



**DYADIC INTERNATIONAL, INC.**  
**140 Intracoastal Pointe Drive, Suite 404**  
**Jupiter, Florida 33477**  
**(561) 743-8333**

Dear Shareholder:

You are cordially invited to attend the 2018 Annual Meeting of Shareholders of Dyadic International, Inc. ("Dyadic"), which will be held on Wednesday, June 6, 2018 at 10 a.m. local time, at the Wyndham Grand Jupiter at Harbourside Place, 122 Soundings Avenue, Jupiter, Florida 33477.

At the meeting, you will be asked to consider and vote on the proposals described in the Notice of 2018 Annual Meeting of Shareholders and Proxy Statement which accompany this letter. We urge you to read these materials carefully. Following the meeting, management will be pleased to answer your questions.

We hope that you will be able to attend the annual meeting in person, but in all events, we ask that you please vote your shares using the internet or a toll-free telephone number, or by completing and mailing the proxy card in the postage-paid envelope provided to ensure that your shares will be represented at the meeting. Instructions on using each of these voting methods are outlined in the proxy statement. If you hold shares through a broker or other nominee, you should follow the procedures provided by your broker or nominee.

On behalf of the board of directors, I would like to express our appreciation for your continued support and interest in Dyadic International, Inc. We look forward to seeing you at the annual meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Emalfarb", with a checkmark at the end.

Mark Emalfarb  
*President and Chief Executive Officer*  
*Corporate Secretary*

Jupiter, Florida  
April 13, 2018





**NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON WEDNESDAY, JUNE 6, 2018**

To the Shareholders of Dyadic International, Inc.:

NOTICE IS HEREBY GIVEN that the 2018 Annual Meeting of Shareholders of Dyadic International, Inc., a Delaware corporation ("Dyadic," "we," "us," "our", or the "Company"), will be held on Wednesday, June 6, 2018 at 10 a.m. local time at the Wyndham Grand Jupiter at Harbourside Place, 122 Soundings Avenue, Jupiter, Florida 33477, for the following purposes, as more fully described in the Proxy Statement accompanying this Notice:

1. To elect two Class II directors to our Board of Directors to serve until the Company's 2021 Annual Meeting of Shareholders or until their successors are duly elected and qualified;
2. To ratify the appointment of Mayer Hoffman McCann P.C., as the Company's independent registered public accounting firm for the year ending December 31, 2018;
3. To approve a proposal to amend Dyadic's Restated Certificate of Incorporation to effect a reverse stock split (the "Reverse Stock Split") of the Company's issued and outstanding shares of common stock at a ratio up to 1-for-4 and effective upon a date, in each case, to be determined by the Company's board of directors (the "Board"); and
4. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on April 9, 2018 are entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof. The stock transfer books of the Company will remain open between the record date and the date of the meeting. A list of shareholders entitled to vote at the Annual Meeting will be available for inspection at the Annual Meeting and prior thereto at our principal executive offices.

A proxy card together with our proxy statement solicited by our Board of Directors are enclosed herewith.

All shareholders are cordially invited to attend the Annual Meeting in person. We encourage shareholders to vote in advance of the Annual Meeting. Whether or not you expect to attend the Annual Meeting, please promptly cast your vote in one of the manner described below:

- *Vote by Internet.* Record holders can vote online through [www.cstproxyvote.com](http://www.cstproxyvote.com), prior to 11:59 p.m., Eastern Time, on Tuesday, June 5, 2018. Have the control number on your proxy card available when you access the above website. Follow the prompts to vote your shares.
- *Vote by Telephone.* Record holders can vote by phone by calling (866) 894-0536 (available 24 hours a day) prior to 11:59 p.m., Eastern Time, on Tuesday, June 5, 2018. Have the control number on your proxy card available when you call. Follow the voting instructions to vote your shares.
- *Vote by Mail.* Record holders can vote by mail if they received a printed copy of the proxy card. Complete and mail that proxy card in the postage-paid envelope provided. If you are a shareholder of record and you choose to vote by mail, your vote will be counted so long as it is received prior to the closing of the polls at the meeting, but we urge you to complete, sign, date and return the proxy card as soon as possible.

You need only vote in one way (so that, if you vote by internet or telephone, you need not return the proxy card).

If you hold your shares through a broker, bank or other nominee, you should receive separate voting instructions from the firm holding your shares describing the procedure for voting those shares. You may complete and mail a voting instruction card to your broker or nominee or, in most cases, submit voting instructions by telephone or the Internet to your broker or nominee. If you provide specific voting instructions by mail, telephone or the Internet, your broker or nominee will vote your shares as you have directed.

Should you receive more than one proxy because your shares are registered in different names and addresses, each proxy should be signed and returned to ensure that all of your shares will be voted. You may submit your proxy and then later decide to attend the Annual Meeting to vote your shares in person. Your proxy is revocable in accordance with the procedures set forth in the attached proxy statement.

By order of the Board of Directors,  
**DYADIC INTERNATIONAL, INC.**



Mark Emalfarb  
*President and Chief Executive Officer*  
*Corporate Secretary*

Jupiter, Florida  
April 13, 2018

#### IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

*This Notice of Meeting, Proxy Statement and our Annual Report for the fiscal year ended December 31, 2017, are available online at <http://www.dyadic.com/investors/proxy-statements> and can be accessed at <http://www.cstproxy.com/dyadic/2018>.*

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**DYADIC INTERNATIONAL, INC.**  
**140 Intracoastal Pointe Drive, Suite 404**  
**Jupiter, Florida 33477**  
**(561) 743-8333**

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**PROXY STATEMENT**

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**2018 ANNUAL MEETING OF SHAREHOLDERS**

**JUNE 6, 2018**

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This proxy statement contains information related to the 2018 Annual Meeting of our shareholders to be held on Wednesday, June 6, 2018 at 10 a.m. local time at Wyndham Grand Jupiter at Harbourside Place, 122 Soundings Avenue, Jupiter, Florida 33477, and at any adjournments or postponements thereof. The approximate date that this proxy statement, the accompanying notice of annual meeting and the enclosed form of proxy are first being mailed to shareholders is May 10, 2018. We are furnishing this proxy statement to shareholders of the Company as part of the solicitation of proxies by the Company's board of directors for use at the Annual Meeting.

The Company's common stock is not presently registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the Exchange Act) and as a result, the Company is not subject to the proxy solicitation rules promulgated under the Exchange Act. This proxy statement is being provided on a voluntary basis in order to describe the proposals to be voted on at the Annual Meeting and does not contain all of the information required by the proxy rules under the Exchange Act.

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**ABOUT THE ANNUAL MEETING**

*What is the purpose of the Annual Meeting?*

At the Annual Meeting, we are asking shareholders:

- To elect two Class II directors for a term ending in 2021;
- To ratify the appointment of Mayer Hoffman McCann P.C., (MHM), as our independent registered public accounting firm for the year ending December 31, 2018;
- To approve a proposal to amend Dyadic's Restated Certificate of Incorporation to effect a reverse stock split (the "Reverse Stock Split") of the Company's issued and outstanding shares of common stock at a ratio up to 1-for-4 and effective upon a date, in each case, to be determined by the Company's board of directors (the "Board"); and
- To transact such other business properly brought before the meeting and any adjournment or postponement of the meeting.

*Who is entitled to notice of and to vote at the Annual Meeting?*

You are entitled to vote, in person or by proxy, at the Annual Meeting if you owned shares of our common stock as of the close of business (5:00 p.m. Eastern Time) on April 9, 2018, the record date of the Annual Meeting. Holders of record of our common stock on the record date are entitled to one vote per share at the Annual Meeting.

*Who can attend the meeting?*

All shareholders as of the record date, or their duly appointed proxies, may attend. Please note that if you hold shares in street name (through a stockbroker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date. At the Annual Meeting registration desk, you will be asked to present a valid form of government-issued personal identification such as a driver's license or passport. Cameras and other recording devices will not be permitted at the Annual Meeting.

*What shares may I vote?*

You may vote all shares you owned as of the record date. These include: (1) shares owned directly in your name as the shareholder of record; and (2) shares held for you as the beneficial owner through a stockbroker, bank or other nominee.

*What is the difference between holding shares as a shareholder of record and as a beneficial owner?*

Most of our shareholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some differences between shares held of record and those beneficially owned.

If our shares are registered directly in your name with our transfer agent, Continental Stock Transfer & Trust Company, you are considered the shareholder of record with regard to those shares. As the shareholder of record, you have the right to grant your proxy directly to us to vote your shares on your behalf at the meeting or the right to vote in person at the meeting. We have enclosed a proxy card for you to use.

If you hold our shares in a stock brokerage account or through a bank or other nominee, you are considered the "beneficial owner" of the shares held in "street name", and these proxy materials have been forwarded to you by your stockbroker or nominee. As the beneficial owner, you have the right to direct your stockbroker or nominee how to vote and are also invited to attend the Annual Meeting so long as you bring a copy of a brokerage statement reflecting your ownership as of the record date. However, because you are not the shareholder of record, you may not vote these shares in person at the meeting unless you obtain a signed proxy from your stockbroker or nominee giving you the right to vote the shares. Your stockbroker or nominee should provide a voting instruction card for you to use to direct your stockbroker or nominee how to vote these shares.

*How do I vote?*

Shareholders at the close of business on April 9, 2018, can vote at the Annual Meeting in person or via proxy in the manner described herein.

Any shareholder who holds shares in "street name" through a broker, bank or other nominee should receive separate instructions from the firm holding his or her shares describing the procedure for voting those shares. You should follow the voting instructions provided by your broker, bank or other nominee when voting your shares. You may complete and mail a voting instruction card to your broker or nominee or, in most cases, submit voting instructions by telephone or the Internet to your broker or nominee. If you provide specific voting instructions by mail, telephone or the Internet, your broker or nominee will vote your shares as you have directed.



Shareholders of record may vote by proxy in four ways:

- *Vote by Internet.* Record holders can vote online through [www.cstproxyvote.com](http://www.cstproxyvote.com), prior to 11:59 p.m., Eastern Time, on Tuesday, June 5, 2018. Have the control number on your proxy card available when you access the above website. Follow the prompts to vote your shares.
- *Vote by Telephone.* Record holders can vote by phone by calling (866) 894-0536 (available 24 hours a day) prior to 11:59 p.m., Eastern Time, on Tuesday, June 5, 2018. Have the control number on your proxy card available when you call. Follow the voting instructions to vote your shares.
- *Vote by Mail.* Record holders can vote by mail if they received a printed copy of the proxy card. Complete and return that proxy card in the postage-paid envelope provided. If you are a shareholder of record and you choose to vote by mail, your vote will be counted so long as it is received prior to the closing of the polls at the meeting, but we urge you to complete, sign, date and return the proxy card as soon as possible.
- *Vote in Person.* You may attend the annual meeting and cast your vote in person.

