DAIS ANALYTIC CORP
Form 10-K
April 01, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2014

¨ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT 1934**

For the transition period from__________to__________

Commission file number: 000-53554

DAIS ANALYTIC CORPORATION
(Exact name of registrant as specified in its charter)

New York (State or Other Jurisdiction of Incorporation or Organization)	**14-1760865** (I.R.S. Employer Identification No.)
11552 Prosperous Drive, Odessa, Florida (Address of Principal Executive Offices)	**33556** (Zip Code)

Registrant’s telephone number, including area code: (727) 375-8484

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act: Common Stock, par value $0.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405) during the preceding 12 months. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer (Do not check if a smaller reporting company)	¨	Smaller reporting company	x

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately $7,435,032 as of the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price on the OTCQB reported for such date. Shares of common stock held by each officer and director and by each person who owns 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 30, 2015, the Registrant had 119,109,034 outstanding shares of its common stock, $0.01 par value.

Documents incorporated by reference: none

DAIS ANALYTIC CORPORATION

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PART I

FORWARD-LOOKING STATEMENTS

Information contained or incorporated by reference in this Annual Report may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words “may,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “intend” or “project” or the negative of these words or other var on these words or comparable terminology.

This Annual Report on Form 10-K contains forward-looking statements, including statements regarding, among other things:

- our ability to continue as a going concern;
- our ability to achieve and maintain profitability;
- the price volatility of the common stock;
- the historically low trading volume of the common stock;
- our ability to produce, manage and fund our growth;
- our ability to attract and retain qualified personnel;
- unanticipated litigation;
- our ability to do business in China and elsewhere overseas;
- our ability to compete with current and future competitors;
- the ability of our licensees to sell our products;
- our ability to commercialize our intellectual property;
- the trustworthiness of our counterparties to fulfill their obligations;
- our ability to obtain additional financing;
- general economic and business conditions;
- other factors discussed in our other filings made with the Commission.

These statements may be found under “Management’s Discussion and Analysis” and “Description of Business,” as well as in other sections of this Annual Report generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under “Risk Factors” and matters described in this Annual Report generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Annual Report will in fact occur. We have no obligation to publicly update or revise these forward-looking statements to reflect new information, future events, or otherwise, except as required by applicable Federal securities laws, and we caution you not to place undue reliance on these forward-looking statements.

ITEM 1. BUSINESS.

Dais Analytic Corporation is a nano-structured polymer technology materials company having developed and now commercializing applications using its family of nanomaterial called Aqualyte™. The first commercial product is called ConsERV™, a fixed plate energy recovery ventilator which we believe is useful in meeting building indoor fresh air requirements while saving energy and lowering emissions for most forms of Heating, Ventilation and Air Conditioning (HVAC) equipment. We are developing other nano-structured polymer technology applications including (i) “NanoClear”, a water clean-up process useful in the creation of potable water from most forms of contaminated water including industrial process waste water (petrochemical, steel, etc.) sea, brackish or waste water and (ii) NanoAir, a water based ‘no fluorocarbon based refrigerant dehumidification, humidification, heating and cooling system. We further believe our nano-structure polymer technology may be useful in developing a form of energy storage device capable of storing greater energy density and power per pound than traditional forms of energy storage such as capacitors or batteries.

Formation History

We were incorporated as a New York corporation on April 8, 1993 as Dais Corporation. We subsequently changed our name to Dais Analytic Corporation on December 13, 1999. We were formed to develop new, cost-effective polymer materials for various applications, including providing a lower cost membrane material for Polymer Electrolyte Membrane (“PEM”) fuel cells. We believe our research on materials science has yielded technological advances in the field of selective ion transport polymer materials.

In December 1999, we purchased the assets of Analytic Power Corporation, which was founded in 1984 to provide fuel cell and fuel processor design and consulting services, systems integration and analysis services to develop integrated fuel cell power systems, and we were re-named Dais Analytic Corporation.

In March 2002, we sold substantially all of our fuel cell assets to a large U.S. oil company for a combination of cash and the assumption by such company of certain of our obligations. After we sold a substantial portion of our fuel cell assets, we focused on expanding our nano-structured polymer platform, having already identified the Energy Recovery Ventilator (“ERV”) application as our first commercial product.

Recent Developments

Securities Purchase Agreement with Strategic Investors

On December 15, 2014, the Company entered into a Securities Purchase Agreement (the “2014 SPA”) with two investors with principal offices in Hong Kong (“2014 Investors”). Pursuant to the 2014 SPA, the Company agreed to sell 18,000,000 shares of the Company’s common stock for $2,750,000, at approximately $0.153 per share. The Company received approximately $2,200,000 of the cash proceeds as of December 31, 2014. The remaining $550,000 was received and the Company issued the 18,000,000 shares of common stock during the first quarter of 2015. 20,333,334 shares of the Company’s common shares may be issued to the 2014 Investors in connection with the purchase of 51% of the equity of an existing PRC company with assets of at least $3,000,000 if the purchasers capitalize the existing PRC company with $3,000,000, issue the Company 51% of the existing PRC company’s equity and arrange an HVAC services agreement $60,000,000 in sales over a three year period.

Largest Aqualyte Order and Initial ConsERV™ Order in China

In November 2014, the Company completed its second delivery of Aqualyte membrane for use in ConsERV products to being assembled in China by Soex (Hong Kong) Industry & Investment Co., Ltd. (“Soex”). This delivery consisted of over 600,000 square feet of the Aqualyte nano-material or enough material to cover 10 football fields, meeting the growing demand in China for ConsERV energy recovery ventilation (ERV) systems.

The Aqualyte membrane is produced in the USA and shipped to China, where it is the key component in Dais’s ConsERV energy recovery ventilators assembled by Soex for distribution by Soex and others in greater China. ConsERV is a four-time award winning commercial engineered add-on product useful on most forms of Heating, Ventilation and Air-Conditioning (HVAC) equipment. Aqualyte™ allows ConsERV to improve Indoor Air Quality (IAQ) while reducing energy usage, operational and capital equipment costs, worker or student productivity, and reducing power plant emissions.

In 2013 the Company received an initial order for its ConsERV™ cores and systems useful in most forms of HVAC equipment built around Aqualyte™ nano-materials from a specialty engineering service company in Beijing, China. The deployment of the ConsERV™ technology is at the first building of a 45-building complex. Installation in the first building has been completed and the customer reports approximately 20% savings in energy usage. Since that time other installations of ConsERV have been completed in China including in schools, passive home projects, and factories. We believe sales in China and Southeast Asia are our best route to increased sales and profitability by growing ConsERV sales. Initial NanoClear sales will be strongest in China and Southeast Asia with North America contributing to expected revenue growth largely shaped by newer regulatory events.

Relationship with Soex

The Company entered into a Securities Purchase Agreement (the “Soex SPA”) with Soex pursuant to which the Company agreed to sell 37.5 million shares of the Company’s common stock, for $1.5 million, at $0.04 per share pursuant to Regulation S. To further the distribution of the Company’s products and strengthen the relationship between the Company and Soex, Soex agreed to form, and issue to the Company equity in, a subsidiary (the “Subsidiary”) which will function as the manufacturer and master distributor. Soex has formed the Subsidiary but has not issued the equity to the Company. On April 24, 2014, the Company entered into a Distribution Agreement with Soex to distribute certain of the Company’s products in China. The Company was entitled to receive royalties and a $500,000 payment, of which $50,000 has been received, that was due on or before October 24, 2014. The Company has not received any royalties from Soex. Soex is in breach of the Distribution Agreement. Sharon Han, General Manager and Chairwoman of Soex, serves on the Company’s board pursuant to the provisions of the Soex SPA.

NanoClear™ Grant to Continue Research

The Company received a $1,000,000 grant to continue developing its NanoClear™ water clearing separation product using funds from a U.S. Army Small Business Innovation Research (SBIR) program. The NanoClear™ grant project entitled “Non-Fouling Water Reuse Technologies” uses Dais’s patented Aqualyte™ membrane to produce potable water from grey-water sources has been awarded another $1,000,000 in reimbursement funding for two years of further development. Dais is moving to introduce its first commercial water filtration module by the third quarter of 2015. The potential product improvement(s) from this $1,000,000 grant will widen NanoClear’s applications in the burgeoning opportunity to separate clean water from most types of contaminated waste streams potentially beginning as early as early 2016.

Technology

We use proprietary nano-technology to reformulate thermoplastic materials called polymers. Nano-technology involves studying and working with matter on an ultra-small scale. One nanometer is one-millionth of a millimeter and a single human hair is around 80,000 nanometers in width. Polymers are chemical, plastic-like compounds used in diverse products such as Dacron, Teflon, and polyurethane. A thermoplastic is a material that is plastic or deformable, melts to a liquid when heated and to a brittle, glassy state when cooled sufficiently.

These reformulated polymers have properties that allow them to be used in unique ways. We transform polymers from a hard, water impermeable substance into a material which water and similar liquids can, under certain conditions, diffuse (although there are no openings in the material) as molecules as opposed to liquid water. Water and similar liquids penetrate the thermoplastic material at the molecular level without oxygen and other atmospheric gases penetrating the material. It is believed this selectivity is dependent on the size and type of a particular molecule. We are using the name ‘Aqualyte” for these materials as we continue their commercialization.

We have recently introduced an upgraded version of our Aqualyte™ nanomaterial. The improved material set provides a shorter supply chain resulting in better inventory management as well as improved physical characteristics potentially offering wider commercial adoption and applications in the future.

Products

ConsERV™

We currently continue widening the channels of commercialization for ConsERV™ product. ConsERV™ is an HVAC energy conservation product which should, according to various tests, save an average of up to 30% on HVAC ventilation air operating costs, lower CO_2 emissions and allow HVAC equipment to be up to 30% smaller, reducing peak energy usage by up to 20% while simultaneously improving indoor air quality. This product makes most forms of HVAC systems operate more efficiently and results, in many cases, in energy and cost savings. ConsERV™ generally attaches onto existing HVAC systems, typically in commercial buildings, to provide improved ventilation air within the structure. ConsERV pre-conditions the incoming air by passing over our nano-technology polymer which has been formed into a full enthalpy heat exchanger core. The nano-technology heat exchanger uses the stale building air that must be simultaneously exhausted to transfer heat and moisture into or out of the incoming air. For summer air conditioning, the “core” removes some of the heat and humidity from the incoming air, transferring it to the exhaust air stream thereby, under certain conditions, saving energy. For winter heating, the “core” transfers a portion of the heat and humidity into the incoming air from the exhaust air stream thereby often saving energy.

Our ConsERV™ product has been the primary focus of our resources and commercialization efforts. When compared to similar competitive products, we believe based on test results conducted by the Air-Conditioning, Heating and Refrigeration Institute (AHRI), a leading industry association, ConsERV™ maintains an industry leading position in the management of latent heat. We expect ConsERV™ to continue to be our focused commercial product through 2015 with a growing emphasis on moving components of our Nano Clear technologies to commercialization.

Composite Polymer Membrane (Aqualyte™)

Commercially available polymer resin in flake form and industrial grade solvents are mixed together using a proprietary process involving heat, industrial equipment, and solvents. The resin and the solvents are commercially available from any number of chemical supply houses, or firms such as Dow and Kraton (formerly Shell Elastomers then part of Royal Dutch Shell). Our process changes the molecular properties of the starting polymer resins into a liquid material which we believe gives the attribute of being selective in what molecules it will allow through the plastic, which includes water molecules. This process, called 'sulfonation', is done at toll processing facilities around the world that specialize in contract manufacture of small batches (by industry standards) of specialty chemicals.

Membrane (Plastic Based Sheet Good)

Until mid-2014 a thin coating of the liquid polymer material is applied on one side of the sheet good by a 'tape casting' firm of which there are many in the United States. The coated sheet good is heated in a process designed to bond the polymer solution and rolled sheet good together. The resulting 'modified sheet good' is then re-coiled into rolls and shipped to us. During 2014 the Company introduced, after extensive development and testing, a newer method of creating the membrane material, eliminated two vendor steps, increased yield, produced a stronger material, and set the direction for future innovations. Currently one vendor creates the final membrane form of Aqualyte used in ConsERV and NanoClear. We have not sought additional vendors for this component. However, we have identified other entities making similar types of products and believe such entities and products may provide alternatives should one be required. As noted above the Company is working on this project to lower its exposure as well as its costs.

The ConsERV™ Core

The modified sheet good is cut into defined dimensions and glued to a spacer formed from a thin plastic sheet, typically a commodity thermoplastic. This combination of a 'spacer glued to modified sheet good' forms a single layer. Multiple layers are stacked one on top the other until a certain height is achieved. Once the proper height is achieved, these layers are then fitted with a galvanized sheet metal plates on the top and bottom of the stack along with galvanized sheet metal brackets on each of the four corners to form an assembly is called a 'core'. The galvanized sheet metal is a world-wide commodity material formed to our specifications by local and out-of-town sheet metal forming companies. We have no long term contractual relationships with firms making the spacers, supplying the glue, supplying the rivets or forming the sheet metal hardware in our core.

The ConsERV™ System

For the complete ConsERV™ system, one or more cores are placed inside of aluminum or steel boxes built by a vendor, our licensees or us. The box may or may not also be fitted with an electric motor, fan, electric relay, and electrical disconnect. Inclusion or exclusion of the electric motor and fan is dictated by the customers' needs and current HVAC system. Once outfitted with cores, the energy recovery ventilator is complete. We have no long term contractual relationships with firms providing the aluminum or steel parts used to build the box, the motors, the fans, the relays, or the electrical disconnects.

NanoClear™ -Water treatment

We expect this application, when development is completed, will function to remove quantities of metals, acids, salt and other impurities from various contaminated water sources to produce potable water using an environmentally friendly, low maintenance des design that is competitive with industry leaders in terms of electrical consumption. We have constructed a pilot plant that was installed at a local County waste water treatment facility and commissioned in May 2013. This site has served as a showcase for potential commercial customers. The accumulated test data, analyzed by an independent 3rd party firm, shows the water quality of the water being produced has not diminished since system start-up. Total Dissolved Solids (TDS) measurements are holding steady at 6 parts per million (ppm). The experience and generated data from the pilot facility combined with manufacturing techniques and improvements pioneered by Dais are forming the first next generation of Aqualyte™ based membrane evaporators which we believe will be the initial commercial product for NanoClear targeting to be introduced in 2015. This membrane evaporator will be an order of magnitude more compact, and have reduced manufacturing costs, than the existing membrane evaporator generations.

NanoAir™ - Water-based packaged HVAC system

We expect this application, when development is completed, will function to dehumidify and cool air in warm weather, or humidify and heat in cold weather. This NanoAir application may be capable of replacing a traditional, refrigerant-based, vapor compression heating/cooling system. The Company has a small prototype showing fundamental heating, cooling, humidification, and dehumidification operation of this evolving product. The NanoAir product is in the middle stage of prototype development. Since May 1, 2013, the Company has been working with the Advanced Research Projects Agency – Energy (ARPA-E) branch of the U.S. Department of Energy (DOE) to develop an energy-efficient dehumidification system using Aqualyte polymer membranes to selectively transfer moisture. The award provides up to $800,000 in federal funding to the Company, provided the Company contributes a 20% cost share toward the proposed total project cost of $1,000,000. The Company successfully demonstrated on time its major technical goals of showing membrane dehumidifier which met project targets, and is currently summarizing the technical, economic, and commercial impact of the developments to close out this ARPA-E program. The Company is working with select potential OEMs, and the DoE focused on moving NanoAir to initial commercialization and revenue generation.

NanoCap™ - Energy Storage

Based on initial material tests conducted by two third parties, we believe that by applying a combination of our nano-materials we may be able to construct a device which stores energy as electrical charge in a device with projected increases in energy density, endurance, and usefulness relative to traditional battery technology. We believe the key applications for such a device would be in transportation and/or grid energy storage. The Company has focused its resources on revenue producing items or uses closer to producing revenue. We have not invested significant resources to date in the development of this application beyond the prototype stage. We are following strong and continued interest from key renewable energy OEMs to create a partnership to potentially move this exciting energy storage medium ahead beginning during 2015.

Other

The Company has identified other potential products for our materials and processes as well as accumulating basic data to support the needed functionality and market differentiation of these products based on using our nano-technology based inventions. These other products are based, in part, upon the known functionality of the Company's materials and processes.

Patents

We own the rights to eleven U.S. patents, one Chinese patent, one U.S. patent applications, two divisional applications and four Patent Cooperation Treaty ("PCT") applications. National stage applications based on one of the PCT applications have resulted in a patent being issued in both the U.S. and China with further applications pending in Europe and Hong Kong. National stage applications based on the second and third PCT applications have been filed in the U.S. and China and a national stage application based on the fourth PCT application has been filed in the U.S.. Divisional applications based on one of the above mentioned PCT applications have been filed in China and Hong Kong. In addition, we co-own one PCT application with Aegis Biosciences LLC, a biomaterials drug delivery technology company. National stage applications based on the co-owned PCT application has resulted in one U.S. patent with applications pending in China and Hong Kong. These patents relate to, or are applications of, our nano-structured polymer materials that perform functions such as ion exchange and modification of surface properties. The polymers are selectively permeable to polar materials, such as water, in molecular form. Selective permeability allows these materials to function as a nano-filter in various transfer applications. These materials are made from base polymer resins available from a number of commercial firms worldwide and possess what we believe to be some unique and controllable properties, such as:

· Selectivity: Based on our research, we believe that when the polymer is made there are small channels created that are 5 to 30 nanometers in diameter. There are two types of these channels: hydrophilic (water permeable), and hydrophobic (water impermeable). The channels can be chemically tuned to be selective for the ions or molecules they transfer. The selectivity of the polymer can be adjusted to efficiently transfer water molecules from one face to the other using these channels.

- High transfer rate: Based on in-house testing protocols and related results, we have found that the channels created when casting the materials into a nano-structured membrane have a transfer rate of water, or flux, greater than 90% of an equivalent area of an open tube. This feature is fundamental to the material's ability to transfer moisture at the molecular level while substantially allowing or disallowing the transfer of certain other substances at a molecular level.
- Unique surface characteristic: The materials offer a surface characteristic that we believe inhibits the growth of bacteria, fungus and algae and prevents adhesives from attaching.

