produced from the C1-cell protein production platform was completed in South Africa. A six-month follow up study is currently ongoing with a Phase 1 full study report expected in December 2023. We do not expect a significant amount of additional capital needed to complete the Phase 1 clinical trial of DYAI-100 in 2023. In addition, we do not plan to continue Phase 2/3 clinical trials of DYAI-100 unless we obtain funding from our partners and collaborators.

During the nine months ended September 30, 2023, the Company received approximately \$1.3 million from the sale of its equity interest in Alphazyme, LLC. In October 2023, the Company received a \$600,000 upfront payment from Inzymes ApS for product development and licensing.

Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements, including the accounts of the Company and its wholly owned subsidiaries, have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) as found in the Accounting Standards Codification (“ASC”), Accounting Standards Update (“ASU”) of the Financial Accounting Standards Board (“FASB”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and footnote disclosures normally included in consolidated financial statements have been condensed or omitted pursuant to such rules and regulations. All significant intra-entity transactions and balances have been eliminated in consolidation. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and footnotes as of and for the year ended December 31, 2022, included in our Form 10-K which was filed with the SEC on March 29, 2023.

In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all adjustments, which are of a normal recurring nature, considered necessary for a fair presentation of all periods presented. The results of the Company’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.

The Company conducts business in one operating segment, which is identified by the Company based on how resources are allocated, and operating decisions are made. Management evaluates performance and allocates resources based on the Company as a whole.

Use of Estimates

The preparation of these consolidated financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amount of assets and liabilities and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements and the reported amounts of revenues and expenses during the applicable period. Estimates inherent in the preparation of these consolidated financial statements include, but are not limited to, estimates related to revenue recognition, accrued expenses, stock-based compensation expense, and income taxes. The Company bases its estimates on historical experience and other market specific or other relevant assumptions it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates as there are changes in circumstances, facts and experience. Actual results may differ from these estimates under different assumptions or conditions. Such differences could be material to the consolidated financial statements.

Concentrations and Credit Risk

The Company's financial instruments that are potentially subject to concentrations of credit risk consist primarily of cash and cash equivalents, investment securities, and accounts receivable. At times, the Company has cash, cash equivalents, and investment securities at financial institutions exceeding the Federal Depository Insurance Company ("FDIC") and the Securities Investor Protection Corporation ("SIPC") insured limit on domestic currency and the Netherlands' FDIC counterpart for foreign currency. The Company currently deals with four reputable financial institutions and has not experienced any losses in those accounts.

For the three months ended September 30, 2023 and 2022, the Company's revenue were generated from seven and eight customers, respectively. For the nine months ended September 30, 2023 and 2022, the Company's revenue was generated from twelve and thirteen customers, respectively. Significant customers are those that account for greater than 10% of the Company's revenues. For the three months ended September 30, 2023 and 2022, four and three significant customers accounted for approximately \$297,000 or 84.1% and \$697,000 or 83.4% of research and development revenue, respectively. For the nine months ended September 30, 2023 and 2022, two and three significant customers accounted for approximately \$1,137,000 or 54.7% and \$1,263,000 or 63.7% of research and development revenue, respectively.

As of September 30, 2023 and December 31, 2022, accounts receivable was from ten and six customers, of which, four and three customers accounted for approximately \$305,000 or 73.0% and \$291,000 or 88.2% of total accounts receivable, respectively. The loss of business from one or a combination of the Company's customers could adversely affect its operations.

The Company conducts operations in the Netherlands through its foreign subsidiary and generates a portion of its revenues from customers that are located outside of the United States. For the three months ended September 30, 2023 and 2022, the Company had three and four customers outside of the United States (i.e., European and Asian customers) that accounted for approximately \$127,000 or 36.0% and \$133,000 or 16.0% of research and development revenue, respectively. For the nine months ended September 30, 2023 and 2022, the Company had four and six customers outside of the United States (i.e., European and Asian customers) that accounted for approximately \$314,000 or 15.1% and \$509,000 or 25.6% of research and development revenue, respectively.

As of September 30, 2023 and December 31, 2022, the Company had three and four customers outside of the United States (i.e., European and Asian customers) that accounted for approximately \$145,000 or 34.8% and \$91,000 or 27.4% of accounts receivable, respectively.

The Company uses several contract research organizations ("CROs") to conduct its research projects. For the three months ended September 30, 2023 and 2022, three CROs accounted for approximately \$977,000 or 93.4% and \$1,352,000 or 99.5% of total research services we purchased, respectively. For the nine months ended September 30, 2023 and 2022, three CROs accounted for approximately \$3,639,000 or 96.4% and \$4,146,000 or 97.4% of total research services we purchased, respectively. As of September 30, 2023 and December 31, 2022, three CROs accounted for approximately \$526,000 or 87.6% and \$1,018,000 or 79.7% of accounts payable, respectively. The loss of one CRO or a combination of the Company's CROs could adversely affect its operations.

Cash and Cash Equivalents

We treat highly liquid investments with original maturities of three months or less when purchased as cash equivalents, including money market funds, which are unrestricted for withdrawal or use.

Investment Securities

The Company's investment policy requires investment securities to be investment grade and held to maturity with the primary objective to maintain a high degree of liquidity while maximizing yield. The Company invests excess cash balances in short-term and long-term investment grade securities. Short-term investment securities mature within twelve (12) months or less, and long-term investment securities mature over twelve (12) months from the applicable reporting date. Management determines the appropriate classification of each investment at the time of purchase and reevaluates the classifications at each balance sheet date.

The Company classifies its investments in debt securities as held-to-maturity. Held-to-maturity securities are those securities that the Company has the ability and intent to hold until maturity. Held-to-maturity securities are recorded at amortized cost, net of allowance for credit losses if applicable, and adjusted for the amortization or accretion of premiums or discounts. Premiums and discounts are amortized over the life of the related held-to-maturity security. When a debt security is purchased at a premium, both the face value of the debt and premium amount are reflected as investing outflow.

When evaluating an investment for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, changes in market interest rates, and whether it is more likely than not the Company will be required to sell the investment before recovery of the investment's cost basis. The Company measures expected credit losses on held to maturity debt securities on an individual security basis. The estimate of expected credit losses considers historical credit information from external sources. The impairment of the investment that is related to the credit loss, if any, is expensed in the period in which the event or change occurred.

The Company classifies its investments in money market funds as available-for-sale securities and presented as cash equivalents on the consolidated balance sheets. As of September 30, 2023 and December 31, 2022, all of our money market funds were invested in U.S. Government money market funds, for which the risk of loss is minimal.

As of September 30, 2023, or December 31, 2022, the Company did not have any investment securities classified as trading.

Accounts Receivable

Accounts receivable consist of billed receivables currently due from customers and unbilled receivables. Unbilled receivables represent the excess of contract revenue (or amounts reimbursable under contracts) over billings to date. Such amounts become billable in accordance with the contract terms, which usually consider the passage of time, achievement of certain milestones or completion of the project.

Accounts receivable are stated net of an allowance for credit losses, if deemed necessary based on the Company's evaluation of collectability and potential credit losses. Management assesses the collectability of its accounts receivable using the specific identification of account balances and considers the credit quality and financial condition of its significant customers, historical information regarding credit losses and the Company's evaluation of current and expected future economic conditions and changes in our customer collection trends. If necessary, an allowance for credit losses is recorded against accounts receivable such that the carrying value of accounts receivable reflects the net amount expected to be collected. Accounts receivable balances are written off against the allowance for credit losses when the potential for collectability is considered remote. Substantially all of our accounts receivable were current and include unbilled amounts that will be billed and collected over the next twelve (12) months. Management determined that no allowance for credit losses was required as of September 30, 2023, and December 31, 2022.

Accounts receivable consist of the following:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	(Unaudited)	(Audited)
Billed receivable	\$ 238,695	\$ 115,469
Unbilled receivable	179,183	214,532
	<u>\$ 417,878</u>	<u>\$ 330,001</u>

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	(Unaudited)	(Audited)
Prepaid insurance	\$ 311,389	\$ 265,429
Prepaid expenses - various	110,094	124,273
Prepaid research and development expenses	62,370	—
Prepaid taxes	335	2,534
	<u>\$ 484,188</u>	<u>\$ 392,236</u>

Accounts Payable

Accounts payable consist of the following:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	(Unaudited)	(Audited)
Research and development expenses	\$ 508,068	\$ 1,067,958
Legal expenses	25,003	56,514
Other	67,077	151,841
	<u>\$ 600,148</u>	<u>\$ 1,276,313</u>

Accrued Expenses

Accrued expenses consist of the following:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	(Unaudited)	(Audited)
Employee wages and benefits	\$ 429,820	\$ 580,264
Research and development expenses	177,875	343,457
Other	12,547	31,360
	<u>\$ 620,242</u>	<u>\$ 955,081</u>

Leases

The Company determines if an arrangement is, or contains, a lease at contract inception and during modifications or renewal of existing leases. The Company does not recognize leases with terms of twelve months or less on the balance sheet. Options to extend or terminate a lease are not included in the Company's initial lease term assessment, unless there is reasonable certainty that the Company will exercise any such option. Leases are classified as either finance leases or operating leases based on criteria in Accounting Standards Codification ("ASC") 842.

For operating leases, right-of-use assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. In determining the net present value of lease payments, the Company uses an estimated rate of interest that they would have to pay to borrow equivalent funds on a collateralized basis at the lease commencement date. The operating lease right-of-use asset also includes any lease payments made and excludes any lease incentives. Lease expense is recognized on a straight-line basis over the expected lease term.

The Company's prior lease for its corporate headquarters located at 140 Intracoastal Pointe Dr. expired on August 31, 2023, and there was no right-of-use asset or lease liability recognized for this lease due to its short-term nature. In August 2023, the Company entered into a new lease ("1044 N Lease") comprising approximately 1,719 square feet of office space located at 1044 N US 1, Jupiter, Florida, commencing September 1, 2023 ("Commencement Date"). Rent is subject to scheduled three percent (3%) annual increases, and the Company is responsible for certain common area maintenance charges and taxes throughout the life of the 1044 N Lease. The 1044 N Lease has an initial term of three (3) years, following the Commencement Date with an option to extend for two (2) successive one (1) year terms. The options were not included in the lease term used in determining the right-of-use asset or lease liability as the Company did not consider it reasonably certain they would exercise the options.

For the three months and nine months ended September 30, 2023, the Company's total operating lease expense were approximately \$15,000, and \$45,000, respectively. As of September 30, 2023, the Company's total operating lease liabilities was approximately \$148,000 and the operating lease right-of-use asset was approximately \$153,000.

Research and Development Costs

Research and development ("R&D") costs are expensed as incurred. R&D costs are for the Company's internally funded pharmaceutical programs and other governmental and commercial projects.

Research and development costs consist of personnel-related costs, facilities, research-related overhead, services from independent contract research organizations, and other external costs. Research and development costs, including related party, during the three and nine months ended September 30, 2023 and 2022 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Outside contracted services	\$ 556,042	\$ 550,750	\$ 1,947,228	\$ 3,302,911
Personnel related costs	147,426	186,993	447,034	593,258
Facilities, overhead and other	12,883	5,842	50,207	21,076
	<u>\$ 716,351</u>	<u>\$ 743,585</u>	<u>\$ 2,444,469</u>	<u>\$ 3,917,245</u>

Foreign Currency Transaction Gain or Loss

The Company and its foreign subsidiary use the U.S. dollar as its functional currency, and initially measure the foreign currency denominated assets and liabilities at the transaction date. Monetary assets and liabilities are then re-measured at exchange rates in effect at the end of each period, and property and non-monetary assets and liabilities are carried at historical rates.

Fair Value Measurements

The Company applies fair value accounting for certain financial instruments that are recognized or disclosed at fair value in the financial statements. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- *Level 1* – Quoted prices in active markets for identical assets or liabilities.
- *Level 2* – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3* – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company's financial instruments included cash and cash equivalents, investment in debt securities, accounts receivable, accounts payable and accrued expenses, accrued payroll and related liabilities, deferred research and development obligations and deposits. The carrying amount of these financial instruments, except for investment in debt securities, approximates fair value due to the short-term maturities of these instruments. The Company's short-term and long-term investments in debt securities are recorded at amortized cost, and their estimated fair value amounts are provided by the third-party broker service for disclosure purposes.

Income Taxes

For the nine months ended September 30, 2023, there was no provision for income taxes or unrecognized tax benefits recorded. As of September 30, 2023 and December 31, 2022, deferred tax assets were approximately \$17.1 million and \$15.5 million, respectively. Due to the Company's history of operating losses and the uncertainty regarding our ability to generate taxable income in the future, the Company has established a 100% valuation allowance against deferred tax assets as of September 30, 2023 and December 31, 2022.

Other Income

For the nine months ended September 30, 2023, other income of approximately \$1,018,000 was related to the sale of the equity interest in Alphazyme, LLC. For the nine months ended September 30, 2022, other income of \$250,000 was related to a settlement payment we received from the termination of term sheet of a proposed license and collaboration.

Stock-Based Compensation

We recognize all share-based payments to employees, consultants, and our Board of Directors (the "Board"), as non-cash compensation expense, in research and development expenses or general and administrative expenses in the consolidated statement of operations based on the grant date fair values of such payments. Stock-based compensation expense recognized each period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Forfeitures are recorded as they occur.

For performance-based awards, the Company recognizes related stock-based compensation expenses based upon its determination of the potential likelihood of achievement of the specified performance conditions at each reporting date.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common stock shares outstanding during the reporting period. Diluted net loss per share adjusts the weighted average number of common stock shares outstanding for the potential dilution that could occur if common stock equivalents, such as stock options were exercised and converted into common stock, calculated by applying the treasury stock method.

For the three and nine months ended September 30, 2023, a total of 5,658,811 shares of potentially dilutive securities, including 163,044 shares of unvested restrict stock units and options to purchase 5,495,767 shares of common stock, were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive. For the three and nine months ended September 30, 2022, the effect of potential exercise of options to purchase 5,281,097 shares of common stock was excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update (the "ASU") 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss model with a forward-looking expected credit loss ("CECL") model and requires consideration of a broader range of reasonable and supportable information to estimate expected credit losses. ASU 2016-13 applies to financial assets, measured at amortized cost, including held-to-maturity debt securities and accounts receivable. ASU 2016-13 must be adopted using a modified retrospective transition method through a cumulative-effect adjustment to members' equity in the period of adoption. The Company adopted ASU 2016-13 and related amendments as of January 1, 2023, and the adoption of the new standard did not have a material impact on the Company's consolidated financial statements.

Other pronouncements issued by the FASB or other authoritative accounting standards group with future effective dates are either not applicable or not significant to our consolidated financial statements.

Note 2: Cash, Cash Equivalents, and Investments

The Company's investments in debt securities are classified as held-to-maturity and are recorded at amortized cost, net of allowance for credit losses, and its investments in money market funds are classified as available-for-sale securities and presented as cash equivalents on the consolidated balance sheets. The following table shows the Company's cash, available-for-sale securities, and investment securities by major security type as of September 30, 2023, and December 31, 2022:

September 30, 2023 (Unaudited)						
	Level (1)	Fair Value	Allowance for Credit Losses	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Adjusted Cost
Cash and Cash Equivalents						
Cash		\$ 434,388	\$ —	\$ —	\$ —	\$ 434,388
Money Market Funds (2)	1	6,968,788	—	—	—	6,968,788
Subtotal		<u>7,403,176</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,403,176</u>
Short-Term Investment Securities (3)						
Corporate Bonds (4)(5)	2	772,483	—	—	321	772,804
Total		<u>\$ 8,175,659</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 321</u>	<u>\$ 8,175,980</u>

December 31, 2022 (Audited)						
	Level (1)	Fair Value	Allowance for Credit Losses	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Adjusted Cost
Cash and Cash Equivalents						
Cash		\$ 26,782	\$ —	\$ —	\$ —	\$ 26,782
Money Market Funds (2)	1	5,767,490	—	—	—	5,767,490
Subtotal		<u>5,794,272</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,794,272</u>
Short-Term Investment Securities (3)						
Corporate Bonds (4)(5)	2	6,800,062	—	—	(47,208)	6,847,270
Total		<u>\$ 12,594,334</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (47,208)</u>	<u>\$ 12,641,542</u>

Notes:

(1) Definition of the three-level fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Other inputs that are directly or indirectly observable in the markets
- Level 3 - Inputs that are generally unobservable

(2) All our money market funds were invested in U.S. Government money market funds.

(3) Short-term investment securities will mature within 12 months or less, from the applicable reporting date.

(4) For the three months ended September 30, 2023 and 2022, the Company received discounts of \$1,148 and \$5,072 to purchase held-to-maturity investment securities, respectively. For the nine months ended September 30, 2023 and 2022, the Company received discounts of \$33,982 and paid premiums of \$24,198 to purchase held-to-maturity investment securities, respectively. For the year ended December 31, 2022, the Company received discounts of \$6,280 to purchase held-to-maturity investment securities.

(5) The Company considers the declines in market value of its investment portfolio to be temporary in nature. As of September 30, 2023 and December 31, 2022, the Company did not consider any of its investments to be other-than-temporarily impaired and no allowance for credit losses was recorded.

Note 3: Research and Collaboration Agreements, Sublicense Agreements, and Investments in Privately Held Companies

Inzymes ApS

On September 18, 2023, Dyadic International (USA) Inc., a subsidiary of the Company, signed a Development and Exclusive License Agreement (the “Inzymes Agreement”) with Inzymes ApS (“Inzymes”), a Denmark corporation, to develop and commercialize certain non-animal dairy enzymes used in the production of food products using Dyadic’s proprietary Dapibus™ platform.

Under the terms of the Inzymes Agreement, a research collaboration to develop a basket of dairy enzymes will be fully funded by Inzymes with an upfront payment of \$0.6 million and an additional payment payable upon the first commercial sale of product. Dyadic will also be eligible to receive success fees upon the achievement of certain target yields, milestone payments upon first commercial sale of each product and royalties.

The Inzymes Agreement can be terminated in its entirety along with any sublicense granted, with or without cause by either party, within 30 or 60 days based on certain circumstances, after receipt of written termination notice.

For the three and nine months ended September 30, 2023, the Company recorded research and development revenues of approximately \$67,000, in connection with the Inzymes Agreement. In October 2023, the Company received an upfront payment of \$0.6 million in accordance with the terms of the Inzymes Agreement. The payment consisted of funding for specified product research and development efforts and right of first refusal for certain product candidates.

A Global Food Ingredient Company

On May 10, 2022, the Company entered into a Joint Development Agreement (the “JDA”) with a Global Food Ingredient Company (“GFIC”) to develop and manufacture several animal free ingredient products using the Company’s biotechnologies.

Under the initial terms of the JDA, Dyadic was to develop its proprietary production cell lines for the manufacture of animal free ingredient product candidates. As of September 30, 2023, the GFIC has completed its one-year funding commitment for the initial phase of research collaboration in an amount approximating \$1.35 million, and, pursuant to the GFIC’s rights under the JDA, the Company and the GFIC are conferring to decide whether or not, and if it is possible, to move forward to the next phase of the project. The Company is also considering other funding sources to continue the project.

For the three and nine months ended September 30, 2023, the Company recorded research and development revenues of approximately \$0 and \$565,000, respectively, as well as success fees of approximately \$66,000 in three months ended March 31, 2023, in connection with the JDA. For the three and nine months ended September 30, 2022, the Company recorded research and development revenues of approximately \$339,000 and \$452,000, respectively, in connection with the JDA.

Phibro/Abic

On February 10, 2022, the Company entered into an exclusive sub-license agreement with Abic Biological Laboratories Ltd. (“Abic”), an affiliate of Phibro Animal Health Corporation (“Phibro”) to provide services for a targeted disease (the “Phibro/Abic Agreement”). The Phibro/Abic Agreement was an addendum to the initially non-exclusive sub-license agreement the Company signed with Phibro on July 1, 2020. According to the Phibro/Abic Agreement, the Company received an exclusivity payment in April 2022. In July 2022, the Company expanded the license agreement to include an additional research project to develop another animal vaccine for livestock.

Phibro/Abic may terminate the Phibro/Abic Agreement in its entirety, or any sublicense granted, in each case with or without cause at any time upon 90 days’ prior written notice to Dyadic.

Under the Phibro/Abic Agreement, the Company has received an exclusivity payment in April 2022 and is eligible to receive certain milestone payment upon regulatory approval, and future sales-based royalty payments. The milestone payment is considered constrained variable consideration and excluded from the transaction price at inception. The Company will re-evaluate the transaction price in each reporting period and as uncertain events are resolved or other changes in circumstances occur. The Company will not recognize revenue related to sales-based royalty until the associated event occurs. As of September 30, 2023, there were no events or circumstances that would change the transaction price and no milestone or royalty payments have been recognized.

Janssen

On December 16, 2021, the Company entered a Research, License, and Collaboration Agreement (the “Janssen Agreement”) for the manufacture of therapeutic protein candidates using its C1-cell protein production platform with Janssen Biotech, Inc., one of the Janssen Pharmaceutical Companies of Johnson & Johnson (“Janssen”).

On October 2, 2023, Janssen provided written notice to Dyadic that it has decided to wind down the collaboration with an effective end date of December 31, 2023.

As of September 30, 2023, the upfront payment was recorded in deferred license revenue, current and non-current portion in the amount of approximately \$176,000 and \$44,118, respectively. For the three and nine months ended September 30, 2023, the Company recognized approximately \$44,000 and \$132,000 of the upfront payment as license revenue, respectively. For the three and nine months ended September 30, 2022, the Company recorded research and development revenues of approximately \$127,000 and \$507,000, respectively, in connection with the Janssen Agreement.

IDBiologics, Inc.

On July 8, 2020, the Company entered into a Common Stock Purchase Agreement (the “IDBiologics Agreement”) with IDBiologics, Inc (“IDBiologics”). IDBiologics is a private biotechnology company focused on the development of human monoclonal antibodies for the treatment and prevention of serious infectious diseases. The Company was founded in 2017 and seeded by Vanderbilt University Medical Center in response to the repeated threats of epidemics around the world including Ebola in West Africa and Zika in the Americas. IDBiologics is developing a portfolio of monoclonal antibodies against SARS-CoV-2, influenza and Zika viruses.

Pursuant to the terms of the IDBiologics Agreement, on July 8, 2021, Dyadic received 129,661 shares of IDBiologics’ common stock, which approximates 0.3% of IDBiologics’ outstanding equity as of June 30, 2023, in exchange for a feasibility study performed by Dyadic. The Company provided services including the use of Dyadic’s C1-cell technology to express a SARS-CoV-2 monoclonal antibody which IDBiologics licensed from the Vanderbilt Vaccine Center. The Company chose not to record its equity interest in IDBiologics because the fair value amount of the service provided was immaterial.

The Company evaluated the nature of its equity interest in IDBiologics and determined that IDBiologics is a Variable Interest Entity (“VIE”) due to the capital structure of the entity. However, the Company is not the primary beneficiary of IDBiologics as Dyadic does not have the power to control or direct the activities of IDBiologics that most significantly impact the VIE. As a result, the Company does not consolidate its investment in IDBiologics.

On April 25, 2021, the Company entered into a project agreement (the “Project Agreement”) to provide additional research services to IDBiologics. The project was completed in 2022, and there were no research and development revenues recognized for the three and nine months ended September 30, 2023. For the three and nine months ended September 30, 2022, the Company recognized approximately \$0 and \$109,000, respectively, of research and development revenue.

Alphazyme

On May 5, 2019, the Company entered into a sub-license agreement (the “Alphazyme Sub-License Agreement”) with Alphazyme, LLC (“Alphazyme”). Under the terms of the Alphazyme Sub-License Agreement, the Company has granted to Alphazyme, subject to the terms of the license agreement entered into between the Company and Danisco US, Inc. on December 31, 2015, a sub-license to certain patent rights and know-how related to Dyadic’s proprietary C1-cell protein production platform for the purpose of commercializing certain pharmaceutical products that are used as reagents to catalyze a chemical reaction to detect, measure, or be used as a process intermediate to produce a nucleic acid as a therapeutic or diagnostic agent.

On June 24, 2020, the Company entered into an Amended and Restated Non-Exclusive Sub-License Agreement (the “Amended Sub-License Agreement”) with Alphazyme to amend and restate the Alphazyme Sub-License Agreement. Pursuant to the Amended Sub-License Agreement and in consideration of Dyadic’s transfer of its C1-cell protein production platform, Alphazyme issued 2.5% of the Class A shares of Alphazyme to Dyadic, and Dyadic became a party to the Alphazyme Limited Liability Company Agreement pursuant to which the Company will agree to certain customary rights, covenants and obligations. In addition, and subject to achieving certain milestones, Alphazyme is obligated to pay a potential milestone payment and royalties on net sales, if any, which incorporate Dyadic’s proprietary C1-cell protein production platform.

On December 1, 2020, an Amended and Restated Limited Liability Company Agreement with Alphazyme (the “Amended Alphazyme LLC Agreement”) was entered. Under the Amended Alphazyme LLC Agreement, Alphazyme obtained additional capital contribution and Dyadic’s ownership was diluted to 1.99%.

The Company evaluated the nature of its equity interest investment in Alphazyme and determined that Alphazyme is a VIE due to the capital structure of the entity. However, the Company is not the primary beneficiary of Alphazyme as Dyadic does not have the power to control or direct the activities of Alphazyme that most significantly impact the VIE. As a result, the Company does not consolidate its investment in Alphazyme. The Company reports its investment in Alphazyme under the cost method of accounting, given that it does not have the ability to exercise significant influence or control over Alphazyme.

On January 18, 2023, the Company entered into a Securities Purchase Agreement, under which the Company agreed to sell its equity interest in Alphazyme, LLC (the “Alphazyme Sale Agreement”). The Company continues to have the potential to receive additional payments based on the future sales of Alphazyme’s existing products, pursuant to the Alphazyme Sale Agreement. The Amended Sublicense Agreement between Dyadic and Alphazyme, which was previously entered on June 24, 2020, remains in effect. Under the Amended Alphazyme Sub-License Agreement, Dyadic is entitled to potential milestone and royalty payments upon the commercialization of Alphazyme products using Dyadic’s proprietary C1-cell protein production platform. As of September 30, 2023, no milestones or royalty payments have been recognized.

During the nine months ended September 30, 2023, the Company received a total cash payment of approximately \$1.3 million from the sale of its equity interest in Alphazyme, LLC.

Note 4: Commitments and Contingencies

Legal Proceedings

We are not currently involved in any litigation that we believe could have a materially adverse effect in our financial condition or results of operations. 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. The requirement for these provisions is 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. Protracted litigation and/or an unfavorable resolution of one or more of 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.