You need only vote in one way (so that, if you vote by internet or telephone, you need not return the proxy card).

If you have any questions about how to vote or direct a vote in respect of your Dyadic common stock, you may contact either our corporate office at 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477, Attention: Heidi Zosiak, telephone: (561) 743-8333 or Continental Stock Transfer & Trust Company, 1 State Street, 30th Floor, New York, New York 10004, telephone: (212) 509-4000.

*Can I change my vote after I return my proxy card?*

Yes. Even after you have submitted your proxy card, you may change your vote at any time before the proxy is exercised by filing with our Secretary either a notice of revocation or a duly executed proxy card bearing a later date. In such event, the later submitted vote will be recorded and the earlier vote revoked. The powers of the proxy holders will be suspended if you are a holder of record and attend the meeting in person and so request although attendance at the meeting will not by itself revoke a previously granted proxy.

If your shares are held in street name, you should contact the institution that holds your shares to change your vote.

*Is my vote confidential?*

Yes. All votes remain confidential, unless you provide otherwise.

*How are votes counted?*

Before the Annual Meeting, our Board of Directors will appoint one or more inspectors of election for the meeting. The inspector(s) will determine the number of shares represented at the meeting, the existence of a quorum and the validity and effect of proxies. The inspector(s) will also receive, count, and tabulate ballots and votes and determine the results of the voting on each matter that comes before the Annual Meeting.

Abstentions and votes withheld, and shares represented by proxies reflecting abstentions or votes withheld, will be treated as present for purposes of determining the existence of a quorum at the Annual Meeting. They will not be considered as votes for or against any matter for which the shareholder has indicated their intention to abstain or withhold their vote. Broker or nominee non-votes, which occur when shares held in street name by brokers or nominees who indicate that they do not have discretionary authority to vote on a particular matter, will not be considered as votes

for or against that particular matter. Broker and nominee non-votes will be treated as present for purposes of determining the existence of a quorum, and may be entitled to vote on certain matters at the Annual Meeting.

*What percentage of our outstanding common stock do our directors and executive officers own?*

As of April 9, 2018, our directors and executive officers owned, or have the right to acquire within 60 days through the exercise of option, approximately 19.7% of our outstanding common stock. See the discussion under the heading Security Ownership of Certain Beneficial Owners and Managements below for more details.

*Who was our independent public accountant for the year ended December 31, 2017? Will they be represented at the Annual Meeting?*

Mayer Hoffman McCann P.C is the independent registered public accounting firm that audited our financial statements for the year ended December 31, 2017. We expect a representative of Mayer Hoffman McCann P.C. to be present at the Annual Meeting. The representative will have an opportunity to make a statement and will be available to answer your questions.

*What are the board's recommendations?*

The board recommends a vote FOR:

- The nominees for Class II directors;
- The proposal to ratify the appointment of Mayer Hoffman McCann P.C. (MHM), as our independent registered public accounting firm for the year ending December 31, 2018; and
- To approve the reverse stock split, effective upon a date to be determined by the Board.

Unless you give other instructions on your proxy card, the person named as a proxy on the proxy card will vote FOR the nominees for Class II directors and the other proposal.

We do not expect that any other matters will be brought before the Annual Meeting. If, however, other matters are properly presented, the persons named as proxies will vote the shares represented by properly executed proxies in accordance with their judgment with respect to those matters, including any proposal to adjourn or postpone the Annual Meeting. No proxy that is voted against all of the proposals will be voted in favor of any adjournment or postponement of the Annual Meeting for the purpose of soliciting additional proxies.

*What constitutes a quorum?*

If a majority of the shares of our common stock outstanding on the record date is represented either in person or by proxy at the Annual Meeting, a quorum will be present at the Annual Meeting. Shares held by persons attending the Annual Meeting but not voting, and shares represented in person or by proxy and for which the holder has abstained from voting, will be counted as present at the Annual Meeting for purposes of determining the presence or absence of a quorum.

A stockbroker that holds shares in nominee or street name for a customer who is the beneficial owner of those shares may be prohibited from giving a proxy to vote those shares on any proposal to be voted on at the Annual Meeting without specific instructions from such customer with respect to such proposal. Accordingly, if a stockbroker receives voting instructions from a customer with respect to one or more, but not all, of the proposals to be voted on at the Annual Meeting, the shares beneficially owned by such customer will not constitute votes cast or shares entitled to vote with respect to any proposal for which the customer has not provided voting instructions to the stockbroker. These so-called broker non-votes will be counted as present at the Annual Meeting for purposes of determining whether a quorum exists.

Applicable stock exchange rules determine whether a proposal presented at a shareholder meeting is routine or non-routine. If a proposal is routine, a broker or other entity holding shares for an owner in street name may vote on the proposal without receiving voting instructions from the beneficial owner. If a proposal is non-routine, the broker or other entity may vote on the proposal only if the beneficial owner has provided voting instructions. A broker non-vote occurs when a broker or other entity is unable to vote on a particular proposal and the broker or other entity has not received voting instructions from the beneficial owner. The election of directors is considered a non-routine proposal. The proposals to ratify the appointment of MHM to serve as our independent auditor and to approve reverse stock split are considered routine proposals.

*What vote is required to approve the proposals?*

**Proposal 1: Election of Class II Directors.** The affirmative vote of a plurality of the votes cast, either in person or by proxy, at the Annual Meeting is required for the election of the Class II director nominees. You may vote for or withheld with respect to the election of either director. Only votes for or withheld are counted in determining whether a plurality has been cast in favor of a director. Abstentions are not counted for purposes of the election of directors, although they are counted for purposes of determining whether there is a quorum. Shareholders do not have the right to cumulate their votes for directors.

**Proposal 2: Ratification of Appointment of MHM as our Independent Registered Public Accounting Firm.** The affirmative vote of the holders of a majority of all shares casting votes, either in person or by proxy, at the Annual Meeting is required to ratify the appointment of MHM as our independent registered public accounting firm for the fiscal year ending December 31, 2018. We are not required to submit this matter to a vote of shareholders for ratification, however, our board of directors is doing so, based upon the recommendation of its audit committee, as a matter of good corporate practice. A properly executed proxy marked abstain with respect to this proposal will not be voted, although it will be counted for purposes of determining whether there is a quorum. Abstentions and broker non-votes will have the same effect as a vote against this proposal.

**Proposal 3: Proposal to approve the Reverse Stock Split.** The proposal to approve the Reverse Stock Split requires the affirmative vote of the holders of at least a majority of the shares of Dyadic common stock outstanding and entitled to vote thereon at the annual meeting; provided, that if the Board of Directors changes its recommendation to shareholders regarding the proposal to approve the Reverse Stock Split, the affirmative vote of the holders of at least sixty-six and two-thirds percent of the voting power of all of the then outstanding shares of Dyadic's voting common stock, voting together as a single class, will be required to approve the Reverse Stock Split. Abstentions and shares not in attendance and not voted at the Annual Meeting will have the same effect as a vote against the proposal to approve the Reverse Stock Split.

**Other Items.** In the event other items are properly brought before the Annual Meeting, the affirmative vote of a majority of the votes cast, either in person or by proxy, at the meeting will be required for approval. A properly executed proxy marked abstain with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote.

*Who pays for the preparation of the proxy and soliciting proxies?*

We will pay the cost of preparing, assembling and mailing the proxy statement and the accompanying Notice of Annual Meeting and proxy card. In addition to the use of mail, our directors, officers and employees may solicit proxies by telephone or other electronic means or in person. These persons will not receive additional compensation for soliciting proxies. Arrangements also will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of stock held of record by these persons, and we will reimburse them for reasonable out-of-pocket expenses.

*What should I have received to enable me to vote?*

In addition to this proxy statement, you should have received the accompanying Notice of Annual Meeting and proxy card. The mailing date of these materials is on or about May 10, 2018.

*How can I obtain additional copies?*

The Notice of Meeting, Proxy Statement and our Annual Report for the fiscal year ended December 31, 2017, are available online at <http://www.dyadic.com/investors/proxy-statements> and may be accessed at <http://www.cstproxy.com/dyadic/2018>.

For additional copies of this proxy statement and the enclosed proxy card, please contact either our corporate office at 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477, Attention: Heidi Zosiak, telephone: (561) 743-8333 or Continental Stock Transfer & Trust Company, 1 State Street, 30th Floor, New York, New York 10004, telephone: (212) 509-4000.

## CORPORATE GOVERNANCE AND RELATED MATTERS

### General

The following discussion summarizes certain corporate governance matters relating to the Company, including information about director independence, Board and Committee structure, function and composition, charters, policies and procedures. For additional information on the Company's corporate governance, including copies of the charters approved by the Board for the Audit Committee, the Compensation Committee, the Nominating Committee, the Science and Technology Committee, and the Company's Code of Conduct and Ethics, please visit the Investor Relations section of the Company's web site at <http://www.dyadic.com/investors> under Corporate Governance.

### Board of Directors and Committees

#### *Board of Directors*

The Board is responsible for directing and overseeing the business and affairs of the Company. The Board represents the Company's shareholders and its primary purpose is to build long-term shareholder value. The Board meets on a regularly scheduled basis during the year to review significant developments affecting the Company and to act on matters that, in accordance with good corporate governance, require Board approval. It also holds annual meetings and acts by unanimous written consent when an important matter requires Board action between scheduled meetings. The board of directors held five (5) meetings during 2017 and each of our directors attended all of those meetings in person or by teleconference except for the May 31, 2017 meeting which Dr. Seth J. Herbst was unable to attend.

We have a classified board of directors currently fixed at six members. The board has four committees: Audit, Compensation, Nominating, and Science and Technology. Michael P. Tarnok serves as Chairman of the Board of Directors and Mark A. Emalfarb as President and Chief Executive Officer of the Company.

#### *Independence of Directors*

We are not currently listed on any national securities exchange that has a requirement that any members of the board of directors be independent. However, in evaluating the independence of its members and the composition of the committees of the board of directors, the board utilizes the definition of independence as that term is defined by the rules promulgated by the NYSE and NASDAQ, as applicable, and as the term is defined by the SEC for audit committee members. We believe that Drs. Herbst, Bose and Buckland, as well as Messrs. Kaye and Tarnok qualify as independent directors, as that term is defined by NYSE and NASDAQ rules and as defined by the SEC rules for audit committee membership.