Intellectual Property

As stated above, we own eleven U.S. patents, one Chinese patent and co-own one additional U.S patent. Said patents include patents covering the composition and structure of a family of ion conducting polymers and membranes and certain applications of the polymer. We believe some of these patents make reference to applications relating to the materials we are developing. Please see the "Risk Factors" Section. A list of our existing patents follows:

1. Patent No. 6,841,601– Cross-linked polymer electrolyte membranes for heat and moisture exchange devices. This patent was issued on January 11, 2005 and expires on or about March 12, 2022.
2. Patent No. 6,413,298 – Water and ion-conducting membranes and uses thereof. This patent was issued on July 2, 2002 and expires on or about July 27, 2020.
3. Patent No. 6,383,391 – Water and ion-conducting membranes and uses thereof. This patent was issued on May 7, 2002 and expires on or about July 27, 2020.
4. Patent No. 6,110,616 – Ion-conducting membrane for fuel cell. This patent was issued on August 29, 2000 and expires on or about January 29, 2018.
5. Patent No. 5,679,482 – Fuel Cell incorporating novel ion-conducting membrane. This patent was issued on October 21, 1997 and expires on or about October 20, 2014.

6. Patent No. 5,468,574 – Fuel Cell incorporating novel ion-conducting membrane. This patent was issued on October 21, 1995 and expires on or about May 22, 2014.
7. Patent No. 7,179,860 – Cross-linked polymer electrolyte membranes for heat, ion and moisture exchange devices. This patent was issued on February 20, 2007 and expires on or about March 11, 2022.
8. Patent No. 7,990,679 – Nanoparticle Ultra Capacitor. This patent was issued on August 2, 2011 and expires on or about November 22, 2029.
9. U.S. Patent No. 8,222,346B2 -Novel Coblock Polymers and Method for Making Same. This patent was issued on July 17, 2012 and expires on or about September 28, 2027.
10. U.S. Patent no. 8500960B- Multi Phase Selective Transport Through A Membrane. This patent was issued on August 6, 2013 and expires February 23, 2030.
11. U.S. Patent No. 8586637- Stable and Compatible Polymer Blends. This patent was issued November 19, 2013 and expires October 28, 2029.

12. U.S. Patent No. 8470007- Enhanced HVAC Systems and Methods. This patent was issued June 25, 2013 and expires September 25, 2027.
13. China Patent No. ZL2008009211.4- Multi Phase Selective Transport Through a Membrane. This patent was issued March 27, 2013 and expires January 22, 2028

We have provisional and patent applications in the following areas: Anionic Exchange Electrolyte Polymers, Energy Storage Devices, Enthalpy Core Applications and Construction, and Water Treatment and Desalination.

The following is a partial list of the patent applications publicly visible:

1. WO 2011/085917 - Energy Storage Devices Including a solid Multilayer Electrolyte – allowed but not yet issued
2. WO/2008/089484 - Multiphase Selective Transport Through a Membrane
3. WO2011/085186 - Anionic Exchange Electrolyte Polymer Membranes
4. WO/2009/002984 - Stable and Compatible Polymer Blends*
5. WO2012/033827 A1 - Fluid Treatment Systems and Methods of Using Selective Transfer Membranes

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* Patent applications jointly owned with Aegis Biosciences, LLC.

Patents may or may not be granted on any of the above applications. As noted above, some of these applications are jointly owned with Aegis Biosciences, LLC. We also seek to protect our proprietary intellectual property, including intellectual property that may not be patented or patentable, in part by entering into confidentiality agreements with our current and prospective strategic partners and employees.

Manufacturing

We do not have long term contractual relationships with any of our manufacturers or vendors. There are no subassemblies or components that could not be purchased. Purchases to date of raw materials and related services have been on a purchase order basis using non-disclosure agreements.

Licensing

In October of 2012, we entered into a License and Supply agreement with MGE Energy LLC (“MGE”) owned by a shareholder of the Company. Pursuant to the agreement, we granted MGE a license to use certain technology to manufacture, sell, lease and distribute certain products for use in energy recovery ventilators installed in commercial and residential buildings in North and South America. We are to receive a royalty based on MGE, and any sub-licensee’s sales. In addition, as part of the license agreement, MGE and any sublicensees are to purchase certain energy recovery ventilator products from us. While we have earned licensing revenue under agreements licensing our technology in the past, we may not continue to receive material revenue from these agreements, including the one described above, in the near or foreseeable future.

In April of 2014, the Company entered into a Distribution Agreement (the “Distribution Agreement”) with Soex (Hong Kong) Industry & Investment Co., Ltd., a Hong Kong corporation (the “Distributor”), to distribute certain of the Company’s products. Pursuant to the Distribution Agreement, in exchange for $500,000, including $50,000 due upon the execution of the Distribution Agreement, royalty payments and a commitment from the Distributor to purchase nano-material membrane and other products from Dais, the Distributor obtained the right to distribute and market Dais’s products for incorporation in energy recovery ventilators sold and installed in commercial, industrial and residential buildings, transportation facilities and vehicles (the “Field”) in mainland China, Hong Kong, Macao and Taiwan (the “Territory”). Further the Distributor received an exclusive license in the Territory to use Dais’s intellectual property in the manufacture and sale of Dais’s products in the Field and Territory and to purchase its requirements of nano-material membrane only from Dais, subject to terms and conditions of the Distribution Agreement. The initial term of the Distribution Agreement is fifteen years unless terminated for, among other causes, the Distributor’s failure to make payments to Dais for products ordered that do not exceed $15,000,000 in 2016 or any calendar year thereafter. The Company has not received any royalties from Soex. The Company was entitled to receive a $500,000 payment, of which $50,000 has been received, that was due on or before October 24, 2014. Soex is in breach of the Distribution Agreement.

Customers and Suppliers

We are dependent on third parties to manufacture the key components needed for our nano-structured based materials. Accordingly, a supplier's failure to supply components in a timely manner, or to supply components that meet our quality, quantity and cost requirements or our technical specifications, or the inability to obtain alternative sources of these components on a timely basis or on terms acceptable to us, would create delays in production of our products or increase our unit costs of production. Certain of the components contain proprietary products of our suppliers, or the processes used by our suppliers to manufacture these components are proprietary. If we are required to replace any of our suppliers, while we should be able to obtain comparable components from alternative suppliers at comparable costs, this would create a delay in production.

For the year ended December 31, 2014, two customers, Multistack LLC and Soex, accounted for approximately 60% and 27% of the Company's revenue, respectively. At December 31, 2014, amounts due from these customers were approximately 67% and 0%, respectively, of total accounts receivable. For the year ended December 31, 2013, one customer, Multistack LLC, accounted for approximately 83% of the Company's revenue. At December 31, 2013, amounts due from this customer were approximately 63% of total accounts receivable. See Note 10 for a discussion of Multistack and the licensing agreement with MG Energy LLC.

Research and Development

Expenditures for research, development, and engineering of products are expensed as incurred. For the years ended December 31, 2014 and 2013, the Company incurred research and development costs of approximately $763,100 and $676,100, respectively. The Company accounts for proceeds received from government grants for research as a reduction in research and development costs. For the years ended December 31, 2014 and 2013, the Company recorded approximately $355,000 and $181,000, respectively, in proceeds against research and development expenses on the statements of operations.

Key Relationships

We have strategic relationships with leaders in the energy industry who have entered into sales, marketing, distribution and product development arrangements with us and, in some cases, hold equity in our Company. They include the relationship with MGE Energy LLC described below.

ConsERV™ – Sales and Marketing Strategies

In October of 2012, we entered into a License and Supply agreement with MGE Energy LLC (“MGE”). Pursuant to the agreement, we granted MGE a license to use certain technology to manufacture, sell, lease and distribute certain products for use in energy recovery ventilators installed in commercial and residential buildings in North and South America. We are to receive a royalty on any sale by MGE and its sublicensees of product containing our technology in energy recovery ventilators. In addition, as part of the license agreement, MGE and any sublicensees are to purchase certain energy recovery ventilator components from us. In February 2013, MGE’s sublicensee commenced marketing, manufacturing and selling ConsERV™ in North and South America. We are currently supplying ConsERV™ cores to them in accordance with the License and Supply Agreement.

We also have secured and continue to discuss relationships with other leading industry HVAC manufacturers, HVAC product distributors, energy service companies and ERV manufacturers outside of North and South America. In addition, aside from our relationship with Soex, we are discussing relationships for use of our ConsERV™ products in other applications outside of energy recovery ventilation world-wide.

Future Products – Sales and Marketing Strategies

Our unfolding sales and marketing strategy finds us creating alliances with companies having strong, existing channel presence in the target industries. We intend to bring industry seasoned talent into the Company during 2015 at the appropriate time to influence the product’s feature set, and to then to establish and grow the market development and revenue generation. We believe working with Original Equipment Manufacturer's ("OEMs"), and larger end-users who are industry leaders during latter stages of development allows us to increase the speed of market penetration, and revenue generation.

Competition and Barriers to Entry

We believe the efficacy of our value-added products and technology has the ability to decrease sales of competing products, thus taking business away from more established firms using older technology. We believe that our ConsERV™ product may become a functional component of newer, more efficient OEM products. A key challenge is to educate channel decision makers of the benefits of products made using our materials and processes to overcome the strength of the current product sales.

There are a number of companies located in the United States, Canada, Europe and Asia that have been developing and selling technologies and products in the energy recovery industry, including but not limited to: Semco, Greenheck, Venmar, Bry-Air, dPoint, Renewaire and AirXchange.

We will experience significant competition regarding our products because certain competing companies possess greater financial and personal resources than us. Future product competitors include, but are not limited to:

Products	**Current and Future Competitors**
ConsERV	Semco, Greenheck, Venmar, Bry-Air, dPoint, Renewaire and AirXchange.
NanoClear	Dow, Siemens, GE, and many small and regional companies using existing technologies.
NanoAir	AAON, Trane, Carrier, York, Haier, Mitsubishi, LG
Ultracapacitor (Energy Storage)	Maxwell, Ioxus,

We believe that the combination of our nano-material platform’s characteristics (high selectivity, high flux rate, manufacturability, et al.), growing patent position, forms competitive advantages, which may allow us time to execute our business plan. The majority of our competitors may experience barriers to entry in these markets primarily related to the lack of similarly performing proprietary materials and processes.

Government Regulation

We do not believe the sale, installation or use of our current nano-structured products will be subject to any government regulation, other than perhaps adherence to building codes, and water safety regulations. We do not believe that the cost of complying with such codes and regulations, to the extent applicable to our products, will be prohibitive.

We do not know the extent to which any existing or new regulations may affect our ability to distribute, install and service any of our products. Once our other products reach the commercialization stage and we begin distributing them to our target markets, federal, state or local governmental entities may seek to impose regulations.

We are also subject to various international, federal, state and local laws and regulations relating to, among other things, land use, safe working conditions, and environmental regulations regarding handling and disposal of hazardous and potentially hazardous substances and emissions of pollutants into the atmosphere. Our business may expose us to the risk of harmful substances escaping into the environment, resulting in potential personal injury or loss of life, damage to or destruction of property, and natural resource damage. Depending on the nature of any claim, our current insurance policies may not adequately reimburse us for costs incurred in settling environmental damage claims, and in some instances, we may not be reimbursed at all. To date, we are not aware of any claims or liabilities under these existing laws and regulations that would materially affect our results of operations or financial condition.

Employees

As of December 31, 2014, we employed approximately 25 employees. None of the employees are subject to a collective bargaining agreement. We consider our relations with our employees to be good.

Principal Offices

Our principal office is located at 11552 Prosperous Drive, Odessa, FL 33556.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We currently lease a 7,200 square feet of combined office and production space located at 11552 Prosperous Drive, Odessa, FL 33556. We lease the site from Ethos Business Ventures, LLC, a limited liability company in which our Chief Executive Officer, Timothy N. Tangredi, has a controlling financial interest (See Certain Relationships and Related Transactions, and Director Independence).

The lease for our corporate headquarters began on March 18, 2005. The lease term will terminate upon 30 days' written notice from landlord or 90 days written termination from us. The current monthly rent is $4,066, including sales tax. We also pay all taxes and utilities as well as most repairs relating to our office. Most of the Company functions are performed at this site including corporate, marketing, administration, on-going product and nano-structured polymer development, and product assembly and shipping. Key polymer synthesis and casting is out-sourced and not done at this facility.

We do not anticipate investing in real estate or interests in real estate, real estate mortgages, or securities of or interests in persons primarily engaged in real estate activities. We currently have no formal investment policy and do not intend to undertake investments in real estate as a part of our normal operations.

ITEM 3. LEGAL PROCEEDINGS

From time to time, claims are made against us in the ordinary course of our business, which could result in litigation. Claims and associated litigation are subject to inherent uncertainties and unfavorable outcomes could occur, such as monetary damages, fines, penalties or injunctions prohibiting us from selling one or more products or engaging in other activities. The occurrence of an unfavorable outcome in any specific period could have a material adverse effect on our results of operations for that period or future periods.

In March 2014, the Company received notice of a lawsuit against the Company and one of its customers for damages in connection with the installation of equipment by a contractor involved in a construction project. The contractor makes claims for breach or warranties, negligence and products liability. In the complaint, the contractor alleges that it paid $180,000 to the general contractor of the project for damages, primarily consequential and incidental damages, allegedly caused by an alleged failure of a subcontracted component of equipment provided by the Company and its customer. Further, the Company has made claims against its supplier for contribution and indemnification for any damages. The supplier then instituted a counterclaim against the Company. The Company is vigorously defending itself against these allegations and, at this stage, the Company does not have an estimate of the likelihood or the amount of any potential expense for this lawsuit.

ITEM 4. MINE SAFETY DISCLOSURE.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is quoted on the OTCQB under the trading symbol "DLYT." The following table sets forth the range of reported high and low sales prices of our common stock during the periods indicated. Such quotations reflect prices between dealers in securities and do not include any retail mark-up, mark-down or commission, and may not necessarily represent actual transactions. Trading in our common stock should not be deemed to constitute an "established trading market."

	High	Low
For the year ending December 31, 2013:		
First Quarter	$ 0.215	$ 0.11
Second Quarter	$ 0.21	$ 0.09
Third Quarter	$ 0.14	$ 0.081
Fourth Quarter	$ 0.10	$ 0.03
For the year ending December 31, 2014:		
First Quarter	$ 0.26	$ 0.035
Second Quarter	$ 0.65	$ 0.181
Third Quarter	$ 0.40	$ 0.171
Fourth Quarter	$ 0.34	$ 0.024

Transfer Agent

Our transfer agent is Clear Trust Transfer located at 16540 Point Village Drive #206, Lutz, FL 33558, telephone (813) 235-4490.

Holders

As of March 30, 2015, there were approximately 200 shareholders of record of our common stock.

Dividend Policy

We have not declared or paid any dividends and do not intend to pay any dividends in the foreseeable future to the holders of our common stock. We intend to retain future earnings, if any, for use in the operation and expansion of our business. Any future decision to pay dividends on common stock will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors our board of directors may deem relevant.

Authorized Stock

On February 27, 2015, the shareholders approved an amendment to Certificate of Incorporation to increase the number of shares the corporation is authorized to issue to 250,000,000 shares, of which 240,000,000 shares of common stock and 10,000,000 shares of preferred stock shall be authorized.

The shareholders also approved an amendment to the Company’s Certificate of Incorporation to effect a reverse stock split of our common stock by a ratio of not less than 1-for-5 and not more than 1-for-20 (the “Reverse Stock Split”) at any time prior to March 31, 2016, with the Board of Directors having the discretion as to whether or not the Reverse Stock Split is to be effected, and with the exact ratio of any Reverse Stock Split to be set at a whole number within the above range as determined by the Board in its discretion.

Equity Compensation Plan Information

The following table sets forth information regarding our 2000 Incentive Compensation Plan (the “2000 Plan”) and the 2009 Long-Term Incentive Plan (the 2009 Plan”) under which our securities are authorized for issuance as of December 31, 2014:

Plan Category	**(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights**	**(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights**	**(c) Number of Securities Remaining Available for future Issuance Under Equity Compensation Plans Excluding Securities Reflected in Column (a)**
Equity compensation plans approved by security holders:	21,362,116	$ 0.27	17,000

In June 2000 and November 2009, our board of directors adopted, and our shareholders approved, the 2000 Plan and 2009 Plan; respectively (together the “Plans”). The Plans provide for the grant of stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and bonus stock and other awards to eligible persons, as defined in said plans, including, but not limited to, officers, directors and employees of the Company. Certain awards under the Plans may be subject to performance conditions.

<u>Number of Shares of Common Stock Available Under the Plans</u>. As of December 31, 2007, our board of directors approved and made available 6,093,882 shares of common stock to be issued pursuant to the 2000 Plan. Subsequently, our board of directors approved and made available an additional 5,000,000 shares of our common stock for issuance under the 2000 Plan. The 2000 Plan permits grants of options to purchase common shares authorized and approved by the Company’s Board of Directors and shareholders for issuance prior to the enactment of the 2000 Plan. On November 5, 2009, our board of directors approved and made available a total of 15,000,000 shares of common stock to be issued pursuant to the 2009 Plan.

<u>Administration of the Plans</u>. The Plans are administered by a committee of two or more directors designated by the board of directors to administer the Plans (the “Committee”) or, in the absence of such Committee, by the board of directors. Currently, the Plans are administered by our board of directors. The board of directors has the authority to select the participants to whom awards under Plans will be granted, grant awards, determine the type, number and

other terms and conditions of, and all other matters relating to, awards granted under the Plans and to prescribe the rules and regulations for the administration of the Plans. No option or stock appreciation rights granted under the Plans shall be exercisable, however, more than ten years after the date of the grant.

Exercise Price. The Plans require the Committee to grant qualified options with an exercise price per share not less than the fair market price of a share of common stock on the date of grant of the option.

Transferability. Awards granted under the Plans are generally not transferable by the optionee otherwise than by will or the laws of descent and distribution and generally exercisable during the lifetime of the optionee only by the optionee.

Change in Control. All awards granted under the 2000 Plan which were not previously exercisable and vested shall become fully exercisable and vested upon a change of control of the Company, which includes the consummation of a merger or consolidation of the Company with or into any other entity, sale of all or substantially all of our assets, replacement of a majority of our board of directors, acquisition by any person of securities representing 20% or more of the voting power of our then outstanding securities (other than securities issued by us) or any other event which the board of directors determines would materially alter our structure or ownership.

Options Granted to Non-Employee Directors. Non-employee directors of the Company are usually granted options each year, which generally become exercisable upon the date of grant, and generally expire on the earlier of ten years from the date of grant or up to three years after the date that the optionee ceases to serve as a director.

2015 Plan

On December 24, 2014, the Company' Board of Directors approved the Dais Analytic Corporation 2015 Stock Incentive Plan (the "2015 Plan"), which was approved by shareholders on February 27, 2015. The number of shares of our common stock reserved for issuance under the 2015 Plan is 10,000,000. The 2015 Plan would authorize the grant to eligible individuals of (1) Stock Options (Incentive and Nonstatutory), (2) Restricted Stock, (3) Stock Appreciation Rights, or SARs, (4) Restricted Stock Units, (5) Other Stock-Based Awards, and (6) Cash-Based Awards.

