

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

MICHAEL MILLER, individually and on behalf of all
others similarly situated,

Plaintiff,

v.

DYADIC INTERNATIONAL, INC., RICHARD J. BERMAN,
MARK A. EMALFARB, RUFUS GARDNER,
WAYNE MOOR, HARRY Z. ROSENGART, and
STEPHEN J. WARNER,

Defendants.

Case No. 07-80948-CIV-Dimitrouleas

**NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION,
HEARING ON PROPOSED SETTLEMENT, AND ATTORNEYS' FEE PETITION ("NOTICE")**

TO: All persons and entities who purchased or acquired Dyadic International, Inc. ("Dyadic") securities from October 29, 2004, through April 23, 2007 (the "Class Period") on a national securities exchange or an electronic quotation system, including, but not limited to, the American Stock Exchange or the OTC Bulletin Board. (the "Class")

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. PLEASE NOTE THAT, IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE PROPOSED SETTLEMENT DESCRIBED IN THIS NOTICE.

CLAIMS DEADLINE: TO CLAIM YOUR SHARE OF THE SETTLEMENT FUND, YOU MUST FILE A VALID PROOF OF CLAIM AND RELEASE NO LATER THAN SEPTEMBER 13, 2010, USING THE FORM ACCOMPANYING THIS NOTICE.

EXCLUSION DEADLINE: REQUESTS FOR EXCLUSION FROM THE CLASS MUST BE RECEIVED NO LATER THAN JULY 13, 2010.

YOU BEAR ALL RISKS OF DELAY OR NON-DELIVERY OF YOUR CLAIM OR YOUR REQUEST FOR EXCLUSION.

SECURITIES BROKERS AND OTHER NOMINEES: PLEASE SEE INSTRUCTIONS SET FORTH BELOW IN ¶ 39.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:

REMAIN A CLASS MEMBER.	This is the only way to be eligible to get a payment from the applicable Settlement Funds. You must submit a Proof of Claim by September 13, 2010.
EXCLUDE YOURSELF FROM THE CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION SO THAT IT IS <i>RECEIVED</i> NO LATER THAN JULY 13, 2010.	If you exclude yourself from the Class, you will not be eligible to get any payment from the Settlement Funds. However, excluding yourself from the Class allows you to bring or maintain your own lawsuit against any of the Settling Defendants or other Released Parties concerning the claims that were, or could have been, asserted in this case.
OBJECT TO THE SETTLEMENTS BY SUBMITTING WRITTEN OBJECTIONS SO THAT THEY ARE <i>RECEIVED</i> NO LATER THAN JULY 13, 2010.	Write to the Court and explain why you do not like one or more of the applicable proposed Settlement, the proposed Plan of Allocation, or the request for attorneys' fees and reimbursement of expenses. You cannot object to the Individual Defendants Settlement unless you are a Class Member and do not exclude yourself.
GO TO A HEARING ON JULY 27, 2010 AT 9:00 A.M., AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS <i>RECEIVED</i> NO LATER THAN JULY 13, 2010.	Filing a written objection and notice of intention to appear by July 13, 2010, allows you to speak in Court about the fairness of the applicable proposed Settlements, the proposed Plan of Allocation, or the request for attorneys' fees and reimbursement of Litigation Expenses.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:

Do NOTHING.

If you are a member of the Class (including those persons who are also members of the Offerings Subclass) and you do not submit a Proof of Claim and Release form by September 13, 2010, you will not be eligible to receive any payment from the Settlements. You will, however, remain a member of the Class, which means that you give up your rights to sue about the claims that are resolved by the applicable Settlements and you will be bound by any Judgments or Orders entered by the Court with respect to the applicable Settlements.

DESCRIPTION OF THE LITIGATION

1. The purpose of this Notice is to inform you of: (a) the pendency of the captioned action as a class action on behalf of the Class as defined above (the “Litigation”); (b) a proposed settlement (referred to as “Settlement” or “Stipulation”) of this class action for \$4.8 million in cash plus accrued interest (“the Settlement Fund”); (c) the Court hearing, also called the Fairness Hearing, to consider the fairness, reasonableness, and adequacy of the proposed settlement and the method by which the Settlement Fund will be allocated to members of the Class, as defined below (the “Plan of Allocation”) and to consider the application of Plaintiffs’ Counsel for attorneys’ fees and reimbursement of expenses. The proposed Settlement, the terms of which are only summarized in this Notice, is embodied in a Stipulation of Settlement dated April 13, 2010, which has been filed with the Court. Pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the Court dated April 19, 2010, the Fairness Hearing to consider the matters set forth above will be held before the Honorable Judge Dimitrouleas at Courtroom 205B of the United States District Courthouse, Southern District of Florida, 299 East Broward Boulevard, Ft. Lauderdale, Florida, at 9:00 a.m., on July 27, 2010.