Note 5: Share-Based Compensation

Description of Equity Plans

The 2021 Equity Incentive Award Plan (the “2021 Plan”) was adopted by the Company’s Board of Directors on April 9, 2021 and approved by the Company’s Annual Meeting of Shareholders (the “Annual Meeting”) on June 11, 2021. The 2021 Plan serves as a successor to the Company’s 2011 Equity Incentive Plan (the “2011 Plan”). Since the adoption of the 2021 Plan, all equity awards were made from the 2021 Plan and no additional awards will be granted under the 2011 Plan. The 2021 Plan provides for the issuance of a variety of share-based compensation awards, including stock options, restricted stock awards, restricted stock unit awards, performance awards, dividend equivalents awards, deferred stock awards, stock payment awards and stock appreciation rights. As of April 16, 2021, the 2021 Plan increased the number of shares available for grant by 3,000,000 in addition to the number of shares remaining available for the grant of new awards under the 2011.

As of September 30, 2023, the Company had 5,495,767 stock options outstanding and 163,044 unvested restricted stock units in addition to 2,796,886 shares of common stock available for grant under the 2021 Plan. As of December 31, 2022, there were 5,031,097 stock options outstanding in addition to 3,672,561 shares of common stock available for grant under the 2021 Plan.

Stock Options

Options are granted to purchase common stock at prices that are equal to the fair value of the common stock on the date the option is granted. Vesting is determined by the Board of Directors at the time of grant. The term of any stock option awards under the Company’s 2011 Plan and 2021 Plan is ten years, except for certain options granted to the contractors which are either one or three years.

The grant-date fair value of each option grant is estimated using the Black-Scholes option pricing model and amortized on a straight-line basis over the requisite service period, which is generally the vesting period, for each separately vesting portion of the award as if the award was, in substance, multiple awards. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs, including the following.

Risk-free interest rate. The risk-free interest rate is based on U.S. Treasury rates with securities approximating the expected lives of options at the date of grant.

Expected dividend yield. The expected dividend yield is zero, as the Company has never paid dividends to common shareholders and does not currently anticipate paying any in the foreseeable future.

Expected stock price volatility. The expected stock price volatility was calculated based on the Company’s own volatility since the DuPont Transaction. The Company reviews its volatility assumption on an annual basis and has used the Company’s historical volatilities since 2016, as the DuPont Transaction resulted in significant changes in the Company’s business and capital structure.

Expected life of option. The expected life of option was based on the contractual term of the option and expected employee exercise and post-vesting employment termination behavior. The Company uses the weighted average vesting period and contractual term of the option as the best estimate of the expected life of a new option, except for the options granted to the CEO (i.e., 5 or 10 years) and certain contractors (i.e., 1 or 3 years).

The assumptions used in the Black-Scholes option pricing model for stock options granted during the nine months ended September 30, 2023 are as follows:

Risk-Free interest rate	3.90% - 5.12%
Expected dividend yield	—%
Expected stock price volatility	62.22% - 64.27%
Expected life of options (in years)	1.13 - 6.25

The following table summarizes the stock option activities during the nine months ended September 30, 2023:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2022	5,031,097	\$ 3.25	5.75	\$ 13,000
Granted (1)	800,350	1.45		
Exercised	—	—		
Expired (2)	(320,000)	1.62		
Canceled(3)	(15,680)	3.50		
Outstanding at September 30, 2023	5,495,767	\$ 3.08	5.80	\$ 987,330
Exercisable at September 30, 2023	4,191,818	\$ 3.15	5.03	\$ 559,251

Notes:

(1) Options granted:

- Annual share-based compensation awards on January 3, 2023, including: (a) 406,250 stock options with an exercise price of \$1.38 per share granted to executives and key personnel, upon one year anniversary, or vesting annually in equal installments over four years, (b) 262,500 stock options with an exercise price of \$1.38 per share granted to members of the Board of Directors, vesting upon one year anniversary, (c) 24,100 stock options with an exercise price of \$1.38 per share granted to employees, vesting annually in equal installments over four years, (d) 15,000 stock options with an exercise price of \$1.38 per share granted to a consultant, vesting upon one year anniversary, and (e) 37,500 stock options with an exercise price of \$2.23 per share granted to a consultant, vesting over two months from the grant date.

(2) Options expired:

- (a) 270,000 stock options with an exercise price of \$1.39 per share granted to an executive, (b) 25,000 stock options with an exercise price of \$1.75 per share granted to a member of the Board of Directors, and (c) 25,000 stock options with an exercise price of \$3.99 per share granted to a consultant.

(3) Options canceled:

- (a) 15,680 stock options with weighted average exercise price of \$3.50 per share were canceled for a terminated employee.

Restricted Stock Units

Restricted stock units (the "RSUs") are granted subject to certain restrictions. Vesting conditions are determined at the discretion of the Board of Directors. The fair market value of RSUs is generally determined based on the closing market price of the stock on the grant date.

The following table summarizes the restricted stock award activity during the nine months ended September 30, 2023:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2022	—	\$ —
Granted (1)	411,005	1.38
Vested (1)	(247,961)	1.38
Outstanding at September 30, 2023	163,044	\$ 1.38

Notes:

(1) Restricted stock units granted:

- On January 3, 2023, the Company granted 247,961 RSUs with immediate vesting, to executives and key personnel in lieu of cash bonuses earned for the year ended 2022. The Company also granted 163,044 RSUs, vesting upon one year anniversary of the grant, to the Board of Directors as a result of the Board agreeing to a reduction in director cash compensation for 2023. The grant of RSUs was approved by the Compensation Committee of the Board of Directors in November 2022. The fair value of the common stock is the Company's closing stock price on January 3, 2023 as reported on the Nasdaq Stock Exchange.

Compensation Expenses

We recognize all share-based payments to employees and our Board of Directors, as non-cash compensation expense, in research and development expenses or general and administrative expenses in the consolidated statement of operations, and these charges had no impact on the Company's reported cash flows. Stock-based compensation expense is calculated on the grant date fair values of such awards, and recognized each period based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Forfeitures are recorded as they occur.

For performance-based awards, the Company recognizes related stock-based compensation expenses based upon its determination of the potential likelihood of achievement of the specified performance conditions at each reporting date.

Total non-cash share-based compensation expense was allocated among the following expense categories:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
General and administrative	\$ 270,672	\$ 441,279	\$ 913,804	\$ 1,219,827
Research and development	10,635	58,640	32,458	188,383
Total	\$ 281,307	\$ 499,919	\$ 946,262	\$ 1,408,210

The following table summarizes the Company's non-cash share-based compensation expenses:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Share based compensation expense- stock option	\$ 224,749	\$ 499,919	\$ 779,663	\$ 1,408,210
Share based compensation expense- restricted stock units	56,558	—	166,599	—
Total	\$ 281,307	\$ 499,919	\$ 946,262	\$ 1,408,210

Note 6: Shareholders' Equity

Issuances of Common Stock

For the nine months ended September 30, 2023, there were 247,961 shares of the Company's common stock issued resulting from the vesting of restricted stock units with a weighted average issue price of \$1.38 per share. For the nine months ended September 30, 2022, there were 233,943 shares of the Company's common stock issued resulting from the exercise of stock options with a weighted average issue price of \$1.72 per share.

Note 7: Subsequent Events

For purpose of disclosure in the consolidated financial statements, the Company has evaluated subsequent events through November 8, 2023, the date the consolidated financial statements were available to be issued. Except for items mentioned in the notes, management is not aware of any material events that have occurred after the balance sheet date that would require adjustment to, or disclosure in the accompanying financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the financial statements and the notes to those statements appearing in this Quarterly Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks, assumptions and uncertainties. Important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis include, but are not limited to, those set forth in "Item 1A. Risk Factors" in this Quarterly Report. All forward-looking statements included in this Quarterly Report are based on information available to us as of the time we file this Quarterly Report and, except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements.

Overview

Description of Business

Dyadic International, Inc. ("Dyadic", "we", "us", "our", or the "Company") is a global biotechnology company based in Jupiter, Florida with operations in the United States and a satellite office in the Netherlands, and it utilizes several third-party consultants and research organizations to carry out the Company's activities. Over the past two plus decades, the Company has developed a gene expression platform for producing commercial quantities of industrial enzymes and other proteins, and has previously licensed this technology to third parties, such as Abengoa Bioenergy, BASF, Codexis and others, for use in industrial (non-pharmaceutical) applications. This technology is based on the *Thermothelomyces heterothallica* (formerly known as *Myceliophthora thermophila*) fungus, which the Company named C1.

On December 31, 2015, the Company sold its industrial technology business to Danisco USA ("Danisco"), the industrial biosciences business of DuPont (NYSE: DD) (the "DuPont Transaction"). As part of the DuPont Transaction, Dyadic retained co-exclusive rights to the C1-cell protein production platform for use in all human and animal pharmaceutical applications, and currently the Company has the exclusive ability to enter into sub-license agreements (subject to the terms of the license and to certain exceptions) for use in all human and animal pharmaceutical applications. Danisco retained certain rights to utilize the C1-cell protein production platform in pharmaceutical applications, including the development and production of pharmaceutical products, for which it will be required to make royalty payments to Dyadic upon commercialization. In certain circumstances, Dyadic may owe a royalty to either Danisco or certain licensors of Danisco, depending upon whether Dyadic elects to utilize certain patents either owned by Danisco or licensed in by Danisco.

After the DuPont Transaction, the Company has been building innovative microbial platforms to address the growing demand for global protein bioproduction and unmet clinical needs for effective, affordable, and accessible biopharmaceutical products for human and animal health and for other biologic products for use in non-pharmaceutical applications.

The C1-cell protein production platform is a robust and versatile thermophilic filamentous fungal expression system for the development and production of biologic products including enzymes and other proteins for human and animal health. Some examples of human and animal vaccines and drugs which have the potential to be produced from C1-cells are protein antigens, ferritin nanoparticles, virus-like particles ("VLPs"), monoclonal antibodies ("mAbs"), Bi/Tri-specific antibodies, Fab antibody fragments, Fc-fusion proteins, as well as other therapeutic enzymes and proteins. The Company is involved in multiple funded research collaborations with animal and human pharmaceutical companies which are designed to leverage its C1-cell protein production platform to develop innovative vaccines and drugs, biosimilars and/or biobetters.

The Company also developed the Dapibus™ thermophilic filamentous fungal based microbial protein production platform to enable the rapid development and large-scale manufacture of low-cost proteins, metabolites, and other biologic products for use in non-pharmaceutical applications, such as food, nutrition, and wellness.

Recent Developments

- o **DYAI-100 SARS-CoV-2 RBD (Receptor Binding Domain) Booster Vaccine Candidate**
 - Phase 1 clinical trial, last patient last visit occurred in September, data lock achieved on November 1, 2023 and top-line results are expected in December 2023 with full study report to follow.
 - No major vaccine-related safety concerns for both low and high dose groups reviewed by the Data Safety Monitoring Board (DSMB).
 - To date, no serious adverse events or adverse events of special interest have been observed.
 - Interim phase 1 clinical trial safety results are helping to accelerate the adoption of our C1 protein production platform in use for manufacturing human vaccines.
- o **VIC at Massachusetts General Hospital** – On October 25, 2023, the Company announced that it has entered into a new research collaboration with Vaccine and Immunotherapy Center (“VIC”) at Massachusetts General Hospital to express vaccine antigens for influenza A and other infectious diseases, as part of US \$5.88 million awards from the Department of Defense (“DoD”).
- o **bYoRNA SAS (“bYoRNA”)** – On September 26, 2023, the Company entered into a development and commercialization agreement with bYoRNA combining bYoRNA’s novel eukaryotic “bio” RNA platform with Dyadic’s industrially proven C1 protein production platform to provide the pharmaceutical industry with a potentially more cost-efficient platform for manufacturing large quantities of lower cost mRNA, enabling access to mRNA vaccines and drugs to a broader global population.
- o **Animal-free Dairy Enzymes** – On September 18, 2023, the Company signed a development and license agreement to develop and commercialize certain non-animal dairy enzymes used in the production of food products using Dapibus™. In October 2023, the Company received an upfront payment of \$0.6 million for product development. Dyadic is also eligible to receive certain potential success fees, milestones, and royalties.
- o **New Fully Funded Collaborations** - In the third quarter, the Company entered into a number of new fully funded research collaborations in the follow areas:
 - Development of an enzyme for dispersion and absorption of injected drugs to reduce tissue damage;
 - Development and commercialization agreement with a multinational pharmaceutical company to develop multiple C1 cell lines to produce monoclonal antibodies targeting infectious diseases;
 - Development of a C1 cell line for a monoclonal antibody against Filoviruses such as Ebola and Marburg.
- o **Multiple Preclinical Animal Studies**
 - C1 expressed adjuvanted ferritin nanoparticle H5N1 antigen targeting pandemic influenza (H5N1/Bird Flu) showed high neutralizing antibody and hemagglutinin inhibition (HI) levels.
 - C1 expressed adjuvanted MHCII H1N1 antigen targeting seasonal influenza showed high neutralizing antibody levels.
 - C1 expressed adjuvanted Full Spike SARS-CoV-2 antigen showed high neutralizing antibody levels after single dose.
- o **On-going Research and Development Collaborations**
 - The Company signed MoU’s with Essential Drugs Company Limited (EDCL) in Bangladesh and Fondazione Biotechnopolo di Siena (“FBS”), in Italy, and are currently negotiating for formal contracts.
 - The Company continues to develop C1 expressed vaccine antigens for human health in a large infectious disease segment with a Top 5 pharmaceutical company, and other research collaborations with Uvax Bio and Virovax Bio.
 - The Company has on-going collaborations with Phibro animal health/Abic Biological Laboratories, Rubic One Health and entered a fully funded research and development project with a new animal health company for livestock animals.
 - The Company is continuing its development of innovative animal free alternative proteins, including cellulosic enzymes for renewable biofuels with Fermbox Bio and pulp and paper processing.
- o **Advancement of Pharmaceutical and Non-pharmaceutical Product Pipeline**
 - The Company is making progress in developing animal-free recombinant serum albumin with initial positive analytical results towards commercialization and prospective licensing opportunities.
 - The Company is continuing its development cell culture media and other proteins and enzymes for multiple applications.

Climate Change

We believe that neither climate change, nor governmental regulations related to climate change, have had, or are expected to have, a material effect on our operations.

Open Market Sale AgreementSM

On August 8, 2023, the Company notified Jefferies LLC, or Jefferies, that the Open Market Sale AgreementSM entered on August 13, 2020 with respect to an at the market offering program will terminate effective August 25, 2023. There have been no sales made under the Open Market Sale AgreementSM.

Critical Accounting Policies, Estimates, and Judgments

The preparation of these consolidated financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amount of assets and liabilities and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements and the reported amounts of revenues and expenses during the applicable period. Actual results may differ from these estimates under different assumptions or conditions. Such differences could be material to the consolidated financial statements.

We define critical accounting policies as those that are reflective of significant judgments and uncertainties, and which may potentially result in materially different results under different assumptions and conditions. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. These estimates are subject to an inherent degree of uncertainty. Our critical accounting policies include the following:

Revenue Recognition

The Company has no products approved for sale. All our revenue to date has been research revenue from third-party collaborations and government grants, as well as revenue from sublicensing agreements and collaborative arrangements, which may include upfront payments, options to obtain a license, payment for research and development services, milestone payments and royalties, in the form of cash or non-cash considerations (e.g., minority equity interest).

Revenue related to research collaborations and agreements: The Company typically performs research and development services as specified in each respective agreement on a best-efforts basis, and recognizes revenue from research funding under collaboration agreements in accordance with the 5-step process outlined in ASC Topic 606 (“Topic 606”): (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. We recognize revenue when we satisfy a performance obligation by transferring control of the service to a customer in an amount that reflects the consideration that we expect to receive. Depending on how the performance obligation under our license and collaboration agreements is satisfied, we recognize the revenue either at a point in time or over time by using the input method under Topic 606 to measure the progress toward complete satisfaction of a performance obligation.

Under the input method, revenue will be recognized based on the entity’s efforts or inputs to the satisfaction of a performance obligation (e.g., resources consumed, labor hours expended, costs incurred, or time elapsed) relative to the total expected inputs to the satisfaction of that performance obligation. The Company believes that the cost-based input method is the best measure of progress to reflect how the Company transfers its performance obligation to a customer. In applying the cost-based input method of revenue recognition, the Company uses actual costs incurred relative to budgeted costs to fulfill the performance obligation. These costs consist primarily of full-time equivalent effort and third-party contract costs. Revenue will be recognized based on actual costs incurred as a percentage of total budgeted costs as the Company completes its performance obligations.

A cost-based input method of revenue recognition requires management to make estimates of costs to complete the Company’s performance obligations. In making such estimates, significant judgment is required to evaluate assumptions related to cost estimates. The cumulative effect of revisions to estimated costs to complete the Company’s performance obligations will be recorded in the period in which changes are identified and amounts can be reasonably estimated. A significant change in these assumptions and estimates could have a material impact on the timing and amount of revenue recognized in future periods.

Revenue related to grants: The Company may receive grants from governments, agencies, and other private and not-for-profit organizations. These grants are intended to be used to fund the Company's research collaborations partially or fully, including opportunities arising in connection with COVID-19 that the Company is pursuing with certain collaborators. However, most, if not all, of such potential grant revenues, if received, is expected to be earmarked for third parties to advance the research required, including preclinical and clinical trials for SARS-CoV-2 vaccines and/or antibodies candidates.

Revenue related to sublicensing agreements: If the sublicense to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenue allocated to the license when technology is transferred to the customer and the customer can use and benefit from the license.

Customer options: If the sublicensing agreement includes customer options to purchase additional goods or services, the Company will evaluate if such options are considered material rights to be deemed as separate performance obligations at the inception of each arrangement.

Milestone payments: At the inception of each arrangement that includes development, commercialization, and regulatory milestone payments, the Company evaluates whether the achievement of the milestones is considered probable and estimates the amount to be included in the transaction price. If the milestone payment is in exchange for a sublicense and is based on the sublicensee's subsequent sale of product, the Company recognizes milestone payment by applying the accounting guidance for royalties. To date, the Company has not recognized any milestone payment revenue resulting from any of its sublicensing arrangements.

Royalties: With respect to licenses deemed to be the predominant item to which the sales-based royalties relate, including milestone payments based on the level of sales, the Company recognizes revenue at the later of (i) when the related sales occur or (ii) when the performance obligation to which some or all the royalty has been allocated has been satisfied (or partially satisfied). To date, the Company has not recognized any royalty revenue resulting from any of its sublicensing arrangements.

We invoice customers based on our contractual arrangements with each customer, which may not be consistent with the period that revenues are recognized. When there is a timing difference between when we invoice customers and when revenues are recognized, we record either a contract asset (unbilled accounts receivable) or a contract liability (deferred research and development obligations), as appropriate. If upfront fees or considerations related to sublicensing agreement are received prior to the technology transfer, the Company will record the amount received as deferred revenue from licensing agreement.

We are not required to disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

The Company adopted a practical expedient to expense sales commissions when incurred because the amortization period would be one year or less.

Leases

The Company determines if an arrangement is, or contains, a lease at contract inception and during modifications or renewal of existing leases. The Company does not recognize leases with terms of twelve months or less on the balance sheet. Options to extend or terminate a lease are not included in the Company's initial lease term assessment, unless there is reasonable certainty that the Company will exercise any such option. Leases are classified as either finance leases or operating leases based on criteria in Accounting Standards Codification ("ASC") 842.

For operating leases, right-of-use assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. In determining the net present value of lease payments, the Company uses an estimated rate of interest that they would have to pay to borrow equivalent funds on a collateralized basis at the lease commencement date. The operating lease right-of-use asset also includes any lease payments made and excludes any lease incentives. Lease expense is recognized on a straight-line basis over the expected lease term.

Accrued Research and Development Expenses

To properly record services that have been rendered but not yet billed to the Company, we review open contracts and purchase orders, communicate with our personnel and we estimate the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly or quarterly in arrears for services performed or when contractual milestones are met. We make estimates of our accrued expenses as of each balance sheet date in our consolidated financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and adjust if necessary. Examples of accrued research and development expenses include amounts owed to contract research organizations, to service providers in connection with research and development activities.

Stock-Based Compensation

We have granted stock options to employees, directors and consultants. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes model considers volatility in the price of our stock, the risk-free interest rate, the estimated life of the option, the closing market price of our stock and the exercise price. For purposes of the calculation, we assumed that no dividends would be paid during the life of the options. We also used the weighted-average vesting period and contractual term of the option as the best estimate of the expected life of a new option, except for the options granted to the CEO (i.e., 5 or 10 years) and certain contractors (i.e., 1 or 3 years). The expected stock price volatility was calculated based on the Company's own volatility since the DuPont Transaction. The Company reviews its volatility assumption on an annual basis and has used the Company's historical volatilities since 2016, as the DuPont Transaction resulted in significant changes in the Company's business and capital structure.

The estimates utilized in the Black-Scholes calculation involve inherent uncertainties and the application of management judgment. These estimates are neither predictive nor indicative of the future performance of our stock. As a result, if other assumptions had been used, our recorded share-based compensation expense could have been materially different from that reported. In addition, because some of the performance-based options issued to employees, consultants and other third-parties vest upon the achievement of certain milestones, the total ultimate expense of share-based compensation is uncertain.

Accounting for Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC Topic 740, "Income Taxes". Under this method, income tax expense/(benefit) is recognized for: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all the deferred tax assets will not be realized.

In determining taxable income for the Company's consolidated financial statements, we are required to estimate income taxes in each of the jurisdictions in which we operate. This process requires the Company to make certain estimates of our actual current tax exposure and assessment of temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating the Company's ability to recover its deferred tax assets, the Company must consider all available positive and negative evidence including its past operating results, the existence of cumulative losses in the most recent years and its forecast of future taxable income. Significant management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets.

The Company is required to evaluate the provisions of ASC 740 related to the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC 740 prescribes a comprehensive model for how a company should recognize, present, and disclose uncertain positions that the company has taken or expects to take in its tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the net benefit recognized and measured pursuant to the interpretation are referred to as "unrecognized benefits." A liability should be recognized (or amount of net operating loss carry forward or amount of tax refundable is reduced) for unrecognized tax benefits, because it represents a company's potential future obligation to the taxing authority for a tax position that was not recognized because of applying the provision of ASC 740.

The Company classifies accrued interest and penalties related to its tax positions as a component of income tax expense. The Company currently is not subject to U.S. federal, state and local tax examinations by tax authorities for the years before 2017.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Recent Accounting Pronouncements

See Note 1 to the Consolidated Financial Statements for information about recent accounting pronouncements.

Results of Operations

Three and Nine Months Ended September 30, 2023 Compared to the Same Periods in 2022

Revenue and Cost of Research and Development Revenue

The following table summarizes the Company's revenue and cost of research and development revenue for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Research and development revenue	\$ 352,942	\$ 835,480	\$ 2,079,918	\$ 1,983,636
License revenue	44,118	44,117	132,353	202,941
Cost of research and development revenue	105,869	602,847	1,625,731	1,418,702

For the three months ended September 30, 2023, the decrease in research and development revenue and cost of research and development revenue was due to several research projects winding down or on hold as a result of a laboratory relocation at a major contract research organization. For the nine months ended September 30, 2023, there was a slight increase in research and development revenue and cost of research and development revenue. The license revenue for the three and nine months ended September 30, 2023, was in connection with the Janssen license agreement. The license revenue for the three and nine months ended September 30, 2022, was in connection with Phibro/Abic and Janssen license agreements.

Research and Development Expenses

Research and development costs are expensed as incurred and primarily include salary and benefits of research personnel, third-party contract research organization services and supply costs.

Research and development expenses for the three months ended September 30, 2023, decreased to approximately \$716,000 compared to \$744,000 for the same period a year ago. Research and development expenses for the nine months ended September 30, 2023, decreased to approximately \$2,444,000 compared to \$3,917,000 for the same period a year ago. The decrease primarily reflected the winding down of activities related to the Company's Phase 1 clinical trial of DYAI- 100 COVID-19 vaccine candidate as patient dosing was completed in February 2023.

General and Administrative Expenses

General and administrative expenses for the three months ended September 30, 2023, decreased by 7.3% to approximately \$1,282,000 compared to \$1,383,000 for the same period a year ago. The decrease principally reflected decreases in business development and investor relations expenses of approximately \$55,000, insurance expenses of \$41,000, and legal expenses of \$27,000, offset by other increases of \$22,000.

General and administrative expenses for the nine months ended September 30, 2023, decreased by 12.4% to approximately \$4,165,000 compared to \$4,753,000 for the same period a year ago. The decrease principally reflected decreases in business development and investor relations expenses of approximately \$192,000, accrued expenses related to management annual incentives of \$172,000, insurance expenses of \$113,000, legal expenses of \$75,000 and other decreases of \$36,000.

Interest Income

Interest income for the three months ended September 30, 2023, was approximately \$106,000 compared to \$54,000 for the same period a year ago. The increase was primarily due higher yields on the Company's investment grade securities, which are classified as held-to-maturity.

Interest income for the nine months ended September 30, 2023, was approximately \$320,000 compared to \$87,000 for the same period a year ago. The increase was primarily due to higher yield on the Company's investment grade securities, which are classified as held-to-maturity.

Other Income

For the three months ended September 30, 2023 and 2022, there was no other income.

For the nine months ended September 30, 2023, other income was approximately \$1,018,000 compared to \$250,000 for the same period a year ago. Other income in 2023 was derived from the sale of the Company's equity interest in Alphazyme, LLC. Other income in 2022 was related to a settlement payment we received from the termination of a proposed license and collaboration.

Net Loss

Net loss for the three months ended September 30, 2023, was approximately \$1,614,000 compared to \$1,809,000 for the same period a year ago.

Net loss for the nine months ended September 30, 2023, was approximately \$4,724,000 compared to \$7,589,000 for the same period a year ago.

Liquidity and Capital Resources

Our primary source of cash has been the cash received from the DuPont Transaction in December 2015, interest income received from investment grade securities, revenues from our research collaboration agreements and license agreements, and funds from the exercise of employee stock options. In addition, in August 2021, the Company received approximately \$1.6 million from the BDI Sale. In December 2021, the Company received an upfront payment of \$0.5 million for a non-exclusive license from Janssen. During the nine months ended September 30, 2023, the Company received approximately \$1.3 million from the sale of its equity interest in Alphazyme, LLC. In October 2023, the Company received \$600,000 upfront payment from Inzymes ApS for product development and licensing.