Stand-Alone Grants

Our board of directors may grant common share purchase options or warrants to selected directors, officers, employees, consultants and advisors in payment of goods or services provided by such persons on a stand-alone basis outside of any of our Plans. The terms of these grants may be individually negotiated.

RECENT SALES OF UNREGISTERED SECURITIES

The Company did not issue any securities during the quarter ended December 31, 2014.

Recent Repurchases of Common Stock

There were no repurchases of our common stock during 2014.

ITEM 6. SELECTED FINANCIAL DATA.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act 1934, as amended, and are not required to provide the information under this item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes appearing elsewhere in this Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those which are not within our control.

OVERVIEW

We have developed and patented a nano-structure polymer technology, which is being commercialized in products based on the functionality of these materials. We believe the applications of our technology have promise in a number of diverse market segments and products.

The initial product focus of the Company is ConsERV, an energy recovery ventilator. Our primary focus is to expand our marketing and sales of our ConsERV products world- wide. We also have new product applications in various stages of development. We believe that these product applications may be brought to market in the foreseeable future if we receive adequate capital funding. Dais is moving to introduce its first commercial water filtration module during the third quarter of 2015. Developments from a US Army SBIR being undertaken in 2015 may widen NanoClear's application presence in the burgeoning opportunity to separate clean water from most types of contaminated waste streams potentially beginning as early as early 2016.

We expect ConsERV™ to continue to be our focused commercial product through 2015 with a growing emphasis on moving the development of the NanoClear product towards commercialization. We also expect sales outside the United States to account for a greater percentage of our sales.

RESULTS OF OPERATIONS

DECEMBER 31, 2014 COMPARED TO DECEMBER 31, 2013

The following table sets forth, for the periods indicated, certain data derived from our Statements of Operations:

	Year Ended December 31, 2014	2013	Favorable (Unfavorable)	
Revenues	$ 1,900,250	$ 1,742,595	$ 157,655	9.0%
Cost of goods sold	(1,217,559)	(1,257,418)	39,859	3.2%
Gross Margin	682,691	485,177	197,514	40.7%
Selling, general and administrative expenses	(2,047,898)	(2,108,629)	60,731	2.9%
Research and development expenses, net grant revenue	(408,119)	(495,175)	87,056	17.6%
Impairment of equipment	-	(2,672)	2,672	100%
Loss from Operations	(1,773,326)	(2,121,299)	347,973	16.4%
Interest expense, net	(540)	(179)	(361)	
Other income	1,500	-	1,500	
Net income (loss)	$ (1,772,366)	$ (2,121,478)	$ 349,112	16.5%

REVENUES

Total revenues for the year ended December 31, 2014 and 2013 were $1,900,250 and $1,742,595, respectively, an increase of 9%. We now generate our revenues primarily from the sale of our ConsERV™ cores and Aqualyte membrane. Sales of Aqualyte membrane increased to approximately $500,000 while sales of ConsERV™ cores decreased approximately 10% and there were no sales of MERV systems. We also occasionally license our technology to other strategic partners and sell various prototypes of other product applications that use our polymer technology. License and royalty fees decreased from $215,606 to $181,935.

The decrease in core revenues in the 2014 period is primarily attributable to transitioning ConsERV™ system sales in North and South America to MG Energy LLC. As a result of the License and Supply Agreement with MG Energy LLC, Multistack, LLC accounted for approximately 60% of the Company's revenue for the year ended December 31, 2014 and 83% for the year ended December 31, 2013. Our membrane sales were to Soex. For the year ended December 31, 2014, Soex, accounted for approximately 27% of the Company's revenue.

We are also working to create license/supply relationships with HVAC or ERV OEMs having a dominant presence in existing direct related sales channels world-wide outside of North and South America. We believe sales in China and Southeast Asia are our best route to increased sales and profitability.

COST OF GOODS SOLD

Our cost of sales consists primarily of materials (including freight), direct labor, and outsourced manufacturing expenses incurred to produce our ConsERV™ products. Cost of goods sold was $1,217,559 and $1,257,418 for the years ended December 31, 2014 and 2013, respectively, a decrease of 3.2%.

We are dependent on third parties to manufacture the key components needed for our nano-structured based materials and value added products made with these materials. Accordingly, a supplier's failure to supply components in a timely manner, or to supply components that meet our quality, quantity and cost requirements or our technical specifications, or the inability to obtain alternative sources of these components on a timely basis or on terms acceptable to us, would create delays in production of our products and/or increase our unit costs of production. Certain of the components contain proprietary products of our suppliers, or the processes used by our suppliers to manufacture these components are proprietary. If we are required to replace any of our suppliers, while we should be able to obtain comparable components from alternative suppliers at comparable costs, it would create a delay in production.

GROSS MARGIN

Our gross margin increased to $682,691 from $485,177 as a result of an increase in sales and gross margin percentage. Our gross margin percentage on sales (excluding licensing and royalty fees) increased to approximately 30% from approximately 18%. The increase in gross profit is attributable to a better mix of sales as the Company sold membrane and cores in 2014 as opposed to boxes and cores in 2013. The Company also was able to increase its efficiency and lowered its labor cost per core and, as a result, increased its gross margin percentage.

OPERATING EXPENSES

Our selling, general and administrative expenses consist primarily of payroll and related benefits, share-based compensation, professional fees, marketing and channel support costs, and other infrastructure costs such as insurance, information technology and occupancy expenses. Selling, general and administrative expenses were $2,047,898 for the year ended December 31, 2014, compared to $2,108,629 for the year ended December 31, 2013, a decrease of $60,731 or approximately 2.9%. This decrease is primarily due to an decrease in stock based compensation and a decrease in administrative payroll expenses, partially offset by an increase in professional fees.

Our selling, general and administrative expenses may fluctuate due to a variety of factors, including, but not limited to:

- Expenses as a result of being a reporting company including, but not limited to, director and officer insurance, director fees, SEC reporting and compliance expenses, transfer agent fees, additional staffing, professional fees and similar expenses;
- Infrastructure needed to support the expanded commercialization of our ConsERV™ products and/or new product applications of our polymer technology for, among other things, administrative personnel, physical space, marketing and channel support and information technology; and
- The issuance and fair value of new share-based awards, which is based on various assumptions including, among other things, the volatility of our stock price

There was a decrease in research and development expenses in 2014 to $408,119 from $495,175 as a result of increased reimbursement from government contracts. Gross expense for research and development increased to $763,107 from 676,100.

OTHER EXPENSES

Loss on impairment of equipment was $2,672 for the year ended December 31, 2013 compared to $0 for the year ended December 31, 2014. Interest expense, net was $540 for the year ended December 31, 2014 compared with $179 for the year ended December 31, 2013.

NET INCOME (LOSS):

Net loss for the year ended December 31, 2014 was $1,772,366 compared to a net loss of $2,121,478 for the year ended December 31, 2013. The decrease in net loss for the year ended December 31, 2014 was primarily increase in gross margin and a decrease in operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

We were able in 2013 and 2014 to move from debt financing to equity financing. We completed the following sales of unregistered equity securities:

- In November of 2012, the Company issued, in connection with a private offering, 17,500,000 shares of common stock to Green Valley International Investment Management Company Limited (“GVI”) at $0.10 per share for cash proceeds of $1,750,000 and the Company recorded a common stock payable for $19,255 related to 192,550 unissued shares at December 31, 2012. These shares were issued in 2013. In addition, under the terms of the private placement offering, GVI also received a warrant to purchase 4,375,000 shares of the Company’s common stock with an exercise period of five years from the date of issue at an exercise price of $0.30 per share.

- In March 2013, the Company received $29,973 from GVI towards the purchase of common stock at $0.10 per share. The Company issued 492,280 shares of common stock for the $29,973 payment received in March and the $19,255 common stock payable. The Company also issued GVI 1 warrants to purchase 123,070 shares of the Company’s common stock at $0.30 per share. The warrants are exercisable for 60 months from the date of issuance.

- In May 2013, the Company received $149,915 from GVI towards the purchase of common stock at $0.10 per share. The Company issued 1,499,150 shares of common stock with warrants to purchase 374,788 shares of the Company’s common stock at $0.50 per share. The warrants are exercisable for 60 months from the date of issuance. All warrants issued to GVI are subject to standard anti-dilution adjustments for stock splits and other subdivisions.

- In the third quarter of 2013, the Company issued, pursuant to a Stock Purchase Agreement with a limited liability company controlled by a person who subsequently was appointed a director of the Company, 2,850,000 restricted shares of the Company’s common stock at a purchase price of $0.10 per share for a total of $285,000. With the issuance of the common stock, the Company issued warrants to purchase 712,500 shares of the Company’s common stock at $0.50 per share. The warrants are exercisable for 60 months from the date of issuance. The warrants are subject to standard anti-dilution adjustments for stock splits and other subdivisions.

- On January 21, 2014, the Company entered into a Securities Purchase Agreement (the “SPA”) with an investor, Soex (Hong Kong) Industry & Investment Co., Ltd., a Hong Kong corporation (the “Investor”), pursuant to which the Company agreed to sell 37.5 million shares of the Company’s common stock, for $1.5 million, at $0.04 per share pursuant to Regulation S. The Company received the $1.5 million from the Investor on March 3, 2014, ahead of the March 7, 2014 deadline specified in the SPA and has issued the 37.5 million shares of common stock to the Investor and 3,750,000 shares of common stock to a non-U.S. placement agent. The Company is using the proceeds from the sale of the common stock for working capital and business development. To further the distribution of Dais’s products and strengthen the relationship between the Company and the Investor, the Investor agreed to form, and issue to the Company equity in, a subsidiary (the “Subsidiary”) which will function as the manufacturer and master distributor. The Investor has formed the Subsidiary but has not issued the equity to Dais. The SPA also requires the Company to appoint a director nominated by the Investor which was completed on October 3, 2014.

While after the equity sale to SOEX, we had enough cash to continue in business in 2014, with the equity sale completed in March 2015, we should have enough cash to continue business for the next 12 months and beyond..

- On December 15, 2014, the Company entered into a Securities Purchase Agreement (the “2014 SPA”) with two investors with principal offices in Hong Kong (“2014 Investors”). Pursuant to the 2014 SPA, the Company agreed to sell 18,000,000 shares of the Company’s common stock for $2,750,000, at approximately $0.153 per share. The Company received approximately $2,200,000 of the cash proceeds as of December 31, 2014. The remaining $550,000 was received and the Company issued the 18,000,000 shares of common stock during the first quarter of 2015. Pursuant to terms of the 2014 SPA, the 2014 Investors signed a voting agreement which obligates the 2014 Investors to vote as recommended by the Company's board of directors through the earlier of the anniversary of the satisfaction of the certain conditions in the voting agreement or upon mutual written agreement of the Company and the 2014 Investors to terminate the voting agreement. The 2014 Investors will have the right to nominate a member to the Company's board as long as they own at least 9.99% of the Company's common stock. The Company is required to register the shares of the Company's common stock acquired by the Purchasers after certain conditions are met.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. For the year ended December 31, 2014, the Company generated a net loss of $1,772,366 and the Company has incurred significant losses since inception. As of December 31, 2014, the Company has an accumulated deficit of $41,845,671, working capital of $1,575,885 and a stockholders' deficit of $1,135,700. The Company used $1,313,400 and $650,184 of cash in operations during 2014 and 2013, respectively, which was funded by proceeds from equity financings.

Any future financing may result in substantial dilution to existing shareholders, and future debt financing, if available, may include restrictive covenants or may require us to grant a lender a security interest in any of our assets not already subject to an existing security interest. If we secure debt financing in the future, we may not be able to repay all or any of such debt when due without severely impacting our ability to continue operations and we may not be able to secure additional financing to repay such financing on acceptable terms, if at all. Should we be unable to repay or renegotiate any such financing, as an alternative, management could attempt to renegotiate the repayment terms and seek extension of the maturity dates. There is no guarantee that, if we should need to renegotiate any such future debt, any negotiated terms we may be able to secure would be favorable to the Company. To the extent that we attempt to raise additional funds through third party collaborations and/or licensing arrangements, we may be required to relinquish some rights to our technologies or products currently in various stages of development, or grant licenses or other rights on terms that are not favorable to us. Any failure by us to timely procure additional financing or investment adequate to fund our ongoing operations, including planned product development initiatives and commercialization efforts, will have material adverse consequences on our financial condition, results of operations and cash flows as could any unfavorable terms.

Statements of Cash Flows

Cash and cash equivalents as of December 31, 2014 was $2,343,523 compared to $27,125 as of December 31, 2013. Cash is primarily used to fund our working capital requirements.

Net cash used in operating activities was $1,313,400 for the year ended December 31, 2014 compared to $650,184 for the same period in 2013. Although, there was a greater net loss in the year ended December 31, 2013, greater cash was used by operating activities in 2014 as a result of the increased payment of accounts payable in 2014 compared to 2013 and a smaller decrease in accounts receivable.

Net cash used in investing activities was $35,222 for the year ended December 31, 2014 compared to $116,730 for the same period in 2013. Compared to the year ended December 31, 2013, we decreased our purchases of equipment in 2014 by approximately $79,000.

Net cash provided by financing activities was $3,664,960 for the year ended December 31, 2014 compared to approximately $500,000 for the same period in 2013. During the year ended December 31, 2014, we sold equity to one group and accepted a deposit for a subscription from another group as described above.

ECONOMY AND INFLATION

We have not experienced any significant cancellation of orders due to the downturn in the economy and only a small number of customer requested delays in delivery or production of orders in process. Our management believes that inflation has not had a material effect on our results of operations

CONTRACTUAL OBLIGATIONS

We do not have any liabilities related to long-term contractual obligations as of December 31, 2014.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, liquidity or capital expenditures.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the accompanying financial statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported in the accompanying financial statements and the accompanying notes. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. When making these estimates and assumptions, we consider our historical experience, our knowledge of economic and market factors and various other factors that we believe to be reasonable under the circumstances. Actual results could differ from these estimates. Management has discussed the selection of critical accounting policies and estimates with our Board of Directors, and the Board of Directors has reviewed our disclosure relating to critical accounting policies and estimates in this annual report on Form 10-K. The following critical accounting policies are significantly affected by judgments, assumptions and estimates used in the preparation of the financial statements:

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The significant accounting policies followed are:

Revenue recognition

Generally, the Company recognizes revenue for its products upon shipment to customers, provided no significant obligations remain and collection is probable.

In certain instances, our ConsERV system product may carry a limited warranty of up to two years for all parts contained therein with the exception of the energy recovery ventilator core produced and sold by Dais its distributor may carry a limited warranty of up to ten years. The limited warranty includes replacement of defective parts for the ConsERV system, and includes workmanship and material failure for the ConsERV core. The Company has recorded an accrual of approximately $91,500 and $92,100 for future warranty expenses at December 31, 2014 and 2013, respectively, which is included in the line item for accrued expenses, other. The Company has not developed the limited warranty parameters for the first NanoClear product at this time.

Revenue derived from the sale of licenses is deferred and recognized as revenue on a straight-line basis over the life of the license, or until the license arrangement is terminated. Royalties are recognized as earned. The Company recognized revenue of $121,935 and $189,100, respectively, from license agreements for the years ended December 31, 2014 and 2013. The Company recognized revenue of $60,000 and $26,512, respectively, from royalties for the years ended December 31, 2014 and 2013.

The Company accounts for revenue arrangements with multiple elements under the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 605-25, "Revenue Recognition—Multiple-Element Arrangements," In order to account for these agreements, the Company must identify the deliverables included within the agreement and evaluate which deliverables represent separate units of accounting based on if certain criteria are met, including whether the delivered element has stand-alone value to the licensee. The consideration received is allocated among the separate units of accounting, and the applicable revenue recognition criteria are applied to each of the separate units.

Accounts receivable

Accounts receivable consist primarily of receivables from the sale of our products and royalties due under license and supply agreements. The Company regularly reviews accounts receivable for any bad debts based on an analysis of the Company’s collection experience, customer credit worthiness, and current economic trends.

Impairment of Long-Lived and Intangible Assets

Identified intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company's existing intangible assets consist solely of patents. Patents are amortized over their estimated useful or economic lives of 17 to 20 years. Patent amortization expense was approximately $25,400 and $22,400 for the years ended December 31, 2014 and 2013, respectively. Based on current capitalized costs, total patent amortization expense is estimated to be approximately $18,000 per year for the next five years and $23,000 thereafter.

Stock-Based Compensation

The Company recognizes all share-based payments to employees, including grants of employee stock options, as compensation expense in the financial statements based on their fair values. That expense will be recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

The value of each grant is estimated at the grant date using the Black-Scholes option model with the following assumptions for options granted during the years ended December 31, 2014 and 2013:

	Years Ended December 31,	
	2014	**2013**
Dividend rate	0%	0%
Risk free interest rate	2.00% – 3.00%	2.03% – 2.20%
Expected term	10 years	10 years
Expected volatility	168% – 183%	135% – 177%

The basis for the above assumptions are as follows: the dividend rate is based upon the Company's history of dividends; the risk-free interest rate for periods within the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant; the expected term was calculated based on the Company's historical pattern of options granted and the period of time they are expected to be outstanding; and expected volatility was calculated based upon historical trends in the Company's common stock, as well as a peer company's historical common stock activity.

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Based on historical experience of forfeitures, the Company estimated forfeitures at 0% for each of the years ended December 31, 2014 and 2013.

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposure to cash flow, market or foreign currency risk. Terms of convertible promissory note instruments are reviewed to determine whether or not they contain embedded derivative instruments that are required under ASC 815 "*Derivative and Hedging"* (ASC 815) to be accounted for separately from the host contract, and recorded on the balance sheet at fair value. The fair value of derivative liabilities, if any, is required to be revalued at each reporting date, with corresponding changes in fair value recorded in current period operating results.

Freestanding warrants issued by the Company in connection with the issuance or sale of debt and equity instruments are considered to be derivative instruments and are evaluated and accounted for in accordance with the provisions of ASC 815. Pursuant to ASC 815, an evaluation of specifically identified conditions is made to determine whether fair value of warrants issued is required to be classified as equity or as a derivative liability.

Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes resulting from temporary differences. Such temporary differences result from differences in the carrying value of assets and liabilities for tax and financial reporting purposes. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's remaining open tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

RECENT ACCOUNTING PRONOUNCEMENTS

For a description of recent accounting standards, including the expected dates of adoption and estimated effects, if any, on our financial statements, see "Note 3: Significant Accounting Policies: Recent Accounting Standards" in Part II, Item 8 of this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our financial statements and the related notes begin on Page [*], which are included in this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. Management's assessment was based on criteria set forth in Internal Control Integrated Framework (1992), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, at December 31, 2014, such disclosure controls and procedures were effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Controls

Our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Based on their evaluation as of the end of the period covered by this report, management concluded that our disclosure controls and procedures were sufficiently effective to provide reasonable assurance that the objectives of our disclosure control system were met.

Management's Annual Report on Internal Control over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Internal control over financial reporting is a process, including policies and procedures, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Our management assessed our internal controls over financial reporting based on the *Internal Control Integrated Framework (1992),* issued by the COSO. Based on the results of this assessment, our management concluded that our internal controls over financial reporting were effective as of December 31, 2014.

Auditor’s Report on Internal Control over Financial Reporting

This Annual Report does not include an attestation report of the Company’s independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management’s report in this Annual Report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with our evaluation that occurred during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

NONE

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table sets forth the names and ages of all of our directors and executive officers as of the date of this Annual Report. Also provided herein is a brief description of the business experience of each director and executive officer during the past five years and an indication of directorships held by each director in other companies subject to the reporting requirements under the Federal securities laws. All of the directors will serve until the next annual meeting of shareholders and until their successors are elected and qualified, or until their earlier death, retirement, resignation or removal. There are no arrangements or understandings between any director or executive officer and any other person pursuant to which the director or executive officer was selected.

Name	Age	Position
Timothy N. Tangredi	59	President, Chief Executive Officer and Chairman of the Board of Directors
Peter DiChiara	51	Chief Financial Officer, Secretary and Treasurer
Robert W. Schwartz	70	Director
Ira William McCollum, Jr.	70	Director
Thomas E. Turner	66	Director
Sharon Han	52	Director

Directors and Executive Officers

The following are the Company’s directors and executive officers:

Timothy N. Tangredihas been our Chief Executive Officer since 1996. Mr. Tangredi joined the Company in 1996, and was appointed a member of our board of directors in 1997. In 1999 and 2000, respectively, Mr. Tangredi initiated and executed the strategic purchases of the assets of Analytic Power and American Fuel Cell Corporation. From 1979 to 1990, Mr. Tangredi worked for AT&T, as a member of the Leadership Continuity Program working in technical marketing, network operations, and project management. Mr. Tangredi earned his BS from Siena College and MBA from Rensselaer Polytechnic Institute. He is a founder and member of the board of directors of Aegis BioSciences, LLC (“Aegis”). Aegis, created in 1995, is a licensee of the Company’s nano-structured intellectual property and materials in the biomedical and healthcare fields.

Peter DiChiaraassumed the duties, as of December 1, 2013, of the Company’s Chief Financial Officer, Secretary and Treasurer as well as the Company’s principal financial and accounting officer on a part-time basis. Mr. DiChiara will be paid $4,000 per month and be reimbursed for travel expenses. Mr. DiChiara is currently Of Counsel for Sichenzia Ross Friedman Ference LLP and President of Chief Financial Resource Services LLC. He is been in that position since August 2012. In the last five years, he has been Counsel to Sichenzia Ross Friedman Ference LLP and Richardson & Patel LLP. Mr. DiChiara earned an B.B.A. in accounting from the University of Notre Dame and a J.D. from Pace University School of Law. Mr. DiChiara was initially licensed as a certified public accountant in New York State in 1989 and is currently renewing his registration. Mr. DiChiara started his career with Ernst & Young and was the Manager for External Reporting for Philip Morris Companies, now known as Altria, before working as an associate for Cadwalader, Wickersham & Taft LLP, Paul Hastings LLP and Willkie Farr & Gallagher LLP.

Robert W. Schwartzwas appointed to our board of directors in 2001. Mr. Schwartz founded the Schwartz-Heslin Group ("SHG") in 1985 and serves as one of its Managing Directors. Mr. Schwartz specializes in corporate planning, finance and development. Prior to starting SHG, he was a founder, President and Chief Executive Officer of a venture-funded high tech telecommunications company (Windsource, Inc.). In addition, he was the President and Chief Operating Officer of an AMEX listed company (Coradian Corporation). He was also the Chief Financial Officer of a major manufacturer of outdoor power equipment (Troy Built Products, Troy, NY). His earlier experience was with KPMG as a management consultant and with IBM. Mr. Schwartz received a Bachelor of Science from Cornell University in 1967 and attended graduate courses at the University of New York Albany. He currently serves on the boards of five corporations, including ours. Mr. Schwartz's experience in financial planning and reporting provides assistance to us in these areas and he is considered to be a financial expert to the company.

Ira William McCollum, Jr. joined our board on March 25, 2013. In 2011, Mr. McCollum joined as a partner in Denton's Public Policy and Regulation practice. He joined the firm following his term as the 36th attorney general of the state of Florida. Mr. McCollum served as attorney general from 2007 to 2011. Prior to becoming the Florida Attorney General in 2007, McCollum was a partner with Baker & Hostetler's Government Policy practice from 2001-2007. Between 1981-2001, McCollum was a Member of the US House of Representatives representing Florida's 8th District where he served on the Judiciary, Banking and Financial Services, and Intelligence Committees. He also held a number of leadership positions, including Chairman of the Judiciary Subcommittee on Crime, Vice Chairman for six years of the Banking and Financial Services Committee, ranking Member of the subcommittee overseeing the Federal Reserve, and Vice Chairman of the House of Republican Conference for three terms (one of eight House GOP leadership positions). Mr. McCollum’s expertise in federal and state government and regulations is an asset to the board.

Thomas E. Turner joined our board on December 20, 2013. Mr. Turner is currently the Chairman of Cabo Vida Group, a company that is developing a condominium community and constructing custom homes in Costa Rica. He also serves as a consultant to Golden Gate Capital. Mr. Turner also serves as a director of Qylur Security Systems and Host.net BroadbandOne, both private companies, and has served as a director for Pacinian, a private company. Mr. Turner also served as an executive of ADS Imaging from 2009 to 2011. During his career he has been President and/or CEO of Wang Canada Limited, Datamax Corporation, and Itronix. He has had senior management positions at The City of New York, Graphic Systems, Wang Laboratories, Symbol Technologies, WhereNet, and General Dynamics. Mr. Turner’s expertise in advising and operating small technology businesses will be an asset to the Board.Involvement in Certain Legal

Sharon Han joined our board on October 20, 2014. Sharon Han is the General Manager and Chairwoman of Soex (Beijing) Enterprises Co. Ltd., the parent company of Soex (Hong Kong) Industry & Investment Co., Ltd. Soex (Hong Kong) Industry & Investment Co., Ltd. owns 37,500,000 shares of the Company’s common stock. Soex (Beijing) Enterprises Co. Ltd. is an engineering company focused on the design and manufacture of machinery, with sales to Europe, South America and the Middle East. She is also the General Manager of JC Times (Beijing) Plastic Machine Co,. Ltd., and in the past 10 years, she grew the company from a local firm to the world’s largest manufacturer and exporter of extrusion die, with export sales to all over the world counting for more than 30% of its annual output. She is also a founder and director of Zhongshan Panelwell Material Co., Ltd., a manufacturer of polycarbonate shaped hollow and solid sheet metal, which is exported to Europe, South America and the Middle East. Ms. Han’s expertise in manufacturing and selling industrial products in China and other parts of the world will be valuable to the Company and the board of directors as the Company commercializes its products and expands its operations overseas.

The Board members serve for the latter of a period of one year or until the next annual meeting of Company’s shareholders.

Significant Employees

John Herrin joined the Company as its Chief Operating Officer in 2014. Mr. Herrin spent 27 years working primarily in manufacturing operations for Saint Gobain most recently as Director of Global Strategy and Business Development. Mr. Herrin was also instrumental in transitioning Superpower, Inc. from an R&D facility developing superconducting wire to a production facility manufacturing commercial quantities of 2nd generation high temperature super conducting wire. Mr. Herrin has an BSME from Worcester Polytechnic Institute.

Brian Johnson is our Chief Technology Officer and joined the Company in 1999. Mr. Johnson was the lead engineer responsible for developing the Company's successful ConsERV™ product line and has served as Principal Investigator on multiple development efforts involving NanoClear™ and NanoAir™. He holds patents in both the US and China and brings 16 years of advanced product development experience and knowledge of every aspect of Dais' nanotechnology. Mr. Johnson earned degrees in Mechanical Engineering (Thermal Science emphasis) from the University of Florida (BSME 1995, MSME 1997).

Proceedings

During the last ten years, none of our officers, directors, promoters or control persons have been involved in any legal proceedings as described in Item 401(f) of Regulation S-K.

Director Independence

We have determined that our board of directors currently has two members who qualify as "independent" as the term is used in Item 407 of Regulation S-K as promulgated by the SEC and as that term is defined under NASDAQ Rule 4200(a)(15). As of the date of this report, Robert W. Schwartz and Thomas E. Turner are our independent directors. On the basis of information solicited from Mr. Schwartz and Mr. Turner, neither has a material relationship with us and is independent within the meaning of such rules.

Board Meetings and Committees; Annual Meeting Attendance

Although we intend to establish an audit committee and compensation committee, our board of directors has not adopted any committees to the board of directors. Our board of directors held three formal meetings during the most recently completed fiscal year. Other proceedings of the board of directors were conducted by resolutions consented to in writing by all the directors and filed with the minutes of the proceedings of the directors. Such resolutions consented to in writing by the directors entitled to vote on that resolution at a meeting of the directors are, according to the corporate laws of the State of New York and our bylaws, as valid and effective as if they had been passed at a meeting of the directors duly called and held.

At each annual meeting of shareholders, directors will be elected by the holders of common stock to succeed those directors whose terms are expiring. Directors will be elected annually and will serve until successors are duly elected and qualified or until a director's earlier death, resignation or removal. Our bylaws provide that the authorized number of directors may be changed by action of the majority of the board of directors or by a vote of the shareholders of our Company. Vacancies in our board of directors may be filled by a majority vote of the board of directors with such newly appointed director to serve until the next annual meeting of shareholders, unless sooner removed or replaced. We currently do not have a policy regarding the attendance of board members at the annual meeting of shareholders.

Code of Ethics

We have adopted a code of ethics that applies to our officers, directors and employees in accordance with applicable federal securities laws. We have filed a copy of our code of ethics as an exhibit to our Annual Report on Form 10-K as filed on March 31, 2009. This document may be reviewed by accessing our public filings at the SEC's web site at www.sec.gov. In addition, a copy of the code of ethics will be provided without charge upon request to us. We intend to disclose any amendments to or waivers of certain provisions of our code of ethics in a Current Report on Form 8-K.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of any publicly traded class of our equity securities, to file reports of ownership and changes in ownership of our equity securities with the SEC. Officers, directors, and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms that they file. Based solely on the reports received and on the representations of the reporting persons, we believe that these persons have complied with all applicable filing requirements of Section 16(a) of the Exchange Act during fiscal 2013.

ITEM 11. EXECUTIVE COMPENSATION.

The table below summarizes the total compensation earned by or paid to our principal executive officer, our principal financial officer and each of our two other executive officers other than our principal executive officer and principal financial officer for the fiscal years ended December 31, 2014 and 2013. The amounts represented in the "Options Award" column reflect the stock compensation expense recorded pursuant to the ASC Topic 718 and does not necessarily equate to the income that will ultimately be realized by the named executive for such awards.

SUMMARY COMPENSATION TABLE

Name and principal position (3) (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Option Awards ($)(2) (f)	Total ($) (j)
Timothy N. Tangredi					
Chief Executive Officer, President, and Chairman	2014	$ 200,000	—	$ 89,290	$ 289,290
of the Board of Directors(1)	2013	$ 200,000	—	$ 534,523	$ 734,523
Judith C. Norstrud					
Chief Financial Officer,	2014	$ —	—	—	$ —
Secretary, and Treasurer	2013	$ 66,000	—	—	$ 66,000
Peter DiChiara					
Chief Financial Officer,	2014	$ 47,000	—	$ —	$ —
Secretary, and Treasurer	2013	$ 4,000	—	$ —	$ —
John Herrin (4)					
Chief Operating Officer	2014	$ 85,000	—	$ 175,603	$ 260,603

(1) Mr. Tangredi received a salary of $200,000 per year, effective September 14, 2011, and may receive a bonus in an amount not to exceed 100% of his salary, which bonus shall be measured by meeting certain performance goals as determined in the sole discretion of our board of directors. In 2014 and 2013, Mr. Tangredi was paid $190,500 and $106,200, respectively and has accrued unpaid salary of $9,500 for 2014 and $93,800 for 2013. As of December 31, 2014, we owed Mr. Tangredi accrued compensation in the aggregate amount of $1,292,410.

(2) The amounts included in these columns are the aggregate dollar amounts of the grant date fair value of option awards granted in the indicated year as adjusted to disregard the effects of any estimate of forfeitures related to service-based vesting, in accordance with Accounting Standards Codification 718, *Compensation-Stock Compensation,* for the fiscal years ended December 31, 2014 and December 31, 2013. For information on the

valuation assumptions used in calculating these dollar amounts, see Note 3 to our audited financial statements included in this Report for the fiscal years ended December 31, 2014 and December 31, 2013. These amounts reflect our accounting expense for these awards and do not correspond to the actual value that may be recognized by the individuals upon option exercise.

(3) Judith C. Norstrud resigned as of November 30, 2013 resulting in the appointment of Peter DiChiara on December 1, 2013. Effective as of March 11, 2013, Joyce Conner-Boyd entered into an employment agreement and served as our Chief Operating Officer. Ms. Conner-Boyd resigned as an executive officer before the end of 2013.

(4) John Herrin's employment with the Company started in May 2014.

Narrative Disclosure to Summary Compensation Table

Timothy N. Tangredi. We are party to an employment agreement with Mr. Tangredi, our President, Chief Executive Officer, and director, which was amended and restated on September 14, 2011. Mr. Tangredi's employment agreement provides for an initial term of three years commencing on September 14, 2011 with the term extending on the second anniversary thereof for an additional two-year period and on each subsequent anniversary of the commencement date for an additional year period. Mr. Tangredi's initial base salary is $200,000. Mr. Tangredi's base salary shall be increased annually, if applicable, by a sum equal to his current base salary multiplied by one third of the percentage increase in our yearly revenue compared to our prior fiscal year revenue; provided however any annual increase in Mr. Tangredi's base salary shall not exceed a maximum of 50% for any given year. Any further increase in Mr. Tangredi's base salary shall be at the sole discretion of our board of directors or compensation committee (if applicable). In addition, Mr. Tangredi will be eligible for bonus compensation at the discretion of board of directors, as well as option-based compensation under our 2009 Plan. Among the option grants Mr. Tangredi is eligible to receive under this agreement is a grant to purchase up to 520,000 shares of common stock upon the successful completion of a secondary public offering. For a full description of the terms of our agreement with Mr. Tangredi, please refer to the section below entitled "Certain Relationships and Related Party Transactions —Employment Agreements."

Outstanding Equity Awards

The following table summarizes outstanding unexercised options, unvested stocks and equity incentive plan awards held by each of our name executive officers as of December 31, 2014.

OUTSTANDING OPTION AWARDS AT FISCAL YEAR-END

Name	Number of securities underlying unexercised options (#) Exercisable		Option exercise price($)	Option expiration date
Timothy N. Tangredi	150,000	$	0.10	5/10/2015
	120,000	$	0.10	10/1/2015
	40,000	$	0.30	5/2/2016
	110,000	$	0.55	11/1/2016
	140,000	$	0.55	2/20/2017
	300,000	$	0.21	8/18/2017
	350,000	$	0.21	1/30/2018
	75,000	$	0.30	8/4/2018
	100,000	$	0.42	11/12/2019
	3,540,058	$	0.42	11/12/2019
	400,000	$	0.30	6/25/2020
	125,000	$	0.30	1/18/2021
	100,000	$	0.40	4/5/2021
	45,000	$	0.35	10/7/2021
	200,000	$	0.115	11/30/22
	3,000,000	$	0.18	05/30/23
	300,000	$	0.30	12/17/24

Director Compensation

The following table sets forth the compensation awarded to, earned by or paid to the directors during the fiscal year ended December 31, 2014.

Name	Total ($)

	Option Awards (#)	Option Awards ($)	
Robert Schwartz	300,000	89,289	89,289
Ira William McCollum Jr.	300,000	89,289	89,289
Thomas E. Turner	300,000	89,289	89,289
Sharon Han	300,000	89,289	89,289

Our non-employee directors are currently compensated with the issuance of stock options, which generally become exercisable upon the date of grant, and which generally expire on the earlier of ten years from the date of grant or up to three years after the date that the optionee ceases to serve as a director. Non-employee directors are also reimbursed for out-of-pocket expenses associated with attending to our business. All directors received an option grant of 300,000 shares on December 17, 2014 at $0.30 per share.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Security Ownership of Certain Beneficial Owners

The following table sets forth information as of the date of this prospectus as to each person or group who is known to us to be the beneficial owner of more than 5% of our outstanding voting securities and as to the security and percentage ownership of each of our executive officers and directors and of all of our officers and directors as a group.

Name of Beneficial Owner	Common Stock Beneficially Owned Number of Shares of Common Stock	Percentage of Class
Timothy N. Tangredi (Officer and Chairman) (1) #	12,183,416	9.3%
Peter DiChiara (Officer) #	32,300	*
Robert W. Schwartz (Director) (2) #	2,050,000	1.6%
Ira William McCollum Jr. (Director) (3) #	610,000	*%
Thomas E. Turner (Director) (4) #	4,162,500	3.5%
Sharon Han (7) #	37,800,000	31.7%
Executive officers, directors, as a group (6 persons)	56,738,216	41.9%
Mark Nordlicht (5)	10,324,740	8.1%
Leonard Samuels (6)	7,720,479	6.4%
Soex (Hong Kong) Industry & Investment Co., Ltd. (7)	37,500,000	31.5%
Green Valley Investment Management Company Limited (8)	24,364,288	19.7%
Hong Kong SAGE Technology Investment Co., Limited (9)	13,304,652	11.2%

* Less than 1%

\# Address is Company's principal office at 11552 Prosperous Driver, Odessa, Florida 33556

(1) Includes 9,095,058 shares of common stock issuable upon exercise of stock options and 3,283,358 shares beneficially owned by Mr. Tangredi’s wife, Patricia Tangredi. 2,940,558 of Ms. Tangredi’s shares are issuable upon the exercise of stock options.

(2) Includes 1,994,600 shares of common stock issuable upon exercise of stock options.

(3) Includes 600,000 shares of common stock issuable upon exercise of stock options.