2. This Litigation is a class action under the federal securities laws. The Lead Plaintiff and Class Representative in this Litigation is CapitalMax, Inc. It held shares of Dyadic common stock during the Class Period.

3. Beginning on or about October 12, 2007, a number of putative class actions were commenced against Dyadic and certain of its individual officers and directors, alleging violations of the federal securities laws. These actions were consolidated before Judge Dimitrouleas of the United States District Court for the Southern District of Florida (the “Court”). The Court, by Order dated April 18, 2008, appointed Susman Heffner & Hurst LLP as Lead Counsel, Kozyak, Tropin & Throckmorton as Liaison Counsel, and Capital Max, Inc. as the Lead Plaintiff. Lead Counsel filed an amended consolidated complaint June 27, 2008 (“Amended Consolidated Complaint”), which was later amended on December 22, 2008 (“Second Amended Consolidated Complaint”).

4. Lead Plaintiff alleges that Defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), as well as Securities and Exchange Commission Rule 10b-5.

5. Generally, Lead Plaintiff alleges that Defendants issued materially false and misleading statements and made material omissions in numerous public filings and statements to the investing public from October 29, 2004, through April 23, 2007. These allegedly false and misleading statements and omissions related to, inter alia, Dyadic’s “Asian Operating Segment,” the accounting procedures related to such operations, the alleged failure of financial statements incorporated into the public filings to comply with Generally Accepted Accounting Principles, and failure to institute internal controls and prevent fraud risk.

6. On or about September 12, 2008, Defendants filed their motions to dismiss (“First Motion”). On November 25, 2008, the Court granted the First Motion with regard to Defendants Warner, Rosengart, Moor, and Berman (“Dismissed Defendants”). It denied the First Motion as it pertained to Dyadic and Emalfarb. The Court granted leave to file a second amended complaint, which Lead Plaintiff filed on December 22, 2008. The Second Amended Consolidated Complaint renamed the Dismissed Defendants with newly discovered information pertaining to the alleged violations. On or about January 21, 2009, Dismissed Defendants and Defendant Garner (whose service of process was delayed due to difficulty locating him) filed their motions to dismiss (“Second Motion”). On September 29, 2009, the Court granted the Second Motion in part and denied it in part. All Defendants filed their Answers and Affirmative Defenses by October 21, 2009, denying that they engaged in any wrongdoing, denying that they violated the Exchange Act, and denying that the Second Amended Consolidated Complaint set forth a valid claim against any of the Defendants. Defendants also asserted numerous defenses, including that any injury purportedly suffered was not caused by any conduct of Defendants.

7. Following the Court's ruling on the Second Motion, Defendants made an initial production of approximately 120,000 pages of documents. Lead Counsel reviewed these documents, finding information for both further discovery and the settlement negotiations. In addition, Lead Plaintiff served interrogatories and document requests on Defendants and issued subpoenas to non-parties. Lead Counsel conducted significant investigations and research into the factual and legal issues surrounding this litigation.

8. During this Litigation, Lead Counsel and counsel for Defendants have engaged in two separate formal, and numerous informal, settlement discussions. The formal discussions included two separate mediations, the first in Fort Lauderdale, Florida, before Mark Buckstein on October 15, 2008, and the second in New York, New York, before Jed Melnick of the Weinstein Mediation Center, a JAMS affiliate, on December 16, 2009. Over the months that followed, the parties continued negotiations, with the aid of Mr. Melnick, which culminated in this Notice.

9. Taking into account the risks and hazards of further litigation, Lead Counsel and Lead Plaintiff have determined that it is in the best interest of the Class to settle this Litigation on the terms and conditions described herein. In entering into the Stipulation, Lead Counsel has taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as this, including the inherent problems of proof and possible defenses to the federal securities law violations asserted in the Second Amended Consolidated Complaint. Lead Counsel also recognizes and acknowledges the expense, risk, and length of continued proceedings necessary to prosecute the Litigation against Defendants through trial and appeals, including the risk that the Litigation might be dismissed on motion for summary judgment, following a trial on the merits, or on appeal. More importantly, Lead Counsel recognizes a substantial risk that further litigation may lead to the inability of Dyadic and the Individual Defendants to satisfy any judgment, given that insurance coverage may be denied. Lead Counsel believes that the Settlement set forth in this Notice confers substantial benefits upon the Class. Lead Counsel has determined that the Settlement set forth in this Notice is fair, reasonable, and adequate and in the best interests of the Class.