As part of each regularly scheduled Board meeting, our independent directors have the opportunity to meet without our management or the other directors. Our independent Chairman leads such discussions.

#### *Committees of the Board*

The Board has established an Audit Committee, a Compensation Committee, a Nominating Committee and a Science and Technology committee to devote attention to specific subjects and to assist the Board in the discharge of its responsibilities. Currently, Mr. Kaye serves as Chairman of the Audit Committee, Mr. Tarnok serves as Chairman of the Compensation Committee, Dr. Herbst serves as Chairman of the Nominating Committee, and Dr. Bose serves as Chairman of the Science and Technology Committee.

***Audit Committee.*** The Audit Committee held five (5) meetings during the year ended December 31, 2017. The Audit Committee has oversight responsibility for quality and integrity of our consolidated financial statements. A copy of the Charter of the Audit Committee is available on our website, located at [www.Dyadic.com](http://www.Dyadic.com). The committee meets privately with members of our independent registered public accounting firm, has the sole authority to retain and dismiss the independent registered public accounting firm and reviews its performance and independence from management. The

independent registered public accounting firm has unrestricted access and reports directly to the committee. The primary functions of the Audit Committee are to oversee (i) the audit of our consolidated financial statements and (ii) our internal financial and accounting processes.

The SEC, NYSE and NASDAQ have established rules and regulations regarding the composition of audit committees and the qualifications of audit committee members. Although we are not required to comply with SEC, NYSE and NASDAQ rules, our Board of Directors has examined the composition of our Audit Committee and the qualifications of our Audit Committee members in light of the current rules and regulations governing audit committees. Based upon this examination, our Board of Directors has determined that each member of our Audit Committee is independent and is otherwise qualified to be a member of our Audit Committee in accordance with the rules of the SEC, NYSE and NASDAQ.

Additionally, the SEC requires that at least one member of the audit committee have a heightened level of financial and accounting sophistication. Such a person is known as the audit committee financial expert under the SEC's rules. Although we are not required to comply with SEC, NYSE and NASDAQ rules, our Board of Directors has determined that Mr. Kaye is an audit committee financial expert, as the SEC defines that term, and is an independent member of our Board of Directors and our Audit Committee. Please see Mr. Kaye's biography included in this proxy statement for a description of his relevant experience.

**Compensation Committee.** The Compensation Committee held four (4) meetings during the year ended December 31, 2017. The duties and responsibilities of the Compensation Committee are set forth in the Charter of the Compensation Committee. A copy of the Charter of the Compensation Committee is available on our website, located at [www.Dyadic.com](http://www.Dyadic.com). As discussed in its charter, among other things, the duties and responsibilities of the Compensation Committee include evaluating the performance of the Chief Executive Officer, Chief Financial Officer and other key personnel of the Company, including, but not limited to, our incentive and equity-based plans. The Compensation Committee evaluates the performance of the Chief Executive Officer, Chief Financial Officer and other key personnel of the Company on an annual basis and reviews and approves on an annual basis all compensation programs and awards relating to such officers and key personnel. The Compensation Committee applies discretion in the determination of individual executive compensation packages to ensure compliance with the Company's compensation philosophy. The Chief Executive Officer makes recommendations to the Compensation Committee with respect to the compensation packages for officers other than himself.

**Nominating Committee.** The Nominating Committee held two (2) meeting during the year ended December 31, 2017. The Nominating Committee's functions include: establishing criteria for the selection of new directors to serve on the board of directors; identifying individuals believed to be qualified as candidates to serve on the board of directors; recommending for selection by the board of directors the candidates for all directorships to be filled by the board of directors or by the shareholders at an annual or special meeting; reviewing the board of directors' committee structure and recommending to the board of directors the directors to serve on the committees of the board; recommending members of the board of directors to serve as the respective chairs of the committees of the board of directors; developing and recommending to the board of directors, for its approval, an annual self-evaluation process of the board of directors and its committees and, based on those results, making recommendations to the board of directors regarding those board processes; and performing any other activities consistent with the committee's charter, our bylaws and applicable law as the committee or the board of directors deems appropriate. A copy of the Charter of the Nominating Committee is available on our website, located at [www.Dyadic.com](http://www.Dyadic.com).

The Nominating Committee does not currently have any formal minimum qualification requirements that must be met by a nominee to serve as a member of the board of directors. The Nominating Committee will take into account all factors it considers appropriate, which may include experience, accomplishments, education, understanding of the business and the industries in which we operate, specific skills, general business acumen and the highest personal and professional integrity. The Nominating Committee generally seeks individuals with broad experience at the policy-making level in business, or with particular industry expertise. While we do not have a formal diversity policy for board membership, we look for potential candidates that help ensure that the board of directors has the benefit of a wide range of attributes. We believe that all of our directors should be committed to enhancing shareholder value and should have

sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Each director must also represent the interests of all shareholders.

The Nominating Committee currently has no fixed process for identifying new nominees for election as a director, thereby retaining the flexibility to adapt its process to the circumstances. The Nominating Committee has the ability, if it deems it necessary or appropriate, to retain the services of an independent search firm to identify new director candidates. The Nominating Committee has determined that it will give consideration to any potential candidate proposed by a member of our board or senior management. Any director candidate so proposed will be personally interviewed by at least one member of the Nominating Committee and our Chief Executive Officer and their assessment of his or her qualifications will be provided to the full Nominating Committee. For the 2017 Annual Meeting, the nominating committee received no proposals for new director candidates, and considered and nominated the incumbent Class I directors to serve as the nominees for re-election.

Our policy and procedures regarding director candidates recommended by shareholders are contained in the Nominating Committee's charter. The Nominating Committee may consider for inclusion in its nominations for new directors any candidates recommended by shareholders, but must consider any candidate for director recommended by (i) any shareholder beneficially owning more than 5% of our outstanding common stock for at least one year as of the date the recommendation was made or (ii) a group of shareholders that beneficially owned, in the aggregate, more than 5% of our outstanding common stock, with each of the shares used to calculate that ownership held for at least one year as of the date the recommendation was made. The Nominating Committee will consider the candidate based on the same criteria established for selection of director nominees generally. The Nominating Committee reserves the right to reject any candidate in its discretion, including, without limitation, rejection of a candidate who has a special interest agenda other than the best interests of the Company and the shareholders, generally. Any shareholder who wishes to recommend for the Nominating Committee's consideration a director candidate should abide by the following procedures:

- Submit the following written information about the candidate by mail to the Nominating Committee, c/o Dyadic International, Inc., 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477, Attention: Chair of Nominating Committee, the name, mailing address, telephone number, e-mail address, resume, business history, listing of other past and present directorships and director committees, any biotech industry experience and other relevant information;
- Explain in the submission why the shareholder believes the candidate would be an appropriate member of our board of directors and the benefits and attributes that the candidate will provide to us in serving as a director;
- Provide evidence of the submitting party's requisite ownership of our common stock along with the recommendation; and
- Indicate whether we may identify the shareholder in any public disclosures that we make regarding the consideration of the director candidate.

For a director candidate to be considered by the Nominating Committee for nomination at the 2018 Annual Meeting of Shareholders, the submission must have been received by us no later than March 9, 2018. No such submissions were received.

***Science and Technology Committee.*** On March 14, 2018, our board of directors approved the formation of Science and Technology Committee to periodically examine management's strategic direction and investments in the Company's biopharmaceutical research and development and technology initiatives. The duties and responsibilities of the Science and Technology Committee are set forth in the Charter of the Science and Technology Committee. A copy of the Charter of the Science and Technology Committee is available on our website located at [www.Dyadic.com](http://www.Dyadic.com). As discussed in its charter, among other things, the duties and responsibilities of the Science and Technology Committee are following:

- 1) Review, evaluate and report to the Board regarding the performance of the Vice-President, Research and Development (and, his or her team), the contract research organizations being considered or working on behalf of the Company in achieving the strategic goals and objectives and the quality and direction of the Company's biopharmaceutical research and development programs.
- 2) Identify and discuss significant emerging science and technology issues and trends.
- 3) Review the Company's approaches to acquiring and maintaining a range of distinct technology positions (including but not limited to contracts, grants, collaborative efforts, alliances and capital investments).
- 4) Evaluate the soundness/risks associated with the technologies in which the Company is investing its research and development efforts.
- 5) Periodically review the Company's overall patent strategies.

### ***Shareholder Communications***

Our board of directors believes that it is important for our shareholders to have a process to send communications to the board. Accordingly, shareholders desiring to send a communication to the board of directors, or to a specific director, may do so by delivering a letter to the Secretary of the Company at 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477. The mailing envelope must contain a clear notation indicating that the enclosed letter is a "shareholder-director communication." All such letters must identify the author as the shareholder and clearly state whether the intended recipients of the letter are all of the members of our board of directors or certain specified individual directors. The Secretary will open such communications, make copies, and then circulate them to the appropriate director or directors.

### ***Policy Concerning Director Attendance at Annual Meetings of Shareholders***

While we encourage all members of our board of directors to attend our Annual Meeting of our shareholders, there is no formal policy as to their attendance at such meetings. All members of the board of directors attended the 2017 Annual Meeting of Shareholders.

### ***Code of Conduct and Ethics***

We have adopted a Code of Conduct and Ethics, or the Code, which applies to all of our directors and employees, including our principal executive officer and principal financial officer. The Code includes guidelines dealing with the ethical handling of conflicts of interest, compliance with federal and state laws, financial reporting, and our proprietary information. The Code also contains procedures for dealing with and reporting violations of the Code. We have posted our Code of Conduct and Ethics on our website, located at [www.Dyadic.com](http://www.Dyadic.com).

### ***Compensation of Directors***

Non-employee directors receive an annual retainer for board service of \$60,000, paid in equal monthly installments. A director serving as Chairman of the Board shall also receive an additional annual retainer of \$12,000, paid in equal monthly installments. An independent director who serves as Chair of the Company's Audit Committee shall also receive an additional annual retainer of \$9,600, paid in equal monthly installments. The annual stock option award for non-employee directors is 50,000 options. Newly appointed directors are issued 30,000 stock options in the first year. Directors who are also employees or officers of the Company or any of its subsidiaries do not receive any separate compensation as a director.