(4)

Includes 600,000 shares of common stock issuable upon exercise of stock options. Also includes 2,850,000 shares and 712,500 shares issuable upon the exercise of warrants owned by a limited liability company for which Mr. Turner is the natural person with voting power.

(5) Includes 3,234,740 shares of common stock, and 7,000,000 shares issuable upon the exercise of certain outstanding warrants. The natural person with voting power and investment power on behalf of Platinum Montaur Life Sciences, LLC is Mark Nordlicht. Platinum Montaur Life Sciences, LLC holds warrants for the purchase of up to 7,999,000 shares of common stock. Among these warrants, excluded from the above table are 999,999 shares of common stock issuable upon exercise of those warrants. The warrants as amended have certain limitations on exercise and conversion to the extent the shares resulting from such exercise, when aggregated with its other holdings, would result in Platinum Montaur Life Sciences, LLC holding in excess of 9.99% of all our common stock on a beneficially converted basis. These limitations on exercise of certain warrants may be waived by the holder. For purposes of this beneficial ownership table, we have assumed the exercise by Platinum Montaur Life Sciences, LLC of its warrants for the maximum number of shares it may acquire and hold at one time (9.99%). Address is 152 West 575th St. 4th Floor New York, NY 10019.

(6) Includes 4,033,283 shares of Common Stock held by RBC and beneficially owned by Dr. Samuels, 2,724,696 shares of Common Stock held by the Reporting Persons as JTWROS, and 962,500 shares of Common Stock held by RBC Dain – Custodian for Leonard Samuels IRA. Address is 1011 Centennial Road Penn Valley, PA 19072.

(7) The natural person with voting power and investment power on behalf of Soex (Hong Kong) Industry & Investment Co., Ltd. is Sharon Han.

Includes 600,000 shares of common stock issuable upon exercise of stock options.

(8) Includes 4,872,858 shares issuable upon the exercise of certain outstanding warrants. The natural person with voting power and investment power on behalf of Green Valley International Investment Management Company Limited is Fuying Yu. Address is 951 Old Country Road, Belmont, CA 94002.

(9) The natural person with voting power and investment power on behalf of Hong Kong SAGE Technology Investment Co., Limited, with an office at Room 1314A 13/F Lippo Sun Plaza No28 Canton Road Tsim Sha Tsui Kowloon Hong Kong, is Lixia Wang.

Applicable percentage ownership in the following table is based on approximately 119,109,034 shares of common stock outstanding as of March 30, 2015 plus, for each individual, any securities that individual has the right to acquire within 60 days of March 30, 2015. Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power over securities. The number of shares shown as beneficially owned in the tables below are calculated pursuant to Rule 13d-3(d)(1) of the Exchange Act. Under Rule 13d-3(d)(1), shares not outstanding that are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person, but not deemed outstanding for the purpose of calculating the percentage owned by each other person listed.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information regarding our 2000 Incentive Compensation Plan (the “2000 Plan”) and our Long-Term Incentive Plan of 2009 (the “2009 Plan”) under which our securities are authorized for issuance as of December 31, 2014.

Plan Category	**(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights**	**(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights**	**(c) Number of Securities Remaining Available for future Issuance Under Equity Compensation Plans Excluding Securities Reflected in Column (a)**
Equity compensation plans approved by security holders:	21,362,116	$ 0.27	17,000

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Timothy N. Tangredi, our Chief Executive Officer and Chairman, is a founder and a member of the board of directors of Aegis BioSciences, LLC (“Aegis”). Mr. Tangredi currently owns 52% of Aegis’ outstanding equity and spends approximately one to two days per month on Aegis business for which he is compensated by Aegis. Aegis has two exclusive, world-wide licenses from us under which it has the right to use and sell products containing our polymer technologies in biomedical and health care applications. As a result of a $150,000 payment made by Aegis, the first license is considered fully paid and as such no additional license revenue will be forthcoming. Pursuant to the second license Aegis made an initial one-time payment of $50,000 and is to make royalty payments of 1.5% of the net sales price it receives with respect to any personal hygiene product, surgical drape or clothing products (the latter when employed in medical and animal related fields) and license revenue it receives should Aegis grant a sublicense to a third party. To date Aegis has sold no such products nor has it received any licensing fees requiring a royalty payment be made to us. All obligations for such payments will end on the earlier of June 2, 2015 or upon the aggregate of all sums paid to us by Aegis under the agreement reaching $1 million. The term of each respective license runs for the duration of the patented technology.

The Company rents a building that is owned by two stockholders of the Company, one of which is the Chief Executive Officer. Rent expense for this building is $4,066 per month, including sales tax. The Company recognized rent expense of approximately $49,000 in each of the years ended December 31, 2014 and 2013. At December 31, 2013, $124,917 was included in accounts payable for amounts owed to these stockholders for rent.

The Company also has accrued compensation due to the Chief Executive Officer as of December 31, 2014 and 2013 of $1,292,410 and $1,254,122, respectively. The Company determined that the balance is a long term liability, as the Company does not believe it will be repaid within the next year. The Company did, however, classify $100,000 as a current liability as The Chief Executive Officer is required to convert $100,000 of the outstanding amount into the Company's common stock.

The Company also has accrued compensation due to its general counsel, Mr. Tangredi's wife, for deferred salaries earned and unpaid equal to $400,772 and $418,772 as of December 31, 2014 and December 31, 2013, respectively. As of December 31, 2013, the Company determined that all of the accrued payroll to its general counsel was a long term liability, as the Company did not believe it would be repaid within the next year. The general counsel, however, retired as of October 10, 2014. The Company has agreed to pay the general counsel on a payment schedule over the next three years with (a) payments of $50,000 on October 17, 2014 and February 15, 2015, (b) 36 monthly payments ranging from $7,000 to $7,500 over the next three years and (c) a $50,772 lump-sum payment on October 17, 2017 if a balance remains. Under certain circumstances, such as completion of a financing or cash flow generating event or a change in control, as defined, the Company would be required to make accelerated payments under the agreement. If the Company defaults on the payment terms it may be required to pay interest and penalties, as defined, to the general counsel. The Company has made $14,000 of payments under this agreement as of December 31, 2014. The entire balance is included in accounts payable and classified as a current liability because the Company believes that there is a strong likelihood it will repay the amount within one year.

On November 25, 2013, the Company entered into an agreement with a related party to borrow $35,000 which is due on demand and bears interest at 6%. The Company paid all interest and principal due under this note on March 7, 2014.

The Company entered into a Securities Purchase Agreement (the "Soex SPA") with Soex pursuant to which the Company agreed to sell 37.5 million shares of the Company's common stock, for $1.5 million, at $0.04 per share pursuant to Regulation S. On April 24, 2014, the Company entered into a Distribution Agreement with Soex to distribute certain of the Company's products in China. The Company was entitled to receive a $500,000 payment, of which $50,000 has been received, that was due on or before October 24, 2014. Soex is in breach of the Distribution Agreement. Sharon Han, General Manager and Chairwoman of Soex, serves on the Company's board pursuant to the provisions of the Soex SPA.

The above terms and amounts are not necessarily indicative of the terms and amounts that would have been incurred had comparable transactions been entered into with independent parties.

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Employment Agreements

In addition we have the following employment agreements with our officers and significant employees:

The Company entered into an amended and restated employment agreement with Mr. Timothy N. Tangredi, our President, Chief Executive Officer, and director, dated as of September 14, 2011. Mr. Tangredi’s employment agreement provides for an initial term of three years commencing on September 14, 2011 with the term extending on the second anniversary thereof for an additional two year period and on each subsequent anniversary of the commencement date for an additional year. Mr. Tangredi’s initial base salary is $200,000. Mr. Tangredi’s base salary shall be increased annually, if applicable, by a sum equal to his current base salary multiplied by one third of the percentage increase in our yearly revenue compared to our prior fiscal year revenue; provided however any annual increase in Mr. Tangredi’s base salary shall not exceed a maximum of 50% for any given year. Any further increase in Mr. Tangredi’s base salary shall be at the sole discretion of our board of directors or compensation committee (if applicable). Additionally, at the discretion of our board of directors and its compensation committee, Mr. Tangredi may be eligible for an annual bonus, if any, of up to 100% of his then-effective base salary, if he meets or exceeds certain annual performance goals established by the board of directors. In addition to this bonus, Mr. Tangredi may be eligible for a separate merit bonus if approved by the board of directors, for specific extraordinary events or achievements such as a sale of a division, major license or distribution arrangement or merger. Mr. Tangredi is entitled to medical, disability and life insurance, as well as four weeks of paid vacation annually, an automobile allowance, reimbursement of all reasonable business expenses, automobile insurance and maintenance, and executive conference or educational expenses.

Under his employment agreement, in addition to any other compensation which he may receive, if we complete a secondary public offering, Mr. Tangredi will be granted an option to purchase up to 520,000 shares of our common stock with an exercise price equal to the fair market value per share on the date of grant. This option will become vested and exercisable in thirds, with one third vested upon grant, another third at the one-year anniversary of the grant, and another third upon the second anniversary of the grant. The option shall have a term of ten years, shall be exercisable for up to three years after termination of employment (unless termination is for cause, in which event it shall expire on the date of termination), shall have a “cashless” exercise feature, and shall be subject to such additional terms and conditions as are then applicable to options granted under such plan provided they do not conflict with the terms set forth in the agreement.

If Mr. Tangredi’s employment is terminated for any reason, we will be obligated to pay him his accrued but unpaid base salary, bonus and accrued vacation pay, and any unreimbursed expenses (“Accrued Sums”).

In addition to any Accrued Sums owed, if Mr. Tangredi’s employment is terminated by us in the event of his disability or without cause or by Mr. Tangredi for good reason, he shall be entitled to:

(i) an amount equal to the sum of (A) the greater of 150% of the base salary then in effect or $320,000 plus (B) the cash bonus and/or merit bonus, if any, awarded for the most recent year;

(ii) health and life insurance, a car allowance and other benefits set forth in the agreement until two years following termination of employment, and thereafter to the extent required by COBRA or similar statute; and

(iii) all stock options, to the extent they were not exercisable at the time of termination of employment, shall become exercisable in full.

In addition to any Accrued Sum owed, in the event of termination upon death, Mr. Tangredi shall be entitled to (i) and (iii) above.

In addition to any Accrued Sums owed, in the event that Mr. Tangredi elects to terminate employment within one year following a change in control, he shall receive a lump sum payment equal to the sum of (a) the greater of his then current base salary or $210,000 plus (b) the cash bonus and merit bonus, if any, awarded in the most recent year. In addition, he will be entitled to (ii) and (iii) above.

The employment agreement also contains customary covenants restricting the use of our confidential information and solicitation of employees, which are similarly applicable to our other executive officers. In addition we are obligated to indemnify Mr. Tangredi for any claims made against him in connection with his employment with us, to advance indemnification expenses, and maintain his coverage under our directors’ and officers’ liability insurance policy.

Under the employment agreement, we and Mr. Tangredi have agreed that we will retain an independent compensation consultant, which may modify the compensation program for Mr. Tangredi and other officers, subject to certain conditions including approval of the board of directors. Notwithstanding the recommendation and board consideration, Mr. Tangredi has the right to continue the current terms of the employment agreement.

On February 27, 2015, the Company and Mr. Tangredi entered into an amendment to Mr. Tangredi's Amended and Restated Employment Agreement. Currently, the Company has non-interest bearing accrued compensation due to the Chief Executive Officer for deferred salaries earned and unpaid equal to approximately $1.3 million. The amendment provides that, if at any time during a calendar year, the unpaid compensation is greater than $500,000, Mr. Tangredi must convert $100,000 of unpaid compensation into the Company's common stock during such calendar year. The conversion rate shall be equal to 75% of the average closing price for the Company's common stock for the 30 trading days prior to the date of conversion. The Company shall also pay the Mr. Tangredi a cash payment equal to 20% of the compensation income incurred as a result of the conversion. Further, at any time any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934) becomes the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under such Act) of greater of 40% of the then-outstanding voting power of Company's voting equity interests or a person or group initiate a tender offer for the Company's common stock, Mr. Tangredi may convert unpaid compensation to Class A Convertible Preferred Stock of the Company at $1.50 per share.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Audit Fees

The aggregate audit fees billed for the years ended December 31, 2014 and 2013 was $62,750 and $62,750, respectively. Audit services include the audits of the financial statements included in the Company's annual reports on Form 10-K and reviews of interim financial statements included in the Company's quarterly reports on Form 10-Q.

Audit-Related Fees

None.

Tax Fees

None

All Other Fees

None

Audit Committee Pre-Approval Policies and Procedures

We do not have an audit committee and, as a result, our Board of Directors evaluates the scope and cost of the engagement before the auditor renders audit or non-audit services. The Board of Directors has considered the services provided by CFR as disclosed above in the captions audit fees and all other fees and has concluded that such services are compatible with the independence of CFR as our principal accountant.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

No.	Exhibit
3.1	Certificate of Incorporation of The Dais Corporation filed April 8, 1993 (Incorporated by reference to Exhibit 3.1 to Registration Statement on Form S-1 (File No. 333-152940), as filed August 11, 2008)
3.9	Bylaws of The Dais Corporation (Incorporated by reference to Exhibit 3.9 to Registration Statement on Form S-1 (File No. 333-152940), as filed August 11, 2008)
3.10	Certificate of Amendment of the Certificate of Incorporation of Dais Analytic Corporation filed December 17, 2009 (Incorporated by reference to the exhibits included with the Definitive Proxy Statement Form DEF 14A as filed on October 9, 2009)
4.1	Form of Non-Qualified Stock Option Agreement (Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-1 (File No. 333-152940), as filed August 11, 2008)
4.2	Form of Non-Qualified Option Agreement (Incorporated by reference to Exhibit 4.2 to Registration Statement on Form S-1 (File No. 333-152940), as filed August 11, 2008)
4.3	Form of Warrant (Daily Financing) (Incorporated by reference to Exhibit 4.3 to Registration Statement on Form S-1 (File No. 333-152940), as filed August 11, 2008)
4.4	Form of Warrant (Financing) (Incorporated by reference to Exhibit 4.4 to Registration Statement on Form S-1 (File No. 333-152940), as filed August 11, 2008)
4.6	Form of Placement Agent Warrant (Financing) (Incorporated by reference to Exhibit 4.6 to Registration Statement on Form S-1 (File No. 333-152940), as filed August 11, 2008)
4.10	Form of Warrant (Note Conversion) (Incorporated by reference to the Exhibits 4.1 included with the Current Report on Form 8-K, as filed March 13, 2009)
4.11	Form of Warrant (2009 Purchases) (Incorporated by reference to the Exhibits 4.2 included with the Current Report on Form 8-K, as filed March 13, 2009)
4.24	Form of Non-Qualified Stock Option Agreement – 2009 Long-Term Incentive 2009 Plan – Directors and certain designated employees (Incorporated by reference Exhibit 4.24 to Registration Statement on Form S-1 (File No. 333-172259), as filed February 14, 2011)
4.25	Form of Non-Qualified Option Agreement -2009 Long-Term Incentive 2009 Plan – employees (Incorporated by reference Exhibit 4.25 to Registration Statement on Form S-1 (File No. 333-172259), as

filed February 14, 2011)

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4.27	Form of Warrant by and between Dais Analytic Corporation and Investors dated 2007 and 2008. (Incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K, as filed March 28, 2011)
4.28	Amendment to 2007 Warrant by and between Dais Analytic Corporation and Platinum-Montaur Life Sciences, LLC dated March 22, 2011 (Incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K, as filed March 28, 2011)
4.29	Amendment to 2009 Warrant by and between Dais Analytic and Platinum-Montaur Life Sciences, LLC dated March 22, 2011 (Incorporated by reference to Exhibit 10.5 to Current Report on Form 8-K, as filed March 28, 2011)
4.30	Stock Purchase Warrant by and between Dais Analytic Corporation and Platinum-Montaur Life Sciences, LLC dated March 22, 2011 (Incorporated by reference to Exhibit 10.6 to Current Report on Form 8-K, as filed March 28, 2011)
4.32	Stock Purchase Warrant by and between Dais Analytic Corporation and Platinum-Montaur Life Sciences, LLC dated March 22, 2011 (Incorporated by reference to Exhibit 10.9 to Current Report on Form 8-K, as filed March 28, 2011)
4.36	Amendment to 2007 Warrant by and between Dais Analytic Corporation and RBC Capital Markets-Custodian for Leonard Samuels IRA dated May 12, 2011 (Incorporation by reference to Exhibit 4.37 to Quarterly Report on Form 10-Q, as filed May 16, 2011)
4.37	Amendment to 2009 Warrant by and between Dais Analytic Corporation and RBC Capital Markets-Custodian for Leonard Samuels IRA dated May 12, 2011 (Incorporation by reference to Exhibit 4.38 to Quarterly Report on Form 10-Q, as filed May 16, 2011)
4.38	Stock Purchase Warrant by and between Dais Analytic Corporation and RBC Capital Markets- Custodian for Leonard Samuels IRA dated May 12, 2011(Incorporation by reference to Exhibit 4.39 to Quarterly Report on Form 10-Q, as filed May 16, 2011)
4.39	Stock and Warrant Purchase Agreement dated May 12, 2011 (Incorporation by reference to Exhibit 4.40 to Quarterly Report on Form 10-Q, as filed May 16, 2011)
10.1	2000 Equity Compensation Plan (Incorporated by reference to Exhibit 10.1 to Registration Statement on Form S-1 (File No. 333-152940), as filed August 11, 2008)
10.2	Form of Employee Non-Disclosure and Non-Compete Agreement (Incorporated by reference to Exhibit 10.2 to Registration Statement on Form S-1 (File No. 333-152940), as filed August 11, 2008)
10.5	Commercial Lease Agreement between Ethos Business Venture LLC and Dais Analytic Corporation dated March 18, 2005 (Incorporated by reference to Exhibit 10.6 to Registration Statement on Form S-1 (File No. 333-152940), as filed August 11, 2008)