10. Defendants in the Litigation have vehemently denied, and continue to deny, all allegations of wrongdoing or liability or damage to the Lead Plaintiff and the Class, and contend that at all times they acted properly. Nevertheless, they desire to settle and terminate the claims of the Lead Plaintiff and the Class so as to avoid lengthy and time-consuming litigation and the burden, inconvenience, and expense connected therewith, and to finally put to rest the Settled Claims, through Dyadic's and its insurers' payment, on behalf of all Defendants, of the Settlement Amount set forth herein, without in any way acknowledging any fault or liability. This Notice and all related documents are not and shall not be construed as an admission by Defendants of any fault, liability, or wrongdoing of or by them, or any of them, or of any other Person.

11. The Settling Parties to the Litigation disagree on the amount of damages suffered by the Class. Lead Counsel believes that Dyadic and the Individual Defendant's acts and omissions were responsible for significantly all of the decline in the value of Dyadic stock, totaling an estimated \$44.9 million. Defendants dispute that their actions were the cause of the decline in the price of the stock and believe that a general decline in the alternative energy sector was responsible.

12. The Class in the Litigation is defined above, in the paragraph preceding paragraph 1 of this Notice. Excluded from the Class are the Defendants, the directors, officers, and employees of Dyadic, the members of each individual Defendant's family, any entity in which any Defendants have a controlling interest, and the legal affiliates, representatives, heirs, controlling persons, successors, and predecessors in interest or assigns of any such excluded party, and any person who submits a timely and valid request for exclusion from the Class. Also excluded from the Class are persons or entities who sold shares of Dyadic common stock only to the extent they sold all such common stock before April 23, 2007. Persons who sold fewer than all shares before April 23, 2007, remain in the Class. The exclusion of "directors," "officers," or "employees" from the Class is a reference to persons who were directors, officers, or employees of Dyadic between October 29, 2004, and April 23, 2007.

13. The Defendants in this Litigation are Dyadic International, Inc. ("Dyadic"), Richard J. Berman, Mark A. Emalfarb, Rufus K. Gardner, Wayne Moor, Harry Z. Rosengart, and Stephen J. Warner.

THE PROPOSED SETTLEMENT AND REASONS FOR SETTLEMENT

14. Subject to Court approval, Lead Plaintiff, individually and on behalf of the Class, and the Defendants have reached a settlement of this Litigation. The proposed Settlement, if approved, calls for Dyadic, to pay or cause to be paid, on behalf of all the Defendants, Four Million Eight Hundred Thousand Dollars (\$4,800,000) in exchange for which the Litigation will be dismissed with prejudice and all Class Members who do not timely and properly exclude themselves as provided below will release and discharge the Defendants and certain related persons and entities from any and all claims that were or could have been asserted in the Litigation.

15. In particular, Class Members will release all of the Released Parties defined below with regard to the Settled Claims, also defined below:

a) "Released Parties" means Defendants and their past or present directors, officers, employees, partners, principals, agents, underwriters, issuers, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants, auditors, banks, or investment bankers, advisors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint venturers, assigns, spouses, heirs, associates, related or affiliated entities, any entity in which any of them has or had a controlling interest, any members of their immediate families, any trust of which any of them is the settlor or which is for the benefit of any of them and/or member(s) of their families, and any past or present officer or director of each of the foregoing entities.

b) "Settled Claims" means any and all claims, rights, or causes of action or liabilities whatsoever, whether based on federal, state, local, statutory, or common law or any other law, rule, or regulation, including both known claims and Unknown Claims, that have been or could reasonably have been asserted in any forum by the Class Members, or any of them, whether directly, indirectly, representatively, or in any other capacity against any of the Released Parties and which arise out of, or relate in any manner to, the alleged misstatements, including the facts, occurrences, acts, disclosures, statements, omissions, or failures to act which were alleged or could have been alleged in the Litigation.

16. The funds paid in settlement, after deductions for Court-approved attorneys' fees, costs, and expenses and Notice and Administration Costs, will be paid to Class Members who submit proper and timely Proof of Claim and Release forms. The Settlement Fund will be paid to Class Members, if the Court approves the Settlement, employing the claims procedure and deadlines set forth in this Notice and in the Plan of Allocation and according to the computation methodology in the proposed Plan of Allocation set forth at pages 9 and 10 below, unless the Court adopts an alternate allocation methodology.