Our ability to achieve profitability depends on many factors, including our scientific results and our ability to continue to obtain funded research and development collaborations from industry and government programs, as well as sub-license agreements. We may continue to incur substantial operating losses even if we begin to generate revenues from research and development and licensing. Our primary future cash needs are expected to be for general operating activities, including our business development and research expenses, as well as legal and administrative costs as an SEC reporting and NASDAQ listed company.

As of September 30, 2023, we had an accumulated deficit of approximately \$78.2 million. We expect to incur losses and have negative net cash flows from operating activities as we continue developing our microbial platforms and related products, and as we expand our pipelines and engage in further research and development activities for internal products as well as for our third-party collaborators and licensees. The success of the Company depends on its ability to develop its technologies and products to the point of regulatory approval and subsequent revenue generation or through sublicensing of the Company's technologies and products, accordingly, to raise enough capital to finance these developmental efforts.

We expect our existing cash and cash equivalents, investments in debt securities, and operating cash flows will be sufficient to meet our operational, business, and other liquidity requirements for at least the next twelve (12) months from the date of issuance of the financial statements contained in this Form 10-Q. However, we have based this estimate on assumptions that may prove to be wrong, and our operating plan may change because of many factors currently unknown. In the event our financing needs are not able to be met by our existing cash, cash equivalents and investments, we would seek to raise additional capital through strategic financial opportunities that could include, but are not limited to, future public or private equity offerings, collaboration agreements, and/or other means. Any amounts raised may be used for the further development and commercialization of product candidates, and for other working capital purposes. There is no guarantee that any of these strategic or financing opportunities will be executed or realized on favorable terms, if at all, and some could be dilutive to existing shareholders.

The Company has self-funded the development and cGMP manufacturing costs of its proprietary COVID-19 vaccine candidate, DYAI-100. In February 2023, the dosing of the DYAI-100 Phase 1 clinical trial to demonstrate the safety in humans of a protein produced from the C1-cell protein production platform was completed in South Africa. A six-month follow up study is currently ongoing with Phase 1 full study report expected in December 2023. We do not expect a significant amount of additional capital needed to complete Phase 1 clinical trial of DYAI-100 in 2023. In addition, we do not plan to continue Phase 2/3 clinical trials of DYAI-100 unless we obtain funding from our partners and collaborators.

As of September 30, 2023, cash and cash equivalents were approximately \$7.4 million compared to \$5.8 million as of December 31, 2022. The carrying value of investment grade securities, including accrued interest as of September 30, 2023, was approximately \$0.8 million compared to \$6.9 million as of December 31, 2022.

Net cash used in operating activities for the nine months ended September 30, 2023, of approximately \$5.8 million was principally attributable to a net loss of approximately \$4.7 million, gain from the sale of investment in Alphazyme, LLC of approximately \$1.0 million, and changes in operating assets and liabilities of approximately \$1.0 million, partially offset by share-based compensation expenses of approximately \$0.9 million.

Net cash used in operating activities for the nine months ended September 30, 2022, of approximately \$6.4 million was principally attributable to a net loss of approximately \$7.6 million, partially offset by share-based compensation expenses of approximately \$1.4 million, and changes in operating assets and liabilities of approximately \$0.3 million.

Net cash provided by investing activities for the nine months ended September 30, 2023, was approximately \$7.4 million compared to a net cash used in investing activities of \$3.0 million for the nine months ended September 30, 2022. The increase in cash flows from investing activities for the nine months ended September 30, 2023 was primarily related to proceeds from maturities of investment securities and the sale of our equity interest in Alphazyme, LLC.

For the nine months ended September 30, 2023, there were no cash flows from financing activities. For the nine months ended September 30, 2022, net cash provided by financing activities was approximately \$402,000, which was related to proceeds from exercise of stock options.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 4. Controls and procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the nine months ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

Inherent Limitation on Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II

Item 1. Legal Proceedings

We are not currently involved in any litigation that we believe could have a materially adverse effect in our financial condition or results of operations. From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

Item 1A. Risk Factors

There have been no changes to our risk factors from those disclosed in our Form 10-K for the 2022 fiscal year filed on March 29, 2023.

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

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Trading Arrangements

During the quarter ended June 30, 2023, none of our directors or officers (as defined in Section 16 of the Securities Exchange Act of 1934, as amended) adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (each as defined in Item 408(a) and (c), respectively, of Regulation S-K).

Item 6. Exhibits

The following Exhibits are filed as part of this report pursuant to Item 601 of Regulation S-K:

Exhibit No.	Description of Exhibit	Form	Incorporated by Reference		Filed Herewith
			Original No.	Date Filed	
10.1	Lease Agreement with Jupiter Harbour Office, LLC dated August 19, 2023				x
10.2(1)	Service Framework Agreement with Biotechnology Developments for Industry in Pharmaceuticals, S.L.U. dated June 30, 2017				x
10.3	Development and Exclusive License Agreement, effective September 18, 2023	8-K	10.1	September 19, 2023	
31.1	Certification of Principal Executive Officer of Dyadic Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				x
31.2	Certification of Principal Financial Officer of Dyadic Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				x
32.1	Certification of Principal Executive Officer of Dyadic Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				x
32.2	Certification of Principal Financial Officer of Dyadic Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				x

Exhibit No.	Description
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)

(1) Portions of this exhibit have been omitted pursuant to Item 601(b)(10) of Regulation S-K. The Company hereby undertakes to provide on a supplemental basis an unredacted copy of the exhibit to the SEC upon request.

SIGNATURES

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

DYADIC INTERNATIONAL, INC.

November 8, 2023

By: /s/ Mark A. Emalfarb
Mark A. Emalfarb
President and Chief Executive Officer
(Principal Executive Officer)

November 8, 2023

By: /s/ Ping W. Rawson
Ping W. Rawson
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

**LEASE AGREEMENT BETWEEN
JUPITER HARBOUR OFFICE, LLC
and
DYADIC INTERNATIONAL (USA), INC.**

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LEASE AGREEMENT

THIS LEASE AGREEMENT (the "*Lease*") is entered into as of the Execution Date defined below between JUPITER HARBOUR OFFICE, LLC (the "*Landlord*") having an address of 1000 North U.S. Highway One, Suite 902, Jupiter, Florida 33477 and DYADIC INTERNATIONAL (USA), INC. a Florida Corporation having an address of 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477 (the "*Tenant*"). The Landlord, in consideration of the rents and covenants to be kept and performed by the Tenant leases to the Tenant that certain property and improvements, more specifically described below, upon the following terms and conditions:

1. Executive Summary of Lease Terms.

- 1.1. The *Building* shall mean the Jupiter Harbour Office Building which consists of approximately 9,251 rentable square feet of office space located at 1044 North U.S. Highway One, Jupiter, Florida 33477.
- 1.2. CAM shall mean all costs relating to the operation, repair and maintenance in keeping the building in neat, clean, good order and condition and arising not as the result of an insured event of casualty, but not the replacement of the following: Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways, landscaped areas, bumpers, irrigation systems, common area lighting facilities, fences and gates, elevators, roofs, exterior walls of the building, building systems and roof drainage systems. Exterior signs and any tenant directories, any fire sprinkler systems and all other areas and improvements that are within the exterior boundaries of the Property but outside of the Building and/or any other space that is occupied by a tenant. The cost of water, gas, electricity, and telephone to service the Common Areas and any utilities not separately metered.
- 1.3. The *Execution Date* shall mean the latest date of execution by the Landlord and the Tenant as reflected on the signature page of this Lease.
- 1.4. The *Interest Rate* shall be twelve percent (12.0%) per annum.
- 1.5. *Landlord* shall mean:

Jupiter Harbour Office, LLC
a Florida Limited Liability Company
1000 North U.S. Highway 1
Suite 902
Jupiter, FL 33477
Attn: Bjarne Borg, Manager
Email Address: NoticeUS@indexinvest.com
- 1.6. The first *Lease Year* shall run from the Commencement Date through the period expiring three (3) years from that date. Thereafter, the Tenant has the option to extend the lease term for two consecutive years, each for an additional term of one (1) year with sixty (60) days written notice.
- 1.7. *Managing Agent* shall mean:

Index Management Services LLC
a Florida Limited Liability Company
1000 North U.S. Highway 1
Suite, 902
Jupiter, FL 33477
Attn: Bjarne Borg, Manager
Email Address: NoticeUS@indexinvest.com
- 1.8. *Premises* shall mean the office suite located in Suite 201 of the Building, consisting of approximately 1,719 square feet as outlined on Schedule A attached to this Lease.

Rent shall collectively mean the following:

Base Rent shall be:

First Lease Year through August 31, 2024: \$33.50 per RSF (\$4,798.87 per month) and shall increase by three percent (3%) each Lease Year.

Months 13-24: \$34.50 per RSF

Months 25-36: \$35.54 per RSF

Signage Rent The tenant shall have the option but not exclusive right to have a sign on the building and if so elected the extra fee for such signage shall be \$450 per month and shall increase by three percent (3%) each Lease Year. Rent commencement shall occur upon installation and completion of the sign on the building, if Tenant elects to install Signage subject to Section 15 of this Lease. Upon execution of the Lease, the Tenant does not elect to rent the signage and therefore will not incur the \$450.00 per month cost and Landlord reserves the exclusive right to lease the available signage space to other tenants.

Operating Expenses shall mean the actual costs for real estate taxes, insurance premiums, utility charges, maintenance costs and other operating expenses incurred at the Building, subject to Tenant's right to audit such Operating Expenses and the Cap on Operating Expenses.

For the First Lease Year, Landlord's estimate for Operating Expenses at the Building is \$22.43 per RSF, which amount is broken down as follows:

Insurance: \$2.37 per RSF
Property Taxes: \$7.59 per RSF
Common Area Expenses: \$12.47 per RSF

Operating Expenses shall not include (i) management fees to the extent above-market (not to exceed 3% of the gross rents of the Building), (ii) capital expenditures of any kind, (iii) depreciation or other non-cash items, (iv) marketing or leasing costs (including leasing commissions, attorneys' fees (in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments), space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Building), (v) administrative or overhead costs of the Landlord, (vi) leasing commissions, rent concessions to tenants, and tenant improvements; (vii) executive's salaries; (viii) costs for which Landlord is reimbursed by insurance proceeds (or would be entitled to be reimbursed if Landlord had maintained all insurance Landlord is required to maintain hereunder), condemnation proceeds or pursuant to warranties or service contracts; (ix) rent under any underlying ground lease; (x) bad debt expenses, interest and, principal, points and fees on debts or amortization due under any Mortgages (as defined in Section 26.1) encumbering the Building; (xi) costs incurred in negotiating or enforcing leases against tenants, including attorneys' fees; (xii) interest and penalties for the late payment of any Operating Expenses; and (xiii) cost of furnishing services to any tenant to the extent reimbursed to Landlord by such tenant; (xiv) costs of acquisition and maintenance of signs in or on the Building identifying the owner of the Building or other tenants, (xv) any expenses incurred for leasing, renovating or improving space for other tenants or prospective tenants, including, without limitation, tenant relocation cost reimbursements and lease buy-out payments, (xvi) costs incurred because Landlord or another tenant defaulted under the terms of a lease (including this Lease), (xvii) the cost of any work done or goods provided by affiliates of Landlord otherwise includable in Operating Expenses to the extent that such cost is in excess of the then going rate for similar work or goods in the geographic area where the Building is located, (xviii) costs incurred to remedy structural or other defects in the design or construction of the Building, (xix) any costs, fines or penalties incurred because Landlord violated any governmental rule or authority, (xx) charitable contributions or contributions to political organizations, (xxi) costs incurred by Landlord in connection with bringing the Building into compliance with all applicable laws, ordinances, rules and regulations in effect prior to the date Landlord delivers possession to Tenant; (xxii) increases in Building insurance premiums to the extent such increase is caused by or attributable to the use, occupancy or act of another tenant; (xxiii) the cost of overtime or other expenses to Landlord in curing its defaults; (xxiv) costs and expenses incurred in connection with any transfer of Landlord's interest in the Building and the land on which the Building is located; (xxv) funding of Holder (as defined in Section 26.1)-required reserve accounts; (xxvi) costs for the acquisition of decorations and other "Fine Art"; (xxvii) rentals for items which if purchased, rather than rented, would constitute a capital cost; (xxviii) depreciation, amortization and interest payments, except on equipment, materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied, and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life; (xxix) costs, including permit, license and inspection costs, incurred with respect to the installation of other tenants' or other occupants' improvements or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Building; (xxx) expenses in connection with services or other benefits which are not offered to Tenant or for which Tenant is charged for directly; (xxxi) costs arising from the gross negligence or willful misconduct of Landlord or other tenants or occupants of the Building or their respective agents, employees, licensees, vendors, contractors or providers of materials or services; (xxxii) costs associated with the operation of the business of the entity which constitutes Landlord as the same are distinguished from the costs of operation of the Building, including accounting and legal matters, costs of defending any lawsuits with any Holder (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Building, costs incurred in connection with any disputes between Landlord and its employees, between Landlord and Building management, or between Landlord and other tenants or occupants; (xxxiii) reserves for capital improvements or replacements; (xxxiv) alteration of Common Areas; (xxxv) any franchise, excise, income, gross receipts, profits, capital levy, estate, municipal, county, state or federal income tax imposed upon Landlord; (xxxvi) any profit, gift, capital stock, inheritance, estate, succession and, transfer, franchise, corporation, net income or profit tax or capital levy imposed upon Landlord; (xxxvii) any assessments, charges, taxes, rents, fees, rates, levies, excises, license fees, permit fees, inspection fees, or other authorization fees or charges to the extent allocable to or caused by the development or installation of on- or off-site improvements or utilities (including without limitation street and intersection improvements, roads, rights of way, lighting, and signalization) necessary for the initial development or construction of the Building, or any past, present or future system development reimbursement schedule or sinking fund related to any of the foregoing; or (xxxviii) other costs or expenses which are not associated with maintaining and operating the Building under Generally Accepted Accounting Principles ("*GAAP*") or would not normally be treated as Operating Expenses by landlords of comparable buildings in the local submarket. As to special assessments that are payable over a period of time extending beyond the Lease Term, only a pro rata portion of the special assessments, covering the Lease Term, shall be included in "Operating Expenses". If, by law, any assessment may be paid in installments, then, for the purposes of this Lease, (a) the assessment shall be deemed to have been payable in the maximum number of installments permitted by law, and (b) there shall be included in Operating Expenses, for each year in which the installments may be paid, the installments so becoming payable during that year, together with any interest payable on the assessments during the year. When calculating annual taxes, such calculation shall be the amount with the largest discount pursuant to the Palm Beach County Tax Collector invoice, which is usually the November payment.

Proportionate Share shall mean the RSF of the Premises divided by the RSF of the Building, both as determined in accordance with BOMA/ANSI standards and subject to adjustment in accordance with Section 1.8.

Cap on Operating Expenses: In no event shall the dollar amount representing Tenant's Proportionate Share of Operating Expenses that constitute Controllable Expenses (as defined below) be greater than 103% of the amount of Tenant's Proportionate Share of such Controllable Expenses for the previous Lease Year. *Controllable Expenses* shall mean all Operating Expenses other than the cost of insurance, cost of utilities, and real property taxes.

On or before the start of each Lease Year during the Term, Landlord shall endeavor to deliver to Tenant Landlord's good faith estimate of Tenant's Proportionate Share of Operating Expenses (subject to the Cap on Operating Expenses) (the "*Estimate*") for such year. If Landlord does not timely deliver an Estimate to Tenant, Tenant shall pay Tenant's Proportionate Share of Operating Expenses based on the prior year's Estimate until Landlord's Estimate is delivered to Tenant.

Tenant's Proportionate Share of Operating Expenses (subject to the Cap on Operating Expenses) shall be paid in monthly installments concurrently with payment of the monthly Base Rent. After the end of each calendar year, the total Operating Expenses (subject to the Cap on Operating Expenses) for such year (and at the end of the Lease Term, the total Operating Expenses for the period since the end of the immediately preceding calendar year) shall be determined by Landlord. Within one hundred eighty (180) days after the end of each calendar year, Landlord shall provide Tenant with a reconciliation statement showing the amount of the actual components of Operating Expenses for the basis of the Operating Expenses (subject to the Cap on Operating Expenses). If the annual reconciliation statement reflects an underpayment of Operating Expenses (subject to the Cap on Operating Expenses), Landlord shall also deliver to Tenant an invoice which Tenant shall pay thirty (30) days following receipt of such invoice. If the reconciliation statement reflects an overpayment of Operating Expenses (subject to the Cap on Operating Expenses), Tenant shall be entitled to a credit against the next payment(s) of Rent in an amount equal to the overpayment, or, if the Lease Term has ended, then a lump sum payment from Landlord within thirty (30) days following delivery of such invoice. Tenant or its authorized agent shall have the right, upon three (3) business days' advance notice, to visit manager's office where all records are retained to inspect its books and records concerning the Operating Expenses. If, after Tenant's inspection, Tenant disputes the amount of Operating Expenses (subject to the Cap on Operating Expenses) set forth in Landlord's reconciliation statement, Tenant shall submit a written report to Landlord setting forth any claims to be asserted against Landlord as a result of Tenant's inspection (the "*Report*"). Landlord shall reasonably cooperate with Tenant in connection with such inspection. Landlord and Tenant then shall use good faith efforts to resolve Tenant's claims set forth in the Report. If the parties do not reach agreement on the claims within thirty (30) days after Landlord's receipt of the Report, then the dispute shall be submitted to arbitration as hereinafter provided. Within twenty (20) days after expiration of the thirty (30) day period referenced in the foregoing sentence, each party shall appoint as an arbitrator a reputable independent nationally or regionally recognized accounting firm ("*Reviewer*") with at least ten (10) years' experience in accounting related to commercial lease transactions and shall give notice of such appointment to the other party; provided, however, if Tenant used a Reviewer to perform its inspection, the Reviewer shall be deemed to have been appointed by Tenant as its arbitrator for purposes of this provision. Within ten (10) days after appointment of the second arbitrator, the two arbitrators shall appoint a third arbitrator who shall be similarly qualified. If the two arbitrators are unable to agree timely on the selection of the third arbitrator, then either arbitrator on behalf of both, may request such appointment from the office of the American Arbitration Association ("AAA") nearest to Landlord. The arbitration shall be conducted in accordance with the rules of the AAA. If the AAA shall cease to provide arbitration for commercial disputes in location, the third arbitrator shall be appointed by any successor organization providing substantially the same services. Within ten (10) days after the third arbitrator has been selected, each of the other two arbitrators, on behalf of the party it represents, shall submit a written statement, along with any supporting document, data, reports or other information, setting forth its determination of the amount of Operating Expenses (subject to the Cap on Operating Expenses) that are in dispute. The third arbitrator will resolve the dispute by selecting the statement of one of the parties as submitted to the third arbitrator. Within (10) ten days after the third arbitrator's receipt of the statements from the other arbitrators, the third arbitrator shall notify both parties in writing of the arbitrator's decision. The decision of the third arbitrator shall be final and binding upon the parties and their respective heirs, executors, successors and assigns. If either of the parties fails to furnish its statement to the third arbitrator within the time frame specified herein, the third arbitrator shall automatically adopt the other party's statement as final and binding. The cost of arbitration (exclusive of each party's witness and attorneys' fees, which shall be paid by the party) shall be shared equally by the parties and Tenant shall pay its own costs in connection with its inspection; provided, however, that if the inspection discloses that Landlord has overstated the item(s) of Operating Expenses (subject to the Cap on Operating Expenses) by more than 3%, then Landlord also shall be obligated to reimburse Tenant for the reasonable costs of Tenant's audit.

If the Rent Commencement Date is not the first day of a month, then Rent from the Rent Commencement Date until the first day of the following month shall be prorated on a per diembasis at the rate of one thirtieth (1/30th) of the monthly installment of the Rent payable during the first Lease Year.

1.9. *Schedules* shall mean:

- A - Premises Description
- B - Rules and Regulations
- C - Janitorial Service
- D- Rent Schedule

1.10. Security Deposit and First Month Rent: Tenant shall pay the first month, Security Deposit and last month's Rent as set forth in schedule D on the Execution Date.

1.11. *Tenant*:

DYADIC INTERNATIONAL (USA), INC.
140 Intracoastal Pointe Drive, Suite 404
Jupiter, FL, 33477, USA

1.12. The *Term* of this Lease shall be from the Commencement Date through the Expiration Date as defined below.

1.12.1. *Commencement Date* shall be September 1, 2023.

1.12.2. *Expiration Date* shall be August 31, 2026. Sixty (60) days prior to Lease expiration prior to June 21, 2026 Tenant shall have an option to renew this Lease for an additional (1) year ending on August 31, 2027. If Tenant elects to renew the lease then prior to June 30, 2027 Tenant has the option to the extend the lease for an additional (1) year period ending August 31, 2028, subject to annual increases of 3% of the Base Rent with the first increase being applied as of September 1, 2024.

1.13. *Use* shall mean the following:

1.13.1. *Tenant's Permitted Use*: general office work.

2. **PREMISES.**

2.1. The property leased is the Premises as defined above. Unless specifically provided to the contrary elsewhere in this Lease. The term "*Premises*" shall consist of only that interior space located within the perimeter described on Schedule A (including the interior portions of the wall surfaces, ceiling, and floor) and shall not include the roof for any exterior wall surfaces (other than exterior glass). The term "*Building*" shall include the parcel of real property on which the improvements are located and all improvements thereon (including, but not limited to,

Common Areas as defined below), whether leased to the Tenant or not.

2.2. The Premises are leased together with a non-exclusive license to use, in common with the Landlord and other tenants in the Building, those common areas necessary for ingress and egress, including lobbies, restrooms, halls, 'Fishbowl' conference room, internet, stairways, drives, sidewalks and parking areas, along with any other areas which Landlord may, but is not obligated to designate for common use by tenants (the "*Common Areas*"). Tenant shall observe restricted parking areas designated by the Landlord. The Landlord does not grant any easement for light, air, or view.

3. TERM

3.1. Term. This Lease shall be effective as of the Commencement Date and shall remain in effect during the Term subject to the right of termination as provided in this Lease and pursuant to Florida Statutes.

4. CONDITION AND USE OF PREMISES.

4.1. Condition of Premises.

4.1.1. Neither the Landlord, nor its agents, its Broker, or the Managing Agent, has made any representations with respect to the Premises or Building that are not set forth in the Lease. The Tenant represents that it has made its own inspection of and inquiry regarding the condition of the Premises and Building and is not relying on any representations of the Landlord or its agents, its Broker, or the Managing Agent that are not set forth in the Lease. Except for latent defects not reasonably discoverable in the walk-through described below, taking possession of the Premises by the Tenant shall be conclusive evidence, as against the Tenant, that the Tenant accepts the same "as is," and that the Premises, the Building and the Common Areas were in good and satisfactory condition at the time of taking possession and suitable for the Tenant's Permitted Use. Notwithstanding the preceding to the contrary, the Landlord represents that as of the Execution Date, the plumbing, electrical, HVAC, fire suppression (including sprinklers, two emergency stairwells and a monitored fire alarm system) and other basic building systems serving the Premises shall be in good working order and condition. The HVAC is provided by three (3) split system units servicing the Premises (13 tons). The Tenant shall have full control over temperature and hours of operation as electricity to the Premises shall be separately metered and paid for by the Landlord directly to the utility company. Approximately twenty (20) watts/rsf of power shall be available to the Premises on a watts/rentable square foot basis. Landlord shall provide a minimum of seven (7) watts/rsf of power to meet the Tenant's needs throughout the Lease Term and any extensions and for any expansions. The Tenant shall be responsible for the maintenance and repair of its individual electricity usage. Notwithstanding the preceding to the contrary, the Landlord represents that to the best of its knowledge, as of the Execution Date, the Building (including the Premises) and Common Areas comply with all applicable legal requirements of any governmental or quasi governmental body. The Landlord or its agents shall make themselves available to the Tenant for a walk through inspection of the Premises prior to the Tenant's taking possession thereof.

4.2. The Premises shall be used and occupied by the Tenant for the Tenant's Permitted Use and for no other purpose. The Tenant may not use the Premises or any portion thereof for any illegal or unlawful purpose and may not cause or permit a nuisance to be created or maintained on the Premises including, without limitation, noises of such a level as to disturb others in the Building. The Tenant's use of the Premises and the Common Areas shall comply with the "*Rules & Regulations*" listed in Schedule B, if any, that apply to the Premises. The Tenant shall not use the Premises in such a way that is reasonably likely to increase the fire insurance premiums on the Building or make that insurance unavailable to the Landlord.

4.3. The Tenant shall comply with all legal requirements of any governmental or quasi-governmental body including City, County, State or Federal boards having jurisdiction respecting any operation conducted or any equipment installations or other property placed upon, in or about the Premises by it. The Tenant shall immediately, on discovery of any unlawful use within the Premises, take action to halt that activity. Except as provided in *Section 4.4* or as specifically assigned to the Tenant above, the Landlord shall comply with all legal requirements of any governmental or quasi-governmental body including City, County, State or Federal boards having jurisdiction respecting the Building and the Common Areas (and not the Premises).

4.4. The Landlord represents and warrants that, to the best of its knowledge, as of the Execution Date, the Premises, the Common Areas, and the Building comply with all applicable laws and regulations dealing with access by individuals with disabilities, including Title III of The Americans with Disabilities Act, Public Law 101-336 (July, 1990) as revised from time to time (the "*ADA*"). The Landlord shall be responsible, at its own expense, for keeping the Premises, Common Areas, and the Building (exclusive of the Premises) in compliance with the ADA.

5. **RENT.**

- 5.1. Commencing on the Commencement Date and continuing for the remainder of the Term:
 - 5.1.1 Tenant shall pay to the Landlord the Rent on the 1st business day of each calendar month. Any partial month of the Term shall be prorated. Tenant shall make the payment to Landlord via ACH bank transfer, or online payment portal if available.
 - 5.1.2. Should any governmental authority having jurisdiction over the Premises declare or otherwise assess against the Landlord any tax arising due to and based on the Tenant's rents, lease, or leasehold whether designated as a stamp tax, sales tax, ad valorem tax, use tax or otherwise (other than income taxes), then all taxes so charged shall be paid at the same time as the Rent provided the Tenant has received reasonable prior notice thereof.
 - 5.1.3. On the second Lease Year and for each Lease Year thereafter the Base Rent shall increase by 3% per annum
- 5.2. The Tenant's failure to timely pay Rent may cause the Landlord to incur unanticipated costs. If any Rent payment is not received within ten (10) days after it becomes due, the Tenant shall pay the Landlord a late charge equal to one percent (1%) of the overdue amount. The Tenant acknowledges that such late charge represents a fair and reasonable estimate of the costs the Landlord will incur by reason of such late payment. The payment of late charges shall not excuse or cure any default by the Tenant under this Lease. Interest shall not be payable on late charges to be paid by the Tenant under this Lease.
- 5.3. CAM shall include high speed internet and pre-booked use of the 'fishbowl' conference room.