In August 2017, the Board granted a one-time 50,000 shares of stock options to Dr. Bose to recognize his special contribution to the Company's research and development activities. In January 2018, the Board granted 30,000 shares of stock option to Dr. Buckland for sign-on bonus plus a special one-time 20,000 shares of stock option as incentive to join our board. All options granted to directors vest 25% upon grant and the remaining 75% will vest annually in equal installments over four years.



The following table sets forth the total compensation earned by our non-employee directors for the fiscal year ended December 31, 2017:

Name	Fees earned or Paid in Cash	Stock Options Awards (# of shares)	Stock Options Awards (\$) (1)	Total
Michael P. Tarnok	\$ 72,000	50,000	\$ 81,500	\$ 153,500
Jack L. Kaye	\$ 69,600	50,000	\$ 81,500	\$ 151,100
Seth J. Herbst, M.D.	\$ 60,000	50,000	\$ 81,500	\$ 141,500
Arindam Bose, Ph.D.	\$ 60,000	100,000	\$ 153,000	\$ 213,000
Stephen J. Warner (2)	\$ 25,000	50,000	\$ 81,500	\$ 106,500

(1) The Stock Option Awards represented the grant date fair market value of each option granted in 2017, computed in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that will be recognized by the named directors. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our consolidated financial statements.

(2) Mr. Warner resigned from the Board of Directors of the Company on June 1, 2017. The Board of Directors approved the amendment to his previously granted equity awards by providing acceleration of the vesting dates and extension of the exercise period. The incremental costs of such modification were immaterial.

## COMPENSATION AND OTHER INFORMATION CONCERNING OFFICERS

For information regarding our executive officers' compensation and employment agreements, see Item 11, *The Name of the Chief Executive Officer, Members of the Board of Directors, as well as Control Persons*, of our 2017 Annual Report, which is furnished with this proxy statement.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information presented below regarding beneficial ownership of Dyadic common stock is based upon representations made to us by our directors, officers and other key personnel, and is not necessarily indicative of beneficial ownership for any other purpose. In the table below, we have deemed a person to be a "beneficial owner" of a security if that person has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security. Beneficial ownership includes any security with respect to which a person has the right to acquire sole or shared voting or investment power within 60 days through the conversion or exercise of any convertible security, warrant, option or other right. The table sets forth as to each director, executive officer, key personnel and beneficial holder of 5% or more of the outstanding Dyadic common stock as of April 9, 2018 and includes (1) the number of shares of Dyadic common stock beneficially owned and (2) the percent of total shares of Dyadic common stock outstanding that are beneficially owned.

The Dyadic common stock is not registered under the Securities Exchange Act of 1934, and our shareholders are not required to file certain stock ownership reports with the Securities and Exchange Commission. As a result, we have limited information about the owners of Dyadic common stock. The information presented below regarding ownership of Dyadic common stock is based upon information in our stock ledger and provided to us by our shareholders.

As of April 9, 2018, the Company has 38,936,988 shares of common stock issued and 28,060,811 shares of common stock outstanding with the remaining 10,876,177 shares held in treasury. The beneficial ownership table below includes those shares of common stock underlying options that are currently exercisable or exercisable within sixty (60) days of April 9, 2018, but excludes those shares issued or repurchased subsequent to April 9, 2018:

<b><u>Name and Address of Beneficial Owner (1)</u></b>	<b>Number of Common Shares Held</b>	<b>Options Exercisable within 60 Days</b>	<b>Number of Common Share Equivalents Beneficially Owned</b>	<b>Percentage of Common Share Equivalents Beneficially Owned (%) (2)</b>
<b><u>Five Percent Shareholders</u></b>				
Mark A. Emalfarb (3)	4,116,987	570,000	4,686,987	16.4%
The Francisco Trust U/A/D February 28, 1996 (4)	3,773,841	—	3,773,841	13.4%
Bandera Master Fund L.P. (5)	2,490,271	—	2,490,271	8.9%
SC Fundamental Value Fund, L.P. (6)	1,833,932	—	1,833,932	6.5%
<b><u>Named Executive Officers and Directors:</u></b>				
Mark A. Emalfarb (3)	4,116,987	570,000	4,686,987	16.4%
Michael P. Tarnok	188,929	120,625	309,554	1.1%
Jack L. Kaye	72,707	95,625	168,332	*
Seth J. Herbst, M.D.	—	245,625	245,625	*
Barry C. Buckland, Ph.D (7)	—	12,500	12,500	*
Arindam Bose, Ph.D	—	60,000	60,000	*
Ping W. Rawson (8)	18,500	9,223	27,723	*
Ronen Tchelet, Ph.D	—	250,000	250,000	*
Matthew S. Jones	—	40,000	40,000	*
<b>All current executive officers and directors as a group (9 persons)</b>	<b>4,397,123</b>	<b>1,403,598</b>	<b>5,800,721</b>	<b>19.7%</b>

\* Less than 1%

- (1) Except as otherwise noted, the address for each shareholder is c/o Dyadic International, Inc., 140 Intracoastal Pointe Drive, Suite 404, Jupiter, FL 33477.
- (2) Based on 28,060,811 shares of common stock outstanding as of April 9, 2018. Shares of common stock subject to options that are currently exercisable or exercisable within 60 days are deemed outstanding for purposes of computing the percentage of the person holding such options, but are not deemed outstanding for purposes of computing the percentage of any other person.
- (3) Includes 4,116,987 shares held by Mark A. Emalfarb beneficially through the MAE Trust, of which Mr. Emalfarb is the sole beneficiary and serves as sole trustee. In addition, Mr. Emalfarb holds 570,000 shares of common stock underlying options that are presently exercisable. The address of the MAE Trust is 193 Spyglass Court, Jupiter, 33477.
- (4) The trustee of the Francisco Trust is Adam Morgan, and the beneficiaries thereof are the spouse and descendants of Mark A. Emalfarb. The address of the Francisco Trust is 17236 Gulf Pine Circle, Wellington, Florida 33414. Mr. Emalfarb disclaims beneficial ownership of such shares.
- (5) The address is c/o Bandera Master Fund L.P., 50 Broad Street #1820, New York, NY 10004.
- (6) The address is c/o SC Fundamental LLC, 747 Third Avenue, 27th Floor, New York, NY 10017.
- (7) On January 3, 2018, the Company appointed Barry Buckland, Ph.D., to its Board of Directors, and granted 50,000 stock options with an exercise of \$1.39. The options vest 25% upon grant and the remaining 75% will vest annually in equal installments over four years.
- (8) The Company's former Chief Financial Officer, Thomas L. Dubinski, decided not to return from his medical leave of absence which was announced on March 15, 2018. Ping W. Rawson, the Company's Director of Financial Reporting since June 2016, was promoted to Chief Accounting Officer on March 14, 2018 and serves as the Company's principal financial officer and assumes responsibility for finance, tax and treasury.

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Our Board of Directors has determined that the Audit Committee is best suited to review and approve transactions with related persons. Prior to entering into a transaction with a related person, (a) the director, executive officer, nominee or significant holder who has a material interest (or whose immediate family member has a material interest) in the transaction or (b) the business unit or function/department leader responsible for the potential transaction with a related person is required to provide notice to the Chairman of the Audit Committee of the Company (Committee Chairman) of the material facts and circumstances of the potential transaction with a related person and such information concerning the transaction as the Committee Chairman may reasonably request. If the Committee Chairman determines that the proposed transaction is a related person transaction, the proposed related person transaction must be submitted to the Audit Committee for consideration at the next Audit Committee meeting or, in those instances in which the Committee Chairman determines that it is not practicable or desirable for the Company to wait until the next Audit Committee meeting, the Committee Chairman possesses delegated authority to act between Committee meetings.

The Audit Committee will consider all of the relevant facts and circumstances available to the Audit Committee, including (if applicable) but not limited to: (a) the benefits to the Company; (b) the availability of other sources for comparable products or services; (c) the terms of the transaction; and (d) the terms available to unrelated third parties or to employees generally. No member of the Audit Committee will participate in any review, consideration or approval of any related person transaction if such member, or any of his or her immediate family members, is the related person. The Audit Committee or Chairperson, as applicable, will convey the approval or disapproval of the transaction to the Chief Executive Officer or Secretary, who will convey the decision to the appropriate persons within the Company. The Chairperson of the Audit Committee will report to the Audit Committee at the next Audit Committee meeting any approval under this policy made by the chairperson pursuant to delegated authority.

In the event we become aware of a related person transaction that has not been previously approved or previously ratified under this procedure, and such transaction is pending or ongoing, it will be submitted to the Audit Committee or Chairperson, as applicable, promptly, and the Audit Committee or Chairperson will consider all of the relevant facts and circumstances available to the Audit Committee or the Chairperson as provided above. Based on the conclusions reached, the Audit Committee or Chairperson, as applicable, will evaluate all options, including but not limited to, ratification, amendment or termination of the related person transaction.

Additional information about Mark A. Emalfarb's interest in certain disputes relating to the Company can be found in Note 5 of our Consolidated Financial Statements dated December 31, 2017 and 2016, which were included in the Company's 2017 Issuer's Annual Report furnished with this proxy statement.

## **MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING**

### **PROPOSAL 1 - ELECTION OF CLASS II DIRECTORS**

#### **General**

We have a classified board of directors currently fixed at six members. Our board is divided into three classes currently consisting of two Class I directors, two Class II directors, and two Class III directors. One class of directors is elected each year at our Annual Meeting of Shareholders for an approximate three-year term. The term of the Class II directors expires at the 2018 Annual Meeting.

Our Nominating Committee is charged with identifying, evaluating and recommending director nominees to the full board of directors. There are no minimum qualifications for director. The Nominating Committee generally seeks individuals with broad experience at the policy-making level in business, or with particular industry expertise. While we do not have a formal diversity policy for board membership, we look for potential candidates that help ensure that the board of directors has the benefit of a wide range of attributes. We believe that all of our directors should be committed

to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Each director must also represent the interests of all shareholders.

The board of directors has nominated Jack L. Kaye and Barry C. Buckland to stand for re-election as Class II directors. If elected, Mr. Kaye and Dr. Buckland will serve for a term expiring in 2021.

We expect each such nominee for election as Class II directors to be able to serve, if elected. If either is unable to serve, proxies may be voted for a substitute nominee so designated by the present board of directors.

### **Vote Required**

The affirmative vote of a plurality of the votes cast, either in person or by proxy, at the Annual Meeting by the holders of shares of our common stock entitled to vote at the Annual Meeting is required for the election of each nominee as Class II director. You may vote FOR or WITHHELD with respect to the election of such director. Only votes FOR or WITHHELD are counted in determining whether a plurality has been cast in favor of a director. Abstentions are not counted for purposes of the election of directors, although they are counted for purposes of determining whether there is a quorum. Shareholders do not have the right to cumulate their votes for directors.