17. The proposed Settlement was reached after more than three years of contested litigation, during which more than 120,000 pages of documents were produced or obtained and reviewed. The Litigation also involved numerous contested motions covering a variety of subjects. The proposed Settlement resulted after two separate mediations held.

18. In deciding to settle the Litigation, the Lead Plaintiff and Lead Counsel considered, among other things: (a) the factual and discovery record; (b) the potential damages; (c) the strength of the Class' claims as determined from a review of the law and the facts established in discovery and through investigation; (d) the expense and length of continued proceedings, including possible trial and post-trial proceedings and appeals, necessary to prosecute the Litigation; (e) the risks arising from the existence of unresolved questions of law and fact; (f) the nature and strength of defenses asserted by and available to the Defendants; and (g) the risks and uncertainties of continued class action securities litigation of this nature. The Lead Plaintiff and Lead Counsel believe, based on a thorough review, that, in view of the foregoing, the proposed Settlement is fair, reasonable, and adequate and in the best interests of the Class, and recommend it to the Class and the Court without qualification.

19. Defendants deny all allegations of wrongdoing, deny any violation of the securities laws, maintain that they acted properly in all respects and make no admission of fault, liability, or damages in connection with the proposed Settlement or otherwise.

20. The Court has not set a trial date, nor ruled on liability or damages. This Notice is not to be understood as an expression of opinion by the Court as to the merits of any claim or defense. This Notice does not imply that there has been any violation of law or that the Class will recover if the Litigation is not settled and instead is resolved in Court by trial or otherwise.

21. The Settlement will become effective, if approved by the Court, after the judgment entered by the Court becomes Final.

22. This Notice is not intended to be a complete description of the Stipulation. The Stipulation contains the full and complete terms of the Settlement, and is available as set forth in paragraph 38 below.

**HOW TO REMAIN A CLASS MEMBER,
HOW TO EXCLUDE YOURSELF OR "OPT OUT" OF THE CLASS,
AND THE CONSEQUENCES OF BEING IN THE CLASS**

23. This Notice is sent to you in the belief that you may be a Class Member in this Litigation. To remain a Class Member, you are not required to do anything. If you remain a Class Member, whether or not you timely and properly file a Proof of Claim and Release, you will be bound by any judgment in this Litigation, whether it is favorable or unfavorable. If there is a recovery, via the proposed Settlement or otherwise, you may be entitled to share in the proceeds, less such Notice and Administrative Costs and attorneys' fees, costs and expenses as the Court may allow out of any such recovery. If you are and choose to remain a Class Member, you may not pursue a lawsuit on your own with regard to the Merger or any of the claims asserted or issues decided in this Litigation.

24. If you do not exclude yourself from the Class in the manner set forth in paragraph 26 of this Notice, you may, but are not required to, enter an appearance personally or through your own counsel at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file an appearance on your behalf on or before July 13, 2010, and must serve copies of such appearance on the attorneys listed below in paragraph 28. If you choose to remain a Class Member and do not enter your own appearance or retain your own counsel, you will be represented by Court-appointed Lead Counsel:

Matthew T. Heffner, Esq.
Susman Heffner & Hurst, LLP
Two First National Plaza, Suite 600
Chicago, Illinois 60603

25. If you remain a Class Member, you will not be directly responsible for any attorneys' fees, expenses, or costs or any other costs or expenses. Any such amounts ultimately allowed by the Court will be payable out of the Settlement Fund or other recovery, if there is one.

26. To exclude yourself from the Class, you must make a request in writing. In order to be valid, each request for exclusion must: (a) set forth the name, address, and telephone number of the Class Member or Person requesting exclusion; (b) state and provide documentation showing that such Person actually is a Class Member and state that such Class Member or Person requests exclusion from the Class in this Litigation; (c) be signed by such Class Member or Person; (d) state and provide documentation showing how many shares of Dyadic common stock the Class Member acquired and sold during the Class Period; (e) state and provide documentation of the number of shares and the sales and purchase prices and dates of each subsequent sale or purchase or other disposition of such stock (if any); and (f) be sent by first class mail, overnight delivery service, or hand delivery to the following address:

Dyadic Shareholders Litigation
Claims Administrator
c/o Strategic Claims Services
600 North Jackson Street, Suite 3
Media, PA 19063
Web address: www.strategicclaims.net

To be effective, your request for exclusion must comply with all of the above requirements and be actually received by the Claims Administrator no later than July 13, 2010. Fax, telephone, and e-mail requests for exclusion are not acceptable. Requests for exclusion that do not comply with the above requirements will be invalid.