6. **TENANT FINANCIALS.**

Should Tenant fail to make the timely payment of Rent on more than two (2) occasions during any one lease year Tenant shall provide the Landlord with a copy of the Tenant's most recent financial statements (to include, at least, a current balance sheet and statements of profit and loss and cash now, all prepared in accordance with GAAP, consistently applied) which shall be certified by an officer/manager of the Tenant.

7. **IMPROVEMENTS.**

The Landlord has promised to cover any drywall holes.

8. **ALTERATIONS, ADDITIONS AND IMPROVEMENTS.**

- 8.1. The Tenant shall not make any alterations, additions or improvements, structural or otherwise (the "*Alterations*") in or to the Premises in excess of ten thousand dollars (\$10,000) in the aggregate, over the Term, without the Landlord's prior written consent. Notwithstanding the preceding to the contrary, the Tenant shall be permitted to make non-structural, below ceiling grid Alterations (provided they do not exceed \$10,000.00, in the aggregate, over the Term) without the Landlord's prior consent. The plans and specifications for any approved Alterations shall be subject to the Landlord's prior written approval and once approved, shall not be materially changed without the Landlord's prior written consent. Even if the Alterations do not require the Landlord's prior written consent, the Tenant shall provide the Landlord with a copy of the plans and specifications and estimated construction costs for the Alterations prior to commencing construction. All Alterations, whether requiring consent or not, shall be made promptly, in a workmanlike manner, paid for by the Tenant allowing no liens to attach either to the Premises or to the Tenant's leasehold interest and so as not to unreasonably disturb or inconvenience other tenants in the Building. The Landlord shall have the right to require the Tenant to provide such assurances as the Landlord shall reasonably require (e.g., bonds, escrows, etc.) to protect the Landlord against unpaid work and to require that any work be performed only by duly licensed contractors and subcontractors approved by the Landlord. Upon a termination of the Lease, the Tenant shall provide the Landlord with copies of all unexpired construction warranties, if any exist, related to the Alterations, all of which shall be deemed assigned to the Landlord. Unless otherwise noted in the Landlord's written approval of the Alteration, any Alteration, other than the Tenant's trade fixtures and movable furnishings, shall remain and be surrendered with the Premises on expiration of the Lease. If the Landlord's approval of the Alteration provides that the Alteration is not to be surrendered, the Tenant, at its sole cost, shall remove that Alteration which is not to remain and shall repair all damage to the Premises caused by that removal. In no event, however, shall the Tenant remove any of the following materials or equipment (which shall be deemed to be the Landlord's property) without the Landlord's prior written consent: any power wiring or power panels; lighting or lighting fixtures; wall coverings; drapes, blinds or other window coverings; carpets or other floor coverings; heaters, air conditioners or any other heating or air conditioning equipment; or other similar building operating equipment and decorations. This removal/repair obligation shall survive a termination of the Lease. Notwithstanding anything in this Lease to the contrary, the Tenant shall be responsible for any ad valorem taxes or increase therein resulting from Alterations made by or at the direction of the Tenant. The Landlord consents/approvals required under this Section shall not be unreasonably withheld, conditioned, or delayed.

9. SERVICES.

- 9.1. At the Landlord's sole cost and expense, Landlord will cause the following services (the "Services") to be furnished to the Premise: janitorial service five (5) days per week (as delineated on Schedule C), lavatory and toilet purposes, operator-less elevator service, removal of trash created from the Permitted Use of the Premises from site receptacles (in accordance with city schedules and regulations). The Tenant shall have access to the use of after hours heating and air conditioning. The Tenant shall not install equipment or crypto mining machines with unusual demands for any of the Services without the Landlord's prior written consent, which the Landlord may withhold if it determines that, in its sole opinion, the equipment may not be safely used in the Premises or that current Services cannot adequately serve the equipment. If heat generating machines or equipment other than computers, copy machines, internet and other office equipment, shall be used in the Premises by the Tenant which materially increases the temperature otherwise maintained by the heating and air conditioning system, the Landlord shall have the right to install supplemental air conditioning units in the Premises upon reasonable prior written notice to the Tenant. The cost of those units and the costs incurred for their installation, operation, and maintenance shall be paid by the Tenant upon demand by the Landlord.

10. ACCESS.

The Landlord shall provide the Tenant with 24 hour, 7 days a week, 52 weeks a year access to the Premises. There shall be open access to the Building during the Standard Work Week. At all other times, access to the Building shall be restricted by use of a master key and/or "punch code" access system at one of the entrances to the Building. The Landlord shall, prior to the Commencement Date, furnish the Tenant the swipe cards, keys and/or "punch code" for entering the Building. The Landlord does not, however, provide any security services to or for the Building. The Tenant is permitted to install a monitored alarm in the Premises and cameras upon written consent of the Landlord.

11. PARKING.

The Tenant shall be provided with nine (9) parking spaces, one (1) of which will be designated, for the Lease Term and any Renewal(s). Except as required by law or applicable zoning codes, the parking spaces shall be marked with the name of the building.

12. REPAIRS.

The Landlord, at its expense, shall: (i) maintain the Premises, the Building, and the Common Areas in good working order and repair; (ii) make all interior and exterior structural repairs as and when needed; and (iii) repair or replace all building materials, fixtures and equipment required for the normal use of the Premises by the Tenant. Notwithstanding the above to the contrary, provided that such damage was not caused by the Landlord, its agents, employees or licensees: (i) the Landlord shall not have any obligation to repair any property on the Premises provided or installed by the Tenant which the Landlord shall have the right to require the Tenant to remove from the Premises or any alteration made to the Premises by, for, or at the direction of the Tenant; and (ii) the Tenant shall, without expense to the Landlord, replace all glass broken or damaged by the Tenant in the Premises during the Term with glass of the same kind and quality as that broken or damaged. In addition, the cost of any repairs to the Premises, Building, or its Common Areas caused by the negligence or willful acts of the Tenant or its customers, licensees, agents, servants or employees, other than associated with ordinary wear and tear, shall be borne by the Tenant and shall be reimbursed to the Landlord with the next Rent payment after written demand for reimbursement is made by the landlord. When requested by the Tenant, this written demand for reimbursement shall be accompanied by reasonable supporting documentation. The Tenant's reimbursement obligation shall be limited to those reasonably incurred costs over the amounts reimbursed by insurance carried by the Landlord. The Landlord shall make available to the Tenant any warranties the Landlord has received which are applicable to the repairs to be paid for by the Tenant.

13. LIABILITY.

The Landlord shall not be liable to the Tenant for any damages resulting from any act or omission of any other tenant; provided that the causes of the damage are not directly under the care, custody or control of the Landlord. The Tenant shall promptly report to the Landlord any defective condition in or about the Premises, Building, or Common Areas known to the Tenant. The Tenant shall promptly report to the Landlord any interruption of its utility service.

14. TAXES AND ASSESSMENTS.

The Landlord shall list the Building for ad valorem real estate tax assessments assessed against the Building premises and the real property upon which the Building is situated and the Tenant shall pay its proportionate share of ad valorem real estate tax assessments assessed against the Building and the real property upon which the Building is situated which is included in the Real Property Taxes listed below. The Tenant shall pay all taxes and assessments imposed on the Tenant's personal property located on the Premises, whether affixed or not, and all other taxes, fees and assessments imposed for its use of the Premises.

15. SIGNS.

The Tenant shall not fix, print, paint, or display any sign, name, legend, notice or advertisement unless legally permitted and agreed to by Landlord: (a) on the exterior of the Building or Premises, or (b) on the Building grounds, or (c) in such a place inside the Building as to be visible from the exterior without Landlord's prior written approval. All exterior decor and exposed sides of drapes, blinds, shutters, and other window treatments must receive the Landlord's prior written approval. Notwithstanding the foregoing to the contrary, during the Term of this Lease, the Landlord shall provide and the Tenant shall have the right to display the Building's standard signage on the Building directory in the main lobby and adjacent to the Tenant's primary entrance door. The Tenant shall bear the cost of the original door/directory signage (which may be funded out of the Tenant Improvement Allowance) and the Tenant shall bear all reasonable costs incurred in making any subsequent informational changes to that signage requested by the Tenant. The Tenant, at its sole expense, shall remove all signs erected for/by the Tenant upon termination of the Lease and shall repair any damage to the Premises and Building caused by their removal. This repair/removal obligation shall survive a termination of the Lease. Subject to Tenant obtaining all required governmental approvals and any approvals required by the Jupiter Harbour Property Owners' Association, Inc.'s (the "POA") Board of Directors and Architectural Review Board (collectively, the "POA Approvals"), Tenant shall have the opportunity at the sole and absolute discretion of the Landlord, at Tenant's cost, to install signage bearing Tenant's corporate identification and logo on the side of the building located next to the existing signage (Boxwood) on the exterior of the Building. Tenant may apply for POA Approvals after the Execution Date of this Lease. Tenant shall not be required to pay rent for such signage until the date of sign installation. Tenant shall apply for all necessary approvals for the sign, including permits, on or before October 31, 2023. In the event the Tenant does not timely apply for all necessary approvals and/or permits by October 31, 2023, Landlord shall have the right to rent any and all signage space to others. Tenant shall be responsible for performing any structural, finish, stucco, and paint repairs required in connection with damage caused by Tenant in connection with the installation, continued use, and removal of Tenant's signage. Tenant shall have no right to extend the Rent Commencement Date to the extent of any delays in Tenant obtaining the POA Approvals for Tenant's signage. Tenant, at its sole expense, may install surveillance cameras within the Premises. The Tenant, at its sole expense, shall remove all surveillance cameras installed for/by the Tenant upon termination of the Lease and shall repair any damage to the Premises and Building caused by their removal. This repair/removal obligation shall survive a termination of the Lease.

16. INSURANCE

16.1. Landlord's Insurance. The Landlord shall procure and maintain the following:

- 16.1.1. All risk property insurance on the Premises in sufficient and customary amounts for a premises of this size and nature located in the same or similar areas. The Landlord shall not be obligated to insure any furniture, equipment, trade fixtures, machinery, goods, or supplies which the Tenant may keep or maintain in the Premises or any alteration, addition, or improvement which the Tenant may make upon the Premises. The Tenant shall be obligated to insure furniture, equipment, trade fixtures, machinery, goods, or supplies which the Tenant may keep or maintain in the Premises or any alteration, addition, or improvement which the Tenant may make upon the Premises. In addition, the Landlord may elect to secure and maintain rental income insurance; and
- 16.1.2. Commercial general liability insurance in sufficient and customary amounts for leased commercial office space of this size and nature located in the same or similar areas, which shall be in addition to, and not in lieu of, insurance required to be maintained by the Tenant. The Tenant shall not be named as an additional insured on any policy of liability insurance maintained by the Landlord.

16.1.3. Pass through of Tenant's proportionate share of premiums is limited to Property Casualty/Windstorm and flood insurance policies for the Building which is part of the Insurance listed below.

16.2. Tenant's Insurance.

The Tenant, at the Tenant's expense, agrees to keep in force during the Term of this Lease:

16.2.1. Commercial general liability insurance shall afford, at a minimum, the following limits:

- (i) Each Occurrence \$1,000,000
- (ii) General Aggregate \$3,000,000
- (iii) Personal and Advertising Injury Liability \$1,000,000
- (iv) Fire Damage Occurrence: \$50,000
- (v) Medical Payments \$5,000

16.2.2. Any general aggregate limit shall apply on a per location basis. The Tenant's commercial general liability insurance shall name the Landlord, its trustees, officers, directors, members, agents, and employees, any Holder, and the Landlord's representatives as additional insureds. This coverage shall be written on the most current ISO CGL form, shall include blanket contractual, premises operations and products completed operations. Such insurance shall be written on an occurrence basis and contain a standard separation of insured provision.

16.3. Tenant's Insurer Rating: Certification of Insurance. All policies required to be carried by the Tenant hereunder shall be issued by and binding upon an insurance company licensed to do business in the state in which the Land is located with a rating of at least "A-" or better as set forth in the most current issue of Best's Insurance Reports, unless otherwise approved by the Landlord. The Tenant shall not do or permit anything to be done that would invalidate the insurance policies required herein. Liability insurance maintained by the Tenant shall be primary coverage without right of contribution by any similar insurance that may be maintained by the Landlord. Certificates of insurance, acceptable to the Landlord, evidencing the existence and amount of each insurance policy required hereunder shall be delivered to the Landlord prior to delivery or possession of the Premises and ten (10) days following each renewal date. Certificates of insurance shall include an endorsement for each policy showing that the Landlord, its trustees, officers, directors, members, agents, and employees, the Landlord's mortgagees, and the Landlord's representatives are included as additional insured on liability policies and that the Landlord is named as loss payee on the property insurance as required herein. Further, the certificates must include an endorsement for each policy whereby the insurer agrees not to cancel, non-renews or materially alter the policy without at least thirty (30) days' prior written notice to the Landlord.

16.4. In the event that the Tenant fails to provide evidence of insurance required to be provided by the Tenant in this Lease, prior to the Commencement Date and thereafter during the Term, within fifteen (15) days following the Landlord's written request thereof, and thirty (30) days prior to the expiration of any such coverage, the Landlord shall be authorized (but not required) to procure such coverage in the amount stated with all costs thereof to be chargeable to the Tenant and payable upon written invoice thereof.

16.5. The limits of insurance required by this Lease, or as carried by the Tenant, shall not limit the liability of the Tenant or relieve the Tenant of any obligation thereunder, except as otherwise expressly provided for herein. Any deductibles selected by the Tenant shall be the sole responsibility of the Tenant.

16.6. Should the Tenant engage the services of any contractor to perform work in the Premises, the Tenant shall ensure that such contractor carries commercial general liability, business automobile liability, umbrella/excess liability, worker's compensation and employers liability coverages in substantially the same amounts as are required of the Tenant under this Lease. Certificates of insurance, acceptable to the Landlord, evidencing the existence and amount of each insurance policy required hereunder shall be delivered to the Landlord prior to the commencement of any work in the Premises. Further, the certificates must include an endorsement for each policy whereby the insurer agrees not to cancel, non-renew, or materially alter the policy without at least thirty (30) days' prior written notice to the Landlord.

17. INDEMNIFICATION.

Except where caused by the Landlord's or its employee's, agent's, or contractor's negligence or willful misconduct, the Tenant shall indemnify and hold the Landlord, Holder, any Owners, Managers, Members and its employees and agents harmless from any liability for injury to or death of any person or damage to any property relating to or arising out of the Tenant's or its invitee's, employee's, agent's or contractor's use of the Premises. If Landlord is made a party to any litigation by virtue of the actions, conduct or failure to act on the part of Tenant, then the Tenant shall protect and hold harmless and pay all court costs, penalties, charges, damages, expenses, and reasonable attorney's fees incurred or paid by the party to be indemnified. These obligations shall survive a termination or expiration of the Lease.

18. WAIVER OF SUBROGATION.

Notwithstanding the language of Section 17 to the contrary or that the loss or damage may be due to or result from the negligent or willful act of a party or its employees or agents, the Landlord and the Tenant, for themselves and their respective insurers, release each other from any and all claims, demands, actions and causes of action that each may have or claim to have against the other for loss or damage to persons or property, both real and personal, caused by or resulting from casualties required to be insured against by the terms of this Lease or otherwise insured against by the party suffering the loss or damage. All policies of insurance required by this Lease shall contain a provision whereby the insurer waives all rights of subrogation against either the Tenant or the Landlord, as appropriate. If insurance policies with waiver of subrogation provisions shall be obtainable only at a premium, the party seeking the policy shall pay that additional premium. Except to the extent insurance pays (or would have paid if the insurance coverage required by this Lease were in effect) a claim subject to indemnification, this release is not intended to nor shall it release a party from its indemnification obligations as set out in this Lease. These obligations shall survive a termination of the Lease.

19. DESTRUCTION.

- 19.1. If the Premises are rendered untenable by way of the destruction of the Premises such that it is not usable by Tenant, either the Landlord or the Tenant may terminate this Lease by giving written notice of termination not later than thirty (30) days after the date of the destruction. In that event and provided the Tenant timely vacates the Premises, Rent paid for the period beyond the date of destruction shall be refunded to Tenant and neither party shall have any further obligations under this Lease except for those obligations which are expressly provided to survive a termination.
- 19.2. If after damage the Premises is tenantable, yet: (i) the Landlord, in its sole judgment, concludes that restoration of the damage cannot be completed within one hundred eighty (180) days; or (ii) less than six (6) months of the Term remains and the repairs are estimated to require more than sixty (60) days to repair; or, (iii) insurance proceeds (along with funds the Landlord, in its discretion, decides to provide) in an amount sufficient to restore the Premises is not made available to the Landlord (provided that the landlord shall use commercially reasonable efforts to obtain the proceeds to which it is entitled under its applicable insurance policy); the Landlord or the Tenant may, at their option, terminate this Lease by giving written notice of termination not later than ten (10) days after the date the Landlord provides the Tenant with the information described below. In that event and provided the Tenant timely vacates the Premises, Rent paid for the period beyond the date of destruction shall be refunded to the Tenant and neither party shall have any further obligations under this Lease except for those obligations which are expressly provided to survive a termination. Within thirty (30) days after the casualty, the Landlord shall furnish the Tenant with the Landlord's estimate of the time required to complete repairs and whether or not sufficient funds are available to pay for the required repairs.
- 19.3. If the Lease is not terminated pursuant to Subparagraphs 19.1 or 19.2, the Landlord, at its expense to the extent insurance proceeds are available, shall promptly restore and/or repair the Premises (other than Alterations, which shall be the Tenant's sole responsibility) and any other portions of the Building outside the Premises required for the Tenant's use of the Premises. In no event shall the Landlord be required to restore fixtures or improvements made or owned by the Tenant. If the Tenant is reasonably required to close all or a portion of its operations during the period of repair/restoration, Rent shall abate on a proportional basis (based upon the square footage of the unusable portion of the Premises) during that period. In no event shall the Landlord have any liability (other than an abatement of Rent) for losses claimed by the Tenant resulting, directly or indirectly, from the Tenant's inability to use the Premises.
- 19.4. Notwithstanding the above to the contrary, if the Premises are damaged by the fault or neglect (willful, grossly negligent acts or omissions) of the Tenant, its employees, agents, customers, or guests, the Tenant may not terminate this Lease and there shall be no apportionment or abatement of Rent, except to the extent of the Landlord's receipt of rent loss insurance relating to the Premises.
- 19.5. Subject to applicable law, the Tenant acknowledges that the provisions of this *Section 19* shall govern the rights and obligations of the parties in the event of any substantial or total destruction to the Property and the Tenant waives the protection of any statute, code or judicial decision which grants a tenant any other rights to terminate a lease in the event of the substantial or total destruction of the Premises.

20. CONDEMNATION.

If all of the Premises, or a portion which will make the remainder unusable for the Tenant's Permitted Use, be taken under the power of eminent domain (or a conveyance in lieu thereof), then this Lease shall terminate as of the vesting of title in the condemning authority and Rent obligations shall be adjusted between the Landlord and the Tenant as of that date. If only a portion of the Premises are taken and the Tenant can reasonably continue use of the remainder, then the Lease will not terminate, but Rent obligations shall abate in a just and proportionate amount to the loss of use occasioned by the taking. Except as otherwise provided by the authority granting an award of damages, the Tenant shall have no right or claim to any part of any award made to or received by the Landlord for any taking of the Premises and no right or claim for any alleged value of the unexpired portion of this Lease; provided, however, that the Tenant shall not be prevented from making a claim against the condemning party (but not against the Landlord) for any moving expenses, loss of profits, or taking of the Tenant's personal property (including its leasehold interest) to which the Tenant may be entitled. No tenant's claim may, however, diminish the Landlord's award with respect to the Premises. For purposes of this Section, the Landlord shall make a good faith determination as to whether the Premises are unusable or not after a taking. If less than a fee title to all or any portion of the Premises shall be taken or condemned by any governmental authority for temporary use or occupancy, this Lease shall continue in full force and effect without reduction or abatement in Rent. The Tenant will sign any petitions, applications and other documentation required by the Landlord with respect to condemnation.

21. Care. The Tenant shall not permit or cause any act to be performed upon, in or about the Premises which shall cause or be likely to cause injury to any person or to the Premises, the Building, or Common Areas, or any adjoining property. The Tenant shall at all times keep the Premises in a neat and orderly condition. The Tenant agrees to take reasonable care of the Premises, fixtures, and appurtenances and suffer no waste or injury thereto.

22. Return of Premises. Upon the termination of this Lease, the Tenant shall return the Premises to the Landlord substantially in the same condition as received. Excepted from this obligation are: (i) conditions which are the Landlord's responsibility or result from the Landlord's or its agent's or employee's negligence, a casualty required to be insured against by the Landlord under this Lease, or a condemnation; (ii) ordinary wear and tear; and, (iii) all Tenant Improvements and Landlord approved Alterations. This obligation shall survive a termination of the Lease. Any failure by the Tenant to comply with this Section which results in a delay in the Landlord's ability to deliver the Premises to a successor tenant shall be deemed to be a holdover (as described in Section 23 below) by the Tenant for the period it takes the Tenant, or if the Tenant fails to do so, the Landlord to complete any required repair/replacement activities only after first providing Tenant with written notice of such deficiencies and a period of fifteen (15) calendar days within which to undertake such required repairs or restoration of the Premises.

23. Holding Over. In the event that the Tenant remains in possession after the expiration of the Term or earlier termination of the Lease without the execution of a new lease or the written consent from the Landlord, the Tenant shall not acquire any right, title or interest in the Premises. In that event, the Tenant shall occupy the Premises as a tenant-at-will and shall otherwise be subject to all applicable conditions, provisions and obligations of this Lease; except that all options and rights of renewal, rights of first refusal, and the like, if any, shall terminate. Notwithstanding the preceding, the Landlord shall have the right to pursue summary ejectment of the Tenant as provided by law and to recover from the Tenant any and all damages suffered as a result of that holdover, including, but not limited to, damages relating to any loss of a prospective tenant for the Premises. During the holding over period, the Tenant shall continue to pay monthly Rent as prescribed in this Lease plus an additional holdover rent multiple equal to 1.25 times the Rent. Receipt of Rent from the Tenant after expiration of Term will not constitute a waiver of the Landlord's right to enforce the remedy.

24. ASSIGNMENT.

24.1. The Tenant shall have the right to assign this Lease or to sublet the Premises but not be released from liability under this contract, in whole or in part, with the Landlord's written consent which will not be unreasonably withheld.

25. DEFAULT/REMEDIES.

25.1. The following events (the "*Events of Default*") shall each constitute a material default by the Tenant:

25.1.1. If the Tenant timely fails to pay any sum due to the Landlord under the Lease, which failure shall continue for a period often (10) days after receipt of written notice by Landlord to the Tenant; or

- 25.1.2. If the Tenant shall fail to perform any non-monetary term, condition, covenant or agreement of this Lease which continues for a period of thirty (30) days after receipt written notice by Landlord to the Tenant (except that if the default cannot be reasonably cured within that period, the Tenant shall not be in default so long as the Tenant promptly and diligently pursues the cure and is not otherwise in default) but in no event shall it take longer than ninety (90) days; or
- 25.1.3. If the Tenant (or, if the Tenant is a partnership, if any partner of the Tenant) shall file a petition in bankruptcy, make any assignment for the benefit of its creditors, or admit in writing its inability to pay its debts generally as they become due; if any court of competent jurisdiction shall enter a decree or order adjudicating it bankrupt or insolvent; or if any trustee or receiver for the Tenant or for any substantial part of its property be appointed or if any person shall file a petition for involuntary bankruptcy against the Tenant and such appointment or petition shall not be stayed or vacated within sixty (60) days of entry thereof; or
- 25.1.4. If the Tenant's interest in this Lease or the Premises shall be subjected to any attachment, levy or sale pursuant to any order or decree entered against the Tenant in any legal proceeding and the order or decree shall not be vacated within thirty (30) days of its entry; or
- 25.1.5. If the Tenant is guilty of an Event of Default under any other lease agreement with the Landlord or any of the Landlord's affiliated entities.
- 25.1.6. The notices required by this Section are intended to satisfy any and all notice requirements imposed by law on the Landlord and are not in addition to any such requirement.

25.2. Remedies Upon Tenant Default.

- 25.2.1. Upon the occurrence of any Event of Default, the Landlord, with or without terminating this Lease, immediately or at any time thereafter, shall have the right, at its option, to utilize anyone or more of the following remedies in compliance with Florida Statutes Chapter 83:
- (i) The Landlord may make any payment required of the Tenant and/or re-enter the Premises and correct or repair any condition which shall constitute a failure on the Tenant's part to keep or perform. The Tenant shall reimburse the Landlord for any reasonable expenditures made by the Landlord in making the payment and/or corrections or repairs within fifteen (15) days after delivery of a statement to the Tenant accompanied by reasonable documentation supporting the demand.
 - (ii) The Landlord may demand in writing that the Tenant vacate the Premises. The Tenant shall vacate the Premises and remove all its property within thirty (30) business days of the Tenant's receipt of the notice, whereupon the Landlord shall have the right to re-enter and take possession of the Premises.
 - (iii) The Landlord may accelerate and collect all Rent, and other charges which are due or may become due under the Lease for the balance of the Term, after first deducting the fair market value of the Premises for the balance of the Term from the remaining Rent and then discounting the difference to its present value by a factor equal to the Landlord's bank's then announced prime rate.
 - (iv) The Landlord may re-enter the Premises without terminating the Lease and remove the Tenant and all of the Tenant's property.
 - (v) The Landlord may re-let all or any portion of the Premises for such time, rent, and other terms and conditions as the Landlord, in its reasonable discretion, may deem advisable. The Landlord may make any alterations or repairs to the Premises which it may deem necessary or proper to facilitate the reletting. The Tenant shall pay all commercially reasonable costs of the reletting including the commercially reasonable cost of any alterations or repairs to the Premises associated with prior alterations by Tenant. If this Lease shall have not been terminated by the Landlord, the Tenant shall continue to pay all charges due from the Tenant under this Lease up to and including the date of beginning of payment of rent by any subsequent tenant of part or all of the Premises, and thereafter, the Landlord may accelerate and collect from the Tenant the difference, if any, between the rent to be collected from that subsequent tenant and the Rent reserved in this Lease for the balance of the Term, after discounting the difference to its present value by a factor equal to the Landlord's bank's then announced prime rate. In no event shall the Tenant be entitled to receive any excess of any rents collected by the Landlord over the rents due from it.