### **Recommendation of the Board**

The Company's board of directors recommends shareholders vote FOR the election of the nominees as Class II directors.

### **Nominees for Election as Directors**

The following information is given with respect to the nominees for election as Class II directors at the Annual Meeting:

**Jack L. Kaye, 74**, joined Dyadic's board of directors in May 2015 and currently serves as chairman of the Company's audit committee. He also serves on the Company's compensation committee. Mr. Kaye is currently the Chairman of both the audit and compensation committees of uniQure B. V. where he has served since May 2016. Mr. Kaye's prior board service includes Keryx Biopharmaceuticals Inc., a position he has held from 2006 to May 2016 where he served as Chairman of the audit committee and he was also a member of their nominating and governance committee. He also served on the boards of Tongli Pharmaceuticals (USA) Inc. and Balboa Biosciences, Inc., where he served as Chairman of both audit committees. In the past, Mr. Kaye was selected to participate on several dissident board slates which included the Astellas, Inc./OSI, Roche Pharmaceuticals, Inc./Illumina and the Horizon, Inc./Depomed hostile M&A transactions. Mr. Kaye was a partner at Deloitte LLP from 1978 until May 2006, when he retired. At Deloitte, Mr. Kaye was responsible for serving a diverse client base of public and private, global and domestic companies in a variety of industries. Mr. Kaye has extensive experience consulting with clients on accounting and reporting matters, private and public debt financings, SEC rules and regulations and corporate governance/ Sarbanes-Oxley issues. In addition, he has served as Deloitte's Tristate liaison with the banking and finance community and assisted clients with numerous merger and acquisition transactions. Mr. Kaye served as Partner-in-Charge of Deloitte's Tri-State Core Client practice, a position he held for more than twenty years. He earned a B.B.A. from Baruch College and is a Certified Public Accountant.

**Barry C. Buckland, Ph.D. 70**, joined Dyadic's board of directors in January 2018. Dr. Buckland retired from Merck Research Laboratories in 2009 after 28 years of contributions to the Bioprocess R&D group including more than 12 years as leader in the position of Vice President. Since leaving the Merck Research Laboratories, Dr. Buckland has headed up his own consulting company (BiologicB,LLC). He also is President of Engineering Conferences International (ECI), a not for profit organization which organizes prestigious conferences with an engineering focus. Dr. Buckland has chaired successful conference such as Microbial Engineering I and Vaccine Technology Conferences I to IV. He is also a visiting professor at University College London in the Biochemical Engineering Department and is the author or co-author of more than 70 publications. His previous Board experience includes Enumeral Biomedical and Mucosis. Dr.

Buckland was a Senior Advisor to Protein Sciences until they were purchased by Sanofi in 2017. Dr. Buckland became Executive Director of NIIMBL (National Institute for Innovation for Manufacturing Biopharmaceuticals) in 2017.

### **Directors Continuing in Office**

Effective June 1, 2017, Mr. Stephen Warner resigned from the Board of Directors and all related Board committees to which he served, which included the audit, compensation and nominating committees of the Board.

The following information is provided with respect to the directors who are not nominees for election as directors at the 2018 Annual Meeting:

<u>Name</u>	<u>Age</u>	<u>Class</u>	<u>Term Expiring</u>	<u>Date of Appointment</u>
Seth J. Herbst, M.D.	60	I	2020	June 2008
Arindam Bose, Ph.D.	65	I	2020	August 2016
Mark A. Emalfarb	62	III	2019	June 2008
Michael P. Tarnok	63	III	2019	June 2014

#### **Seth J. Herbst, M.D., Director**

Seth J. Herbst, MD has been on Dyadic’s board of directors since June 2008 and is a board certified obstetrician/gynecologist who is also board certified in advanced laparoscopic and minimally invasive gynecologic surgery. Dr. Herbst is the founder and President of the Institute for Women’s Health and Body in May of 1997, an OB/GYN practice with multiple locations in Palm Beach County, Florida. He is the co-founder of Visions Clinical Research since 1999, which performs medical and surgical clinical trials throughout the United States. Dr. Herbst is also a consultant for multiple medical device companies in the United States and a member of medical advisory boards for these and other companies. He received his B.S. degree from American University in 1978 and his medical degree from Universidad del Noreste School of Medicine in Tampico, Mexico in 1983. Dr. Herbst completed his OB/GYN residency and was Chief Resident at Long Island College Hospital in Brooklyn, New York.

#### **Arindam Bose, Ph.D., Director**

Arindam Bose, Ph.D. joined Dyadic’s board of directors on August 15, 2016 and serves on the Company’s audit and nominating committees. Dr. Bose retired from Pfizer Worldwide Research & Development in 2016 after 34 years in leadership roles in bioprocess development and clinical manufacturing. Most recently, Dr. Bose served as Vice-President, Biotherapeutics Pharmaceutical Sciences External Affairs and Biosimilar Strategy with responsibility for external sourcing, competitive intelligence and external influencing as well as for executing the technical development plan for Pfizer’s entry into biosimilars. He is widely recognized as a Key Thought Leader in the biopharmaceutical industry. Dr. Bose has served as the Chair of the Biologics and Biotechnology Leadership Committee of the Pharmaceutical Research and Manufacturers of America (PhRMA), the chief advocacy arm of the US pharmaceutical industry. His outstanding accomplishments and service to the profession have been recognized by his election as “Fellow” of 3 leading professional organizations: American Chemical Society, American Institute of Chemical Engineers and American Institute for Medical and Biological Engineering. Dr. Bose was elected to the US National Academy of Engineering in February 2017 for innovative research in biologics manufacturing. He received a Ph.D. in chemical engineering from Purdue University, a M.S. from the University of Michigan, Ann Arbor and a B. Tech from the Indian Institute of Technology, Kanpur.

#### **Mark A. Emalfarb, Chief Executive Officer, Director**

Mark A. Emalfarb is the founder of Dyadic, and currently serves as the Chief Executive Officer and Board of Director of the Company. He has been a member of Dyadic’s board of directors and has served as its Chairman from

October 2004 until April 2007 and from June 2008 until January 2015. Since founding the predecessor to Dyadic in 1979, Mr. Emalfarb has served as a Director, President and Chief Executive Officer and has successfully led and managed the evolution of Dyadic from its origins as a pioneer and leader in providing ingredients used in the stone-washing of blue jeans to the discovery, development, manufacturing and commercialization of specialty enzymes used in various industrial applications and the development of an integrated technology platform based on Dyadic's patented and proprietary C1 fungal microorganism. Mr. Emalfarb is an inventor of over 25 U.S. and foreign biotechnology patents and patent applications resulting from discoveries related to the patented and proprietary C1 fungus, and has been the architect behind its formation of several strategic research and development, manufacturing and marketing relationships with U.S. and international partners. Mr. Emalfarb earned his B.A. degree from the University of Iowa in 1977.

**Michael P. Tarnok, Chairman, Director**

Michael P. Tarnok joined Dyadic's board of directors on June 12, 2014 and has served on the Company's audit, nominating and compensation committees, and on January 12, 2015 Mr. Tarnok was appointed Dyadic's Chairman of the Board of Directors. Mr. Tarnok is also currently a board member of Global Health Council, and Ionetix, Inc. In addition, Mr. Tarnok's prior board service includes Keryx Biopharmaceuticals, Inc., where he also served as Chairman of the Board. Mr. Tarnok is a seasoned finance and operational executive with extensive pharmaceutical industry experience in a wide range of functional areas. He spent the majority of his career at Pfizer Inc., which he joined in 1989 as Finance Director-US Manufacturing and from 2000 to 2007 served as a Senior Vice President in Pfizer's US Pharmaceutical Division. In this position, Mr. Tarnok managed multiple responsibilities for the division including, finance, access contracting, trade management, information technology, Sarbanes-Oxley compliance and the Greenstone generics division. Prior to joining Pfizer, Mr. Tarnok worked primarily in financial disciplines for ITT Rayonier, Inc., Celanese Corporation and Olivetti Corporation of America. Mr. Tarnok earned an M.B.A. in Marketing from New York University and a B.S. in Accounting from St. John's University.

Our directors hold office for terms of approximately three years or until the earlier of their death, resignation or removal or until their successors have been elected and qualified. Our officers are elected annually by the board of directors and serve at the discretion of the board (see Executive Officers). There are no family relationships among our directors and executive officers. Our directors have neither been convicted in any criminal proceeding during the past 10 years nor are parties to any judicial or administrative proceeding during the past 10 years that resulted in a judgment, decree or final order enjoining them from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws or commodities laws. Similarly, no bankruptcy petitions have been filed by or against any business or property of any of our directors or officers, nor has any bankruptcy petition been filed against a partnership or business association in which these persons were general partners, directors or executive officers, except that Dr. Herbst was a partner in a company called Physician Billing Solutions, Inc. which filed for bankruptcy protection under Chapter 7 in December 2007.

**PROPOSAL 2: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Mayer Hoffmann McCann P.C. ("MHM"), audited our consolidated financial statements for the year ended December 31, 2017. We had no disagreements with MHM on accounting and financial disclosures. The audit committee has appointed MHM to serve as our independent registered public accounting firm for the year ending December 31, 2018. MHM has advised the Company that it has no direct or indirect financial interest in the Company. MHM leases substantially all of its personnel, who work under the control of MHM shareholders, from wholly-owned subsidiaries of CBIZ, Inc. ("CBIZ"), in an alternative practice structure.

We are not required to submit the appointment of our independent registered public accounting firm to a vote of our shareholders for ratification. However, the audit committee has recommended that our board submit this matter to the shareholders as a matter of good corporate practice. If the shareholders fail to ratify the appointment, the audit committee will reconsider whether to retain MHM, and may retain that firm or another without re-submitting the matter to our shareholders. Even if our shareholders ratify the appointment, the audit committee may, in its discretion, direct the

appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be advisable and in the best interests of the Company and the shareholders.

The Audit Committee has reviewed the fees described below and concluded that the payment of such fees is compatible with maintaining MHM's independence. All proposed engagements of MHM, whether for audit services, audit-related services, tax services, or permissible non-audit services, were pre-approved by our Audit Committee.