27. If you do properly exclude yourself from the Class, you will not be bound by any judgment in this Litigation, but you will also not be entitled to share in the Settlement or any recovery that may result from it. If you properly request exclusion, you will be entitled to pursue any individual suit, claim, or remedy which you may have, at your own expense.

**OBJECTIONS TO THE SETTLEMENT, PLAN OF ALLOCATION,
OR ATTORNEYS' FEES**

28. Any Class Member who has not requested exclusion as described in paragraph 26 above may appear at the Fairness Hearing, as described below in paragraphs 34 and 35, in person, or through duly authorized counsel of his or her choice, and show cause, if any, why the proposed Settlement, the proposed Plan of Allocation, or the application for attorneys' fees and reimbursement of costs and expenses should not be approved. However, no such Person will be heard and no paper or briefs will be considered unless that Person has filed an objection on or before July 13, 2010, with the Clerk of the United States District Courthouse, Southern District of Florida, showing due proof of service, by hand or first class mail, postage prepaid, on Lead Counsel, and counsel for Defendants, as follows:

<p>SUSMAN HEFFNER & HURST, LLP Matthew T. Heffner, Esq. Two First National Plaza, Suite 600 Chicago, Illinois 60603 Lead Counsel</p>	<p>HOWREY, LLP Andrew D. Lazerow 1299 Pennsylvania Ave. NW Washington, DC 20004 Counsel for Defendants Dyadic International, Inc., Mark Emalfarb, Rufus Gardner, and Steven Warner</p>	<p>HOLLAND & KNIGHT LLP Tracy A. Nichols 701 Brickell Avenue, Suite 3000 Miami, Florida 33131 Counsel for Defendants Richard Berman, Wayne Moor, and Harry Rosengart</p>
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To object, you must file with the Court and serve the three attorneys and the Court listed immediately above with the following documents: (a) a written statement setting forth the basis of your objections, any supporting memoranda or other papers; (b) documentary proof of your membership in the Class; and (c) a written statement signed by the objector, setting forth and including: (i) the name, address, and telephone number of the objector; (ii) the number of shares of Dyadic common stock acquired and sold, including the number and price of the shares of Dyadic common stock acquired and sold between October 29, 2004, through April 23, 2007, and the date of each such transaction with the proof thereof. The failure to file and serve in a timely manner will bar the objector from presenting any objections, including any objection to the fairness, reasonableness, or adequacy of the Settlement, or to the entry of the judgment(s) and any other orders contemplated by the Settlement or otherwise.

You may file an objection without having to appear at the Fairness Hearing. Members of the Class who approve of the proposed Settlement do not need to appear at the Fairness Hearing to indicate their approval, although they must file a Proof of Claim and Release form to participate in the distribution of the Settlement Fund. If you intend to be heard orally at the Fairness Hearing or in opposition to the Settlement, the entry of the Order of Final Judgment and Dismissal, the Plan of Allocation, and/or Plaintiffs' Counsel's application for attorneys' fees, costs and expenses, you must so state in your objection, and if you desire to present evidence at the Fairness Hearing, you must include the identity of any witnesses you intend to call and any exhibits they and/or you intend to introduce.

ANY CLASS MEMBER WHO DOES NOT OBJECT IN THE MANNER DESCRIBED HEREIN WILL BE DEEMED TO HAVE WAIVED ANY OBJECTION, AND SHALL BE FOREVER FORECLOSED FROM MAKING ANY OBJECTION TO THE PROPOSED SETTLEMENT, PLAN OF ALLOCATION, AND APPLICATION FOR ATTORNEYS' FEES, COSTS, AND EXPENSES.

PROPOSED PLAN OF ALLOCATION

29. Lead Counsel has proposed to the Court the Plan of Allocation, set forth below on pages 9 and 10, for distributing the Settlement Fund among Class Members. Lead Counsel believes this Plan of Allocation, if approved, represents an appropriate exercise of the Court's discretion and that it is fair, reasonable, and adequate in light of, among other things, the claims asserted, the factual and discovery record and the governing legal principles. The Court may consider and approve this Plan of Allocation, or may approve another, different methodology for allocating the Settlement Fund, at the Fairness Hearing or at such other time as the Court deems appropriate.

STATEMENT OF CLASS RECOVERY

30. The amount of the Settlement Fund proposed to be distributed to the Class Members is, in the aggregate, \$4,800,000 ("Settlement Amount"), plus accrued interest, less Court-approved attorneys' fees, costs, and expenses and Notice and Administration Costs.