(vi) The Landlord may terminate this Lease with notice and a demand to vacate the Premises. This Lease shall be deemed to have been terminated by the Landlord only upon the Landlord's written notice of termination. Upon termination the Landlord shall nevertheless remain entitled to recover from the Tenant all sums provided for above as if the Lease were not terminated.

(vii) The Landlord may exercise any other remedies and recover any other damages available to it under law or in equity.

25.3. In the event of any re-entry of the Premises by the Landlord pursuant to any of the provisions of this Lease, the Tenant waives all claims for damages that may be caused by that re-entry except those claims arising from the Landlord's negligence or willful misconduct not otherwise covered by insurance maintained by the Tenant. The Tenant shall reimburse the Landlord for any and all losses, costs, expenses (including legal expenses and reasonable attorney's fees), and damages suffered by the Landlord by reason of its re-entry, removal and/or storage of the Tenant's property. No re-entry shall be considered or construed to be a forcible entry.

25.4. Upon any breach of this Lease, regardless of whether that breach is, or becomes, an Event of Default, the Landlord shall be reimbursed for any and all commercially reasonable expenses incurred by the Landlord, including legal expenses and reasonable attorney fees, in enforcing the terms and provisions of this Lease.

25.5. Any of the Tenant's personal property remaining at the Premises within thirty (30) days after a repossession of the Premises by the Landlord after an Event of Default or after a termination of the Lease shall be deemed abandoned by the Tenant. The Tenant shall be liable for any and all storage and/or removal costs incurred by the Landlord in storing and/or removing that abandoned property. In addition, the Landlord shall be entitled to sell the abandoned property in order to recover those storage/removal costs and any other amounts due from the Tenant under the Lease. The sale of the abandoned property may be by private or public sale as contemplated under the Florida Uniform Commercial Code or in any other form provided by law. This right shall be in addition to any statutory lien for rent or similar rights available to the Landlord under law or this Lease.

25.6. In addition to Landlord's statutory lien for rent pursuant to Florida Statutes Chapter 83, Tenant hereby pledges and assigns to Landlord, as security for the payment of any and all rent due under this Lease, all of the furniture, fixtures, personal property, equipment, goods and chattels of Tenant which shall or may be brought, put on or into or regularly kept at the premises, and Tenant agrees that said lien may be enforced by distress, foreclosure or otherwise, at the election of Landlord. Tenant hereby executes and delivers a standard Uniform Commercial Code Financing Statement, which Tenant acknowledges is in a form sufficient to perfect the lien in favor of Landlord created by this paragraph.

25.7. Tenant agrees for itself and its assignees or sub-lessees that it shall execute such further documentation as may be required by Landlord in connection with the perfection or continuation of this lien. Failure by Tenant to execute such documentation shall be an event of default, entitling Landlord to payment of damages and shall further entitle Landlord to execute such documents as Tenant's attorney-in-fact. Tenant hereby irrevocably constitutes and appoints Landlord as Tenant's attorney-in-fact to execute any such document for and on behalf of such Tenant.

26. SUBORDINATION/ATTORNMEN/ESTOPPEL.

26.1. This Lease and the Tenant's interest and rights hereunder are and shall be subject and subordinate at all times to the lien of any first mortgage, now existing or hereafter created on or against the Project or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of the Tenant. The Tenant agrees, at the election of the holder of any such mortgage, to attorn to any such holder. The Tenant agrees upon demand to execute, acknowledge and deliver such instruments, confirming such subordination and such instruments of attornment as shall be requested by any such holder. Notwithstanding the foregoing, any such holder may at any time subordinate its mortgage to this Lease, without the Tenant's consent, by notice in writing to the Tenant, and thereupon this Lease shall be deemed prior to such mortgage without regard to their respective dates of execution, delivery or recording and in that event such holder shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such mortgage and had been assigned to such holder. The term "*Mortgage*" whenever used in this Lease shall be deemed to include mortgages, deeds of trust, security assignments and any other encumbrances of the Building and all renewals, modifications, consolidations and replacements thereof, and any reference to the "*Holder*" shall mean the holder of any Mortgage.

26.2. In the event the Landlord's interest in the Premises passes to a successor (the "*Successor*") by sale, lease, foreclosure, or in any other manner, the Tenant shall be bound to the Successor under all of the terms of this Lease for the balance of the Term, with the same force and effect as if the Successor were the Landlord under the Lease.

The Tenant is deemed to attorn to the Successor as its landlord and no further documents shall be required to effectuate the attornment. Provided the Successor becomes legally bound to the Tenant in respect of all of the Landlord's duties and obligations, the Landlord shall have no further liability under the Lease and the Tenant shall look solely to the Successor for any subsequent performance due by the Landlord. Any attornment agreement required of the Tenant shall include language to the effect that the Tenant's tenancy shall not be disturbed nor affected by any default under the Mortgage provided that the Tenant is not in default beyond applicable cure periods under any of the Lease terms and shall otherwise be reasonably acceptable to the Tenant,

26.3. The Tenant agrees, not more than twice per year, within ten (10) days after request of the Landlord, to execute and deliver to the Landlord, or to the Landlord's designee, any estoppel certificate requested by the Landlord, stating that this Lease is in full force and effect, the date to which rent has been paid, that the Landlord is not in default hereunder (or specifying in detail the nature of the Landlord's default), the termination date of this Lease and such other matters pertaining to this Lease as may be requested by the Landlord. The Tenant's obligation to furnish each estoppel certificate in a timely fashion is a material inducement for the Landlord's execution of this Lease. No cure or grace period provided in this Lease shall apply to the Tenant's obligations to timely deliver an estoppel certificate.

27. **COVENANT OF QUIET ENJOYMENT.**

If the Tenant shall perform all of the covenants and agreements herein required to be performed by the Tenant, then the Tenant shall, subject to the terms of this Lease, at all times during the Lease Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under the Landlord.

28. **RULES AND REGULATIONS.**

The Tenant shall, at all times during the Lease Term and any extension thereof, comply with all reasonable rules and regulations at any time or from time to time established by the Landlord covering use of the Premises and the Project. The current rules and regulations are attached hereto as Schedule B. In the event of any conflict between said rules and regulations and other provisions of this Lease, the other terms and provisions of this Lease shall control. The Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Project.

29. **LANDLORD'S RIGHT OF ENTRY.**

Subject to the immediately following sentence, the Landlord shall have the right to enter and to grant temporary licenses to enter the Premises at any time and for such lengths of time as the Landlord shall deem reasonable to inspect the Premises, to exhibit the Premises to prospective tenants (provided such is limited to the period within one hundred eighty (180) days prior to the Expiration Date or earlier termination of the Lease) or purchasers, to make alterations or repairs to the Premises or to the Building, for any purpose which the Landlord shall deem necessary for the operation and maintenance of the Building and the general welfare and comfort of its tenants, or to abate any condition which constitutes a violation of any covenant or condition of this Lease. Except in those instances where the Tenant is in default under this Lease, these entries by the Landlord shall not in any manner affect the Tenant's obligations and covenants under this Lease, and shall not of itself, without affirmative proof of the Landlord's negligence or willful misconduct, render the Landlord liable for any loss of or damage to the Tenant's property. Except in the case of emergencies or default: (i) the Landlord shall give the Tenant twenty-four (24) hour prior oral or written notice of entry; (ii) any persons entering the Premises on behalf of the Landlord shall be accompanied by one of the Tenant's employees; and (iii) the Landlord shall make reasonable efforts to minimize interference with the Tenant's occupancy of the Premises.

30. **BROKERS.**

Tenant and Landlord represent and warrant to each other that neither of them has engaged, contacted, or dealt with any real estate broker, agent, finder, facilitator, or the like in connection with this Lease other than Index Realty, LLC, which represents the Landlord, and Hailey Ermlfarb, which represents the Lessee. Each party will indemnify, defend, and hold harmless the other party from and against any and all claims, suits, demands or liabilities of any kind or nature whatsoever (including, but not limited to, all attorneys' fees and expenses and all court costs, including any appellate proceedings and appeals) arising out of or in connection with any claim for real estate commissions or finder's fees as a result of having dealt with the indemnifying party.

31. **MECHANICS LIEN.**

Tenant agrees to pay before delinquency all costs for work, services or materials furnished to Tenant for the Premises, the nonpayment of which could result in any lien against the land upon which the Building is located (the "Land" or the Building). Tenant will keep title to the Land and Building free and clear of any such lien. The interest of Landlord in the Premises shall not be subject in any way to any liens, including construction liens, for improvements to or other work performed in the Premises by or on behalf of Tenant. This exculpation is made with express reference to Section 713.10, Florida Statutes. Tenant shall notify every contractor making improvements to the Premises that the interest of Landlord in the Premises shall not be subject to liens for improvements to or other work performed in the Premises by or on behalf of Tenant. Landlord may record in the public records of the county in which the Building is located a notice containing a true and correct copy of this provision. If any lien is filed against the Premises, Tenant will immediately notify Landlord of the filing of any such lien or any pending claims or proceedings relating to any such lien and will indemnify and hold Landlord harmless from and against all loss, damages, and expenses (including reasonable attorney's fees) suffered or incurred by Landlord as a result of such lien, claims and proceedings. In case any such lien attaches, Tenant agrees to cause it to be immediately released and removed of record (failing which Landlord may do so at Tenant's sole expense), unless Tenant has a good faith dispute as to such lien in which case Tenant may contest such lien by appropriate proceedings so long as Tenant deposits a lien transfer bond (if applicable) drawn on a bondsman acceptable to Landlord or deposits with Landlord a bond or other security in an amount reasonably acceptable to Landlord which may be used by Landlord to release such lien. Upon final determination of any permitted contest, Tenant will immediately pay any judgment rendered and cause the lien to be released.

32. **FORCE MAJEURE**

In the event the Landlord or the Tenant shall be delayed, hindered or prevented from the performance of any act required under this Lease (other than the payment of money) by reason of governmental restrictions, scarcity of labor or materials, strikes, or any other reasons beyond its reasonable control, the performance of the act shall be excused for the period of delay, and the period for the performance of the act shall be extended for the period necessary to complete performance after the end of the period of the delay.

33. **ATTORNEY FEES**

In the event that any legal action or any other action is brought to enforce this Lease, the unsuccessful party in the proceeding shall pay to the successful party the costs of the action, including reasonable attorney's fees. "Reasonable Attorney's Fees" shall be deemed to be those fees actually charged based upon time actually spent at customary and reasonable charges normally incurred for those types of services, as opposed to any statutory presumption which may then be in effect. This obligation shall survive a termination or expiration of the Lease.

34. **HAZARDOUS SUBSTANCES**

34.1. **Hazardous Substances**. As used in this Lease: (i) the term "Hazardous Substances," shall include, without limitation, flammables, explosives, radioactive materials, asbestos, polychlorinated biphenyls (PCBs), chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances or related materials, petroleum and petroleum products and substances declared to be hazardous or toxic under any law or regulation now or hereafter enacted or promulgated by any governmental authority; and (ii) the term "Environmental Laws" shall include any federal, state, or municipal law, ordinance, or regulation, now or subsequently enacted, relating to the existence, use, generation, storage, transportation, or disposal of Hazardous Substances and/or other environmental conditions. The Landlord hereby warrants, to the best of its knowledge, the absence of hazardous materials and substances and will be responsible for all costs associated with the removal of any that are or become present on and/or within the Premises and/or Building through the Term and any Renewal, unless caused by the Tenant.

34.2. **Tenant's Restrictions**

34.2.1. The Tenant shall not cause or permit to occur:

a) Any violation of any Environmental Laws on, under, or about the Premises, or arising from the Tenant's use or occupancy of the Premises, including but not limited to, soil and ground water conditions; or

(b) The use, generation, release, manufacture, refining production, processing, storage, or disposal of any Hazardous Substance on, under, or about the Premises, or the transportation to or from the Premises of any Hazardous Substance, except: (i) in *de minimis* quantities necessary for or incidental to the Tenant's normal and customary conduct of business; and/or (ii) in strict compliance with all applicable Environmental Laws.

34.2.2. The Tenant shall, at the Tenant's own expense: (a) comply with all Environmental Laws; and (b) make all submissions to, provide all information required by, and comply with all requirements of all governmental authorities (an "Authority" or the "Authorities" under the Environmental Laws arising in connection with its obligations under this Section.

34.2.3. Should any Authority or any third party demand that a cleanup plan be prepared and that a cleanup be undertaken because of any deposit, spill, discharge, or other release of Hazardous Substances that occurs at any time from the Tenant's use or occupancy of the Premises, then the Tenant shall, at the Tenant's own expense, prepare and submit the required plans and all related bonds and other financial assurances. The Tenant shall also carry out all such cleanup plans at the Tenant's own expense.

34.3. **Indemnification.** The Tenant shall indemnify, defend, and hold harmless the Landlord, the Managing Agent, and their respective owners, officers, directors, managers, agents, and employees and any Holder from all fines, suits, procedures, claims, and actions of every kind, and all costs associated therewith (including reasonable attorney's and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of Hazardous Substances that occurs at or from the Premises during the Term of this Lease, or which arises at any time from the Tenant's use or occupancy of the Premises or from the Tenant's failure to provide all information, make all submissions, and take all steps required by all Authorities under the Environmental Laws. The Tenant's obligations and liabilities under this Section shall survive the termination or expiration of this Lease.

35. **INTEREST.**

Any sums due to be paid by the Tenant to the Landlord which are not paid when due shall bear interest from the due date to the date of payment at the Interest Rate. No interest shall accrue if the payment is made in the applicable grace period provided under this Lease, if any.

36. **NOTICES.**

All notices required or permitted to be given under this Lease shall be in writing and shall be sent by registered or certified mail, return receipt requested, or by a reputable national overnight courier service, postage prepaid, hand delivery, facsimile or e-mail addressed to the parties at their addresses listed above. Except where otherwise expressly provided to the contrary, notice shall be deemed given upon sending, provided sender confirmation of delivery is obtained and is within three (3) business days of the date of such notice.

37. **ENTIRE AGREEMENT.**

This Lease (including all attached Schedules) shall constitute the entire agreement of the parties. All prior agreements between the parties, whether oral or written, are merged into this document and shall be of no force and effect. This Lease cannot be changed, modified or discharged other than by a written agreement signed by the party against whom enforcement of the change, modification or discharge is sought.

38. **CONSTRUCTION.**

No provision of this Lease shall be construed against or interpreted to the disadvantage of any party by any court or other governmental or judicial authority by reason of that party's having or being deemed to have prepared or imposed that provision. Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and plural, and pronouns stated in either the masculine, the feminine or the neuter gender shall include the masculine, feminine and neuter.

39. **COUNTERPARTS.**

This Lease may be executed in any number of counterparts with the same effect as if all parties had all signed the same document. All counterparts shall be construed together and shall constitute one agreement.

40. **WAIVER.**

The delay or failure of either party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Lease shall not prevent a prior or subsequent act, which would have originally constituted a violation, from having the effect of an original violation. Any waiver by a party of any breach or default by the other must be in writing and will be effective only to the extent specifically set forth in that writing.

41. **HEADINGS.**

The headings in this Lease are inserted for convenience and identification only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Lease or any of its provisions.

42. **SEVERABILITY.**

Every provision of this Lease is intended to be severable. If any term or provision is illegal or invalid for any reason whatsoever, that illegality or invalidity shall not affect the validity of the remainder of the Lease.

43. **GOVERNING LAW/JURISDICTION.**

This Lease shall be governed by its terms and the laws of the State of Florida. The parties agree that this Lease shall be deemed executed and completed in Florida, that this Lease shall be performed in Florida, and, except where arbitration is specifically provided for in this Lease, that the courts of Florida shall have exclusive jurisdiction over any disputes as to the terms of this Lease. By the signatures below, the parties consent to the exclusive, personal jurisdiction by the courts of Florida and further, waive any objection thereto. Venue shall be the county in which the Building is located.

44. **LIMITATION OF LIABILITY OF MEMBERS AND OFFICERS.**

Any obligation of liability whatsoever of the Landlord, a Florida limited liability company, which may arise at any time under this Lease of any obligation or liability which may be incurred by it pursuant to any other instrument, transaction, or undertaking contemplated hereby shall not be personally binding upon, nor shall resort for the enforcement thereof be had to the property of its members, directors, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort, or otherwise.

45. -

Time is of the essence in connection with each and every provision of this Lease. If any time period under this Lease ends on a Saturday, Sunday, or any day on which the courts of Palm Beach County are closed, that time period shall be extended until the next business day.

46. **REPRESENTATIONS AND WARRANTIES.**

Tenant represents and warrants to the Landlord that:

- (i) It is duly constituted, in good standing and qualified to do business in the State of Florida and the signatories signing on its behalf have the requisite authority to bind it to the obligations under this Lease; and
- (ii) The execution and entry into this Lease, and the performance of its duties and obligations under this Lease and of all other acts necessary and appropriate for the full consummation of this Lease, are consistent with and not in violation of any contract, agreement or other instrument to which it is a party, or any judicial order or judgment of any nature by which it is bound; and all necessary and appropriate actions have been taken by its authorizing and approving the execution of and entry into this Lease, the execution and delivery by it of the documents and instruments to be executed by it, and the performance by it of its duties and obligations under this Lease.

47. **WAIVER OF JURY TRIAL.**

The Landlord and the Tenant waive trial by jury in any action, proceeding or counterclaim brought by the Landlord or the Tenant against the other with respect to any matter arising out of or in connection with this Lease, the Tenant's use and occupancy of the Premises, or the relationship of the Landlord and the Tenant. However, such waiver of jury trial will not apply to any claims for personal injury. If the Landlord commences any summary or other proceeding for non-payment of rent or recovery of possession of the Premises, the Tenant shall not interpose any counterclaim in any such proceeding, unless failure to raise same would constitute a waiver.

48. **RADON GAS.**

The Tenant hereby acknowledges receipt of the following notice as required by Section 404.056(5), Florida Statutes: radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

49. **RECORDING; CONFIDENTIALITY.**

The Tenant will not record this Lease, or a short term memorandum, without the Landlord's written consent and any such recording without the Landlord's written consent will be an Event of Default. The Tenant agrees to keep the Lease terms, provisions and conditions confidential and will not disclose them to any other person without Landlord's prior written consent. However, the Tenant may disclose Lease terms, provisions and conditions to the Tenant's accountants, attorneys, managing employees and others in privacy with the Tenant, as reasonably necessary for the Tenant's business purposes, without such prior consent, provided that such persons agree to be bound by this provision as if they were the Tenant hereunder.

50. JOINT AND SEVERAL LIABILITY.

In the event that two (2) or more persons (i.e., natural persons, corporations, partnerships, associations and other legal entities) shall sign this Lease as the Tenant, the liability of each such party to pay Rent due hereunder and perform all the other covenants of this Lease shall be joint and several. In the event the Tenant is a general partnership or a limited partnership with two or more general partners, the liability of each general partner under this Lease shall be joint and several.

51. BUILDING NAME.

The Tenant will not, without the Landlord's consent, use the Landlord's or the Building's name, or any facsimile or reproduction of the Building, for any purpose; except that the Tenant may use the Building's name in the address of the business to be conducted by the Tenant in the Premises. The Landlord reserves the right, upon reasonable prior notice to the Tenant, to change the name or address of the Building.

52. NO AIR RIGHTS.

This Lease does not grant any easements or rights for light, air or view. Any diminution or blockage of light, air or view by any structure or condition now or later erected will not affect this Lease or impose any liability on the Landlord.

53. DELIVERY FOR EXAMINATION.

Submission of the form of the Lease for examination will not bind the Landlord in any manner, and no obligations will arise under this Lease until it is signed by both the Landlord and the Tenant and delivery is made each to the other.

54. LANDLORD/TENANT RELATIONSHIP.

The Landlord and the Tenant agree that neither any provision of this Lease nor any act of the parties will be deemed to create any relationship between the Landlord and the Tenant other than the relationship of landlord and tenant.

55. COVENANTS INDEPENDENT.

The parties intend that this Lease be construed as if the covenant between the Landlord and the Tenant are independent and that the Rent will be payable without offset, reduction or abatement for any cause except as otherwise specifically provided in this Lease.

56. ADDITIONAL LEASE PROVISIONS.

Additional provisions of this Lease are contained in the Schedules attached which are incorporated by this reference. These additional provisions shall control if in conflict with any of the foregoing provisions of this Lease.

[Signature page to follow]

IN WITNESS WHEREOF, the undersigned have executed, sealed and delivered this Lease as of the date first above written.

LANDLORD:

JUPITER HARBOUR OFFICE, LLC,
a Florida limited liability Company

BY: /s/Joacim Borg

Joacim Borg, Its Manager

TENANT:

DYADIC INTERNATIONAL (USA), INC,
a Florida Corporation

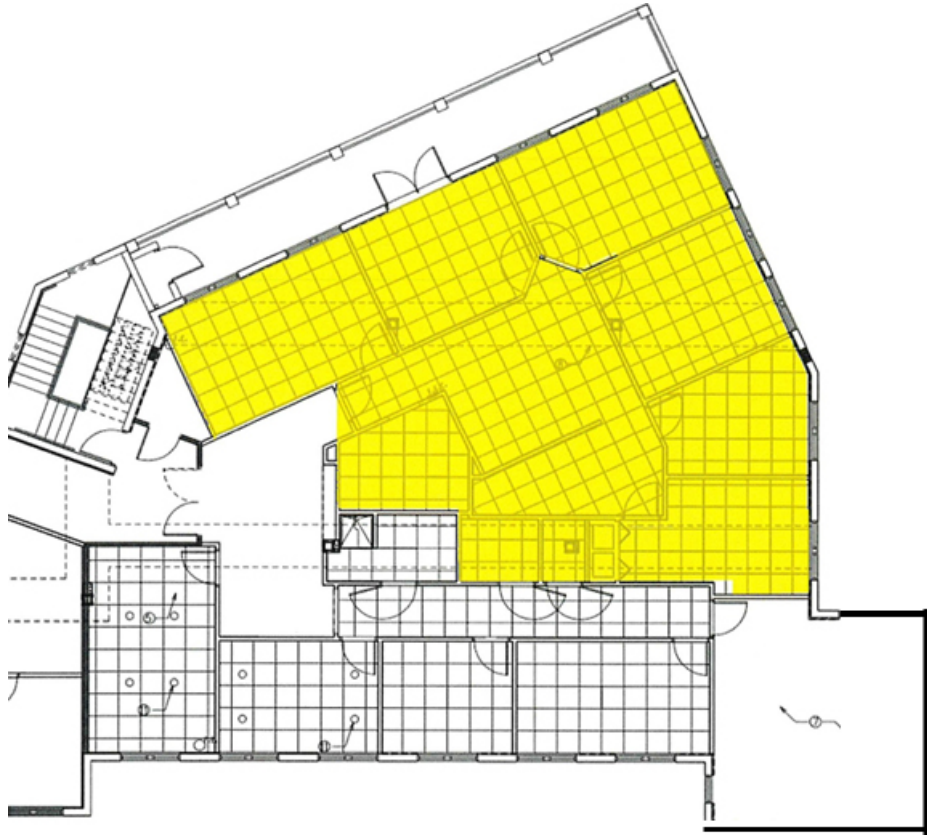
BY: /s/ Mark A. Emalfarb 8/10/2023

Mark A. Emalfarb

This offer not be deemed accepted by the Landlord until this Lease is executed by it and a counterpart original returned to the Tenant.

Schedule A

Premises Description



SCHEDULE B

RULES AND REGULATIONS

1. **Rights of Entry.** The Tenant will have the right to enter the Premises at any time. The Landlord will have the right to enter the Premises without prior notice to Tenant and at all reasonable hours to perform janitorial services, technical services and updates or clean windows; and also at any time during the last twelve (12) months of the Term, with reasonable prior notice to the Tenant of not less than 24 hours, to show the Premises to prospective tenants.

2. **Right of Exclusion.** The Landlord reserves the right to require each person entering the Building to sign a register and either (i) to present a Building pass, or (ii) to be announced to the tenant such person is visiting and to be accepted as a visitor by such tenant or to be otherwise properly identified. The Landlord may exclude from the Building any person who cannot comply with such requirement. The Landlord also reserves the right to require any person leaving the Building to sign a register or to surrender any special entry pass given to such person. If the Landlord elects to exercise the rights reserved above, the Landlord will furnish a Building pass to all persons designated by the Tenant in writing. Finally, the Landlord reserves the right to exclude or expel from the Building any person who, in the Landlord's judgment, is intoxicated or under the influence of alcohol or drugs.

3. **Obstruction.** The Tenant will not obstruct or place anything in or on the sidewalks or driveways outside the Building, or in the lobbies, corridors, stairwells or other Common Areas. The Landlord may remove, at the Tenant's expense, any such obstruction or thing without notice or obligation to the Tenant.

4. **Refuse.** The Tenant will place all refuse in the Premises in proper receptacles provided and paid for by Tenant, or in receptacles provided by the Landlord for the Building, and will not place any litter or refuse on or in the sidewalks or driveways outside the Building, or the Common Areas, lobbies, corridors, stairwells, ducts or shafts of the Building.

5. **Public Safety.** The Tenant will not throw anything out of doors, windows or skylights, down passageways or over walls. The Tenant will not use any fire exits or stairways in the Building except in case of emergency.

6. **Keys; Locks.** The Landlord may from time to time install and change locks on entrances to the Building, Common Areas and the Premises, and will provide the Tenant with five (5) keys. If the Tenant desires additional keys, they will be furnished by the Landlord at the Landlord's sole discretion and the Tenant will pay a reasonable charge for them. The Tenant will not add or change existing locks on any door in or to the Premises without the Landlord's prior written consent. If with the Landlord's consent, the Tenant installs lock(s) incompatible with the Building master locking system:

- a. the Landlord, without abatement of Rent, will be relieved of any obligation under the Lease to provide any service that requires access to the affected areas;
- b. the Tenant will indemnify the Landlord against any expense as a result of forced entry to the affected areas which may be required in an emergency; and
- c. the Tenant will, at the end of the Term and at the Landlord's request, remove such lock(s) at the Tenant's expense.

At the end of the Term, the Tenant will promptly return to the Landlord all keys for the Building and Premises which are in the Tenant's possession.

7. **Aesthetics.** Other than as provided for in the Lease, Tenant will not attach any awnings, signs, displays or projections to the outside or inside walls or windows of the Building which are visible from outside the Premises without the Landlord's prior written approval, which may be withheld in the Landlord's sole discretion. The Tenant will use only Building Standard lighting in areas where such lighting is visible from outside the Building.

8. **Window Treatment.** If the Tenant desires to attach or hang any curtains, blinds, shades or screens to or in any window or door of the Premises, the Tenant must obtain the Landlord's prior written approval. The Tenant will not coat or sunscreen the interior or exterior of any windows without the Landlord's express written consent. The Tenant will not place any objects on the windowsills that cause, in the Landlord's reasonable opinion, an aesthetically unacceptable appearance.