10.6	First Amendment of Lease Agreement between Ethos Business Venture LLC and Dais Analytic Corporation dated November 15, 2005 (Incorporated by reference to Exhibit 10.7 to Registration Statement on Form S-1 (File No. 333- 152940), as filed August 11, 2008)
10.10	Form of Secured Patent Agreement (Financing) (Incorporated by reference to Exhibit 10.11 to Registration Statement on Form S-1 (File No. 333-152940), as filed August 11, 2008)
10.15	2009 Long Term Incentive Plan (Incorporated by reference to the exhibits included with the Definitive Proxy Statement Form DEF14A as filed on October 9, 2009).
10.17	Amended and Restated Employment Agreement between Dais Analytic Corporation and Timothy N. Tangredi dated April 11, 2011. (Incorporated by reference to exhibit 10.17 to Amendment 1 to Pre-Effective Registration Statement on Form S-1, as filed April 13, 2011).
10.18	Amended and Restated Employment Agreement between Dais Analytic Corporation and Patricia K. Tangredi dated April 8, 2011. (Incorporated by reference to exhibit 10.18 to Amendment 1 to Pre-Effective Registration Statement on Form S-1, as filed April 13, 2011).
10.19	Securities Amendment and Exchange Agreement by and between the Dais Analytic Corporation and Platinum-Montaur Life Sciences, LLC dated as of March 22, 2011. (Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, as filed March 28, 2011).
10.20	Note and Warrant Purchase Agreement by and between Dais Analytic Corporation and Platinum-Montaur Life Sciences, LLC dated March 22, 2011. (Incorporated by reference to Exhibit 10.7 to Current Report on Form 8-K/A, as filed July 6, 2011) (1)
10.22	Second Amendment of Lease Agreement between Ethos Business Venture LLC and Dais Analytic Corporation dated May 23, 2011. (Incorporated by reference to Registrant's Registration Statement on Form S-1/A filed on May 26, 2011)
10.26	Executive Compensation Agreement dated September 14, 2011 between Dais Analytic Corporation and Timothy N. Tangredi (Incorporated by reference to Exhibit 10.26 to Registration Statement on Form S-1/A, filed September 19, 2011)
10.27	Amended and Restated Employment Agreement between Dais Analytic Corporation and Timothy Tangredi dated September 14, 2011 (Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K as filed September 15, 2011)

10.28	Executive Compensation Agreement dated January 11, 2012 between Dais Analytic Corporation and Timothy Tangredi (Incorporated by reference to Exhibit 10.48 to Registration Statement on Form S-1/A, filed January 13, 2012)
10.29	First Amendment to Executive Compensation Agreement dated January 11, 2012 between Dais Analytic Corporation and Timothy Tangredi*
10.33	Securities Purchase Agreement and Form of Warrant by and between the Company and Green Valley International Investment Management Company Limited dated October 17, 2012 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed October 23, 2012)
10.34	License and Supply Agreement by and between Company and MG Energy LLC dated October 26, 2012 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed November 5, 2012)
10.35	Amendment to Securities Purchase Agreement by and between the Company and Green Valley International Investment Management Company Limited dated December 28, 2012 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed December 31, 2012)
10.36	Employment Agreement, dated June 11, 2013, by and between Dais Analytic Corporation and Joyce Conner-Boyd (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed June 14, 2013)
10.37	Securities Purchase Agreement by and between the Company and Soex (Hong Kong) Industry & Investment Co., Ltd. dated January 21, 2014 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed January 27, 2014)
10.38	Distribution Agreement, dated April 24, 2014, between Dais Analytic Corporation and Soex (Hong Kong) Industry & Investment Co., Ltd. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed April 28, 2014)
10.39	Securities Purchase Agreement by and between the Company and Soex (Hong Kong) Industry & Investment Co., Ltd. dated January 21, 2014 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed January 27, 2014)
14.1	Code of Ethics (Incorporated by reference to Exhibit 14.1 to Annual Report on Form 10-K, as filed March 31, 2009)
31.1	Certification of Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

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101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

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* Filed herewith.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

(1) Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	DAIS ANALYTIC CORPORATION
Dated: April 1, 2015	By: */s/ TIMOTHY N. TANGREDI* Timothy N. Tangredi Chairman of the Board Chief Executive Officer and Director (Principal Executive Officer)
Dated: April 1, 2015	By: */s/ PETER DICHIARA* Peter DiChiara Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

Signatures	**Title**	**Date**
/s/ TIMOTHY N. TANGREDI Timothy N. Tangredi	Chairman of the Board, Chief Executive Officer and Director	April 1, 2015
/s/ ROBERT W. SCHWARTZ Robert W. Schwartz	Director	April 1, 2015
/s/ IRA WILLIAM MCCOLLUM, JR. Ira William McCollum, Jr.	Director	April 1, 2015
/s/ THOMAS E. TURNER Thomas E. Turner	Director	April 1, 2015

Dais Analytic Corporation

Financial Statements

Years Ended December 31, 2014 and 2013

Contents

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Dais Analytic Corporation

Odessa, Florida

We have audited the accompanying balance sheets of Dais Analytic Corporation ("the Company") as of December 31, 2014 and 2013, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal controls over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dais Analytic Corporation as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Cross, Fernandez & Riley LLP

Orlando, Florida

March 31, 2015

201 S. Orange Avenue, Suite 800   Orlando, FL 32801   407-841-6930   Fax: 407-841-6347

Lakeland   Tampa   Winter Haven

www.cfrcpa.com

DAIS ANALYTIC CORPORATION

BALANCE SHEETS

	December 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,343,523	$ 27,125
Accounts receivable, net	191,641	149,130
Other receivables	41,079	109,106
Inventory	99,521	159,870
Prepaid expenses	16,542	47,540
Total Current Assets	2,692,306	492,771
Property and equipment, net	64,551	96,981
OTHER ASSETS:		
Deposits	2,280	2,280
Patents, net of accumulated amortization of $201,607 and $176,178 at December 31, 2014 and December 31, 2013, respectively	113,672	113,139
Total Other Assets	115,952	115,419
TOTAL ASSETS	$ 2,872,809	$ 705,171
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable, including related party payables of $501,396 and $160,374 at December 31, 2014 and December 31, 2013, respectively	$ 882,434	$ 641,074
Accrued expenses, other	110,976	126,990
Current portion of deferred revenue and customer deposits	123,011	205,201
Note payable, related party	-	35,000
Total Current Liabilities	1,116,421	1,008,265
LONG-TERM LIABILITIES:		
Accrued compensation and related benefits	1,192,409	1,672,893
Deferred revenue, net of current portion	1,699,679	1,773,525
Total Long-Term Liabilities	2,892,088	3,446,418
Total Liabilities	4,008,509	4,454,683
STOCKHOLDERS' DEFICIT		
Preferred stock; $0.01 par value; 10,000,000 shares authorized; 0 shares issued and outstanding	-	-

Common stock, $0.01 par value; 200,000,000 shares authorized; 101,366,247 and 60,116,247 shares issued and 101,109,034 and 59,859,034 shares outstanding, respectively	1,013,663	601,163
Common stock payable	2,199,960	-
Capital in excess of par value	38,768,460	36,994,742
Accumulated deficit	(41,845,671)	(40,073,305)
	136,412	(2,477,400)
Treasury stock at cost, 257,213 shares	(1,272,112)	(1,272,112)
Total Stockholders' Deficit	(1,135,700)	(3,749,512)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 2,872,809	$ 705,171

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

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DAIS ANALYTIC CORPORATION

STATEMENTS OF OPERATIONS

	For the Years Ended December 31, 2014	2013
REVENUE:		
Sales	$ 1,718,315	$ 1,526,989
License and royalty fees	181,935	215,606
	1,900,250	1,742,595
COST OF GOODS SOLD	1,217,559	1,257,418
GROSS MARGIN	682,691	485,177
OPERATING EXPENSES		
Research and development expenses, net of government grant proceeds of $354,988 and $180,956, respectively	408,119	495,175
Selling, general and administrative expenses	2,047,898	2,108,629
Impairment of equipment	-	2,672
TOTAL OPERATING EXPENSES	2,456,017	2,606,476
LOSS FROM OPERATIONS	(1,773,326)	(2,121,299)
OTHER (EXPENSE) INCOME		
Other income	1,500	-
Interest expense	(1,035)	(179)
Interest income	495	-
TOTAL OTHER EXPENSE (INCOME)	960	(179)
NET LOSS	$ (1,772,366)	$ (2,121,478)
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	$ (0.02)	$ (0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	93,876,521	57,542,454

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

DAIS ANALYTIC CORPORATION

STATEMENTS OF STOCKHOLDERS' DEFICIT

	Common Stock Shares	Common Stock Amount	Common Stock Payable	Capital in Excess of Par Value	Accumulated Deficit	Treasury Stock	Total Stockholders' Deficit
Balance, December 31, 2012	55,274,817	$ 552,749	$ 19,255	$ 35,723,001	$ (37,951,827)	$ (1,272,112)	$ (2,928,934)
Stock based compensation	-	-	-	836,011	-	-	836,011
Issuance of common stock for cash	4,841,430	48,414	(19,255)	435,730	-	-	464,889
Net loss	-	-	-	-	(2,121,478)	-	(2,121,478)
Balance, December 31, 2013	60,116,247	$ 601,163	$ -	$ 36,994,742	$ (40,073,305)	$ (1,272,112)	$ (3,749,512)
Stock based compensation	-	-	-	686,218	-	-	686,218
Issuance of common stock for cash	41,250,000	412,500	-	1,087,500	-	-	1,500,000
Proceeds for stock to be issued	-	-	2,199,960	-	-	-	2,199,960
Net loss	-	-	-	-	(1,772,366)	-	(1,772,366)
Balance, December 31, 2014	101,366,247	$ 1,013,663	$ 2,199,960	$ 38,768,460	$ (41,845,671)	$ (1,272,112)	$ (1,135,700)

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

DAIS ANALYTIC CORPORATION

STATEMENTS OF CASH FLOWS

	For the Years Ended December 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,772,366)	$ (2,121,478)
Adjustments to reconcile net loss to net cash and cash equivalents		
Depreciation and amortization	67,059	106,725
Issuance of stock options for services	11,809	19,105
Stock based compensation expense	674,409	816,906
Decrease in allowance for doubtful accounts	(92)	(1,745)
Impairment of equipment	-	2,672
(Increase) decrease in:		
Accounts receivable	(42,419)	365,457
Other receivables	68,027	(109,106)
Inventory	60,349	132,573
Prepaid expenses	30,998	(1,595)
Increase (decrease) in:		
Accounts payable and accrued expenses	(275,426)	67,143
Accrued compensation and related benefits	20,288	178,154
Deferred revenue	(156,036)	(104,995)
Net cash used by operating activities	(1,313,400)	(650,184)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in patent costs	(25,962)	(28,291)
Purchase of property and equipment	(9,200)	(88,439)
Net cash used by investing activities	(35,162)	(116,730)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payment of) proceeds from issuance of notes payable, related party	(35,000)	35,000
Proceeds for stock to be issued	2,199,960	-
Issuance of common stock, net of offering costs	1,500,000	464,889
Net cash provided by financing activities	3,664,960	499,889
Net increase (decrease) in cash and cash equivalents	2,316,398	(267,025)
Cash and cash equivalents, beginning of period	27,125	294,150
Cash and cash equivalents, end of period	$ 2,343,523	$ 27,125
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 1,035	$ 179

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

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 1. Background Information

Dais Analytic Corporation (the “Company”), a New York corporation, has developed and is commercializing applications using its nano-structure polymer technology. The first commercial product is an energy recovery ventilator (“ERV”) (cores and systems) for use in commercial Heating, Ventilating, and Air Conditioning (HVAC) applications. In addition to direct sales, the Company licenses its nano-structured polymer technology to strategic partners in the aforementioned application and is in various stages of development with regard to other applications employing its base technologies. The Company was incorporated in April of 1993 with its corporate headquarters located in Odessa, Florida.

The Company is dependent on third parties to manufacture the key components needed for our nano-structured based materials and value added products made with these materials. Accordingly, a supplier’s failure to supply components in a timely manner, or to supply components that meet our quality, quantity and cost requirements or our technical specifications, or the inability to obtain alternative sources of these components on a timely basis or on terms acceptable to us, would create delays in production of our products or increase our unit costs of production. Certain of the components contain proprietary products of our suppliers, or the processes used by our suppliers to manufacture these components are proprietary. If we are required to replace any of our suppliers, while we should be able to obtain comparable components from alternative suppliers at comparable costs, this would create a delay in production.

For the year ended December 31, 2014, two customers, Multistack LLC and Soex, accounted for approximately 60% and 27% of the Company’s revenue, respectively. At December 31, 2014, amounts due from these customers were approximately 67% and 0%, respectively, of total accounts receivable. For the year ended December 31, 2013, one customer, Multistack LLC, accounted for approximately 83% of the Company’s revenue. At December 31, 2013, amounts due from this customer were approximately 63% of total accounts receivable. See Note 10 for a discussion of Multistack and the licensing agreement with MG Energy LLC.

Note 2. Going Concern and Management’s Plans

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. For the year ended December 31, 2014, the Company generated a net loss of $1,772,366 and the Company has incurred significant losses since inception. As of December 31, 2014, the Company has an accumulated deficit of

$41,845,671, working capital of $1,575,885 and a stockholders' deficit of $1,135,700. The Company used $1,313,400 and $650,184 of cash in operations during 2014 and 2013, respectively, which was funded by proceeds from debt and equity financings. There is no assurance that such financing will be available in the future.

On January 21, 2014 the Company entered into a Securities Purchase Agreement (the "SPA") with an investor, Soex (Hong Kong) Industry & Investment Co., Ltd., a Hong Kong corporation (the "Investor"), pursuant to which the Company agreed to sell 37.5 million shares of the Company's common stock, for $1.5 million, at $0.04 per share pursuant to Regulation S. The Company received the $1.5 million from the Investor on March 3, 2014and has issued the 37.5 million shares of common stock to the Investor and 3,750,000 shares of common stock to a non-U.S. placement agent. The Company is using the proceeds from the sale of the common stock for working capital and business development.

On December 15, 2014, the Company entered into a Securities Purchase Agreement with two investors, Hong Kong SAGE Technology Investment Co., Limited and Hong Kong JHSE Technology Investment Co., Limited who agreed to purchase 18 million shares of the Company's Common Stock for $2,750,000, at approximately $0.153 per share. At December 31, 2014, the Company has recl184 of cash in operations during 2014 and 2013, respectively, which was funded by proceeds from debt and equity financings. There is no assurance that such financing will be available in the future.

On January 21, 2014 the Company entered into a Securities Purchase Agreement (the "SPA") with an investor, Soex (Hong Kong) Industry & Investment Co., Ltd., a Hong Kong corporation (the "Investor"), pursuant to which the Company agreed to sell 37.5 million shares of the Company's common stock, for $1.5 million, at $0.04 per share pursuant to Regulation S. The Company received the $1.5 million from the Investor on March 3, 2014and has issued the 37.5 million shares of common stock to the Investor and 3,750,000 shares of common stock to a non-U.S. placement agent. The Company is using the proceeds from the sale of the common stock for working capital and business development.

On December 15, 2014, the Company entered into a Securities Purchase Agreement with two investors, Hong Kong SAGE Technology Investment Co., Limited and Hong Kong JHSE Technology Investment Co., Limited who agreed to purchase 18 million shares of the Company's Common Stock for $2,750,000, at approximately $0.153 per share. At December 31, 2014, the Company has received $2,199,960 in cash proceeds from the sale of this stock and has a cash balance of $2,343,523.

Management believes that the Company's current cash position and its ability to obtain additional sources of cash flow is sufficient to fund its working capital requirements for the next year. However, there can be no assurance that the Company will be successful in its efforts to secure such additional sources of cash flow. Any failure by us to timely procure additional financing or investment adequate to fund our ongoing operations, including planned product development initiatives and commercialization efforts, may have material adverse consequences on our financial condition, results of operations and cash flows.

The financial statements of the Company do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 3. Significant Accounting Policies

The significant accounting policies followed are:

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – For purposes of the Statements of Cash Flows, the Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances.

Accounts receivable - Accounts receivable consist primarily of receivables from the sale of our ERV products and royalties due under license and supply agreements. The Company regularly reviews accounts receivable for any bad debts based on an analysis of the Company's collection experience, customer credit worthiness, and current economic trends. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on management's review of accounts receivable, we have recorded an allowance for doubtful accounts of $739 and $831 at December 31, 2014 and 2013.

Other receivables - Accounts receivable consist primarily of receivables from the U.S. Department of Defense and the U.S. Department of Energy ARPA-E grant program (See Note 3- Research and development expenses, and grant proceeds). The Company prepares invoices as it meets grant program milestones. Based on management's review of other receivables, management has determined that no allowance for uncollectibilty is necessary at December 31, 2014 and 2013.

Inventory - Inventory consists of raw materials and work-in-process and is stated at the lower of cost, determined by first-in, first-out method, or market. Market is determined based on the net realizable value, with appropriate consideration given to obsolescence, excessive levels, deterioration and other factors. At December 31, 2014 and 2013, the Company had $5,325 and $78,240 of in-process inventory, respectively. A reserve is recorded for any inventory deemed excessive or obsolete. No reserve is considered necessary at December 31, 2014 and 2013.

Property and equipment - Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 7 years. Leasehold improvements are amortized over the shorter of their estimated useful lives of 5 years or the related lease life. Depreciation expense was approximately $41,600 and $84,300 the years ended December 31, 2014 and 2013, respectively. Gains and losses upon disposition are reflected in the statement of operations in the period of disposition. Maintenance and repair expenditures are charged to expense as incurred.

Intangible assets - Identified intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company's existing intangible assets consist solely of patents. Patents are amortized over their estimated useful or economic lives of 17 to 20 years. Patent amortization expense was approximately $25,400 and $22,400 for the years ended December 31, 2014 and 2013, respectively. Based on current capitalized costs, total patent amortization expense is estimated to be approximately $18,000 per year for the next five years and $23,000 thereafter.

Long-lived assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. The Company periodically evaluates whether events and circumstances have occurred that indicate possible impairment. When impairment indicators exist, the Company uses market quotes, if available or an estimate of the future undiscounted net cash flows of the related asset or asset group over the remaining life in measuring whether or not the asset values are recoverable. During the years ended December 31, 2014 and 2013, the Company recognized $0 and $2,672, respectively, in impairment costs.

Government Grants -Grants are recognized when there is reasonable assurance that the grant will be received and that any conditions associated with the grant will be met. When grants are received related to property and equipment, the Company reduces the basis of the assets on the balance sheet, resulting in lower depreciation expense over the life of the associated asset. Grants received related to expenses are reflected as a reduction of the associated expense in the period in which the expense is incurred.

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 3. Significant Accounting Policies (Continued)

Research and development expenses, and grant proceeds - Expenditures for research, development, and engineering of products are expensed as incurred. For the years ended December 31, 2014 and 2013, the Company incurred research and development costs of approximately $763,100 and $676,100, respectively. The Company accounts for proceeds received from government grants for research as a reduction in research and development costs. For the years ended December 31, 2014 and 2013, the Company recorded approximately $355,000 and $181,000, respectively, in proceeds against research and development expenses on the statements of operations.