### **Audit Fees**

For the fiscal years ended December 31, 2017 and 2016, we were billed by MHM an aggregate of \$115,340 and \$132,000, respectively, in fees for the professional services rendered in connection with the audits of our annual financial statements included in our Annual Reports filed with the OTCQX for those two fiscal years and the review of our financial statements included in our Quarterly Reports during those two fiscal years.

### **Audit-Related Fees**

During the fiscal years ended December 31, 2017 and 2016, we were not billed by MHM for any fees for audit-related services reasonably related to the performance of the audits and reviews for those two fiscal years, in addition to the fees described above under the heading "Audit Fees."

### **Tax Fees**

During the fiscal years ended December 31, 2017 and 2016, we were billed by CBIZ, Inc. an aggregate of \$9,850 and \$21,000, respectively, in fees for professional services rendered for tax compliance, tax advice, and tax planning services.

### **All Other Fees**

During the fiscal years ended December 31, 2017, we were not billed by MHM for any other fees in addition to the fees described above. During the fiscal year ended December 31, 2016, we were billed by CBIZ, Inc. an aggregate of \$22,300, in fees for services rendered to us in connection with the asset sale of our industrial business to DuPont in 2015.

### **Pre-Approval of Services**

Our Audit Committee has established a policy setting forth the procedures under which services provided by our independent registered public accounting firm will be pre-approved by our Audit Committee. The potential services that might be provided by our independent registered public accounting firm fall into two categories:

- Services that are permitted, including the audit of our annual financial statements, the review of our quarterly financial statements, related attestations, benefit plan audits and similar audit reports, financial and other due diligence on acquisitions, and federal, state, and non-US tax services; and
- Services that may be permitted, subject to individual pre-approval, including compliance and internal-control reviews, indirect tax services such as transfer pricing and customs and duties, and forensic auditing.

Services that our independent registered public accounting firm may not legally provide include such services as bookkeeping, certain human resources services, internal audit outsourcing, and investment or investment banking advice.

All proposed engagements of our independent registered public accounting firm, whether for audit services or permissible non-audit services, are pre-approved by the Audit Committee. We jointly prepare a schedule with our independent registered public accounting firm that outlines services that we reasonably expect we will need from our independent registered public accounting firm, and categorize them according to the classifications described above. Each service identified is reviewed and approved or rejected by the Audit Committee.

We expect representatives of MHM to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so, and we expect them to be available to respond to appropriate questions.

### **Report of Audit Committee**

In monitoring the preparation of our financial statements, the Audit Committee met with both management and Mayer Hoffmann McCann P.C. (“MHM”), our independent registered public accounting firm for the year ended December 31, 2017, to review and discuss all financial statements prior to their issuance and to discuss any and all significant accounting issues. Management and our independent registered public accounting firm advised the Audit Committee that each of the financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee’s review included a discussion of the matters required to be discussed pursuant to the Statement on Auditing Standards No. 61, “Communication with Audit Committees,” as amended, (Codification of Statements on Auditing Standards, AU Section 380) as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T, or SAS 61. SAS 61 requires our independent registered public accounting firm to discuss with the Audit Committee, among other things, the following:

- Methods used to account for significant or unusual transactions;
- The effect of any accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- The process used by management to formulate sensitive accounting estimates and the basis for the independent registered public accounting firm’s conclusion regarding the reasonableness of any such estimates; and
- Any disagreements with management over the application of accounting principles, the basis for management’s accounting estimates and the disclosures necessary in the financial statements.

The Audit Committee has discussed the independence of MHM, including the written disclosures made by MHM to the Audit Committee, as required PCAOB Rule 3526, “Communication with Audit Committees Concerning Independence.” PCAOB Rule 3526 requires the independent registered public accounting firm to (i) disclose in writing all relationships that, in the independent registered public accounting firm’s professional opinion, may reasonably be thought to bear on independence, (ii) confirm their perceived independence, and (iii) engage in a discussion of independence with the Audit Committee.

Finally, the Audit Committee continues to monitor the scope and adequacy of our internal controls and other procedures, including any and all proposals for adequate staffing and for strengthening internal procedures and controls where appropriate and necessary.

On the basis of these reviews and discussions, the Audit Committee recommended to the Board of Directors that it approve the audited financial statements for the fiscal year ended December 31, 2017 for inclusion in the Company’s Annual Report filed with the OTCQX.

The Audit Committee reviewed its written charter previously adopted by our Board of Directors. Following this review, the Audit Committee determined that no changes needed to be made with respect to the Audit Committee charter at this time.

By the Audit Committee of the Board of Directors

Jack L. Kaye, Chairman

Michael P. Tarnok

Arindam Bose, Ph.D

Dated April 13, 2018



**Vote Required**

The affirmative vote of the holders of a majority of all shares casting votes, either in person or by proxy, at the Annual Meeting is required to ratify the appointment of MHM as our independent registered public accounting firm for the year ending December 31, 2018. A properly executed proxy marked “ABSTAIN” with respect to this proposal will not be voted, although it will be counted for purposes of determining whether there is a quorum. Abstentions and broker non-votes will have the same effect as a vote against this proposal.

**Recommendation of the Board**

The Company’s board of directors recommends a vote “FOR” this proposal.

## PROPOSAL 3 - APPROVAL OF REVERSE STOCK SPLIT

### Introduction

Our Board of Directors has approved, and recommended that our shareholders approve, a proposal to permit our Board of Directors, in its sole discretion, to file a certificate of amendment to our Restated Certificate of Incorporation ("Certificate of Incorporation"), in substantially the form attached hereto as Annex A, to effect a reverse stock split (the "Reverse Stock Split") of the outstanding shares of our common stock at a ratio up to 1-for-4 and effective upon a date to be determined by the Company's board of directors (the "Board").

If our shareholders approve the Reverse Stock Split, and our Board of Directors decides to implement it, the Reverse Stock Split will become effective upon the filing of the amendment to our Restated Certificate of Incorporation with the Delaware Secretary of State.

Even if the shareholders approve the Reverse Stock Split, we may abandon or postpone the proposal if our Board of Directors determines that it is no longer in the best interests of the Company and our shareholders. If the Reverse Stock Split is not implemented by our Board of Directors within two years of the annual meeting, the proposal will be deemed abandoned, without further effect. In that case, our Board of Directors may again seek shareholder approval at a future date if it deems a reverse stock split to be advisable at that time.

### Reasons for the Reverse Stock Split

Although the proposed Reverse Stock Split will not have the effect of increasing the equity market capitalization of the Company, we believe that implementing the Reverse Stock Split will maximize the anticipated benefits for the Company and our existing shareholders by making shares of our common stock more attractive to certain prospective shareholders in the following significant ways:

- *Stock Price Requirement for Uplisting to the NASDAQ Stock Market or another National Stock Exchange.* We are in the process of exploring the opportunity with respect to our common stock of a potential uplisting on the NASDAQ Stock Market ("NASDAQ") or another national stock exchange. The anticipated impact of the Reverse Stock Split may enable us to meet certain minimum trading price requirements.
- *Investor Pool.* A higher stock price may increase the interest in our common stock and potentially broaden the pool of investors who may not find our shares attractive at their current prices due to the trading volatility often associated with stocks below certain prices. Additionally, certain investors and brokers are adverse, or in some cases, have policies that do not allow them to purchase shares of companies listed on the OTC Markets.
- *Transaction Costs.* It may encourage investors who had previously been dissuaded from purchasing our common stock because the brokerage commissions, as a percentage of the total transaction value, tend to be higher for low-priced stocks than commissions on higher-priced stocks.
- *Equity Research.* Although low equity market capitalization is a more prominent reason that analysts decline to provide equity research coverage, analysts at many brokerage firms do not provide coverage of lower-priced stocks. Additionally, certain analysts are adverse, or in some cases, have policies that do not allow them to issue research on companies listed on the OTC Markets.

For the above reasons, we believe that providing the Board with the flexibility to effect the Reverse Stock Split will have the potential to make our common stock a more attractive and cost effective investment for certain investors, which we believe may help improve our stock price and our business opportunities over the long term, and is therefore in the best interest of the Company and our shareholders. However, the Board reserves its right to abandon the reverse stock split if it determines, in its sole discretion, that it would no longer be in our and our shareholders' best interests.

## Certain Risks Associated with the Reverse Stock Split

Although we expect that the Reverse Stock Split will result in an increase in the market price of our common stock, we cannot assure you that the Reverse Stock Split, if implemented, will have the effect of raising the price of our common stock over its current price or over the long term. There are a number of risks associated with the Reverse Stock Split, including the following:

- The Board cannot predict the effect of the Reverse Stock Split upon the market price for our shares of common stock, and the history of similar reverse stock splits for companies in like circumstances has varied. The market price per share of our common stock may fluctuate positively or negatively during the shareholder approval solicitation period until the date the actual authorization of the reverse stock split, the effect of which our Board cannot predict.
- The Reverse Stock Split will dramatically reduce the number of issued and outstanding shares of common stock relative to the number of authorized shares of common stock, currently 100,000,000 shares. A large number of available shares of common stock could have adverse consequences, including but not limited to our current shareholders could be potentially diluted by future issuances of shares of common stock for capital raising purposes, to acquire additional assets, for equity compensation of officers and directors and for other corporate purposes.
- The market price of our shares of common stock may also be affected by the Company's performance, prospects and other factors which may be detailed from time to time in the reports we file with the OTC Markets and in our press releases, conference calls, and otherwise, the effect of which our Board cannot predict.
- Although the Board believes that a higher stock price may help generate the interest of new investors, the Reverse Stock Split may not result in a per share price that will successfully attract certain types of investors and such resulting share price may not satisfy the investing guidelines of institutional investors or investment funds. Further, other factors, such as our financial results, market conditions and the market perception of our business, may adversely affect the interest of new investors in the shares of our common stock. As a result, the trading liquidity of the shares of our common stock may not improve as a result of the Reverse Stock Split and there can be no assurance that the Reverse Stock Split, if completed, will result in the intended benefits described above.
- The Reverse Stock Split could be viewed negatively by the market and other factors, such as those described above, and therefore, may adversely affect the market price of the shares of our common stock. Consequently, the market price per post-Reverse Stock Split share may not increase in proportion to the reduction of the number of shares of our common stock outstanding before the implementation of the Reverse Stock Split. Accordingly, the total market capitalization of our shares of common stock after the Reverse Stock Split may be lower than the total market capitalization before the Reverse Stock Split.
- In the future, the market price of the shares of our common stock following the Reverse Stock Split may not exceed or remain higher than the market price of the shares of our common stock prior to the Reverse Stock Split. If the Reverse Stock Split is effected and the market price of our common stock then increases, the Board may dependent upon circumstances existing at such time, elect to amend, suspend or discontinue the Company's previously announced 2017 share repurchase plan, the effect of which our Board cannot predict.
- If the Reverse Stock Split is effected and the market price of the shares of our common stock then declines, the percentage decline as an absolute number and as a percentage of the Company's overall market capitalization may be greater than would occur in the absence of Reverse Stock Split. Additionally, the liquidity of the shares of our common stock could be adversely affected by the reduced number of shares that would be outstanding after the implementation of the Reverse Stock Split.