9. **Building Control.** The Landlord reserves the right to control and operate the Common Areas as well as facilities furnished for the common use of tenants in such manner as the Landlord deems best for the benefit of tenants generally. The Landlord reserves the right to prevent access to the Building during an emergency by closing the doors or otherwise, for the safety of tenants and protection of the Building and property in the Building.

10. **Engineering Consent.** All plumbing, electrical and heating, ventilating and air conditioning ("HVAC") work for and in the Premises requires the Landlord's prior written consent to maintain the integrity of the Building's electrical, plumbing and HVAC systems.
11. **HVAC Operation.** The Tenant will not place objects or other obstructions on the HVAC convectors or diffusers and will not permit any other interference with the HVAC system. Whenever the HVAC system is operating, the Tenant will cause the shades, blinds or other window coverings in the Premises to be drawn as reasonably required by the position of the sun.
12. **Plumbing.** The Tenant will only use plumbing fixtures for the purpose for which they are constructed. The Tenant will pay for all damages resulting from any misuse by the Tenant or plumbing fixtures.
13. **Equipment Location.** The Landlord reserves the right to specify where the Tenant's business machines, mechanical equipment and heavy objects will be placed in the Premises in order to best absorb and prevent vibration, noise and annoyance to other tenants, and to prevent damage to the Building. The Tenant will pay the cost of any required professional engineering certification or assistance.
14. **Bicycles; Animals.** The Tenant will not bring into, or keep about, the Premises any bicycles, vehicles, birds, animals (except seeing-eye dogs) or organic Christmas decor of any kind. Bicycles and vehicles may only be parked in areas designated for such purpose.
15. **Carpet Protection.** In those portions of the Premises where carpet has been provided by the Landlord, the Tenant will, at its own expense, install and maintain pads to protect the carpet under all furniture having castors other than carpet castors.
16. **Proper Conduct.** The Tenant will conduct itself in a manner which is consistent with the character of the Building and will ensure that the Tenant's conduct will not impair the comfort or convenience of other tenants in the Building.
17. **Elevators.** Any use of the elevators for purposes other than normal passenger use (such as moving to or from the Building or delivering freight), whether during or after the Standard Work Week, must be scheduled through the Landlord or its property manager. The Tenant will reimburse the Landlord for any extra costs actually incurred by the Landlord in connection with any such non-passenger use of the elevators.
18. **Deliveries.** The Tenant will ensure that deliveries of materials and supplies to the Premises are made through such entrances, elevators and corridors and at such times as may from time to time be reasonably designated by the Landlord. Such deliveries may not be made through any of the main entrances to the Building without the Landlord's prior permission. The Tenant will use or cause to be used, in the Building, hand trucks or other conveyances equipped with rubber tires and rubber side guards to prevent damage to the Building or property in the Building. The Tenant will promptly pay the Landlord the cost of repairing any damage to the Building caused by any person making deliveries to the Premises. The Tenant shall reimburse the Landlord for all costs incurred by the Landlord in connection with any deliveries made after the standard business hours of the Building, including, without limitation, amounts paid to Building employees to supervise such deliveries.
19. **Moving.** The Tenant will ensure that furniture and equipment and other bulky matter being moved to or from the Premises are moved through such entrances, elevators and corridors and at such times as may from time to time be reasonably designated by the Landlord, and by movers or a moving company reasonably approved by the Landlord. The Tenant will promptly pay the Landlord the cost of repairing any damage to the Building caused by any person moving any such furniture, equipment or matter to or from the Premises. The Tenant shall reimburse the Landlord for all costs incurred by the Landlord in connection with any moving activities performed by or at the request of the Tenant after the standard business hours of the Building, including, without limitation, amounts paid to Building employees to supervise such moving activities.
20. **Solicitations.** Canvassing, soliciting and peddling in the Building are prohibited and the Tenant will cooperate in preventing the same and agrees to promptly report such known activities to Landlord.
21. **Food.** Only persons approved from time to time by the Landlord may prepare, solicit orders for, sell, serve or distribute food in or around the Building. Except as may be specified in the Lease or on construction drawings for the Premises approved by the Landlord, and except for microwave cooking or other appliances that are included in the leased space at the time of moving into the leased space, the Tenant will not use the Premises for preparing or dispensing food, or soliciting of orders for sale, serving or distribution of food.
22. **Parking Rules and Regulations.** The Tenant will comply with all reasonable rules and regulations applicable to the parking facilities serving the Building as determined by the parking facility operator.

23. **Hazardous Substances.** Except as may be expressly permitted by Landlord in writing, the Tenant will not store, use, release, produce, process or dispose in, on or about, or transport to or from, the Premises or Building any Hazardous Substances. The Tenant agrees that its failure to comply with this paragraph will constitute a material breach of the Lease; however, such agreement will not be deemed to limit the materiality of any other Tenant breach of the Lease for failure to comply with any other Rules and Regulations.
24. **Employees, Agents and Invitees.** In these Rules and Regulations, the Tenant's employees, agents, invitees, licensees and others permitted by the Tenant to access, use or occupy the Premises.
25. **Work Orders.** The Tenant requirements will be attended to only upon application to the Landlord. Building employees shall not be requested to perform, and shall not be requested by any tenant to perform, any work outside of regular duties, unless under specific instructions from the Landlord.
26. **Smoking.** Neither the Tenant nor its agents, employees, contractors, guests or invitees shall smoke or permit smoking in the Premises unless the Tenant complies with all laws, ordinances, orders, rules and requirements of all federal, state and municipal authorities governing the regulation of smoking in places of employment. In addition to the foregoing, smoking shall be prohibited in all Common Areas, except in those portions of the Common Areas that have been declared designated smoking areas by the Landlord in its sole discretion from time to time. The Landlord shall have the right to designate the Building (including the Premises and Common Areas) as a smoke-free building.
27. **Heavy Loads.** The Tenant shall not place a load upon any floor of the Building or parking area exceeding the floor load per square foot which such floor was designed to carry and which is allowed by certificate, rule, regulation, permit or law. The Landlord reserves the right to prescribe the weight and position of all safes and vaults, which must be placed by the Tenant, at the Tenant's expense. Business machines and mechanical equipment shall be placed and maintained by the Tenant at the Tenant's expense, in such a manner as shall be sufficient in the Landlord's judgment to absorb and prevent vibration, noise and annoyance.
28. **License.** If any governmental license or permit shall be required for the proper and lawful conduct of the Tenant's business in the Premises, or any part thereof, other than a certificate of occupancy, and if failure to secure such license or permit would in any way affect the Landlord, then the Tenant, at its expense, shall duly procure and thereafter maintain such license or permit and submit the same to inspection by the Landlord. The Tenant shall at all times comply with the terms and conditions of each such license or permit, and failure to procure and maintain same by the Tenant shall not affect the Tenant's obligations hereunder.
29. **Disturbances.** No noise, including, but not limited to, music or the playing of musical instruments, recordings, radio, or television which, in the reasonable judgment of the Landlord, might disturb other tenants in the Building, shall be made or permitted by any tenant. Nothing shall be done or permitted in the Premises by the Tenant which would unreasonably impair or interfere with the use or enjoyment by any other tenant of any other space in the Building. No tenant shall throw anything out of the doors, windows or skylights or down the passageways.

SCHEDULE C

JANITORIAL SERVICE

General - The janitorial services to be provided by the Landlord under this Lease shall be performed five (5) days per week and shall cover all areas of the Premises, other than mechanical rooms or electrical rooms and shall consist of the following:

Restrooms - Daily

- Wash all mirrors
- Wash hand basins and bright work with nonabrasive cleaner
- Wash urinals and bright work
- Damp mop floor
- Damp wipe and clean where necessary
- Partition and ventilating louvers are to be damp wiped weekly
- Machine scrub floors with approved germicidal detergent solution on a monthly basis.

Toilet bowl brush shall be used on toilet bowls, and care shall be given to clean flush holes under the rim of bowls and passage traps. Bowl cleaner shall be used nightly. The intent of this specification is that restrooms shall be maintained in a clean and odor free condition.

Vacuuming- Daily/Weekly

All rugs and carpets in office areas as well as public spaces, shall be vacuumed daily in all traffic areas. Hard to reach places such as under desks and chairs shall be vacuumed weekly. All non-carpeted floor areas shall be dust mopped with a treated yarn dust mop. Dust mopping shall be performed after furniture has been dusted.

Vacuuming- Monthly

All ceiling and wall air supply and exhaust diffusers or grills shall be vacuumed once monthly.

Furniture, etc. Dusting - Daily

All unobstructed furniture, office equipment and appliances, windowsills, etc. shall be dusted with a treated cloth or static duster. This shall include all horizontal surfaces up to 84 inches high. Enough vertical surfaces shall be cleaned daily to complete all vertical surfaces each week. Desks and tables not cleared of paper and work materials shall not be dusted. Equipment such as computers, calculators, telephones, printers, etc. shall not be dusted.

Wastepaper - Daily

All wastepaper baskets are to be emptied daily. Wastebaskets shall be damp wiped as necessary. Plastic liners, where utilized, shall be changed as needed. No interior trash receptacle is to ever to be without a liner.

Spot Cleaning Carpets -Daily

All carpeted areas shall be inspected daily for spots and stains. All spots and stains shall be removed, if possible, as soon as possible. Where difficult spots are encountered, a notation shall be left with the building management representative.

Tile Floors - As Needed

When tile floors require wet mopping, they shall be left in a streak free condition. Extreme care shall be exercised in all mopping to avoid splashing walls or furniture. All tile floors shall be refinished, buffed and kept in a consistently clean condition at all times. Since some tile areas require more attention than others, refinishing and buffing shall be accomplished on an as-needed basis. Transporting of floor finish and other liquids over carpeted areas shall be accomplished in such a manner as to avoid spillage. Care shall be exercised in applying finish so as to keep it off furniture and walls. Floor machines shall be used in a careful manner to avoid damage to the walls, baseboards and furniture.

Special Floor Coverings

Parquet, quarry, ceramic, raised computer floors and other special floor coverings shall be treated with appropriate methods and approved materials, separately and at possible additional costs as determined with management.

High Dusting - Quarterly

Ledges, moldings, picture frames, etc. shall be cleaned quarterly or more frequently if necessary.

Blinds - Periodic

A sufficient number of blinds shall be dusted daily so that all blinds are dusted every 90 days.

Entrance Doors - Daily

All entrance doors shall be cleaned and polished daily.

Spot Cleaning - Daily/As Needed

All handprints and spots shall be removed from doors and light switches daily. All drinking fountains shall be cleaned, disinfected, and polished daily. Walls, woodwork, and interior glass shall be spot cleaned as needed.

Light Fixtures - Quarterly

The exterior of all light fixtures shall be dusted as needed. Light fixtures including reflectors, globes, diffusers, and trim should be washed annually as needed.

SCHEDULE D
RENT SCHEDULE

Base Rent:

\$33.50/SqFt per month foot not inclusive of CAM, Real Estate Taxes, signage fee, Sales Taxes and other charges with annual increases of 3%. Rent paid monthly via ACH. Signage fee is \$450 per month not inclusive of Sales Tax and commences on the day of installation of the sign and shall continue throughout the term of the Lease with annual increases of 3%. Unless Tenant exercises its option for signage the \$450 fee plus Sales Tax will not be billed to Tenant under the Lease or any extensions exercised.

Common Area Maintenance (CAM):

\$12.47/rentable square foot plus sales tax

Real Property Taxes:

\$7.59/rentable square foot plus sales tax

Insurance:

\$2.37/rentable square foot plus sales tax

ADDENDUM TO LEASE AGREEMENT

This Addendum to Lease Agreement ("Addendum") hereby amends the Lease Agreement dated August 11, 2023 by and between Jupiter Harbour Office, LLC ("Landlord") and Dyadic International (USA), Inc ("Tenant") (hereinafter referred to as the "Lease"). Landlord and Tenant make the following terms and conditions part of the Lease:

1. All terms and definitions set forth in the Lease apply to this Addendum.
2. Tenant shall have the ability to terminate the Lease after August 11, 2025 following:
 - i. Sixty (60) days' notice; and
 - ii. Payment to Landlord in the amount equal to six (6) month's Rent, Operating Expenses and CAM as early termination fee.
3. Except as expressly amended hereby, all terms of the Lease shall remain in full force and effect and shall apply to the terms of this Addendum.

[Signature page to follow]

IN WITNESS WHEREOF, Landlord and Tenant have signed and sealed this Addendum to Lease Agreement as of the ____ day of August, 2023.

LANDLORD:

JUPITER HARBOUR OFFICE, LLC,
a Florida, limited liability company

By: _____
Joacim Borg, Manager

Dated: _____

TENANT:

DYADIC INTERNATIONAL (USA), INC,
a Florida Corporation

By: _____
Mark Emalfarb, CEO

Dated: _____

*] indicates that certain identified information has been excluded from the exhibit because it is both not material and is the type that the registrant treats as private or confidential, pursuant to Item 601(b)(10) of Regulation S-K.

SERVICE FRAMEWORK AGREEMENT

This **SERVICE FRAMEWORK AGREEMENT** (this "**Agreement**"), signed as of June 30, 2017, is entered into by and between DYADIC INTERNATIONAL, INC., a Delaware corporation with headquarters located at 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477-5094 USA and U.S. tax identification number 45-04867472 ("**Dyadic**"), and BIOTECHNOLOGY DEVELOPMENTS FOR INDUSTRY IN PHARMACEUTICALS, S.L.U., a company incorporated under the laws of Spain having its registered office at Louist Proust 13, 4 7151 Boecillo (Valladolid), Spain, and identification code -CIF number- B-86206695 ("**BDI Pharmaceuticals**"). Dyadic and BDI Pharmaceuticals are sometimes collectively referred to as the "**Parties**" and individually as a "**Party**." Certain capitalized terms used herein have the meanings assigned them in Article 1 hereof.

RECITALS:

- I. BDI Pharmaceuticals provides services for strain improvement, bioprocess development, bioprocess scale-up, bioengineering and contract production;
- II. Biotechnology Developments for Industry, S.L ("**BDI Holdings**") holds 100% of the shares of BDI Pharmaceuticals and 79.2% of the shares of VLP-The Vaccines Company, S.L.U. ("**VLPbio**"), which develops human and animal vaccines based on a proprietary chimeric virus like particles technology platform;
- III. Dyadic is a global biotechnology company that has a proprietary biopharmaceutical protein production system based on the fungus *Myceliophthora thermophila*, nicknamed CI. The CI Technology (defined below) and other technologies may be used by BDI Pharmaceuticals pursuant to this Agreement for research and development activities in accordance with the terms of the Pharma License Agreement and solely on behalf of Dyadic;
- IV. This Agreement is being executed as a condition to the closing of the transactions contemplated by that certain Investment Agreement dated June 30, 2017 among Dyadic International (USA), Inc. ("**Dyadic Florida**"), BDI Holding and Invereary Innvierte Biotech II, S.C.R., S.A. (the "**Investment Agreement**"), pursuant to which Dyadic Florida is making a strategic investment in BDI Holding and its subsidiary, VLPbio, to, *inter alia*, enable BDI Holding and its subsidiary, BDI Pharmaceuticals, to fund BDI Pharmaceutical's business plan;
- V. The Parties desire to enter into this Agreement to set forth the terms and conditions upon which BDI Pharmaceuticals will perform certain Services (defined below) for Dyadic, including preclinical research and / or service Projects (defined below) involving Sponsor Materials (defined below); and
- VI. BDI Pharmaceuticals will assign, and will cause each of its permitted subcontractors hereunder to assign, all rights in and to any and all intellectual property developed during the commissioning of or yielded from the Projects to Dyadic, or as directed by Dyadic.

AGREEMENT:

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and the foregoing Recitals, which are incorporated herein and by this reference made a part hereof, and for other good and valuable consideration the receipt and adequacy of which hereby are mutually acknowledged by Dyadic and BDI Pharmaceuticals, the Parties hereby agree as follows:

**ARTICLE 1
DEFINITIONS**

Capitalized terms used in this Agreement shall have the meaning ascribed to them below, or as otherwise defined above or in the text of this Agreement.

(a) "**AAA**" has the meaning set forth in Section 9.10 hereof.

(b) "**Action**" has the meaning set forth in Section 7.1 hereof.

(c) "**Affiliate**" means any person, corporation, or other entity that controls, is controlled by, or is under common control with a Party. Control, with respect to such other corporation or entity, includes a person, corporation or other entity (i) owning or directly or indirectly controlling a majority of the voting stock or other ownership interest, (ii) possessing, directly or indirectly, the power to direct or cause the direction of the management and policies, or (iii) possessing the power to elect or appoint a majority of the members of the governing body. For the avoidance of doubt, the term Affiliate when used with respect to BDI Pharmaceuticals shall include BDI Holdings and VLPbio.

(d) "**Agreement**" has the meaning set forth in the Preamble.

(e) "**Background IP**" has the meaning set forth in Section 4.1 hereof.

(f) "**BDI Holding**" has the meaning set forth in Recital II.

(g) "**BDI Pharmaceuticals**" has the meaning set forth in the Preamble.

(h) "**BDI Services Generated Tools**" means Genetic Tools generated in the course of the provision of the Services by BDI Pharmaceuticals and its Affiliates.

(i) "**Best Efforts**" means the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to ensure that such result is achieved as expeditiously as practical.

(j) "**CI Strains**" means, individually and collectively, the *Myceliophthora thermophile* strains transferred to and/or derived or generated therefrom in the Project or under this Agreement.

(k) "**CI Technology**" includes any and all Sponsor Materials, Dyadic Know-How, Dyadic C I Genomic Information, CI Strains, Dyadic Improved Strains and Genetic Tools.

(l) "**Collaboration IP**" has the meaning set forth in Section 4.2 hereof.

(m) "**Confidential Information**" has the meaning set forth in Section 5.1 hereof.

(n) "**Danisco Improved Strains**" has the meaning set forth in Pharma License Agreement.

(o) "**Danisco Know-How**" has the meaning set forth in the Pharma License Agreement.

(p) "**Danisco Patents**" has the meaning set forth in the Pharma License Agreement.

(q) "**Directed Projects**" means projects contracted by Dyadic to BDI Pharmaceuticals under this Agreement whose direct beneficiary will be a Third Party introduced by Dyadic and whose aim, planning and budgets shall be agreed in writing by the Parties.

(r) "**Disclosing Party**" has the meaning set forth in Section 5.1 hereof.

(s) "**Dyadic**" has the meaning set forth in the Preamble.

(t) "**Dyadic C1 Genomic Information**" means the current and future genome sequence of C1 Strains, genes and other genetic elements including genomic data derived from C1 and any associated annotations, software, software tools related thereto including any subsequent Dyadic C1 Genomic Information coming from Dyadic, or identified or developed in a Project or under this Agreement.

(u) "**Dyadic Follow-On IP**" has the meaning set forth in Section 4.6 hereof.

(v) "**Dyadic Improved Strains**" means one or more C1 Strains modified to express intracellularly or extracellularly whether it is secreted or not a Pharmaceutical Product where the performance or characteristics of such C1 Strains, including, without limitation, with respect to any composition of matter produced or expressed therein has been materially altered as a result of work done by or on behalf of Sponsor pursuant to this Agreement, where such C1 Strains, as materially altered, would, to one reasonably skilled in the art, be useful in the Pharmaceutical Field.

(u) "**Dyadic Know-How**" means any and all information relating to the C1 genome, engineering, production, fermentation, composition and use of C1 Strains, as such information existed as of the Effective Date, and any and all subsequently transferred know-how and/or know-how that is developed by BDI Pharmaceuticals or its Affiliates that relates in any way to C1, C1 Technology or fermentation process and media development or the C1 Technology.

(v) "**Dyadic Patents**" has the meaning set forth in Pharma License Agreement.

(w) "**Dyadic Projects**" means projects contracted by Dyadic to BDI Pharmaceuticals under this Agreement whose direct beneficiary will be Dyadic and whose aim, planning and budgets shall be agreed in writing and signed by the Parties.

(z) "**Effective Date**" has the meaning set forth in Section 8.1 hereof.

(aa) "**FTE**" has the meaning set forth in Section 2.1 hereof.

(bb) "**Genetic Tools**" means any composition of matter and genetic elements useful for using, manipulating, engineering, transforming, transfecting, modifying or altering a C1 Strain that was transferred to BDI Pharmaceuticals. Without limiting or expanding the foregoing Genetic Tools shall include those identified on Exhibit 2 of each Statement of Work and any subsequently transferred Genetic Tools and/or developed Genetic Tools developed by BDI Pharmaceuticals or its Affiliates that relate in any way to C1 Strains, and/or the C1 Technology. For the avoidance of doubt, Genetic Tools shall exclude the Danisco Background Technology and the Danisco Background Tools, each as defined in the Pharma License Agreement).

(cc) "**Government Official**" has the meaning set forth in Section 9.5 hereof.

(dd) "**Indemnified Party**" has the meaning set forth in Section 7.1 hereof.

(ee) "**Indemnifying Party**" has the meaning set forth in Section 7.1 hereof.

(ff) "**Infringement Claim**" has the meaning set forth in Section 7.3 hereof.

(gg) "**Investment Agreement**" has the meaning set forth in Recital IV hereto.

(hh) "**Key Person**" means those persons listed on Exhibit A hereto.

(ii) "**Party**" or "**Parties**" has the meaning set forth in the Preamble.

(jj) "**Payee**" has the meaning set forth in Section 2.3(b) hereof.

(kk) "**Pharmaceutical Product**" has the meaning set forth in the Pharma License Agreement.

(ll) "**Pharma License Agreement**" means the agreement between Danisco and Dyadic dated December 31, 2015, a redacted copy of which has been provided to BDI Pharmaceuticals for review in advance of executing this Agreement.

(mm) "**Projects**" means Dyadic Projects and Directed Projects.

(nn) "**Quality Audit**" has the meaning set forth in Section 3.1 hereof.

(oo) "**Receiving Party**" has the meaning set forth in Section 5.1 hereof.

(pp) "**R&D License**" has the meaning set forth in Section 4.4 hereof.

(qq) "**Results**" means the results of the Projects that are required to be delivered and/ or actually delivered by BDI Pharmaceuticals to Sponsor pursuant to a Statement of Work and any research and development information, inventions and/or discoveries, whether patentable or not, know-how, protocols, procedures, composition of matter, raw and analyzed data, methods, technical data and information generated or developed in the course of the Projects by or on behalf of BDI Pharmaceuticals.

(rr) "**Services**" means the activities set forth on the Statements of Work, and any other Services that BDI Pharmaceuticals may perform or have performed on its behalf hereunder.

(ss) "**Sponsor**" means Dyadic and/or a Third Party beneficiary of a Directed Project.

(tt) "**Sponsor Materials**" means the materials set forth on Exhibit 1 to each Statement of Work and any subsequent transferred Sponsor Materials including any CI Strains, Dyadic Improved Strains, Danisco Improved Strains, Genetic Tools, Dyadic CI Genomic Information, Dyadic Know-How and/or any modifications or improvements identified and/or developed by BDI Pharmaceuticals or its affiliates that relate in any way to CI or the CI Technology.

(uu) "**Statement of Work**" has the meaning set forth in Article 2 hereof.

(vv) "**Study Data**" has the meaning set forth in Section 3.4 hereof.

(ww) "**Sublicensee**" as used herein shall refer to BDI Pharmaceuticals and its Affiliates and also have the meaning set forth in the Pharma License Agreement.

(xx) "**Term**" has the meaning set forth in Section 8.1 hereof.

(yy) "**Third Party**" means any Person that is not a Party (or an Affiliate of a Party) to this Agreement, including without limitation other collaboration Partners.

(zz) "**VAT**" has the meaning set forth in Section 2.3(b) hereof.

(aaa) "**VLPhio**" has the meaning set forth in Recital II.

(bbb) "**Withholding Party**" has the meaning set forth in Section 2.3(b) hereof.

ARTICLE 2 FRAMEWORK AGREEMENT

Any Projects to be carried out by BDI Pharmaceuticals by virtue of this Agreement will require a specific common definition of the Project which will determine the aim, planning and budget. The definition of the Projects shall be carried out jointly by both Parties' teams, and will be subject to final written approval by the representatives of each of the Parties, who shall initially be:

Ronen Tchelet
[*]

Dyadic representative
BDI Pharmaceuticals representative

Each Project shall be defined in a document (a "**Statement of Work**") to be attached to this Agreement in the form attached as Exhibit B. The Parties agree that the definition of each of the Projects shall be made under the following basis:

2.1 Project Quotation Conditions. BDI Pharmaceuticals will quote the Projects under the conditions set forth herein:

(a) Fees. Set forth below are the agreed upon costs per full time equivalent ("FTE") position that is expected to service the Projects. Such costs are shown per person per position at a 100% dedicated rate for one year. FTE costs will be quoted proportionately to time and effort needed per Project. The FTE rates set forth below shall not increase prior to July 1, 2019 and may be increased at a rate of no more than 5% per year for the years 2019, 2020 and 2021.

Project Manager:	[*] EUR
Senior Scientist:	[*] EUR
Junior Scientist:	[*] EUR
Technician:	[*] EUR

(w) Supplies, Materials and Subcontracting Expenses. BDI agrees that all supplies, materials, not otherwise negotiated and evidenced under a Statement of Work, an amendment thereto, or a countersigned quote related thereto, to the extent necessary to carry out the Projects on behalf of Sponsor, will be at BDI's sole expense. Additionally, BDI Pharmaceuticals agrees that the cost to Dyadic of services provided by non-Affiliate third-party subcontractors shall be separately called out in each Statement of Work and shall be equal to BDI Pharmaceutical's contracted price plus 10%.

2.2 Contracting Commitments. Subject to Section 9,

(a) For the twenty-four (24) month period following the effective date of the first Statement of Work to be executed hereunder (the "**Initial Commitment Period**"), Dyadic expressly undertakes to contract Projects to BDI Pharmaceuticals a minimum cumulative amount of US\$500,000 for each twelve (12) month period, to be paid at the rates indicated above, and BDI Pharmaceuticals agrees to make available qualified and skilled personnel and resources for them as and when required.

(b) For a period of thirty-six (36) months following the Initial Commitment Period, at Dyadic's sole option, Projects may continue minimally at the same level of FTEs or greater, and BDI Pharmaceuticals represents that it will make the necessary qualified and skilled personnel and additional resources available to carry out such Projects for Sponsor.

