

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 60047 / June 4, 2009

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 2984 / June 4, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13504

<p>In the Matter of</p> <p>DYADIC INTERNATIONAL, INC.</p> <p>Respondent.</p>

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Dyadic International, Inc. (“Dyadic” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-And-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Respondent

1. Dyadic is a biotechnology company incorporated in Delaware and based in Jupiter, Florida. Dyadic became a public company in October 2004 through a reverse merger, and on May 26, 2005, it registered its common stock with the Commission pursuant to Section 12(b) of the Exchange Act. From May 2005 through January 2008, Dyadic's common stock was listed on the American Stock Exchange ("AMEX"). In January 2008, the AMEX delisted and deregistered Dyadic's common stock. Since its delisting through the present, Dyadic's common stock has been quoted on the "Pink Sheets" disseminated by Pink OTC Markets, Inc. but has not been registered pursuant to Section 12 of the Exchange Act.

Summary

2. For fiscal years ended December 31, 2005 and 2006, Dyadic filed periodic reports with the Commission incorporating financial statements that materially misstated its revenues and accounts receivable balances. Specially, in contravention of Generally Accepted Accounting Principles ("GAAP"), Dyadic improperly recognized revenue from sales made by its wholly-owned subsidiary, Puridet (Asia) Limited ("Puridet"), overstated Puridet's accounts receivable balances and failed to disclose material related party transactions by Puridet with members of Puridet's management. During this time period, Dyadic did not maintain accurate books and records and had deficient internal accounting controls. As a result of these deficiencies, Dyadic has been unable to restate its prior quarterly and annual financial statements for the periods ended June 30, 2005 through December 31, 2006.

Dyadic Improperly Recognized Sales by its Asian Subsidiary

3. Dyadic acquired a majority voting interest in Puridet in 2003. Puridet, which manufactures and distributes textile enzymes in Asia, is based in Hong Kong. In April 2006, Puridet became a wholly-owned subsidiary of Dyadic. Puridet's sales in 2005 and 2006 represented approximately 40% of Dyadic's consolidated revenues as reflected in its financial statements filed with the Commission during that time period.

4. In April 2007, Dyadic's management became aware of potential material operational and financial improprieties at Puridet through an anonymous whistle-blower complaint following the death of Puridet's managing director. An internal investigation conducted by Dyadic determined that the subsidiary's largest customer, an entity named Pui Shing Detergent Company and a predecessor entity, South Dragon Detergent Company

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

(collectively “Pui Shing”), was secretly controlled by Puridet’s management, including the deceased managing director. According to the internal investigation, Puridet’s management created Pui Shing as a customer on Puridet’s books and records. In reality, Pui Shing was only used as a vehicle for Puridet to recognize revenue from product it sold on a cash basis to local businesses throughout mainland China. As such, sales to Pui Shing were not bona fide. These cash transactions may have also allowed Puridet’s management to possibly misappropriate funds and certain of these Chinese businesses to avoid their local reporting and sales tax requirements. The effect of these transactions on Puridet’s financial statements could not be quantified by Dyadic because the underlying transactions were in cash, not properly documented and Pui Shing’s books and records could not be obtained from Puridet’s management.

5. Puridet conducted approximately 25% of its business through Pui Shing with the intent to conceal the true nature of its relationship to that entity and its customers. For the year ended December 31, 2006, sales to Pui Shing alone represented almost 10% of Dyadic’s net sales on a consolidated basis and over 20% of Dyadic’s consolidated net receivable balance.

6. As a result, Dyadic materially misstated figures reported for its revenue and accounts receivable and failed to disclose material related-party transactions in its financial statements for the years ended December 31, 2005 and 2006 and the quarters ended June and September of 2005 and March, June and September of 2006. Dyadic included its misleading financial results in press releases and its filings with the Commission relating to these periods. Dyadic has been unable to fully quantify the financial impact of these Puridet transactions, or restate its financial statements for this time period, because the necessary records did not exist or could not be obtained.

7. In May 2007, Dyadic abandoned its Asian operations because of its concerns over these material operational and financial improprieties at Puridet.

Dyadic Failed to File Periodic Reports with the Commission

8. Dyadic has not filed an Annual Report on Form 10-KSB with the Commission since December 31, 2006 or periodic or quarterly reports on Form 10-QSB for any fiscal period subsequent to its fiscal quarter ending September 30, 2006 up through its delisting and deregistration by AMEX in January 2008. Dyadic’s failure to file these reports stems from its violations of GAAP, as well as certain record keeping and internal control deficiencies.

Dyadic’s Violations

Dyadic’s Violations of the Books and Records and Internal Control Provisions

9. Section 13(a) of the Exchange Act and Rules 13a-1, 13a-13 and 12b-20 thereunder, require every issuer of a security registered pursuant to Section 12 of the Exchange Act file with the Commission information, documents, and annual and quarterly reports as the Commission may require, and mandate that periodic reports contain such further material information as may be necessary to make the required statements not misleading. Section 13(b)(2)(A) of the Exchange

Act, requires reporting companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets. Section 13(b)(2)(B) of the Exchange Act requires all reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP.

10. Because Dyadic improperly recorded its revenue, accounts receivable, and related-party transactions, its books, records and accounts did not, in reasonable detail, accurately and fairly reflect its transactions and dispositions of assets. In addition, Dyadic failed to implement internal accounting controls relating to its revenue, accounts receivable and related party transactions which were sufficient to provide reasonable assurances that these accounts were accurately stated in accordance with GAAP.

Dyadic's Violations of the Reporting Provisions

11. Dyadic has also failed to comply with Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder, while its common stock was registered with the Commission in that it has not filed an Annual Report on Form 10-KSB since December 31, 2006 or periodic or quarterly reports on Form 10-QSB for any fiscal period subsequent to its fiscal quarter ending September 30, 2006 up through its delisting and deregistration by AMEX in January 2008.

Dyadic's Remedial Efforts

In determining to accept the Offer, the Commission considered remedial acts undertaken by Respondent and cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Dyadic's Offer.

Accordingly, it is hereby ORDERED that:

Pursuant to Section 21C of the Exchange Act, Respondent Dyadic cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder.

By the Commission.

Elizabeth M. Murphy
Secretary