- The Reverse Stock Split may result in some shareholders owning “odd lots” of less than 100 shares of common stock. Odd lot shares may be more difficult to sell and brokerage commissions and other transaction costs in odd lots are generally somewhat higher than the costs of transactions in “round lots” of even multiples of 100 shares.

### **Material Effects of the Reverse Stock Split**

Upon the effectiveness of the amendment to our Certificate of Incorporation effecting the Reverse Stock Split, depending on the ratio for the Reverse Stock Split determined by the Board, a maximum of four shares in aggregate of existing common stock will be combined into one new share of common stock. Based on the number of shares of common stock issued and outstanding as of April 9, 2018 the record date, immediately following the Reverse Stock Split the Company would have approximately 9,734,247 shares of common stock issued and 7,015,203 shares of common stock outstanding if the ratio for the Reverse Stock Split is 1-for-4, which is the highest ratio allowed under this proposal. The Reverse Stock Split would be effected simultaneously for all of our common stock. Even if shareholder approval of the Reverse Stock Split is obtained, the Board may abandon the Reverse Stock Split in its sole discretion if it determines that the Reverse Stock Split is no longer in the best interests of the Company and its shareholders.

*Effect on Authorized, Issued and Outstanding Shares of Common Stock.* The Reverse Stock Split will not itself change the number of authorized shares of our common stock, but it will have the effect of creating additional unissued shares of common stock available for future issuance. Although at present we have no current arrangements or understandings providing for issuance of the additional shares that would be made available for issuance upon effectiveness of the Reverse Stock Split, these additional shares may be used by us for various purposes in the future without further shareholder approval. While the Reverse Stock Split will make additional shares available for the Company to use in the future, the primary purpose of the Reverse Stock Split is to increase our stock price in order to meet the minimum price requirements for a potential uplisting to the NASDAQ or another national stock exchange and to provide other potential benefits that we anticipate as outlined above.

The Reverse Stock Split would not impact the relative voting or other rights that accompany the shares of our common stock (subject to the treatment of fractional shares). Any shares of our common stock held as treasury shares will be adjusted to reflect the Reverse Stock Split. Except for any changes that result from the treatment of fractional shares as discussed below, the completion of the Reverse Stock Split alone would not affect any shareholder’s proportionate equity interest in the Company. For example, a shareholder who owns a number of shares that, prior to the Reverse Stock Split, represented 1% of our outstanding shares would continue to own 1% of our outstanding shares after the Reverse Stock Split. All issued and outstanding shares of common stock will remain fully paid and non-assessable after the Reverse Stock Split.

A new committee on uniform securities identification procedures (“CUSIP”) number, which is a number used to identify our equity security, will be assigned to the common stock following the Reverse Stock Split. Stock certificates with the old CUSIP numbers will need to be exchanged by following the procedures described below.

*Effect on Authorized Preferred Stock.* Currently, the Company is authorized to issue up to a total of 5 million shares of preferred stock, par value \$0.0001 per share, none of which are issued and outstanding. The proposed Reverse Stock Split would not impact the total authorized number of shares of preferred stock or the par value of the preferred stock.

*Effect on Currently Outstanding Employee Equity Awards and Number of Shares Available for Future Issuance Under our Stock Incentive Plans.* The Reverse Stock Split will not increase the number of shares available for future issuance under our stock incentive plans. On the effective date of the Reverse Stock Split, all outstanding awards under our stock incentive plans will be adjusted to reflect the Reverse Stock Split. The number of shares subject to our outstanding awards will be reduced in the same ratio, rounded to the nearest whole share. The per share exercise price of options also will be increased by the ratio, so that the aggregate dollar amount payable for the purchase of the shares subject to the options will remain unchanged (subject to the rounding of shares). In addition, in connection with any Reverse Stock Split, our Board of Directors would also make a corresponding reduction in the number of shares

available for future issuance under our stock incentive plan so as to avoid the effect of increasing the number of authorized but unissued shares available for future issuance under such plan.

### **Potential Anti-Takeover Implications**

The Reverse Stock Split is not being proposed in response to any effort of which we are aware to accumulate shares of our common stock or obtain control of us, nor is it part of a plan by management to recommend a series of similar amendments to our Board of Directors and shareholders. However, the increase in the number of authorized shares of common stock that are not issued or outstanding or reserved for issuance pursuant to the Reverse Stock Split could, under certain circumstances, have an anti-takeover effect (for example, by permitting issuances which would dilute the stock ownership of a person seeking to effect a change in the composition of our Board of Directors or contemplating a tender offer or other transaction for the combination of us with another company). A takeover may be beneficial to independent shareholders because, among other reasons, a potential suitor may offer such shareholders a premium for their shares of common stock compared to the then-existing market price. The Reverse Stock Split is not being recommended by our Board as part of an anti-takeover strategy.

### **Treatment of Fractional Shares**

No fractional shares of common stock will be issued in connection with the Reverse Stock Split. If, as a result of the Reverse Stock Split, a shareholder of record would otherwise hold a fractional share, the shareholder will receive a cash payment (without interest and subject to applicable withholding taxes) in lieu of the issuance of any such fractional shares in an amount per share equal to the fair value of the fractional share as of the effective date of the Reverse Stock Split, as determined by the Board of Directors. The Board of Directors has approved utilizing the closing price of the common stock per share on the OTC Markets on the trading day immediately preceding the effective date of the Reverse Stock Split, for determining fair value, unless otherwise determined by the Board of Directors prior to the effective date of the Reverse Stock Split. No transaction costs (other than applicable withholding taxes) will be assessed to shareholders for the cash payment they may receive. Shareholders will not be entitled to receive interest for the period of time between the effective date of the Reverse Stock Split and the date payment is made for fractional shares. After the Reverse Stock Split, then current shareholders will have no further interest in the Company with respect to fractional shares. Such shareholders will only be entitled to receive the cash payment described above. Such cash payments may reduce the number of post-split shareholders; however, this is not the purpose of the Reverse Stock Split.

Shareholders should be aware that under the escheat laws of various jurisdictions, sums due for fractional interests that are not timely claimed after the effective date of the Reverse Stock Split may be required to be paid to designated agents for each such jurisdictions, unless correspondence has been received by the Company or the transfer agent concerning ownership of such funds within the time permitted in such jurisdiction. Therefore, if applicable, shareholders otherwise entitled to receive such funds, but who do not receive them due to, for example, their failure to timely comply with the transfer agent's instructions, will have to seek to obtain such funds directly from the state to which they were paid.

### **Exchange of Stock Certificates**

If the Company's shareholders approve the Reverse Stock Split and the Board determines that it is in the Company's best interest to effect the Reverse Stock Split, the combination of, and reduction in, the number of our outstanding shares as a result of the Reverse Stock Split will occur automatically on the date that the amended Restated Certificate of Incorporation is filed with the Delaware Secretary of State (referred to as the "effective date"), without any action on the part of our shareholders and without regard to the date that stock certificates representing any certificated shares prior to the Reverse Stock Split are physically surrendered for new stock certificates.

As soon as practicable after the effective date, transmittal forms will be mailed to each shareholder holding shares of our common stock in certificated form. The letter of transmittal will contain instructions on how a shareholder should surrender his, her or its certificate(s) representing shares of our common stock (the "Old Certificates") to the transfer agent.

Neither Continental Stock Transfer & Trust Company (the Company's transfer agent, the "Transfer Agent"), nor Dyadic will be issuing physical stock certificates in the exchange, meaning that your shares will be recorded on the books and records of the Transfer Agent. Instead of a physical certificate, your common stock will be reflected in book entry form and you will receive an account statement representing your holdings in the Company. You can request a physical certificate from the Transfer Agent at any time by following the instructions included on the letter of transmittal.

No account statement will be issued to a shareholder until such shareholder has surrendered all Old Certificates, together with a properly completed and executed letter of transmittal, to the Transfer Agent. Shareholders will then receive an account statement representing the number of whole shares of common stock that they are entitled as a result of the Reverse Stock Split. Until surrendered, each outstanding Old Certificate held by shareholders would only represent the number of whole shares of post-Reverse Stock Split common stock to which these shareholders are entitled, based on the ratio of the Reverse Stock Split. If an Old Certificate has a restrictive legend on the back of the Old Certificate(s), the account statement issued will reflect the same restriction. If a shareholder is entitled to a payment in lieu of any fractional share, such payment will be made as described above under "Treatment of Fractional Shares."

**SHAREHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATES AND SHOULD NOT SUBMIT THEIR STOCK CERTIFICATES UNTIL THEY RECEIVE A TRANSMITTAL FORM FROM OUR TRANSFER AGENT. SHAREHOLDERS ARE ENCOURAGED TO PROMPTLY SURRENDER CERTIFICATES TO THE TRANSFER AGENT FOLLOWING RECEIPT OF TRANSMITTAL FORMS IN ORDER TO AVOID HAVING SHARES POSSIBLY BECOMING SUBJECT TO ESCHEAT LAWS.**

#### **Shares Held Through a Bank, Broker or Other Nominee**

If you hold shares of our common stock in "street name" through a bank, broker, custodian or other nominee, we will treat your common stock in the same manner as shareholders whose shares are registered in their own names. Banks, brokers and other nominees will be instructed to effect the Reverse Stock Split for their customers holding our common stock in street name. However, these banks, brokers and other nominees may have different procedures for processing a Reverse Stock Split. If you hold shares of our common stock in street name, we encourage you to contact your bank, broker, custodian or other nominee.

#### **Accounting Consequences**

The par value per share of our common stock will remain unchanged at \$0.001 per share after the Reverse Stock Split. As a result, on the effective date of the Reverse Stock Split, the stated capital on our balance sheet attributable to our common stock (including a retroactive adjustment of prior periods) will be reduced proportionally, based on the exchange ratio of the Reverse Stock Split, from its present amount, and the additional paid-in capital account will be credited with the amount by which the stated capital is reduced. The amounts of net income or loss per common share and net book value per common share will be increased because there will be fewer shares of our common stock outstanding. We do not anticipate that any other accounting consequences would arise as a result of the Reverse Stock Split, and the Company's shareholders' equity in its consolidated balance sheet would not change in total.