(c) If Dyadic, or its Affiliates, requests to lease lab space or gain access to equipment and personnel in order to qualify for European Union or other funding opportunities, BDI its Affiliates (such as, for example, without limitation, Dyadic Nederland BV) under equal terms and conditions as set forth in Section 2.1 and availability of such FTEs will be managed through reasonable schedules and conditions to avoid affecting other works being developed by BDI Pharmaceuticals or Affiliates.

(d) BDI Pharmaceuticals shall not at any time sell services at FTE rates or charge or charge lower percent margin on out-of-pocket expenses to a different sponsor of research services at prices below those stated in this Agreement. If BDI Pharmaceuticals charges a different sponsor a lower price for these service components, BDI Pharmaceuticals must immediately apply the lower price for the services under this Agreement. If BDI Pharmaceuticals fails to meet the lower price, Dyadic, at its sole option may terminate this Agreement without any liability pursuant to this Agreement's termination provisions.

2.3 Invoicing and Payment.

(a) Sponsor shall pay BDI Pharmaceuticals the charges set forth in the applicable Statement of Work as invoiced. BDI Pharmaceuticals shall invoice Sponsor on a monthly basis and all undisputed payments should be made within thirty (30) days from the invoice date. Sponsor will provide prompt notice of and basis for any disputed amounts. The Parties shall cooperate in good faith to promptly resolve any invoicing disputes. Undisputed amounts due may not be withheld or offset by Sponsor except as set forth herein. All payments shall be made in Euros.

(b) Each Party shall be responsible for any and all taxes levied as a result of the performance of each Party's respective activities under this Agreement, unless separately addressed in another section of this Agreement. All amounts payable under this Agreement are exclusive of withholding tax and value added, goods and services, sales or similar taxes ("VAT"), if applicable. For the avoidance of doubt, either Party may withhold from payments such taxes as are required to be withheld under applicable law and to the extent permitted by applicable law, BDI Pharmaceuticals shall not include VAT on the applicable invoices based on the nature of the Services. If VAT or any other tax is withheld by a Party ("**Withholding Party**"), such Withholding Party shall provide to the other Party ("**Payee**") receipts or other evidence of such withholding and payment thereof to the appropriate tax authorities. The Withholding Party agrees not to withhold any taxes, or to withhold at a reduced rate, to the extent that the Payee is entitled to an exemption from, or reduction in the rate of, as appropriate, withholding under any applicable income tax treaty. If, after any remuneration is paid, it is determined by the appropriate taxing authorities that additional withholding taxes are due with respect to such withholding taxes, Payee shall directly pay such taxes or reimburse Withholding Party for any payment of such withholding taxes that Withholding Party makes.

ARTICLE 3 AUDITS

3.1 For Cause Audits. If Sponsor reasonably believes that the Projects are not being performed, or were not performed, in compliance with the terms of this Agreement or a Statement of Work hereunder, Sponsor may audit BDI Pharmaceuticals and/or any Affiliate of BDI Pharmaceuticals subcontracted hereunder upon reasonable advance notice to BDI Pharmaceuticals of not less than two (2) business days and during BDI Pharmaceuticals' or its Affiliates, if applicable, regular business hours. Sponsor or its agents may inspect BDI Pharmaceuticals' or its Affiliates', if applicable, facilities and may audit all records, including, but not limited to, Study Data and accounting records, relating to the Projects, subject to all confidentiality obligations and other restrictions herein or otherwise reasonably required by BDI Pharmaceuticals, or its Affiliate, prior to such inspection. BDI Pharmaceuticals will make or cause to be made available all such records and will provide reasonable assistance in the inspection or audit. Sponsor's right to audit will survive the expiration or earlier termination of this Agreement. Audits in accordance with the terms and conditions of this Section 3.1 may occur no more than four (4) times per calendar year. Audits conducted under this Section 3.1 shall be at Sponsor's expense, provided, however, that if any audit under this Section 3.1 results in material findings, the cost of such audit shall be paid by BDI Pharmaceuticals. If Sponsor issues an audit report to BDI Pharmaceuticals, BDI Pharmaceuticals shall be allowed twenty (20) business days to correct and/or issue corrective actions for any non-conformities found in the course of the audit. BDI Pharmaceuticals lack of adherence to this timeline will result in a material breach of this Agreement.

3.2 Quality Audits. At Sponsor's request, BDI Pharmaceuticals shall permit each Sponsor to perform one quality audit per year without cause, and additional visits if warranted. A Sponsor is allowed to review and access: BDI Pharmaceuticals quality systems, original study records and other primary documents, redacted government inspection reports such as FDA redacted 483s, areas of the BDI Pharmaceuticals facility relevant to provision of Services to the Sponsor, including laboratories and warehousing facilities ("**Quality Audit**"). A Sponsor may request a Quality Audit only upon reasonable advance notice of not less than ten (10) business days and during BDI Pharmaceutical's regular business hours and one (1) time per calendar year during the term of this Agreement. BDI Pharmaceuticals will not be asked to identify its non-Sponsor clients or disclose any confidential business information provided by those clients. Sponsor shall cause its accounting firm to retain all such information subject to the confidentiality restrictions of this Agreement.

3.3 Corrective Measures. BDI Pharmaceuticals agrees to institute reasonable corrective measures in BDI Pharmaceuticals' reasonable discretion to address deficiencies identified in a Sponsor audit.

3.4 Study Records. BDI Pharmaceuticals shall maintain and cause any subcontractors that it may use hereunder to maintain books and records, including, but not limited to protocols, protocol amendments, lab notebooks and raw data, relating to the conduct of any study conducted as part of the Projects (the "**Study Data**") for the longer of fifteen (15) years or five (5) years following regulatory approval of the product to which the Study Data relates. BDI Pharmaceuticals shall provide Sponsor with access to or copies of the Study Data, at Sponsor's expense, within five (5) business days' following Sponsor's written request therefor. In the event that BDI Pharmaceuticals plans to dispose of any Study Data following the conclusion of the time-frame stated above, BDI Pharmaceuticals shall provide Sponsor with thirty (30) days prior written notice and an option to transfer such records to Sponsor, at Sponsor's expense.

ARTICLE 4 INTELLECTUAL PROPERTY

4.1 Background IP. As between the Parties, each Party will own and retain all right, title and interest in and to their Background IP. "**Background IP**" means, with respect to a Party, any inventions, technology, know-how, trade secrets and any other intellectual property owned or controlled by such Party or its Affiliates prior to the Effective Date or developed or otherwise obtained by such Party outside the scope of this Agreement. Background IP shall also mean, with respect to Sponsor, intellectual property that is developed other than Collaboration IP, as provided herein. For the sake of clarity, without limitation, Background IP with respect to Dyadic shall include C1 Strains, Dyadic Improved Strains, Dyadic C1 Genomic Information, the Danisco Improved Strains, the Dyadic Know-How, the Sponsor Materials, Dyadic Patents, Danisco Know-How, the Genetic Tools, the Danisco Patents and/or any derivatives or modifications thereof and the Dyadic Follow-On IP and any results related thereto. Nothing in this Agreement grants or implies a license in any intellectual property of either Party except that BDI Pharmaceuticals hereby provides Sponsor with a non-exclusive, perpetual and royalty free license to use the BDI Pharmaceuticals' and its Affiliates Background IP as far as necessary for Sponsor to make use of the Results.

4.2 Collaboration IP. Inventorship shall be determined according to United States practice. "**Collaboration IP**" means, with respect to a Party, any inventions, technology, know-how, trade secrets, and any other intellectual property, whether patentable or not, that has been conceived or reduced to practice pursuant to this Agreement, a Statement of Work hereunder or that is related to a Project. Subject to the restrictions set forth in Section 4.1, Sponsor, shall own all right, title and interest in and to the Collaboration IP and the Results directly related to each Project for which they are a Sponsor, regardless of inventorship.

4.3 Responsibility for Preparation and Prosecution of IP. BDI Pharmaceuticals shall notify Dyadic promptly in writing of all Collaboration IP or Dyadic Follow-On IP conceived or generated by BDI Pharmaceuticals. BDI Pharmaceuticals agrees to assign, as applicable, and hereby irrevocably assigns to Dyadic all of its right, title and interest in and to the Collaboration IP and the Results or the Dyadic Follow-On IP, as necessary to affect Dyadic's sole ownership. Dyadic shall have the sole right and authority, but not the obligation, for the filing, prosecution and maintenance of the Collaboration IP. BDI Pharmaceuticals shall render all necessary assistance reasonably requested by Dyadic in preparing, filing and prosecuting the Collaboration IP. If necessary and when requested, BDI Pharmaceuticals shall (i) sign and execute all such forms and documents as may be necessary to assure and perfect rights in the Collaboration IP and the Dyadic Follow-On IP; and (ii) cause its current and/or former directors, employees, researchers, students, consultants and/or contractors to sign and execute all such forms and documents as may be necessary to perfect the Collaboration IP or the Dyadic Follow-On IP. Dyadic shall bear the costs and expenses for preparing, filing and prosecuting the Collaboration IP pursuant to this Section 4.3. Notwithstanding the foregoing, Dyadic may assign all rights to receive assignment of Collaboration IP to a Third Party and thereby direct such assignment to be made directly from BDI Pharmaceuticals to such Third Party, who shall have all rights to enforce this Section 4.3 as if it were Dyadic.

4.4 Non-Exclusive Limited Use Research License Grant from Dyadic to BDI Pharmaceuticals. Dyadic hereby grants to BDI Pharmaceuticals ("Sublicensee") a non-exclusive, non-transferable, non-sub-licensable, except as set forth herein, and fully paid license of the C1 Strains, the Danisco Improved Strains, the Dyadic Know-How, the Sponsor Materials, Dyadic Patents, Danisco Know-How, the Genetic Tools, the Danisco Patents and Dyadic Follow-On IP, the grant of the non-exclusive license being for the sole purpose of conducting research as contemplated by the Project and only broad enough to perform the Project in accordance with the terms of this Agreement ("**R&D License**"). The C1 Strains, the Danisco Improved Strains, the Dyadic Know-How, the Sponsor Materials, Dyadic Patents, Danisco Know-How, the Genetic Tools and the Danisco Patents, any components of the C1 Strains, the Danisco Improved Strains, the Dyadic Know-How, the Sponsor Materials, Dyadic Patents, Danisco Know-How, the Genetic Tools and the Danisco Patents, and any derivatives or modifications of any of the foregoing, shall be used by Sublicensee and its Affiliates only in accordance with and for the execution of this Agreement, the completion of the Project and in compliance with applicable law. For the sake of clarity, (i) Sublicensee shall not transfer or deliver any C1 Strains, the Danisco Improved Strains, the Dyadic Know-How, the Sponsor Materials, Dyadic Patents, Danisco Know-How, the Genetic Tools or the Danisco Patents, any components of the C1 Strains, the Danisco Improved Strains, the Dyadic Know-How, the Sponsor Materials, Dyadic Patents, Danisco Know-How, the Genetic Tools or the Danisco Patents, or any derivatives or modifications of any of the foregoing, to any Third Party without the prior written consent of Dyadic, which consent may be withheld in Dyadic's absolute discretion, and (ii) Sublicensee may not transfer or sublicense the R&D License for any purpose (a) except to the extent necessary to have Third Parties conduct contract research on behalf of the Sub licensee or for the Sublicensee to exercise its "have made" rights; (b) unless such subcontractor agrees in a signed writing to relinquish any and all rights to the commercial product and/or process of using C1 to make and sell the product without payment in addition to the amount negotiated for the provision of contract research services; and (c) unless such subcontractor agrees in a signed writing to protect, abide by and not otherwise violate the terms of the Pharma License Agreement.

4.5 Additional Conditions Incorporated from Pharma License Agreement. Sublicensee acknowledges that it has read the Pharma License Agreement entered into between Danisco US Inc, and Dyadic International, Inc. and agrees to be bound by the provisions of such Pharma License Agreement as if it were a party to such Pharma License Agreement. For the avoidance of doubt, this includes the provisions of Section 10.7 of the Pharma License Agreement regarding resolution of disputes. Sublicensee agrees that Danisco US Inc. or any authorized assignee of Danisco US Inc. is an intended third party beneficiary to any Sub license Agreement and shall be entitled to enforce the terms of this Agreement directly against Sub licensee. This Sub license Agreement shall not be further sublicensed except that, as applicable, the C1 Strains (as defined in the Pharma License Agreement), the Danisco Improved Strains, the Dyadic Know-How (as defined in the Pharma License Agreement), the Sponsor Materials (as defined in the Pharma License Agreement), Dyadic Patents, Danisco Know-How, the Genetic Tools (as defined in the Pharma License Agreement) and the Danisco Patents may be further sublicensed to the extent necessary to Third Parties having no economic interest in the Pharmaceutical Product under development to provide contract research services or contract manufacturing services for a Licensed Party (as defined in the Pharma License Agreement), for a Sublicensee to exercise its 'have made' rights or, with respect to a Pharmaceutical Product, to grant limited sublicenses within multiple tiers of Sublicensee Affiliates (as defined in the Pharma License Agreement) or Third Parties solely to permit manufacturing, distributing or marketing such Pharmaceutical Products on behalf of such Sub licensee under terms no less restrictive than the terms set forth in Section 2.2 of the Pharma License Agreement entered into between Danisco US Inc. and Dyadic International Inc.

4.6 Dyadic Follow-On IP. Dyadic shall own all Dyadic Follow-On IP, regardless of (i) inventorship; (ii) whether the Dyadic Follow-On IP is conceived or reduced to practice pursuant to this Agreement; and (iii) whether the Follow-On IP is related to a Project. As used herein, Dyadic Follow-On IP shall include all inventions, technology, know-how, trade secrets and any other intellectual property or results related to the C1 Strains, the Danisco Improved Strains, the Dyadic Know-How, the Sponsor Materials, Dyadic C1 Genomic Information, Dyadic Patents, Danisco Know-How, the Dyadic Improved Strains, the Genetic Tools, the Danisco Patents and/or any derivatives or modifications thereof, BDI Services Generated Tools, Dyadic C1 Genomic Information and/or improved media and fermentation development and processes ("**Dyadic Follow-On IP**").

4.7 Results. All Results shall be owned by Dyadic and Dyadic shall be free to exploit the same at its own discretion. BDI Pharmaceuticals hereby assigns and transfers all intellectual property rights attached to the Results to Dyadic without any cost other than the price as specified in each of the Statements of Work relating thereto. BDI Pharmaceuticals shall take all acts necessary for the intellectual property rights to vest with Dyadic or sign any documents necessary to record the intellectual property rights in the name of Dyadic.

4.8 Restrictions on Use and Transfer of the Sponsor Materials and CI Strains.

(a) The Sponsor Materials, the CI Strains, any components of the Sponsor Materials and CI Strains, and any derivatives or modifications of any of the foregoing, shall be used by BDI Pharmaceuticals and its Affiliates only in accordance with and for the execution of this Agreement, the R&D License, the Pharma License Agreement and in compliance with applicable law.

(c) BDI Pharmaceuticals and its Affiliates shall not transfer, deliver or sublicense any CI Strains, the Danisco Improved Strains, the Dyadic Know-How, the Sponsor Materials, Dyadic CI Genomic Information, Dyadic Patents, Danisco Know-How, the Genetic Tools, the Danisco Patents, the Dyadic Background IP or Collaboration IP, any components of the CI Strains, the Danisco Improved Strains, the Dyadic Know-How, the Sponsor Materials, Dyadic CI Genomic Information, Dyadic Patents, Danisco Know-How, the Genetic Tools, the Danisco Patents, the Dyadic Background IP, Collaboration IP or any derivatives or modifications of any of the foregoing or results related thereto, to any Third Party without the prior written consent of Dyadic, which consent may be withheld in its absolute discretion.

(b) Each Third Party Sponsor is an intended beneficiary of this Agreement with respect to any terms regarding such Sponsor's Sponsor Materials, any components of such Sponsor Materials and Results of Directed Projects engaged by such Sponsor.

**ARTICLE 5
CONFIDENTIALITY**

5.1 Definition. "Confidential Information" means any information disclosed by one Party (the "**Disclosing Party**") to the other (the "**Receiving Party**"), whether oral, written, visual, electromagnetic, electronic or in any other form, and whether contained in memoranda, summaries, notes, analyses, compilations, studies or other documents, and whether the same have been prepared by the Disclosing Party or the Receiving Party: (i) which, if in written, graphic, machine-readable or other tangible form is marked as "Confidential" or "Proprietary," or which, if disclosed orally or by demonstration, is identified at the time of initial disclosure as confidential and is summarized in writing and similarly marked and delivered to the Receiving Party within thirty (30) days after initial disclosure; and (ii) which includes but is not necessarily limited to, (A) technical data or information, including proprietary host organisms and their strains, plasmids/vectors, DNA sequences, gene expression, fungal high throughput screening, enzymes and their applications, research and manufacturing protocols and practices, formulae, charts, analyses, reports, patent applications, trade secrets, ideas, methods, processes, know-how, computer programs, products, equipment, raw materials, designs, data sheets, schematics, configurations, specifications, techniques, drawings, and the like, whether or not relating to experimental data, projects, products, processes, research practices and the like; (B) past, present and future business, financial and commercial data or information, prices and pricing methods, marketing and customer information, financial forecasts and projections, and other data or information relating to strategies, plans, budgets, sales and the like; and (C) any other data or information delivered by the Disclosing Party to the Receiving Party or which the Receiving Party has acquired from the Disclosing Party by way of the former's inspection or observation during visits to the research laboratory, manufacturing plant or other type of facility of the latter Party. The Parties expressly acknowledge and agree that all information of a proprietary and/or confidential nature furnished by the Disclosing Party to the Receiving Party in furtherance of the Disclosing Party's obligations under this Agreement shall be deemed Confidential Information. Subject to the restrictions and permissions set forth herein, the Results, Collaboration IP, Follow On IP and Background IP shall be Confidential Information of Dyadic. Notwithstanding anything to the contrary contained herein, any failure by the Disclosing Party to mark, identify or confirm the Confidential Information shall not relieve Receiving Party of its obligations under this Agreement where Receiving Party knows or has reason to know that the information disclosed to it is Confidential Information.

5.2 Confidential Information Exclusions. Confidential Information will exclude information the Receiving Party can demonstrate is: (i) now or hereafter, through no unauthorized act or failure to act on Receiving Party's part, in the public domain; (ii) known to the Receiving Party from a source other than the Disclosing Party (including former employees of the Disclosing Party) without an obligation of confidentiality at the time Receiving Party receives the same from the Disclosing Party, as evidenced by contemporaneous written records; (iii) furnished to others by the Disclosing Party without restriction on disclosure; or (iv) independently developed by the Receiving Party without use of the Disclosing Party's Confidential Information, as evidenced by contemporaneous written records.

5.3 Confidentiality Obligation. For a period commencing on this date and ending on the tenth (10th) anniversary after the termination of the Agreement, the Receiving Party shall treat as confidential all of the Disclosing Party's Confidential Information and shall not use such Confidential Information for any purpose whatsoever other than for the purposes set forth herein, except as expressly otherwise permitted under this Agreement. Without limiting the foregoing, the Receiving Party shall use the same degree of care and means that it utilizes to protect its own information of a similar nature, but in any event not less than reasonable care and means, to prevent the unauthorized use or the disclosure of such Confidential Information to Third Parties. The Confidential Information may be disclosed only to employees or contractors of the Receiving Party with a "need to know" who are instructed and agree not to disclose the Confidential Information and not to use the Confidential Information for any purpose, except as set forth herein; provided, however, in the case of BDI Pharmaceuticals and its Affiliates, the term "employees or contractors of a Receiving Party" shall include employees of each of those of BDI Pharmaceuticals, its Affiliates and any contract research organizations with whom BDI Pharmaceuticals or its Affiliates has written agreements pursuant to which such contract research organization is performing or will perform work under a Project and is bound by an obligation of confidence to BDI Pharmaceuticals or its Affiliates that makes such contract research organization liable for any breach by its employees of those confidentiality obligations to BDI Pharmaceuticals or its Affiliates. The Receiving Party shall have appropriate written agreements with any such employees or contract research organizations sufficient to comply with the provisions of this Agreement. A Receiving Party may not alter, decompile, disassemble, reverse engineer or otherwise modify any Confidential Information received hereunder and the mingling of the Confidential Information with information of the Receiving Party shall not affect the confidential nature or ownership of the same as stated hereunder.

5.4 Permitted Disclosures of Confidential Information. Nothing in this Agreement shall prevent the Receiving Party from disclosing Confidential Information to the extent the Receiving Party is legally compelled to do so by any governmental investigative or judicial agency pursuant to proceedings over which such agency has jurisdiction; provided, however, that prior to any such disclosure and to the extent permitted by law, the Receiving Party shall (i) assert the confidential nature of the Confidential Information to the agency; (ii) immediately notify the Disclosing Party in writing of the agency's order or request to disclose; and (iii) cooperate fully with the Disclosing Party in protecting against any such disclosure and/or obtaining a protective order narrowing the scope of the compelled disclosure and protecting its confidentiality.

**ARTICLE 6
REPRESENTATIONS AND WARRANTIES**

6.1 Representations and Warranties of the Parties. Each of the Parties represents and warrants to the other Party that:

(a) it is a company duly organized, validly existing and in good standing under the laws of, in the case of Dyadic, Delaware, and in the case of BDI Pharmaceuticals, Spain;

(b) the execution of this Agreement on its behalf has been properly authorized by all necessary corporate or company action, as the case may be;

(c) this Agreement is valid and binding on it and enforceable against it in accordance with the terms hereof, subject to applicable bankruptcy and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity;

(d) neither the execution nor the performance of this Agreement will constitute a breach or violation of the terms of its charter or organizational documents or any contract, agreement or other commitment to which it is a party or by which it or any of its properties are bound;

(d) there are no bankruptcy, insolvency, receivership or similar proceedings involving it or any of its Affiliates either pending or contemplated, or any other pending or threatened actions, suits, arbitrations or other proceedings by or against it;

(e) the execution, delivery and performance of this Agreement does not and will not conflict with or result in breach of any term, condition, obligation or restriction of any other agreement of the Parties with any Third Party; and

(g) it has not used and shall not use in the course of its performance hereunder, and shall not disclose to the other, any confidential information of any other Person, unless it is expressly authorized in writing by such Person to do so.

6.2 Representations and Warranties of Dyadic. Dyadic represents and warrants to BDI Pharmaceuticals that the Sponsor Materials do not contain any intellectual property, proprietary information or materials, content, software or other materials of any Third Party that would require BDI Pharmaceuticals or its Affiliates to acquire a license or otherwise pay a Third Party for the use thereof in accordance with the terms of this Agreement.

6.3 Representations and Warranties of BDI Pharmaceuticals. BDI Pharmaceuticals represents and warrants to Dyadic that:

(a) all licenses or other material rights or permissions to use any Third Party intellectual property used by BDI Pharmaceuticals or its Affiliates in the operation of their respective businesses have been obtained by the BDI Pharmaceuticals or its Affiliates and all license fees, royalties and any other amounts (if any) due and payable under such license agreements have been paid;

(b) no activities will be carried out by BDI Pharmaceuticals or its Affiliates or subcontractors hereunder on behalf of Sponsor that directly or indirectly incorporates or uses the CI Technology in any manner that will require a license, milestones, royalties or payments of any kind other than those payments set forth herein or on a Statement of Work signed by both Parties;

(c) it shall have the necessary facilities, lab equipment and personnel to timely and efficiently carry out all work as may be set forth in the Statements of Work;

(d) it will perform the Projects using its good faith Best Efforts to achieve the expected outcomes indicated in each Statements of Work in accordance with prevailing industry standards;

(e) it will perform the Projects in accordance with all applicable laws, rules, regulations and guidances;

(f) all work, Services or Results, or any part thereof, delivered to a Sponsor under a Statement of Work, does not, and will not, upon delivery to Dyadic or such Third Party beneficiary infringe any patent right, copyright, trade secret right or other intellectual property right of a Third Party;

(i) it shall use commercially reasonable efforts to ensure that the condition and calibration of all equipment used to perform the Projects hereunder is properly and adequately maintained;

(g) it will comply with all appropriate animal welfare rules, as specified by law, Dyadic or the Institutional Animal Care and Use Committee (IACUC) that governs animal studies conducted by BDI Pharmaceuticals;

(h) no individual that has been debarred or disqualified by the FDA pursuant to 21 U.S.C. §335a (a) or (b) or by the European Medicines Agency, the European Commission, or the Regulatory Authority of an European Union Member State under any foreign equivalent thereof will perform or render, any Services or assistance to BDI Pharmaceuticals;

(i) it has no knowledge of any circumstances which may affect the accuracy of the foregoing warranties and representations, including, but not limited to, the US Food and Drug Administration, European Medicines Agency or other governmental investigations of, or debarment proceedings against, BDI Pharmaceuticals or any person or entity performing Services or rendering assistance relating to activities taken pursuant to this Agreement, and BDI Pharmaceuticals will immediately notify Dyadic if BDI Pharmaceuticals becomes aware of any such circumstances during the Term;

(j) it shall attract, hire and/or otherwise retain the Key Persons within thirty (30) days of the Effective Date and thereafter, it shall notify Dyadic within five (5) business days of the date it becomes aware of the pending or actual termination of services of any Key Person; and

(k) to the extent it uses confidential information of any other Person in the course of its performance hereunder, it has been expressly authorized to do so in writing and warrants that there will be no cost to Dyadic now, or in the future, related to the use of such information, in excess of the amounts mutually agreed to be paid pursuant to a Statement of Work.

6.4 Disclaimer. Except for the foregoing warranties, THE FOREGOING WARRANTIES OF EACH PARTY ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY DISCLAIMED.

ARTICLE 7 INDEMNIFICATION

7.1 In General. Subject to the provisions of Section 7.4, each Party (the "**Indemnifying Party**") shall defend, indemnify and hold harmless the other Party, its Affiliates, and its and their employees, officers, directors, agents, and licensees (each an "**Indemnified Party**") against any loss, damage, expense, or cost, including reasonable attorneys' fees, arising out of any claim, demand, action, suit, investigation, arbitration or other proceeding by a Third Party (an "**Action**") based on (i) the Indemnifying Party's breach of this Agreement; or (ii) negligence, willful misconduct or violation of any law or regulation by the Indemnifying Party, its Affiliates, or its or their employees, officers, directors or agents. This requirement for indemnification is meant by the Parties to extend to the Representations and Warranties set forth in Article 6.