31. Assuming that claims are submitted for every share of Dyadic common stock that Plaintiffs estimates is eligible to participate, the minimum amount of the Settlement Fund to be distributed to the Class Members, on an average per share basis, will be approximately \$0.46 per share, prior to any reduction for Court awarded attorneys' fees, costs, and expenses. The actual recovery obtained by any Member of the Class will depend on the number and amount of Authorized Claims submitted by other Class Members, the timing, amount, and price of Class Member sales of Dyadic common stock and other factors, such as, without limitation, whether the Court approves the proposed Plan of Allocation or establishes another plan of allocation. Payment to Class Members will also be reduced by Notice and Administration Costs and any other Court-approved deduction(s).

STATEMENT OF POTENTIAL OUTCOME OF CASE

32. The parties do not agree on the average amount of damages per share that would be recoverable if the Class were to prevail on each claim alleged. The parties disagree as to whether the Class was damaged, the amount of such damage, and how such damage should be measured. Defendants claim that even if liability could be proven, total damages would still be \$0, or \$0 per damaged share.

ATTORNEYS' FEES, COSTS AND LITIGATION EXPENSES

33. Counsel undertook this matter more than three years ago on a wholly contingent basis. To date, they have expended over 3,700 attorney and professional hours and advanced substantial expenses and costs, and have not been paid or compensated in any form for their services, nor reimbursed for any costs or expenses. Before the Fairness Hearing, Lead Counsel will file a petition with the Court seeking approval of an amount not to exceed thirty-five percent of the Settlement Amount as an award of attorneys' fees. Plaintiffs' Counsel will also seek reimbursement for litigation costs and expenses incurred in connection with this Litigation, not to exceed \$90,000. The maximum amount of requested attorneys' fees and costs on an average per share basis, using the calculations of Lead Plaintiff's expert

to determine the number of shares held by Class Members, is approximately \$0.17 per share. Notice and Administration Costs will also be deducted from the Settlement Fund prior to distribution to Class Members. Whether the Settlement is approved or not, you will not be required to directly pay any attorneys' fees or other expenses or costs, which will be paid only from the Settlement Fund in the amount approved by the Court.

NOTICE OF SETTLEMENT HEARING AND RIGHT TO APPEAR

34. A Fairness Hearing will be held before the Court on July 27, 2010, at 9:00 a.m., in the United States District Court for the Southern District of Florida, 299 East Broward Boulevard, Courtroom 205B, Ft. Lauderdale, FL 33301, to determine among other things:

- a. whether the Stipulation on the terms and conditions set forth therein is fair, reasonable, and adequate, in the best interest of the Class, and should be approved by the Court;
- b. whether an Order of Final Judgment and Dismissal in the form specified in the Stipulation should be entered;
- c. whether the Plan of Allocation proposed by Lead Counsel for allocating the Settlement proceeds should be approved; and
- d. whether the application for attorneys' fees and reimbursement of litigation costs and expenses should be allowed.

35. Any Class Member who has complied with the objection procedures set forth above may appear at the Fairness Hearing and show cause as to why the Settlement should not be approved, why the requested attorneys' fees, costs, and expenses should not be awarded or why the Plan of Allocation should not be approved. The Court may adjourn the Fairness Hearing without further notice to Class Members, other than by announcement at the Fairness Hearing.

PROOF OF CLAIM AND RELEASE

36. To obtain a recovery from the Settlement, *i.e.*, to obtain money from the Settlement Fund, you must submit a timely, proper Proof of Claim and Release form. You cannot obtain any money or recovery if you do not submit a timely, proper Proof of Claim and Release.

37. A Proof of Claim and Release form is enclosed with this Notice. Unless you have properly excluded yourself from the Class, please complete and mail it to the address set forth in the Proof of Claim and Release form. It is important that the Proof of Claim and Release form be completed and mailed or received at such address prior to September 13, 2010. If it is not, you will not be able to participate in distributions of the Settlement Fund. Complete and mail the Proof of Claim and Release form now. Do not wait until the due date. As set forth in the Proof of Claim and Release, certain large holders may be permitted or required to file certain information electronically.