On January 23, 2013, the U.S. Department of Defense and the U.S. Department of Energy approved an ARPA-E contract of up to $800,000 to the Company for the funding of a project to develop an energy-efficient, compact dehumidification system utilizing a polymer membrane that allows moisture to pass through. The contract is conditioned upon the Company contributing $200,000 of the proposed total project cost of $1,000,000. For the year ended December 31, 2013, the Company has incurred approximately $181,000 in expenses and recognized the same amount as a reduction to research and development expense related to this award. During 2014, the contract was amended to extend the term through March 31, 2015. For the year ended December 31, 2014, the Company incurred approximately $334,000 in expenses and recognized approximately $267,000 as a reduction to research and development expense under the award.

In March 2014, the U.S. Army issued a Small Business Innovation Research (SBIR) contract of up to approximately $100,000 to the Company for the funding of a project to develop the Company's NanoClear® water cleaning process. The contract is not conditioned upon a contribution from the Company. For the year ended December 31, 2014, the Company recognized approximately $88,000 under this contract as a reduction to research and development expense.

Stock issuance costs - Stock issuance costs are recorded as a reduction of the related proceeds through a charge to stockholders' equity.

Common stock - The Company records common stock issuances when all of the legal requirements for the issuance of such common stock have been satisfied.

Revenue recognition - Generally, the Company recognizes revenue for its products upon shipment to customers, provided no significant obligations remain and collection is probable.

In certain instances, our ConsERV system product may carry a limited warranty of up to two years for all parts contained therein with the exception of the energy recovery ventilator core produced and sold by Dais its distributor may carry a limited warranty of up to ten years. The limited warranty includes replacement of defective parts for the ConsERV system, and includes workmanship and material failure for the ConsERV core. The Company has recorded an accrual of approximately $91,500 and $92,100 for future warranty expenses at December 31, 2014 and 2013, respectively, which is included in the line item for accrued expenses, other.

Revenue derived from the sale of licenses is deferred and recognized as revenue on a straight-line basis over the life of the license, or until the license arrangement is terminated. Royalties are recognized as earned. The Company recognized revenue of $121,935 and $189,100, respectively, from license agreements for the years ended December 31, 2014 and 2013. The Company recognized revenue of $60,000 and $26,512, respectively, from royalties for the years ended December 31, 2014 and 2013.

The Company accounts for revenue arrangements with multiple elements under the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 605-25, "Revenue Recognition—Multiple-Element Arrangements," In order to account for these agreements, the Company must identify the deliverables included within the agreement and evaluate which deliverables represent separate units of accounting based on if certain criteria are met, including whether the delivered element has stand-alone value to the licensee. The consideration received is allocated among the separate units of accounting, and the applicable revenue recognition criteria are applied to each of the separate units.

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 3. Significant Accounting Policies (Continued)

Stock based compensation - The Company recognizes all share-based payments to employees, including grants of employee stock options, as compensation expense in the financial statements based on their fair values. That expense will be recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

The value of each grant is estimated at the grant date using the Black-Scholes option model with the following assumptions for options granted during the years ended December 31, 2014 and 2013:

	Years Ended December 31,	
	2014	**2013**
Dividend rate	0%	0%
Risk free interest rate	2.00% – 3.00%	2.03% – 2.20%
Expected term	10 years	10 years
Expected volatility	168% – 183%	135% – 177%

The basis for the above assumptions are as follows: the dividend rate is based upon the Company's history of dividends; the risk-free interest rate for periods within the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant; the expected term was calculated based on the Company's historical pattern of options granted and the period of time they are expected to be outstanding; and expected volatility was calculated based upon historical trends in the Company's common stock, as well as a peer company's historical common stock activity.

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Based on historical experience of forfeitures, the Company estimated forfeitures at 0% for each of the years ended December 31, 2014 and 2013.

<u>Non-employee stock-based compensation</u> - The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC 505-50 *Equity-Based Payments to Non-Employees*. Stock-based compensation related to non-employees is accounted for based on the fair value of the related stock or options or the fair value of the services, whichever is more readily determinable. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement.

The fair value of stock options issued to consultants in 2014 was calculated using the Black-Scholes model with the following assumptions: Expected life in years: 3 years; Estimated volatility 177%; Risk-free interest rate: 0.2%; Dividend yield: 0%.The fair value of stock options issued to consultants in 2013 was calculated using the Black-Scholes model with the following assumptions: Expected life in years: 2 years; Estimated volatility 165%; Risk-free interest rate: 0.26%; Dividend yield: 0%. The Company recognized $11,809 and $19,105 of compensation expense for stock options issued to consultants during the years ended December 31, 2014 and 2013, respectively.

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 3. Significant Accounting Policies (Continued)

Financial instruments - The Company accounts for financial instruments in accordance with FASB Accounting Standards Codification (ASC) 820 "*Fair Value Measurements and Disclosures*" (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

The Company does not have any level 1, 2 or 3 financial instruments. The respective carrying values of certain on-balance sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, accounts receivable, other receivables, accounts payable, accrued compensation and accrued expenses. The fair value of the Company's related party note payable is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

Income taxes - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes resulting from temporary differences. Such temporary differences result from differences in the carrying value of assets and liabilities for tax and financial reporting purposes. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's remaining open tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 3. Significant Accounting Policies (Continued)

Derivative Financial Instruments - The Company does not use derivative instruments to hedge exposure to cash flow, market or foreign currency risk. Terms of convertible promissory note instruments are reviewed to determine whether or not they contain embedded derivative instruments that are required under ASC 815 "*Derivative and Hedging"* (ASC 815) to be accounted for separately from the host contract, and recorded on the balance sheet at fair value. The fair value of derivative liabilities, if any, is required to be revalued at each reporting date, with corresponding changes in fair value recorded in current period operating results.

Freestanding warrants issued by the Company in connection with the issuance or sale of debt and equity instruments are considered to be derivative instruments and are evaluated and accounted for in accordance with the provisions of ASC 815. Pursuant to ASC 815, an evaluation of specifically identified conditions is made to determine whether fair value of warrants issued is required to be classified as equity or as a derivative liability.

Earnings (loss) per share - Basic income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted average common shares outstanding for the period. Diluted income (loss) per share is computed giving effect to all potentially dilutive common shares. Potentially dilutive common shares may consist of incremental shares issuable upon the exercise of stock options and warrants and the conversion of notes payable to common stock. In periods in which a net loss has been incurred, all potentially dilutive common shares are considered anti-dilutive and thus are excluded from the calculation. Common share equivalents of 36,796,512 and 39,365,082 were excluded from the computation of diluted earnings per share for the years ended December 31, 2014 and 2013, respectively, because their effect is anti-dilutive.

The following sets forth the computation of basic and diluted net earnings (loss) per common share for the years ended December 31, 2014 and 2013:

	For the Years Ended December 31, 2014	2013
Numerator:		
Net loss	$ (1,772,366)	$ (2,121,478)

Denominator:		
Weighted average basic shares outstanding	93,876,521	57,542,454
Potential shares under stock options	-	-
Less shares assumed repurchased under the treasury stock method	-	-
Weighted average fully diluted shares outstanding	93,876,521	57,542,454
Net loss per common share – basic	$ (0.02)	$ (0.04)
Net loss per common share – diluted	$ (0.02)	$ (0.04)

Recent Accounting Pronouncements.

There are new accounting pronouncements issued by the Financial Accounting Standards Board ("FASB") which are not yet effective. Management does not believe any of these accounting pronouncements will have a material impact on the Company's financial position or operating results.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Company is currently evaluating the impact of the adoption of ASU 2014-09 on its financial statements and has not yet determined the method by which it will adopt the standard in 2017.

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 4. Property and Equipment

Property and equipment consist of the following:

	December 31, 2014		December 31, 2013	
Furniture and fixtures	$	38,764	$	38,764
Computer equipment		64,305		64,305
Demonstration equipment		92,733		92,733
Office and lab equipment		223,666		224,174
Leasehold improvements		9,708		-
Property and equipment, gross		429,176		419,976
Less accumulated depreciation		364,625		322,995
Property and equipment, net	$	64,551	$	96,981

Note 5. Prepaid Expenses

Prepaid expenses consist of the following:

	December 31, 2014		December 31, 2013	
Prepaid expenses	$	500	$	11,700
Prepaid insurance		16,042		35,840
	$	16,542	$	47,540

Note 6. Accrued Expenses, Other

Accrued expenses, other consists of the following:

	December 31,			
	2014		2013	
Accrued expenses, other	$	19,445	$	34,890
Accrued warranty costs		91,531		92,100
	$	110,976	$	126,990

Note 7. Related Party Transactions

Timothy N. Tangredi, our Chief Executive Officer and Chairman, is a founder and a member of the board of directors of Aegis BioSciences, LLC (“Aegis”). Mr. Tangredi currently owns 52% of Aegis’ outstanding equity and spends approximately one to two days per month on Aegis business for which he is compensated by Aegis. Aegis has two exclusive, world-wide licenses from us under which it has the right to use and sell products containing our polymer technologies in biomedical and health care applications. As a result of a $150,000 payment made by Aegis, the first license is considered fully paid and as such no additional license revenue will be forthcoming. Pursuant to the second license Aegis made an initial one-time payment of $50,000 and is to make royalty payments of 1.5% of the net sales price it receives with respect to any personal hygiene product, surgical drape or clothing products (the latter when employed in medical and animal related fields) and license revenue it receives should Aegis grant a sublicense to a third party. To date Aegis has sold no such products nor has it received any licensing fees requiring a royalty payment be made to us. All obligations for such payments will end on the earlier of June 2, 2015 or upon the aggregate of all sums paid to us by Aegis under the agreement reaching $1 million. The term of each respective license runs for the duration of the patented technology.

The Company rents a building that is owned by two stockholders of the Company, one of which is the Chief Executive Officer. Rent expense for this building is $4,066 per month, including sales tax. The Company recognized rent expense of approximately $49,000 in each of the years ended December 31, 2014 and 2013. At December 31, 2013, $124,917 was included in accounts payable for amounts owed to these stockholders for rent.

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 7. Related Party Transactions (continued)

The Company also has accrued compensation due to the Chief Executive Officer as of December 31, 2014 and 2013 of $1,292,410 and $1,254,122, respectively. The Company determined that the balance is a long term liability, as the Company does not believe it will be repaid within the next year. The Company did, however, classify $100,000 as a current liability in accounts payable at December 31, 2014 as The Chief Executive Officer is required to convert $100,000 of the outstanding amount into the Company's common stock.

The Company also has accrued compensation due to its general counsel, Mr. Tangredi's wife, for deferred salaries earned and unpaid equal to $400,772 and $418,772 as of December 31, 2014 and December 31, 2013, respectively. As of December 31, 2013, the Company determined that all of the accrued payroll to its general counsel was a long term liability, as the Company did not believe it would be repaid within the next year. The general counsel, however, retired as of October 10, 2014. The Company has agreed to pay the general counsel on a payment schedule over the next three years with (a) payments of $50,000 on October 17, 2014 and February 15, 2015, (b) 36 monthly payments ranging from $7,000 to $7,500 over the next three years and (c) a $50,772 lump-sum payment on October 17, 2017 if a balance remains. Under certain circumstances, such as completion of a financing or cash flow generating event or a change in control, as defined, the Company would be required to make accelerated payments under the agreement. If the Company defaults on the payment terms it may be required to pay interest and penalties, as defined, to the general counsel. The Company has made $14,000 of payments under this agreement as of December 31, 2014. The entire balance is included in accounts payable and classified as a current liability because the Company believes that there is a strong likelihood it will repay the amount within one year.

On November 25, 2013, the Company entered into an agreement with a related party to borrow $35,000 which is due on demand and bears interest at 6%. The Company paid all interest and principal due under this note on March 7, 2014.

The above terms and amounts are not necessarily indicative of the terms and amounts that would have been incurred had comparable transactions been entered into with independent parties.

Note 8. Equity Transactions

Preferred Stock

At December 31, 2014 and 2013, the Company's Board of Directors has authorized 10,000,000 million shares of preferred stock with a par value of $0.01 to be issued in series with terms and conditions to be determined by the Board of Directors. The Company has designated 400,000 shares of Series A convertible preferred stock; 1,000,000 shares of Series B convertible preferred stock; 500,000 shares of Series C convertible preferred stock; and 1,100,000 shares of Series D convertible preferred stock. The Series A through D convertible preferred stock rank senior to the common stock as to dividends and liquidation. Each share of Series A through D convertible preferred stock is convertible into one share of common stock, except in specified circumstances as defined by the Company's Certificate of Incorporation, and is automatically converted into common stock upon the occurrence of an initial public offering that meets certain criteria. No dividend or distribution may be paid on any shares of the Company's common stock unless an equivalent dividend or distribution is paid on the Series A through D convertible preferred stock. In December 2014, the Company's board of directors approved an amendment of the Company's Amended and Restated Articles of Incorporation to modify the designations of the Company's preferred stock. This amendment is subject to stockholder approval which was obtained in February 2015 (See Note 13).

Common Stock

At December 31, 2014 and 2013, the Company's Board of Directors has authorized 200,000,000 million shares of common stock with a par value of $0.01 to be issued in series with terms and conditions to be determined by the Board of Directors. In December 2014, the Company's board of directors approved an amendment of the Company's Amended and Restated Articles of Incorporation that increased the authorized number of the Company's shares of common stock to 240,000,000. This amendment is subject to stockholder approval which was obtained in February 2015 (See Note 13).

In March 2013, the Company received $29,973 from GVI towards the purchase of common stock at $0.10 per share. The Company issued 492,280 shares of common stock for the $29,973 payment received in March and the $19,255 common stock payable. The Company also issued GVI warrants to purchase 123,070 shares of the Company's common stock at $0.30 per share. The warrants are exercisable for 60 months from the date of issuance.

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 8. Equity Transactions (continued)

In May 2013, the Company received $149,915 from GVI towards the purchase of common stock at $0.10 per share. The Company issued 1,499,150 shares of common stock with warrants to purchase 374,788 shares of the Company's common stock at $0.50 per share. The warrants are exercisable for 60 months from the date of issuance. All warrants issued to GVI are subject to standard anti-dilution adjustments for stock splits and other subdivisions.

In the third quarter of 2013, the Company issued, pursuant to a Stock Purchase Agreement with a limited liability company controlled by a person who subsequently was appointed a director of the Company, 2,850,000 restricted shares of the Company's common stock at a purchase price of $0.10 per share for a total of $285,000. With the issuance of the common stock, the Company issued warrants to purchase 712,500 shares of the Company's common stock at $0.50 per share. The warrants are exercisable for 60 months from the date of issuance. The warrants are subject to standard anti-dilution adjustments for stock splits and other subdivisions.

On January 21, 2014, the Company entered into a Securities Purchase Agreement (the "SPA") with an investor, Soex (Hong Kong) Industry & Investment Co., Ltd., a Hong Kong corporation (the "Investor"), pursuant to which the Company agreed to sell 37.5 million shares of the Company's common stock, for $1.5 million, at $0.04 per share pursuant to Regulation S. The Company received the $1.5 million from the Investor on March 3, 2014, ahead of the March 7, 2014 deadline specified in the SPA and has issued the 37.5 million shares of common stock to the Investor and 3,750,000 shares of common stock to a non-U.S. placement agent. The Company is using the proceeds from the sale of the common stock for working capital and business development. To further the distribution of Dais's products and strengthen the relationship between the Company and the Investor, the Investor agreed to form, and issue to the Company equity in, a subsidiary (the "Subsidiary") which will function as the manufacturer and master distributor. The Investor has formed the Subsidiary but has not issued the equity to Dais. The SPA also requires the Company to appoint a director nominated by the Investor which was completed on October 3, 2014. The Investor also signed a voting agreement which obligates the Investor to vote as recommended by the Company's board of directors for a one-year period beginning on the date the shares of common stock are issued to the Investor, which were issued on March 6, 2014.

On December 15, 2014, the Company entered into a Securities Purchase Agreement (the "2014 SPA") with two investors with principal offices in Hong Kong ("2014 Investors"). Pursuant to the 2014 SPA, the Company agreed to sell 18,000,000 shares of the Company's common stock for $2,750,000, at approximately $0.153 per share. The Company received approximately $2,200,000 of the cash proceeds as of December 31, 2014 which is classified in the equity section as a common stock payable. The remaining $550,000 was received and the Company issued the 18,000,000 shares of common stock during the first quarter of 2015. Pursuant to terms of the 2014 SPA, the 2014 Investors signed a voting agreement which obligates the 2014 Investors to vote as recommended by the Company's board of directors through the earlier of the anniversary of the satisfaction of the certain conditions in the voting agreement or upon mutual written agreement of the Company and the 2014 Investors to terminate the voting agreement. The 2014 Investors will have the right to nominate a member to the Company's board as long as they own at least 9.99% of the Company's common stock. The Company is required to register the shares of the Company's common stock acquired by the Purchasers after certain conditions are met. 20,333,334 shares of the Company's common shares may be issued to the 2014 Investors in connection with the purchase of 51% of the equity of an existing PRC company with assets of at least $3,000,000 if the purchasers capitalize the existing PRC company with $3,000,000, issue the Company 51% of the existing PRC company's equity and arrange an HVAC services agreement $60,000,000 in sales over a three year period. The conditions have not yet been met.

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 9. Stock Options and Warrants

In June 2000 and November 2009, our Board of Directors adopted, and our shareholders approved, the 2000 Incentive Compensation Plan ("2000 Plan") and the 2009 Long-Term Incentive Plan ("2009 Plan"), respectively (together the "Plans"). The Plans provide for the granting of options to qualified employees of the Company, independent contractors, consultants, directors and other individuals. The Company's Board of Directors approved and made available 11,093,882 and 15,000,000 shares of common stock to be issued pursuant to the 2000 Plan and the 2009 Plan, respectively. The 2000 Plan permits grants of options to purchase common shares authorized and approved by our Board of Directors and shareholders for issuance prior to the enactment of the 2000 Plan. The Plans permit grants of options to purchase common shares authorized and approved by the Company's Board of Directors. See Note 13 for a discussion of the Company's 2015 Stock Incentive Plan approved by shareholders on February 27, 2015.

The average fair value of options granted at market during 2014 and 2013 was $0.29 and $0.14 per option, respectively. The total intrinsic value of options exercised during the years ended December 31, 2014 and 2013 was $0 and $0, respectively.