7.2 Procedure. If an Indemnified Party becomes aware of any Action it believes is indemnifiable under Section 7.1, (i) the Indemnified Party shall give the Indemnifying Party prompt written notice of such Action; (ii) the Indemnifying Party shall assume, at its expense, the sole defense of such claim or cause of action through counsel selected by it and reasonably acceptable to the Indemnified Party, except that in the case of a conflict of interest between the Parties, the Indemnifying Party shall, at the Indemnifying Party's expense, provide separate counsel for the Indemnified Party selected by the Indemnified Party; (iii) the Indemnifying Party shall maintain control of such defense, including any decision as to settlement, except that any settlement of an Action shall require the written consent of both Parties, which consent shall not be withheld or delayed unreasonably; (iv) the Indemnified Party may, at its option and expense, participate in such defense, and in any event, the Parties shall cooperate with one another in such defense; and (v) the Indemnifying Party shall bear the total costs of any court award or settlement in such Action.

7.3 Third Party Infringement. Each of the Parties shall indemnify, defend and hold harmless the other Party and its Affiliates and their respective officers, directors and employees from any losses, damages, liabilities, fines, penalties and expenses (including reasonable attorneys' fees) that arise out of or result from any Third Party claims of infringement of any patent or copyright, or misappropriation of any trademark, trade secret or other intellectual property right, private right or any other proprietary or personal interest related by circumstances to the existence of this Agreement or the Project ("**Infringement Claim**"). Dyadic's obligation with regard to indemnifying BDI Pharmaceuticals hereunder shall be limited to breaches of its (i) obligations under Article 4, or (ii) representations and warranties set forth in Section 6.2 with respect to the status of the intellectual property discussed therein as of the date hereof.

7.4 Limitation of Liability. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, BOTH PARTIES AGREE THAT IN NO EVENT SHALL EITHER PARTY, OR ANY OF ITS AFFILIATES, OR ANY OF THEIR RESPECTIVE TRUSTEES, DIRECTORS, OFFICERS, MEDICAL OR PROFESSIONAL STAFF, EMPLOYEES OR AGENTS BE LIABLE TO THE OTHER PARTY OR ANY OF ITS AFFILIATES FOR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND ARISING IN ANY WAY OUT OF THIS AGREEMENT OR THE RIGHTS GRANTED HEREUNDER, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, REGARDLESS OF WHETHER SUCH PARTY SHALL BE OR HAVE BEEN ADVISED, SHALL HAVE REASON TO KNOW OR IN FACT SHALL KNOW OF THE POSSIBILITY OF THE FOREGOING A PARTY'S MAXIMUM LIABILITY FOR ALL DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT SHALL IN NO EVENT EXCEED, IN THE AGGREGATE, THE TOTAL AMOUNTS ACTUALLY PAID BY DYADIC TO BDI PHARMACEUTICALS UNDER THIS AGREEMENT IN THE TWENTY-FOUR (24) MONTHS IMMEDIATELY PRECEDING THE EVENT THAT GAVE RISE TO THE CLAIM; PROVIDED, HOWEVER, THAT IN NO EVENT SHALL EITHER PARTY'S LIABILITY FOR INFRINGEMENT UNDER SECTION 7.3, INFRINGEMENT BY ONE PARTY OR ITS AFFILIATES OF THE OTHER PARTY'S INTELLECTUAL PROPERTY, BREACH OF CONFIDENTIALITY, FRAUD OR WILLFUL MISCONDUCT BE LIMITED BY THIS SECTION 7.4.

IN ADDITION, EACH PARTY HEREBY ACKNOWLEDGES THAT THE OTHER PARTY CANNOT AND DOES NOT ASSURE THE FIRST PARTY THAT ANY PROJECT WILL CULMINATE IN THE SUCCESSFUL ACHIEVEMENT OF THE PROJECT'S OBJECTIVES. ACCORDINGLY, EACH PARTY HEREBY EXPRESSLY AGREES EXCEPT IN THE INSTANCE OF A MATERIAL BREACH BY THE OTHER PARTY OF ITS OBLIGATIONS HEREUNDER, NO PARTY SHALL HAVE LIABILITY OF ANY KIND WHATSOEVER TO THE OTHER PARTY BY REASON OF FAILURE OF ANY PROJECT TO SUCCESSFULLY ACHIEVE ITS OBJECTIVES.

ARTICLE 8
TERMAND TERMINATION

8.1. Term. This Agreement shall enter into force upon the closing of the transactions contemplated by the Investment Agreement (the "**Effective Date**") and shall expire five (5) years as of from the Effective Date (the "**Term**"), excluding the Articles and Sections and their legal effects of which are meant to survive the termination or expiration of the Agreement.

8.2. Termination in the Event of Insolvency. Either Party may terminate this Agreement if the other Party becomes insolvent, voluntarily files a petition for relief under bankruptcy or any similar or other insolvency laws (or has a petition filed against it and the same remains undischarged or unstayed for sixty (60) days) or voluntarily or involuntarily enters receivership or any similar or other insolvency proceeding.

8.3. Termination for Breach. Without prejudice to any other damages or remedies available under applicable law and/or this Agreement, either Party has the right, at any time, to terminate this Agreement or any Statement of Work hereunder by written notice and without further formality upon a breach by the other Party in the performance of the provisions of this Agreement or such Statement of Work, provided such breach is not cured within thirty (30) days following receipt by the defaulting Party of a written notice from the non-defaulting Party to remedy such breach. However, (i) in case of a breach, which is not capable of being cured; or (ii) where any Party repeatedly or consistently fails to meet its contractual obligations following an initial cure period, the other Party has the right to terminate this Agreement or such Statement of Work immediately, by written notice and without any further formality and (additional) cure period.

8.4. Termination by Dyadic or Sponsor. Dyadic may terminate this Agreement, at its sole option, in its entirety or Sponsor may terminate any Statement of Work, at any time upon either (i) thirty (30) days written notice to BDI Pharmaceuticals, if no Statements of Work are operational under the Agreement at the time of termination and the date of termination is on or after July 1, 2019; (ii) upon ninety (90) days written notice to BDI Pharmaceuticals; or (iii) immediately upon the termination of the services of any Key Person or failure to hire any Key Person within the time allotted herein.

8.5. Termination by BDI Pharmaceuticals. After July 1, 2019, BDI Pharmaceuticals may terminate this Agreement in writing, at its sole option, in its entirety at any time upon one hundred and eighty (180) days written notice to Dyadic, if there are no active Statements of Work and no Projects have been contracted by Dyadic under this Agreement during the six (6) month period immediately prior to the termination date.

8.6. Effect of Termination.

(a) Accrued Rights and Obligations. Termination of this Agreement or a Statement of Work hereunder for any reason shall not release any Party from any obligation which, at the time of such termination, has already accrued and become due to the other Party or which is attributable to a period prior to such termination nor preclude either Party from pursuing any rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement.

(b) Return of Confidential Information and Materials. Upon any termination of this Agreement, BDI Pharmaceuticals shall promptly return to Sponsor all Confidential Information received from Sponsor. BDI Pharmaceuticals may retain a copy of the Confidential Information that must thereafter be used solely as a legal record of the Confidential Information under this Agreement.

(c) Destruction of Confidential Information and Materials. Upon any termination of this Agreement, Sponsor may request BDI Pharmaceuticals to destroy all Confidential Information received from Sponsor instead of returning it in accordance with paragraph (b) above. BDI Pharmaceuticals may retain a copy of the Confidential Information that must thereafter be used solely as a legal record of the Confidential Information under this Agreement.

(d) Rights in IP. In the event of termination of this Agreement either on or prior to the expiration of the Term by either Party, all rights and licenses of BDI Pharmaceuticals to Background IP and Results shall automatically terminate and/or revert back to Sponsor and any license grants from Dyadic to BDI Pharmaceuticals, such, for example, without limitation, the license grants provided in Article 4 shall terminate.

(e) Other Remedies Available. Notwithstanding anything in this Agreement to the contrary, in the event of termination of this Agreement, each Party shall have available every remedy allowed under law and equity, including but not limited to specific performance, suit for damages, and rescission.

8.7. Survival. Termination of a Statement of Work shall not result in a termination of the entire Agreement unless so stated in the termination notice. Notwithstanding anything to the contrary contained herein, the provisions of Recital VI, Article 1, Section 2.3, Section 3.1, Section 3.4, Section 4.1 through Section 4.3, Section 4.5 through Section 4.8, Article 5 through Article 7, Section 8.6, Section 8.7, Article 9 shall survive any termination of this Agreement.

ARTICLE 9 MISCELLANEOUS

9.1 Relationship between Parties. Dyadic and BDI Pharmaceuticals are separate business entities, and shall not be considered as joint ventures, partners, agents, servants, employee, or fiduciaries of each other. The Parties specifically agree that any obligation to act in good faith and to deal fairly with each other which may be implied in law shall be deemed satisfied by the Parties' compliance with the express terms of this Agreement

9.2 No Implied Rights. Other than expressly provided for in this Agreement, nothing in this Agreement grants or shall be construed to grant to any Party any right and/or any license to any intellectual property right or application therefor (including but not limited to patent applications or patents) which are held by and/or in the name of the other Party and/or which are controlled by or licensed by the other Party, or to any Confidential Information received from the other Party.

9.3 Entire Agreement; Amendment. This Agreement constitutes the entire Agreement between the Parties with respect to the subject matter hereof and supersedes and cancels all previous discussions, agreements, commitments and writings in respect thereof. No amendment or addition to this Agreement shall be effective unless reduced to writing and executed by the authorized representatives of the Parties.

9.4 Force Majeure. Neither Party shall be held in breach of its obligations hereunder to the extent only that due performance or observance of such obligation is prevented or delayed by war and other hostilities, civil commotion, accident, trade disputes, acts or restraints of government imposition or restrictions of imports or exports or any other cause not within the control of the Party concerned. The Party concerned shall forthwith notify the other Party of the nature and effect of such event and both Parties shall, where the same is practicable, use every reasonable endeavor to minimize such effect and to comply with the respective obligation herein contained as nearly as may be in their original form.

9.5 Foreign Corrupt Practices Act and Anti-Bribery Provisions. During the Term, the Parties will not, and shall cause their Affiliates to not, make or provide any payments or gifts or any offers or promises of any kind, directly or indirectly, to any official of any government or to any official of any agency or instrumentality of any government, or to any political party or to any candidate for political office (the foregoing individually and collectively referred to as "**Government Official**"). If, on the Effective Date, or at any time during the Term of this Agreement any Government Official or an active member of the armed services of any government (i) owns an interest in that certain Party or its Affiliate, (ii) has any legal or beneficial interest in this Agreement or in payments to be received by that certain Party or its Affiliate in connection with the Services to be provided by hereunder, or (iii) is a director, officer or employee of that certain Party or its Affiliate, that certain Party will notify the other Party and will take such actions to assure that the affected person does not take any action, official or otherwise, and/or use any influence in connection with the other Party's business.

9.6 Assignment. Except as otherwise set forth herein, neither Party shall assign all or part of its rights or obligations under this Agreement without the prior written consent of the other Party, which consent may be withheld in their absolute discretion; provided, however, that this Agreement may be assigned at any time by either Party in connection with the merger or acquisition of the respective Party or the sale of all or substantially all of the assets of the Party to which this Agreement relates. The Parties rights under this Agreement shall bind and inure to the benefit of their respective successors, heirs, executors, administrators and permitted assigns. Notwithstanding the foregoing, BDI Pharmaceuticals shall be entitled to retain from time to time, the services of subcontractors to provide Services under this Agreement, provided, however, that any such subcontractors to be used by BDI Pharmaceuticals to provide Services hereunder shall be consented to by Dyadic, which consent shall not be unreasonably withheld or delayed. Fees for such subcontractors shall be applied to and paid by BDI Pharmaceuticals as part of the fees paid by Dyadic to BDI Pharmaceuticals hereunder.

9.7 Severability. In the event any one or more of the provisions of this Agreement should for any reason be held by any court or authority having jurisdiction over this Agreement or any of the Parties hereto be invalid, illegal or unenforceable, such provision(s) shall be validly reformed to as nearly approximate the intent of the Parties as possible and if unreformable, the Parties shall meet to discuss in good faith what steps should be taken to remedy the situation.

9.8 Publicity; Use of Name. Notwithstanding anything to the contrary in this Agreement, Dyadic may issue any press releases or make any other public statement with respect to the transactions contemplated hereby or the Results yielded hereunder without the prior consent of BDI Pharmaceuticals and notwithstanding the existence of any confidentiality or non-disclosure obligations that Dyadic may have, which, for the avoidance of doubt, may include the filing of this Agreement or any Statement of Work and/or summaries thereof with the U.S. Securities and Exchange Commission by Dyadic as required by U.S. federal securities law (such requirement to be determined by Dyadic in its sole discretion) and industry and investor conferences and presentations. BDI Pharmaceuticals may not issue any press releases or make any other public statement with respect to the transactions contemplated hereby or the Results yielded hereunder without the prior written consent of Dyadic, which may be withheld in Dyadic's sole discretion. The Parties may (i) disclose the terms of this Agreement to such Party's auditors, attorneys, bankers or investment bankers as necessary for their rendition of services to such Party; and (ii) disclose the terms of this Agreement to bona fide prospective investors, merger partners, strategic partners, or acquirors and their respective professional advisors, in connection with the negotiation, entry into and/or performance of a business transaction between such parties, including the conduct of due diligence involved in such transaction, *provided, however, that* such parties are subject to obligations of confidentiality and non-use at least as restrictive as those set forth in Article 5. During the Term and for a reasonable time thereafter, Dyadic may use BDI Pharmaceuticals' and its Affiliates' names and logos in a press releases, marketing material and/or advertisement disclosing the existence of this Agreement. Except for disclosures permitted pursuant to this Section 9.8, neither Party will use the other's name for advertising or external publicity purposes without its consent, except that Dyadic may include in its promotional materials references to and quotations from publications of results of the Projects. In addition, in the event there is a Third Party beneficiary to a Directed Project, such Third Party Sponsor may issue press releases or make any other public statement with respect to the Directed Project or the Results yielded thereunder without the prior written consent of BDI Pharmaceuticals.

9.9 Notices. All notices, requests, reports and other communications provided in this Agreement shall be in writing and shall be deemed to have been made or given: (i) when delivered, if delivered by hand; (ii) when confirmation of transmission received, if sent by facsimile or by email; (iii) two days following deposit with an overnight courier; or (iv) on the date ten business days following deposit, as certified or registered mail, with the postal service of the country of the Party providing notice:

To Dyadic:

Att: Mark Emalfarb
Address: 140 Intracoastal Pointe Drive,
Suite# 404, Jupiter, Florida, 33477 USA
E-mail: memalfarb@dyadic.com
Tel: (561) 743-8333
Fax: (561) 743-8513

With a copy to:

Att: Laura Nemeth
Squire Patton Boggs (US) LLP
127 Public Square, Suite 4900
Cleveland, Ohio 44114
E-mail: laura.nemeth@quirepb.com
Telephone: 216-4 79-8552
Facsimile: 216-4 79-8780

To BDI Pharmaceuticals:

Att: Emilio Gutierrez
Biotechnology Developments for
Industry in pharmaceuticals S.L.U
Louist Proust 13
47151 Boecillo (Valladolid) Spain
E-mail: egutierrez@bdibiotech.com
Tel: 983 548 563/ 983 010 722
Fax: None

9.10 Applicable Law and Arbitration.

(a) This Agreement shall be governed by, and interpreted under, the laws of Florida, United States, without application of rules on conflicts of laws.

(b) Disputes between the Parties shall be resolved as provided by this Section 9.10. Any Party shall give the other Party written notice of any dispute under this or in connection with this Agreement. The Parties shall attempt to resolve such dispute promptly by negotiation among the chief executive officers of the Parties and his/her advisors and executive officers of the BDI Group and Dyadic, as applicable. Within thirty (30) days after delivery of the notice, the Party(ies) receiving the notice shall submit to the other a written response. The notice and response shall include: (A) a statement of each Party's position and a summary of arguments supporting that position; and (B) in the case of any member of the BDI Group or Dyadic, the name and title of the executive officer of such Party who will represent such Party and, in the case of any Party, the name and title of any other person who will accompany such Party during the negotiations. Within thirty (30) days after delivery of the disputing Party's notice, the Parties shall meet at a mutually acceptable time and place, and thereafter as often as they deem reasonably necessary, to attempt to resolve the dispute.

(c) If any dispute has not been resolved by the Parties in accordance with Section 9.10(b) within forty-five (45) days after the disputing Party's request notice, or if the Parties fail to meet within thirty (30) days after such request notice, then each of the Parties agrees that such dispute shall be finally and exclusively settled without appeal by arbitration in New York City, New York, administered by the American Arbitration Association ("AAA") under its Commercial Arbitration Rules in effect as of the date of the request for arbitration, which rules are deemed to be incorporated into this Section 9.10(c) provided, however, that in the event of any conflict between such rules and the other provisions of this Agreement, such other provisions of this Agreement shall control. The arbitration shall be conducted before a single arbitrator. The decision of the arbitrator shall be in writing, shall set forth the facts found by the arbitrator to exist, his/her decision and the basis for that decision and shall be final and binding upon the Parties and not subject to appeal. Judgement upon any award rendered by the arbitrator may be entered in any court having jurisdiction thereof, including any court having jurisdiction over any of the Parties or their assets. Each Party shall bear its own costs and expenses in connection with the arbitration, including reasonable attorneys' fees, disbursements, arbitration expense, arbitrators' fees and the administrative fee of the AAA.

9.11 Independent Parties; No Authority to Bind. The relationship of BDI Pharmaceuticals and Dyadic is that of independent contractors. Neither Party nor their employees are agents, partners, employers, employees, joint venturers, have any other kind of relationship with the other Party except as specified in the Research Services Agreement and Investment Agreement. Neither Party shall have any authority to bind the other party to any obligation by contract or otherwise.

9.12 Non-Compete. During the term of this Agreement and for a period of five (5) years thereafter, BDI Pharmaceuticals agrees that it will not work on CI Strains for anyone other than Dyadic on pharmaceutical applications and/or processes (animal or human, including but not limited to active pharmaceutical ingredients or catalysts) unless so authorized in writing by the CEO of Dyadic. BDI Pharmaceuticals shall cause the substance of this clause to be included in any sub-contract for performance of Services hereunder. For the purposes of this Section, "CI Strains" shall be defined as any fungal strains that have the taxonomy of either (i) *Myceliophthora*, (ii) *Corynascus* or (iii) *Sporotrichium* and any strains derived or generated from the CI Strains transferred hereunder in the Project or under this Agreement.

9.13 Construction of Agreement. The Parties acknowledge that they thoroughly have reviewed this Agreement and bargained over its terms. Accordingly, this Agreement shall be construed without regard to the Party or Parties responsible for its preparation and shall be deemed to have been prepared jointly by the Parties.

9.14 Cumulative Rights and Remedies. The rights and remedies provided in this Agreement and all other rights and remedies available to either Party at law or in equity are, to the extent permitted by law, cumulative and not exclusive of any other right or remedy now or hereafter available at law or in equity. Neither asserting a right nor employing a remedy shall preclude the concurrent assertion of any other right or employment of any other remedy, nor shall the failure to assert any right or remedy constitute a waiver of that right or remedy.

9.15 Headings. All headings in this Agreement are included solely for convenient reference, are not intended to be full and accurate descriptions of the contents of this Agreement, shall not be deemed a part of this Agreement, and shall not affect the meaning or interpretation of this Agreement.

9.16 Amendments. This Agreement may be modified or amended only by written agreement of the Parties.

9.17 English Language. The Parties shall use the English language in all communications relating to this Agreement, and the English language version of this Agreement signed by the Parties shall control over any and all translations.

9.18 Entire Agreement. This Agreement, together with any supporting documents recited herein, constitutes the entire agreement between the Parties concerning the subject matter of this Agreement and supersedes all prior agreements between the Parties concerning the subject matter hereof.

9.19 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in two counterparts by their duly authorized representatives, each Party acknowledging receipt of one original.

DYADIC INTERNATIONAL, INC.

**BIOTECHNOLOGY DEVELOPMENTS
FOR INDUSTRY IN
PHARMACEUTICALS, S.L.U.**

By: /s/ Mark A. Emalfarb
Name: Mark A. Emalfarb
Title: Chief Executive Office
Date: 6-30-17

By: _____
Name: _____
Title: _____
Date: _____

Signature Page to Service Framework Agreement

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in two counterparts by their duly authorized representatives, each Party acknowledging receipt of one original.

DYADIC INTERNATIONAL, INC.

**BIOTECHNOLOGY DEVELOPMENTS
FOR INDUSTRY IN
PHARMACEUTICALS, S.L.U.**

By: _____
Name: _____
Title: _____
Date: _____

By: /s/ Emilio Gutienna
Name: Emilio Gutienna
Title: Attorney
Date: 30-6-2017

Signature Page to Service Framework Agreement

**EXHIBIT A
KEY PERSONS**

[*]

A-1

EXHIBIT B
FORM OF STATEMENT OF WORK
Statement of Work No. []

to

Service Framework Agreement

Overview of Statement of Work	
Work Related To	[insert general description of task and/or compound being studies]
Timeline	[From [date] to [date]] or [_____ weeks]
Total SOW Value	[Insert total cost in Euros]
Payment Schedule	[50%] upon execution of this agreement [40%] upon delivery of draft report [10%] upon delivery of final report
BDI Pharmaceuticals contact	[insert name and contact details of BDI Pharmaceuticals project manager]
Sponsor contact	[insert name and contact details of Sponsor project manager]
Sponsor Materials	See Exhibit 1 for a list of Sponsor Materials to be provided hereunder for use in performing the Project
Genetic Tools	See Exhibit 2 for a list of Genetic Tools to be provided hereunder for use in performing the Project

THIS STATEMENT OF WORK (the "**SOW**") is by and between Dyadic International, Inc., [on behalf of _____ ("**Sponsor**") and Biotechnology Developments for Industry in Pharmaceuticals, S.L.U. ("**BDI Pharmaceuticals**") and upon execution this SOW will be incorporated into the Service Framework Agreement between Sponsor and BDI Pharmaceuticals dated June ___, 2017 (the "**Agreement**"). Capitalized terms in this SOW will have the same meaning as set forth in the Agreement.

This SOW provides an outline of the tasks related to the testing of [insert] (the "**Project**") that will be performed by BDI Pharmaceuticals based on the direct request and funding support by Sponsor in the amount of \$ [insert total cost in Euros].

1. DELIVERABLES

The key deliverables of BDI Pharmaceuticals under this SOW are [insert]. A draft report is due before or on [date] and the final report due ten (10) days after receiving comments and discussion from Sponsor.

2. SERVICES

2.1 [INSERT PROJECT TITLE IN ALL CAPS]

Project Investigator: [Insert name and contact details]

2.1.1 **Objective 1:** [Insert first project objective] [Make duplicate copies of this Section 2.1.1 as needed]

The following table sets forth the supported tasks, their durations and costs.

[Below is an example table to be filled in to break the project down into subpart tasks, duration and cost]

Task Number	Task Description	Duration	Cost
Task 1.1			
Task 1.2			
Task 1.3			
Task 1.4			
Task 1.5			
Task 1.6			

3. PROJECT PROGRESS TRACKING

BDI Pharmaceuticals shall provide [bi-weekly] progress reports with all completed units of work (study reports, etc.) attached to the reports as exhibits.

4. COMPENSATION

Payments shall be made in accordance with the following schedule:

- €[] upon execution of this agreement
- €[] upon delivery of draft progress report
- €[] upon delivery of draft progress report

Payment can be made by sending a check or wire transfer to in accordance with the terms set forth in the

Agreement the account listed below.

[Insert BDI Pharmaceuticals wire transfer information]

Any increase to the price of any above listed activity shall be agreed upon by the parties in writing.

5. CONFIDENTIAL INFORMATION / ARCHIVE

All materials (e.g., protocol, raw data, reports) received by BDI Pharmaceuticals due to performance hereunder will be archived shall be deemed Confidential Information of Sponsor in accordance with Article 5 of the Agreement and shall be archived in accordance with Section 3.4 of the Agreement. All study samples shall be stored in accordance with Sponsor protocol after study completion.

6. MISCELLANEOUS

All terms and conditions of the Agreement remain the same, except as modified herein. The work described in this SOW will be done in strict accordance with any protocol provided by Sponsor for such work or agreed to by Sponsor. This SOW is incorporated into and made a part of the Agreement. This SOW may be executed in one or more duplicate counterparts, each of which shall be deemed an original, but which collectively shall constitute one and the same instrument. Any term or provision of this SOW may be amended, and the observance of any term of this Agreement may be waived, only by a Change Order signed by both parties to be bound thereby.

[Signatures Follow]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have caused this SOW to be executed by their duly authorized representatives as of the [date].

SPONSOR:

DYADIC INTERNATIONAL, INC.

BIOTECHNOLOGY DEVELOPMENTS FOR
INDUSTRY IN PHARMACEUTICALS, S.L.U.

By:
Name: Mark Emalfarb
Title: Chief Executive Office

By: _____
Name:
Title:

EXHIBIT 1
SPONSOR MATERIALS

[Insert list of Sponsor Materials to be Provided for use in performing the Project.]

EXHIBIT 2
GENETIC TOOLS

[Insert list of Genetic Tools to be Provided for use in performing the Project.]

**CHANGE ORDER No. ____ TO
STATEMENT OF WORK No. ____**

Upon execution hereof, this Change Order No. _ to Statement of Work No. _ (this "**Change Order**") shall amend and supersede the terms of that certain Statement of Work between BDI Pharmaceuticals and Sponsor dated as of, 20__ ("**SOW No. _**") with respect to the subject matter hereof.

[INSERT REVISED TERMS]

Effect of Change Order. Except as expressly amended herein, the terms of SOW No. __ shall remain unchanged and in full force and effect. This Change Order shall be subject to the terms and conditions of that certain Service Framework Agreement between BDI Pharmaceuticals and Sponsor.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have caused this SOW to be executed by their duly authorized representatives as of the [date].

SPONSOR:

DYADIC INTERNATIONAL, INC.

BIOTECHNOLOGY DEVELOPMENTS FOR
INDUSTRY IN PHARMACEUTICALS, S.L.U.

By:

Name: Mark Emalfarb
Title: Chief Executive Office

By: _____

Name:
Title:

**Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
and Securities and Exchange Commission Release 34-46427**

I, Mark A. Emalfarb, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dyadic International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023
By: /s/ Mark A. Emalfarb
Name: Mark A. Emalfarb
Title: Chief Executive Officer

**Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
and Securities and Exchange Commission Release 34-46427**

I, Ping W. Rawson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dyadic International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023
By: /s/ Ping W. Rawson
Name: Ping W. Rawson
Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Dyadic International, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark A. Emalfarb, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2023
By: /s/ Mark A. Emalfarb

Name: Mark A. Emalfarb
Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Dyadic International, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ping W. Rawson, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2023
By: /s/ Ping W. Rawson

Name: Ping W. Rawson
Title: Chief Financial Officer