WEBSITE

38. Additional information and relevant documents are available on the settlement website: www.strategic-claims.net.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

39. If you held Dyadic common stock for the beneficial interest of a person or entity other than yourself and that stock purchased or acquired during the Class Period, the Court has requested that, within ten (10) days of your receipt of this Notice, you either: (a) provide to the Claims Administrator the name and last known address of each such person or entity, preferably electronically, showing street address and city/state/zip; or (b) request additional copies of this Notice, which will be provided to you free of charge, and, within ten (10) days of receipt of same, mail the Notice directly to the beneficial owners referred to herein. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement of your *reasonable* expenses actually incurred in connection with the foregoing, including a reimbursement of postage expense and the actual out-of-pocket cost in connection with ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to:

Dyadic Shareholders Litigation
Claims Administrator
c/o Strategic Claims Services
600 North Jackson Street, Suite 3
Media, PA 19063
Web address: www.strategicclaims.net

AVAILABILITY OF FILED PAPERS

40. This Notice is only a summary and does not fully describe all aspects of the Litigation. It is subject to and controlled by the more detailed provisions of the Stipulation of Settlement and related orders, exhibits, and other documents. The Stipulation of Settlement and other pleadings, motions, briefs, and papers filed in this Litigation are available for inspection, during business hours, at the Office of the Clerk of the Court, United States District Court for the Southern District of Florida, 299 East Broward Boulevard, Ft. Lauderdale, FL 33301. Certain pleadings may be covered by a confidentiality order, and require special arrangements to view. Contact Lead Counsel at the address or telephone number stated herein with any questions.

TERMINATION OF PROPOSED SETTLEMENT

41. If there is no final Court approval of the proposed Settlement in this case, or if Defendants withdraw from the Settlement in accordance with the Stipulation, or if the Settlement is not consummated for any other reason, the Stipulation will become null and void, and the Settling Parties will resume their former positions in the Litigation.

QUESTIONS

42. If you have any questions about this Notice, or the Litigation, you may contact the Claims Administrator or Lead Counsel, whose names and addresses are listed above.

PLEASE DO NOT TELEPHONE THE COURT
OR THE OFFICE OF THE CLERK OF THE COURT WITH QUESTIONS
OTHER THAN THOSE RELATING TO REVIEW OF COURT PAPERS

Dated: April 19, 2010

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA,
EASTERN DIVISION

**PLAN OF ALLOCATION
OF THE NET SETTLEMENT FUND**

The proposed Plan of Allocation provides for distribution of the Gross Settlement Fund, less all taxes, approved costs, fees, and expenses (the "Net Settlement Fund"). The Net Settlement Fund will be distributed to all Class Members who submit timely, valid, and signed Proof of Claim forms ("Authorized Claimants") and whose payment from the Net Settlement Fund would equal or exceed ten dollars (\$10.00).

All Proof of Claim forms must be postmarked or received by September 13, 2010, addressed as follows:

Dyadic Shareholders Litigation
Claims Administrator
c/o Strategic Claims Services
600 North Jackson Street, Suite 3
Media, PA 19063

Unless otherwise ordered by the Court, any Class Member who fails to submit a properly completed and signed Proof of Claim within such period as may be ordered by the Court shall be forever barred from receiving any payments pursuant to the Stipulation, but will in all other respects be subject to the provisions of the Stipulation, including the terms of any judgment(s) entered by the Court and the releases given.

The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Loss." The Recognized Loss formula is not intended to be an estimate of the amount of what a Class Member might have been able to recover after a trial, nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Loss formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

The Plan of Allocation generally measures the amount of loss that a Class Member can claim under the Settlement for the purpose of making *pro rata* allocations of the cash in the Net Settlement Fund to Class Members who submit acceptable Proofs of Claim. The Plan of Allocation is not a formal damage analysis. The Plan of Allocation may be modified in connection with, among other things, a ruling by the Court, an objection filed by a Class Member, **without further notice to the Class**. In addition, The Plan of Allocation is a matter separate and apart from the proposed Settlement, and any decision by the Court concerning the Plan of Allocation shall not affect the validity or finality of the proposed Settlement.

Recognized Losses will be calculated for shares of Dyadic International, Inc. ("Dyadic") common stock purchased or acquired between October 29, 2004 and April 23, 2007 (inclusive) and:

1. Sold at a loss on or before April 23, 2007, the Recognized Loss per share is \$0.
2. Still held as of the close of trading on April 23 2007, the Recognized Loss per share is the lesser of: (a) the purchase price paid minus \$.33; or (b) \$4.70.

Consistent with the requirements of the Private Securities Litigation Reform Act of 1995, Recognized Losses are reduced to an appropriate extent by taking into account the closing prices of Dyadic common stock during the 90-day period following the end of the Class Period ("the 90-day look back period"). Since Dyadic common stock had a trading halt from April 24, 2007 to January 16, 2008, the commencement date for the 90-day look back period is January 17, 2008. The mean (average) closing price for Dyadic common stock during this 90-day look back period was \$.33 per share.