The following summarizes the information relating to outstanding stock options granted pursuant to the above plans as well as outside of the plans during 2014 and 2013:

	Common Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2012	18,647,332	$ 0.29	6.06	$ 26,345
Granted	5,468,000	0.14		
Forfeited or expired	(2,583,916)	0.14		
Outstanding at December 31, 2013	21,531,416	0.26	5.91	-
Granted	2,240,000	0.30		
Forfeited or expired	(2,409,300)	0.25		

Outstanding at December 31, 2014	21,362,116	$	0.27	5.57	$ 1,579,657
Exercisable at December 31, 2014	21,182,949	$	0.27	5.55	$ 1,545,915

Stock compensation expense for options granted to both employees and consultants was approximately $686,000 for the year ended December 31, 2014 and $836,000 for the year ended December 31, 2013. The total fair value of shares vested during the years ended December 31, 2014 and 2013 was approximately $703,000 and $778,000, respectively.

As of December 31, 2014, there was approximately $11,700 of unrecognized employee stock-based compensation expense related to non vested stock options, which is expected to be recognized for the year ended December 31, 2015.

The following table represents our non vested share-based payment activity for the years ended December 31, 2014 and 2013:

	Number of Options		**Weighted Average Grant Date Fair Value**
Nonvested options - December 31, 2012	1,235,555	$	0.16
Granted	5,468,000		0.16
Forfeited	(1,392,915)		0.24
Vested	(4,705,500)		0.17
Nonvested options - December 31, 2013	605,140		0.13
Granted	2,240,000		0.29
Vested	(2,477,916)		0.29
Forfeited	(188,057)		0.12
Nonvested options - December 31, 2014	179,167	$	0.11

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 9. Stock Options and Warrants (continued)

Warrants

At December 31, 2013, the Company had outstanding warrants to purchase the Company's common stock which were issued in connection with multiple financing arrangements and consulting agreements. Information relating to these warrants is summarized as follows:

Warrants	Remaining Number Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
Warrants-Financing	7,000,000	1.22	$ 0.34
Warrants-Consulting Agreement	425,000	0.07	$ 0.28
Warrants-Note Conversions	1,061,538	1.20	$ 0.28
Warrants-Stock Purchases	6,547,858	2.77	$ 0.36
Warrants-Services	400,000	0.06	$ 0.50
Total	15,434,396		

Note 10. Deferred Revenue

On October 30, 2012, the Company and MG Energy LLC, a Delaware limited liability company ("MG Energy") , a company in which a shareholder of the Company holds a position , entered into a License and Supply Agreement (the "Agreement"), effective October 26, 2012, pursuant to which the Company licensed certain intellectual property and improvements thereto to MG Energy, for use in the manufacture and sale of energy recovery ventilators ("ERV") and certain other HVAC systems for installation in commercial, residential or industrial buildings in North America and South America in exchange for the cancellation of $2,034,521 of debt due to MG Energy. MG Energy also agreed to purchase its requirements of certain ConsERV products from the Company for MG Energy's use, pursuant to the terms and conditions of the Agreement. MG Energy will also pay royalties, as defined, to the Company on the net sales of each product or system sold. The term of the Agreement will expire upon the last to expire of the underlying patent rights for the licensed technology.

The Company has identified all of the deliverables under the Agreement and has determined significant deliverables to be the license for the intellectual property and the supply services. In determining the units of accounting, the Company evaluated whether the license has stand-alone value to MG Energy based upon consideration of the relevant facts and circumstances of the Agreement. The Company determined that the license does not have stand-alone value to the licensee and, therefore, should be combined with the supply agreement as one unit of accounting. The initial payment for the license agreement will be treated as an advance payment and recognized over the performance period of the supply agreement. Royalties will be recognized as revenue when earned. The Company recognized license and royalty revenue of approximately $180,000 and $120,000 for this Agreement during the years ended December 31, 2014 and 2013, respectively. The deferred revenue for this agreement was approximately $1,775,000 and $1,895,000 at December 31, 2014 and December 31, 2013, respectively.

MG Energy entered into a sublicense with Multistack, LLC. Michael Gostomski, one of the Company's shareholders with approximately 2,500,000 shares at December 31, 2014, has an ownership interest in both MG Energy and Multistack, LLC. For the years ended December 31, 2014 and 2013, Multistack, LLC, accounted for approximately 60% and 83% of the Company's revenue, respectively. At December 31, 2014 and 2013, amounts due from Multistack, LLC were approximately 67% and 63% of total accounts receivable, respectively.

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 10. Deferred Revenue (continued)

On April 24, 2014, the Company entered into a Distribution Agreement (the “Distribution Agreement”) with Soex (Hong Kong) Industry & Investment Co., Ltd., a Hong Kong corporation (the “Distributor”), to distribute certain of the Company’s products. Pursuant to the Distribution Agreement, in exchange for $500,000, including $50,000 due upon the execution of the Distribution Agreement, royalty payments and a commitment from the Distributor to purchase nano-material membrane and other products from Dais, the Distributor obtained the right to distribute and market Dais’s products for incorporation in energy recovery ventilators sold and installed in commercial, industrial and residential buildings, transportation facilities and vehicles (the “Field”) in mainland China, Hong Kong, Macao and Taiwan (the “Territory”). Further the Distributor received an exclusive license in the Territory to use Dais’s intellectual property in the manufacture and sale of Dais’s products in the Field and Territory and to purchase its requirements of nano-material membrane only from Dais, subject to terms and conditions of the Distribution Agreement. The initial term of the Distribution Agreement is fifteen years unless terminated for, among other causes, the Distributor’s failure to make payments to Dais for products ordered that do not exceed $15,000,000 in 2016 or any calendar year thereafter.

The Company has identified all of the deliverables under the Distribution Agreement and has determined significant deliverables to be the license for the intellectual property and the distribution services. In determining the units of accounting, the Company evaluated whether the license has stand-alone value to Soex (Hong Kong) based upon consideration of the relevant facts and circumstances of the Agreement. The Company determined that the license does not have stand-alone value to the licensee and, therefore, should be combined with the distribution agreement as one unit of accounting. The initial payment of $50,000 for the license agreement which was received during 2014 will be treated as deferred revenue and recognized over the performance period of the distribution agreement. Royalties will be recognized as revenue when earned. The Company recognized license revenue of approximately $1,000 for this Agreement during the year ended December 31, 2014. The deferred revenue for this agreement was approximately $49,000 at December 31, 2014. The Company has not received the remaining $450,000 which was due on or before October 24, 2014. Soex (Hong Kong) is in breach of the Distribution Agreement and may not be able to cure the breach.

To further the distribution of Dais’s products in the Territory, and to further the intent of the Company and the Distributor first memorialized in the Securities Purchase Agreement, dated January 21, 2014 between the Distributor and Dais, the Distributor shall form Soex (Beijing) Environmental Protection Technology Company Limited (the “Subsidiary”) which will function as the manufacturer and master distributor for the products in the Field and Territory. Upon the legal formation of the Subsidiary, Dais will be issued 25% of the equity of the Subsidiary, the right to a board seat and certain preemptive rights. The Subsidiary has been formed by Soex but the Company has not been issued any equity.

The Company entered into a licensing agreement during the year ended December 31, 2003 and received an initial fee of $770,000. This fee is deferred and recognized on a straight-line basis over the life of the license agreement of 10 years. In addition, the Company received royalties of $100,000 in each of the first three years of the agreement. The Company recognized revenue of approximately $39,000 for this agreement during the year ended December 31, 2013. This agreement expired in 2013.

The Company entered into a licensing agreement with a biomedical entity during the year ended December 31, 2005 and received an initial license fee of $50,000. This fee is deferred and recognized on a straight-line basis over the life of the license agreement of 10 years. The Company recognized revenue of approximately $1,400 and $5,000 for this agreement during the years ended December 31, 2014 and 2013 with no remaining deferred revenue balance on December 31, 2014.

Note 11. Commitments and Contingencies

The Company has employment agreements with some of its key employees and executives. These agreements provide for minimum levels of compensation during current and future years. In addition, these agreements call for grants of stock options and for payments upon termination of the agreements.

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 11. Commitments and Contingencies (continued)

The Company entered into an amended and restated employment agreement with Mr. Timothy N. Tangredi, our President, Chief Executive Officer, and director, dated as of September 14, 2011. Mr. Tangredi's employment agreement provides for an initial term of three years commencing on September 14, 2011 with the term extending on the second anniversary thereof for an additional two year period and on each subsequent anniversary of the commencement date for an additional year. Mr. Tangredi's initial base salary is $200,000. Mr. Tangredi's base salary shall be increased annually, if applicable, by a sum equal to his current base salary multiplied by one third of the percentage increase in our yearly revenue compared to our prior fiscal year revenue; provided however any annual increase in Mr. Tangredi's base salary shall not exceed a maximum of 50% for any given year. Any further increase in Mr. Tangredi's base salary shall be at the sole discretion of our board of directors or compensation committee (if applicable). Additionally, at the discretion of our board of directors and its compensation committee, Mr. Tangredi may be eligible for an annual bonus, if any, of up to 100% of his then-effective base salary, if he meets or exceeds certain annual performance goals established by the board of directors. In addition to this bonus, Mr. Tangredi may be eligible for a separate merit bonus if approved by the board of directors, for specific extraordinary events or achievements such as a sale of a division, major license or distribution arrangement or merger. Mr. Tangredi is entitled to medical, disability and life insurance, as well as four weeks of paid vacation annually, an automobile allowance, reimbursement of all reasonable business expenses, automobile insurance and maintenance, and executive conference or educational expenses.

Under his employment agreement, in addition to any other compensation which he may receive, if we complete a secondary public offering, Mr. Tangredi will be granted an option to purchase up to 520,000 shares of our common stock with an exercise price equal to the fair market value per share on the date of grant. This option will become vested and exercisable in thirds, with one third vested upon grant, another third at the one-year anniversary of the grant, and another third upon the second anniversary of the grant. The option shall have a term of ten years, shall be exercisable for up to three years after termination of employment (unless termination is for cause, in which event it shall expire on the date of termination), shall have a "cashless" exercise feature, and shall be subject to such additional terms and conditions as are then applicable to options granted under such plan provided they do not conflict with the terms set forth in the agreement.

If Mr. Tangredi's employment is terminated for any reason, we will be obligated to pay him his accrued but unpaid base salary, bonus and accrued vacation pay, and any unreimbursed expenses ("Accrued Sums").

In addition to any Accrued Sums owed, if Mr. Tangredi's employment is terminated by us in the event of his disability or without cause or by Mr. Tangredi for good reason, he shall be entitled to:

(i) an amount equal to the sum of (A) the greater of 150% of the base salary then in effect or $320,000 plus (B) the cash bonus and/or merit bonus, if any, awarded for the most recent year;
(ii) health and life insurance, a car allowance and other benefits set forth in the agreement until two years following termination of employment, and thereafter to the extent required by COBRA or similar statute; and
(iii) all stock options, to the extent they were not exercisable at the time of termination of employment, shall become exercisable in full.

In addition to any Accrued Sum owed, in the event of termination upon death, Mr. Tangredi shall be entitled to (i) and (iii) above.

In addition to any Accrued Sums owed, in the event that Mr. Tangredi elects to terminate employment within one year following a change in control, he shall receive a lump sum payment equal to the sum of (a) the greater of his then current base salary or $210,000 plus (b) the cash bonus and merit bonus, if any, awarded in the most recent year. In addition, he will be entitled to (ii) and (iii) above.

The employment agreement also contains customary covenants restricting the use of our confidential information and solicitation of employees, which are similarly applicable to our other executive officers. In addition we are obligated to indemnify Mr. Tangredi for any claims made against him in connection with his employment with us, to advance indemnification expenses, and maintain his coverage under our directors' and officers' liability insurance policy.

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 11. Commitments and Contingencies (continued)

Under the employment agreement, we and Mr. Tangredi have agreed that we will retain an independent compensation consultant which may modify the compensation program for Mr. Tangredi and other officers, subject to certain conditions including approval of the board of directors. Notwithstanding the recommendation and board consideration, Mr. Tangredi has the right to continue the current terms of the employment agreement. Mr. Tangredi's employment agreement was amended in February 2015. See Note 13.

Litigation

In the ordinary course of business, the Company may become a party to various legal proceedings generally involving contractual matters, infringement actions, product liability claims and other matters. In March 2014, the Company received notice of a lawsuit against the Company and one of its customers for damages in connection with the installation of equipment by a contractor involved in a construction project. The contractor makes claims for breach or warranties, negligence and products liability. In the complaint, the contractor alleges that it paid $180,000 to the general contractor of the project for damages, primarily consequential and incidental damages, allegedly caused by an alleged failure of a subcontracted component of equipment provided by the Company and its customer. Further, the Company has made claims against its supplier for contribution and indemnification for any damages. The supplier then instituted a counterclaim against the Company. The Company intends to vigorously defend itself against these allegations and, at this stage, the Company does not have an estimate of the likelihood or the amount of any potential expense, if any, for this lawsuit.

Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 12. Income Taxes

There is no current or deferred income tax expense or benefit for the years ended December 31, 2014 and 2013. The provision for income taxes is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The items causing this difference are as follows:

	Year ended December 31,	
	2014	**2013**
Tax (benefit) at U.S. statutory rate	$ (610,000)	$ (721,000)
State income tax (benefit), net of federal benefit	(65,000)	(77,000)
Employee stock-based compensation	157,000	284,000
Other adjustments	(20,000)	(39,000)
Expiration of net operating loss	-	-
Change in valuation allowance	538,000	553,000
	$ -	$ -

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31,	
	2014	**2013**
Deferred tax assets (liabilities), current:		
Allowance for doubtful accounts	$ 2,200	$ 2,200
Stock warrant consideration and other	118,800	114,100
Accrued shareholder interest	120,600	120,600
Deferred license revenue	81,700	81,800
Valuation allowance	(323,300)	(318,700)
	$ —	$ —
Deferred tax assets (liabilities), noncurrent:		
Deferred revenue	$ 692,700	$ 662,000
Depreciation	18,900	7,500

Bonus payable	-	108,300
Accrued deferred compensation payable	636,100	523,500
Research and development credit	94,600	45,400
Stock Compensation	84,000	
Net operating loss carryforward	8,541,500	8,187,700
Valuation allowance	(10,067,800)	(9,534,400)
	$ —	$ —

As of December 31, 2014 and 2013, the Company had federal and state net operating loss carry-forwards totaling approximately $22,700,000 and $21,800,000, respectively, which expire through 2034. The Company has established a valuation allowance to fully reserve all deferred tax assets at December 31, 2014 and 2013 because it is more likely than not that the Company will not be able to utilize these assets. The change in the valuation allowance for the years ended December 31, 2014 and 2013 was an increase of $538,000 and $553,000, respectively.

As of December 31, 2014, the Company has not performed an IRC Section 382 study to determine the amount, if any, of its net operating losses that may be limited as a result of the ownership change percentages during 2014. However, the Company will complete the study prior to the utilization of any of its recorded net operating losses.

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Dais Analytic Corporation

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Note 13. Subsequent Events

Securities Purchase Agreement

On December 15, 2014, the Company entered into a Securities Purchase Agreement (the "2014 SPA") with two investors, Hong Kong SAGE Technology Investment Co., Limited and Hong Kong JHSE Technology Investment Co., Limited, both with principal offices in Hong Kong (the "Sage Purchasers"). Pursuant to the 2014 SPA, the Company agreed to sell 18,000,000 shares of the Company's common stock for $2,750,000, at approximately $0.153 per share pursuant to Regulation S. The Company received $2,200,000 of the cash proceeds as of December 31, 2014. The remaining $550,000 was received and the Company issued the 18,000,000 shares of common stock during the first quarter of 2015.

Amendment to Authorized Shares and Designation of Preferred Stock

On March 5, 2015, the Company amended its Certificate of Incorporation to increase the number of authorized shares to 250,000,000, consisting of 240,000,000 shares of common stock and 10,000,000 shares of preferred stock, and to cancel the designated but unissued Series A-D Preferred Stock and create a new series of preferred stock designated as the "Class A Preferred Stock". There are no shares of Class A Preferred Stock currently issued by the Company. Any holder of the Class A Preferred Stock shall not be entitled to any dividends. Each share of Class A Preferred Stock shall entitle the holder thereof to 150 votes on all matters submitted to a vote of the stockholders of the Company. The Class A Preferred Stock is convertible into common stock at a conversion price equal to 75% of the average closing price of the Company's common stock for the 30 trading days prior to the holder's election to convert.

Amended Employment Agreement

On February 27, 2015, the Company and Timothy N. Tangredi, the Company's Chief Executive Officer entered into an amendment to Mr. Tangredi's Amended and Restated Employment Agreement. Currently, the Company has non-interest bearing accrued compensation due to the Chief Executive Officer for deferred salaries earned and unpaid equal to approximately $1.3 million. The amendment provides that, if at any time during a calendar year, the unpaid compensation is greater than $500,000, Mr. Tangredi must convert $100,000 of unpaid compensation into the Company's common stock during such calendar year. The conversion rate shall be equal to 75% of the average closing price for the Company's common stock for the 30 trading days prior to the date of conversion. The Company shall also pay the Mr. Tangredi a cash payment equal to 20% of the compensation income incurred as a result of the conversion. Further, at any time any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934) becomes the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under such Act) of greater of 40% of the then-outstanding voting power of Company's voting equity interests or a person or group initiate a tender offer for the Company's common stock, Mr. Tangredi may convert unpaid compensation to Class A Convertible Preferred Stock of the Company at $1.50 per share.

Stockholders' Meeting

On February 27, 2015, the Company held its Annual Meeting, at which the Company's shareholders approved several proposals.

The shareholders approved an amendment to the Company's Certificate of Incorporation to effect a reverse stock split of our common stock by a ratio of not less than 1-for-5 and not more than 1-for-20 (the "Reverse Stock Split") at any time prior to March 31, 2016, with the Board of Directors having the discretion as to whether or not the Reverse Stock Split is to be effected, and with the exact ratio of any Reverse Stock Split to be set at a whole number within the above range as determined by the Board in its discretion.

The shareholders approved an amendment to Certificate of Incorporation to increase the number of shares the corporation is authorized to issue to 250,000,000 shares, of which 240,000,000 shares of common stock and 10,000,000 shares of preferred stock shall be authorized.

The shareholders approved the Dais Analytic Corporation 2015 Stock Incentive Plan (the "2015 Plan") The number of shares of our common stock reserved for issuance under the 2015 Plan is 10,000,000. The 2015 Plan authorized the grant to eligible individuals of (1) Stock Options (Incentive and Nonstatutory), (2) Restricted Stock, (3) Stock Appreciation Rights, or SARs, (4) Restricted Stock Units, (5) Other Stock-Based Awards, and (6) Cash-Based Awards. Unless otherwise determined by the Board, it will administer the 2015 Plan.

No other material events have occurred subsequent to December 31, 2014 that requires recognition or disclosure in these financial statements.