#### **No Appraisal Rights**

Under the Delaware General Corporation Law, our shareholders do not have any dissenter's appraisal rights with respect to the proposed Reverse Stock Split, and we will not independently provide our shareholders with any such rights.

#### **Certain U.S. Federal Income Tax Consequences of the Reverse Stock Split**

The following is a summary of certain U.S. federal income tax considerations of the Reverse Stock Split. It addresses only U.S. shareholders (as defined below) who hold our common stock as capital assets. It does not purport to

be a discussion of all potential U.S. federal income tax consequences to U.S. shareholders and does not address U.S. shareholders subject to special rules, such as financial institutions, tax-exempt entities, insurance companies, dealers in securities, partnerships or other pass-through entities (or investors therein), shareholders subject to alternative minimum tax, shareholders who hold their pre-Reverse Stock Split shares as part of a straddle, hedge or conversion transaction, and shareholders who acquired their pre-Reverse Stock Split shares pursuant to the exercise of employee stock options or otherwise as compensation. It does not address any consequences arising under U.S. federal tax laws other than income tax laws (such as estate or gift tax laws and Medicare contribution tax laws) or any consequences arising under state, local, foreign or other tax laws. Each shareholder is advised to consult its own tax advisor as to its situation.

For purposes of this discussion, a “U.S. shareholder” is a beneficial owner of our common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if a court within the United States can exercise primary supervision over its administration and one or more United States persons have the authority to control all of the substantial decisions of that trust (or if the trust has a valid election in place to be treated as a U.S. trust).

If any entity treated as a partnership for U.S. federal income tax purposes, holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common stock, you should consult your own tax advisor.

This discussion does not apply to shareholders other than U.S. shareholders (“non-U.S. shareholders”). A non-U.S. shareholder should consult its own tax advisor.

This discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), applicable Treasury Regulations promulgated thereunder, judicial authority and current administrative rulings and practices each as in effect on the date of this proxy statement. Changes to any of the foregoing authorities could alter the tax consequences described below, possibly with retroactive effect. No ruling from the Internal Revenue Service or opinion of counsel will be obtained regarding any U.S. federal income tax consequences to shareholders arising as a result of the Reverse Stock Split.

We believe that the Reverse Stock Split, if implemented, should qualify as a recapitalization under the provisions of the Code. If the Reverse Stock Split so qualifies, then except to the extent of cash received in lieu of a fractional share (as described below), no gain or loss will be recognized by a U.S. shareholder that exchange its shares of pre-split common stock for shares of post-split common stock. The post-split common stock in the hands of a U.S. shareholder following the Reverse Stock Split will have an aggregate tax basis equal to the aggregate tax basis of the pre-split common stock held by that U.S. shareholder immediately prior to the Reverse Stock Split, reduced by the portion of the aggregate tax basis of such shares of pre-split common stock that is allocable to any fractional share of post-split common stock. A U.S. shareholder’s holding period for a share of post-split common stock generally will be the same as the holding period for the shares of pre-split common stock exchanged therefor.

A U.S. shareholder who receives cash in lieu of a fractional share as a result of the Reverse Stock Split would generally be treated as having received the fractional share of post-split common stock pursuant to the Reverse Stock Split and then, immediately thereafter, as having exchanged such fractional share for cash in a redemption by the Company. While not free from doubt, this redemption should be treated as a taxable sale of the fractional share with respect to which a U.S. shareholder should recognize gain or loss equal to the difference, if any, between the amount of cash received and the portion of the shareholder’s adjusted tax basis of the shares of pre-split common stock exchanged in the Reverse Stock Split which is allocable to such fractional share. Any such gain or loss generally will be capital gain or loss and will be long term capital gain or loss if the U.S. shareholder’s holding period for the shares of pre-split common stock deemed exchanged for such fractional share is more than one year as of the effective date of the Reverse

Stock Split. Any long-term capital gain recognized by noncorporate shareholders (including individuals) generally will be taxed at a reduced rate. The deductibility of capital losses is subject to limitations.

### **Interests of Directors and Executive Officers**

Our directors and executive officers do not have substantial interests, directly or indirectly, in the matters set forth in this proposal except to the extent of their ownership of shares of our common stock, stock options, or their interests in any of our other securities.

### **Reservation of Right to Abandon Reverse Stock Split**

We reserve the right to abandon the Reverse Stock Split proposal without further action by our shareholders at any time before the effectiveness of the filing of the amended Certificate of Incorporation with the Delaware Secretary of State, even if the Reverse Stock Split has been approved by our shareholders at the annual meeting. By voting in favor of the Reverse Stock Split, you are expressly also authorizing our Board of Directors to delay (for up to two years after the Annual Meeting) or abandon the Reverse Stock Split if it determines, in its sole discretion, that such action is in the best interests of the Company and its shareholders.

### **Required Vote and Board Recommendation**

The affirmative vote of the holders of a majority of the shares of our common stock outstanding on the record date will be required to approve the Reverse Stock Split proposal to effect the Reverse Stock Split. Accordingly, withheld votes and abstentions will have the same effect as a vote against the proposal.

**The Board of Directors recommends that you vote *FOR* to effect the Reverse Stock Split.**

## **SHAREHOLDER PROPOSALS FOR THE 2019 ANNUAL MEETING**

Any proposal that a shareholder intends to present at the 2019 Annual Meeting of Shareholders must be submitted to the Secretary of the Company at its offices, at 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477, no earlier than February 8, 2019 and no later than March 9, 2019, in order to be considered for inclusion in the Proxy Statement relating to that meeting.

If a shareholder of the Company wishes to present a proposal before the 2019 Annual Meeting and the Company has not received notice of such matter prior to March 9, 2019 the Company shall have discretionary authority to vote on such matter, if the Company includes a specific statement in the proxy statement or form of proxy to the effect that it has not received such notice in a timely fashion.

## **FORWARD-LOOKING STATEMENTS**

This proxy statement contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not fully materialize or prove incorrect, could cause our business, results or condition to differ materially from those expressed or implied by the forward-looking statements. The forward-looking statements include, without limitation, statements related to the timing and expected impact of the completion of the Transaction and related transactions. You can identify these and other forward-looking statements by the use of words such as “will,” “may,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “intends,” “potential,” “continue,” or the negative of those terms, or other comparable terminology.

Risks and uncertainties that may affect our business, results or condition include, but are not limited to, the approval or failure of our shareholders to approve the Reverse Stock Split, the expected benefits of the Reverse Stock Split, the completion or failure to complete the Reverse Stock Split for any other reason, and other factors discussed in our publicly available filings, including information set forth under the caption “Risk Factors” in our December 31, 2017



Annual Report filed with OTC Markets on March 27, 2018. Any forward-looking statement made in this proxy statement speaks only as of the date on which we make it. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this proxy statement, except as may be required by law.

#### **OTHER MATTERS**

We know of no other matters that will be presented for consideration at the Annual Meeting. If any other matters properly come before the Annual Meeting, the persons named as proxies shall vote the shares they represent in accordance with their best judgment. Discretionary authority with respect to such other matters is granted by the execution of the enclosed proxy. It is important that you return your proxy promptly and that your shares be represented. You are urged to vote either by mail or phone. If by mail, please mark, date, and sign and return the enclosed proxy in the accompanying reply envelope or by phone, per the instructions on the proxy card.

## INCORPORATION OF INFORMATION BY REFERENCE

We “incorporate by reference” into this proxy statement the following information, which can be accessed from our website at <http://www.dyadic.com> and is filed with the OTC Markets.

- Annual Report and Consolidated Financial Statements for the fiscal year ended December 31, 2017;

The information incorporated by reference is considered to be a part of this proxy statement as if stated herein. At your request, we will provide to you a copy of any or all of the above documents that have been incorporated by reference into this proxy statement at no cost.

Requests for additional copies of this proxy statement or the enclosed proxy card, as well as requests for additional information, may be made by writing or calling us at the following address or telephone number:

140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477, Attention: Heidi Zosiak, telephone: (561) 743-8333 or Continental Stock Transfer & Trust Company, 1 State Street, 30th Floor, New York, New York 10004, telephone: (212) 509-4000.

The Audit Committee Report contained in this proxy statement is not deemed filed with the SEC and shall not be deemed incorporated by reference into any prior or future filings made by us under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate such information by reference.

BY ORDER OF THE BOARD OF DIRECTORS



Mark Emalfarb  
*President and Chief Executive Officer*  
*Corporate Secretary*

April 13, 2018

Jupiter, Florida

ANNEX A

**FORM OF CERTIFICATE TO RESTATED CERTIFICATE OF INCORPORATION OF  
DYADIC INTERNATIONAL, INC**

Dyadic International, Inc. (the “*Company*”), a corporation organized and existing under the General Corporation Law of the State of Delaware (the “*Delaware General Corporation Law*”), hereby certifies as follows:

1. Pursuant to Sections 242 and 228 of the Delaware General Corporation Law, the amendment herein set forth has been duly approved by the Board of Directors and holders of a majority of the outstanding capital stock of the Company.
2. Article IV of the Restated Certificate of Incorporation is amended by adding the following paragraph:

“Upon the effectiveness of this Certificate of Amendment to the Restated Certificate of Incorporation of the Corporation, every [number of shares] shares of the Corporation’s issued and outstanding Common Stock, par value \$0.0001 per share, that are issued and outstanding immediately prior to [date] shall, automatically and without any further action on the part of the Corporation or the holder thereof, be combined into one (1) validly issued, fully paid and non-assessable share of the Corporation’s Common Stock, par value \$0.0001 per share. No fractional shares of new Common Stock will be issued, and shareholders who would otherwise be entitled to receive one or more fractional shares of new Common Stock shall instead receive a cash payment equal to the fair value, as determined by the Board of Directors, of such fractional shares as of the effective date.”
3. The foregoing amendment shall be effective as of \_\_\_\_\_, 2018.
4. This Certificate of Amendment to Restated Certificate of Incorporation was duly adopted and approved by the shareholders of this Company on the \_\_\_\_ day of \_\_\_\_\_, 2018 in accordance with Section 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment to Certificate of Incorporation as of the \_\_\_\_ day of \_\_\_\_\_, 2018.

DYADIC INTERNATIONAL, INC.

By */s/ Mark Emalfarb*

Mark Emalfarb  
Chief Executive Officer