To the extent a claimant had a gain or "broke even" from his, her, or its overall transactions in Dyadic common stock during the Class Period, the value of the Recognized Loss will be zero and the claimant will not be entitled to a share of the Net Settlement Fund. To the extent that a claimant suffered a loss on his, her, or its overall transactions in Dyadic common stock during the Class Period, but that loss was less than the Recognized Loss calculated above, then the Recognized Loss shall be limited to the amount of the claimant's actual loss. A Recognized Loss that calculates to yield a negative number is treated as a Recognized Loss of zero.

For purposes of determining whether a claimant had a gain or suffered a loss from his, her, or its overall transactions in Dyadic common stock during the Class Period, the Claims Administrator shall: (i) total the amount paid for all Dyadic common stock purchased/acquired during the Class Period by the claimant (the "Total Purchase Amount"); (ii) match any sales of Dyadic common stock during the Class Period first against the claimant's opening position in the stock (the proceeds of those sales will not be considered for purposes of calculating gains or losses); (iii) total the amount received for sales of the remaining shares of Dyadic common stock sold during the Class Period (the "Sales Proceeds") and (iv) the 90-day look back price of \$0.33 per share will be applied to shares that were not sold during the Class Period. The difference between the Total Purchase Amount, the Sales Proceeds, and the Value of Shares

Held will be deemed a claimant's gain or loss on his, her, or its overall transactions in Dyadic common stock during the Class Period.

In the event a Class Member has more than one purchase, acquisition or sale of Dyadic common stock, all purchases, acquisitions, and sales shall be matched on a First In First Out ("FIFO") basis: Class Period sales will be matched first against any shares of Dyadic common stock held at the beginning of the Class Period, and then against purchases and acquisitions in chronological order, beginning with the earliest purchases and acquisitions made during the Class Period. A purchase/acquisition or sale of Dyadic common stock shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date.

Each Authorized Claimant shall be allocated a *pro rata* share of the Net Settlement Fund based on his, her, or its Recognized Loss as compared to the total Recognized Losses of all Authorized Claimants. The *pro rata* share will be determined by multiplying the Net Settlement Fund by a fraction, the numerator of which shall be the claimant's Recognized Loss and the denominator of which shall be the Total Recognized Losses of all Authorized Claimants. The Court has reserved jurisdiction to allow, disallow, or adjust the Recognized Loss of any Class Member on equitable grounds.

An Authorized Claimant's Recognized Loss is calculated based in part upon an estimation of the level of artificial inflation in the market prices of Dyadic publicly traded common stock. Recognized Losses will be reduced dollar-for-dollar to the extent that (i) publicly traded Dyadic common stock was purchased or acquired at a price below the lowest trading or published price for such publicly traded Dyadic common stock on the date during the Class Period on which the purchase or acquisition was made (*e.g.*, in a private sale or at a discounted price), or (ii) publicly traded Dyadic common stock was sold at a price above the highest trading or published price for such publicly traded Dyadic common stock on the date during the Class Period on which the sale was made.

Distributions will be made to Authorized Claimants whose claims entitle them to a payment of no less than \$10.00 after all claims have been processed and after the Court has finally approved the Settlement. Under no circumstances will a Recognized Loss exceed the out-of-pocket loss, not including commissions, taxes, or other fees. The coverage portion of a short sale is not an eligible purchase. Gifts and transfers are not eligible purchases.

If any funds remain in the Net Settlement Fund by reason of un-cashed distributions or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund six (6) months after the initial distribution of such funds shall be re-distributed to Class Members who have cashed their initial distributions and who would receive at least \$10.00 from such re-distribution, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution. If after six (6) months after such re-distribution any funds shall remain in the Net Settlement Fund, then such balance shall be contributed to non-sectarian, not-for-profit organization(s) designated by Lead Counsel after notice to the Court and subject to direction, if any, by the Court.

Lead Plaintiff, the Defendants, their respective counsel, and all other Released Parties shall have no responsibility for or liability whatsoever for the investment or distribution of the Settlement Fund, the Net Settlement Fund, the Plan of Allocation, or the determination, administration, calculation, or payment of any Proof of Claim or non-performance of the Claims Administrator, the payment or withholding of taxes owed by the Settlement Fund, or any losses incurred in connection therewith.

The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Class Member on equitable grounds. No person shall have any claim against Lead Plaintiff or his counsel or any claims administrator or other agent designated by Lead Plaintiff or his counsel, or against Defendants or Defendants' counsel, based on distributions made substantially in accordance with the Stipulation and the Settlement contained therein, the Plan of Allocation, or further orders of the Court.

Please note that the term "Recognized Loss" is used solely for calculating the amount of participation by Authorized Claimants in the Net Settlement Fund. It does not reflect the actual amount an Authorized Claimant can expect to recover.