

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

Form 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2019

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 000-53554

DAIS 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)

(727) 375-8484

(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class

None

Name of Each Exchange on Which Registered

None

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

(Title of Class)

Common Stock, par value \$.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

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

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

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that registrant was required to submit such files. Yes 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.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of June 30, 2019 was \$285,695 based on the closing price of \$3.40 per share of Dais Corporation common stock as quoted on the OTC Pink Marketplace on that date.

June 1, 2020, there were 278,128 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference

N/A.

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Introductory Comments

Throughout this Annual Report on Form 10-K, the terms “we,” “us,” “our,” “the Company,” “our Company,” and “DLYT,” refer to Dais Corporation, a New York corporation (formerly known as ‘Dais Analytic Corporation’).

Explanatory Note

Dais Corporation (the “Company”) disclosed in its Form 8-K filed on March 30, 2020 that it would be relying on the March 4, 2020 Securities and Exchange Commission Order under Section 36 of the Securities Exchange Act of 1934 Granting Exemptions from Specified Provisions of the Exchange Act and Certain Rules Thereunder, the Partnership (as superseded by the order dated March 25, 2020) delayed the filing of this Annual Report on Form 10-K, originally due Monday, March 30, 2020. The primary reasons for the delay were due to the circumstances related to COVID-19. COVID-19-related shelter-in-place orders and office closures severely affected transportation and limited access to the facilities of the Company and staff. This resulted in disruptions to the Company’s staff which delayed our ability to complete our audit and the Company’s ability to prepare the Report. The Company was unable, without unreasonable effort or expense, to file its Annual Report on Form 10-K for the year ended December 31, 2019 (the “Annual Report”) by the May 29, 2020 extended deadline (which is 60 days from the Report’s original filing deadline of March 30, 2020).

PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In some cases, forward-looking statements are identified by terms such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential” and similar expressions intended to identify forward-looking statements. Such statements include, without limitation, statements regarding:

- our need for, and our ability to raise, additional equity or debt financing on acceptable terms, if at all;
- our ability to continue as a going concern;
- our need to take additional cost reduction measures, cease operations or sell our operating assets, if we are unable to obtain sufficient additional financing;
- our belief that we will have sufficient liquidity to finance normal operations for the foreseeable future;
- the options we may pursue considering our financial condition;
- the amount of cash necessary to operate our business;
- our plans and expectations with respect to our continued operations;
- the expected development and success of new instrument and consumables product offerings;
- the expected expenses of, and benefits and results from, our research and development efforts;
- the expected benefits and results from our collaboration programs, strategic alliances, and joint ventures;
- general economic conditions;
- the anticipated future financial performance and business operations of our company;
- our reasons for focusing our resources on the market for nano-structured polymer technology materials;
- the price volatility of the common stock;
- the historically low trading volume of the common stock;
- our ability to attract and retain qualified personnel;
- unanticipated litigation and the outcome of existing litigation;
- our ability to do business in China and elsewhere overseas;
- our ability to compete with current and future competitors;
- the trustworthiness of our counterparties to fulfill their obligations;
- our ability to commercialize our intellectual property;
- other factors discussed in our other filings made with the Commission.

These forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements, expressed or implied, by such forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this Annual Report on Form 10-K. Except as otherwise required by law, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Annual Report on Form 10-K to reflect any change in our expectations or any change in events, conditions or circumstances on which any of our forward-looking statements are based. Factors that could cause or contribute to differences in our future financial and other results include those discussed in the risk factors set forth in Part I, Item 1A of this Annual Report on Form 10-K as well as those discussed elsewhere in this Annual Report on Form 10-K. We qualify all of our forward-looking statements by these cautionary statements.

ITEM 1. BUSINESS.

Throughout this document we use the following terms: Aqualyte™, ConsERV™, NanoClear™, PolyCool™ and NanoAir™, all of which are unregistered trademarks of the Company.

Overview

Dais Corporation (“Dais”, “us,” “we,” the “Company”) is a nano-structured polymer technology materials company having developed and now commercializing products 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. The second commercial product is NanoClear, a water clean-up process useful in the creation of potable water from most forms of contaminated water including industrial process wastewater (petrochemical, steel, etc.) sea, brackish, or wastewater. We continue to develop other nano-structured polymer technology applications in HVAC/Refrigeration, energy, food services and wastewater treatment industries.

Corporate History

We were incorporated as a New York corporation on April 8, 1993 as Dais Corporation. The Company was formed to develop new, cost-effective polymer materials for various applications, including providing a lower cost membrane material for Polymer Electrolyte Membrane 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, the Company purchased the assets of Analytic Power Corporation, a corporation founded in 1984 to provide design, analysis, and systems integration services in the field of fuel cells, fuel processors, and integrated fuel cell power systems. Subsequently, on December 13, 1999, the Company changed its name to Dais Analytic Corporation.

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

In November of 2018, the board of directors unanimously voted to change the name of the Company from Dais Analytic Corporation to Dais Corporation (the “Name Change”). The Name Change took effect with FINRA on February 27, 2019.

On November 2, 2018, the shareholders of the Company approved an increase in the authorized common shares of the company from 240,000,000 shares to 340,000,000 shares. On March 14, 2019, the shareholders approved an increase in authorized common shares from 340,000,000 shares to 1,100,000,000 shares. In July 2019, the shareholders of the Company approved a reverse stock split of the issued and outstanding shares of the Company’s common stock at the ratio ranging from one-for-500 to one-for-2,000. On October 31, 2019, the Company amended its Certificate of Incorporation to reflect a one-for-2,000 reverse stock split of the Company’s common stock. The reverse split was effective December 6, 2019. All share and per share data have been retroactively restated in this annual report and the accompanying financial statements and footnotes to reflect the effects of the reverse split.

Our Technology

We use proprietary nanotechnology to reformulate thermoplastic materials called polymers. Nanotechnology involves studying and working with matter on an ultra-small scale. 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 molecule. We call this specialized material Aqualyte.

Our Products

Aqualyte™

Aqualyte membrane is the foundation of the Dais product line. It is made from commercially available polymer resin in flake form and industrial grade solvents which are mixed 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. Our process changes the molecular properties of the starting polymer resins such that in their final form they selectively allow molecules through the plastic, including water molecules.

The Company invented and patented Aqualyte as a disruptive platform plastic material technology with carefully tailored properties for use in air, energy, and water applications. This modified block copolymer membrane with a nanoscale structure serves as the foundation of the Dais product line. It is a nonporous nanomaterial that selectively and efficiently transports moisture through a solid membrane and blocks passage of most gases and volatile compounds. The membrane is robust and durable with no pores to clog and no bacterial or fungal growth. We began selling Aqualyte in 2018 to strategic customers and continued through 2019 and beyond.

The Company continues to develop next generation versions of our Aqualyte material by adding new features and improving the manufacturability of the nanomaterial. These and other improvements allow Aqualyte to serve a wider variety of uses in the ConsERV and NanoClear target markets. Aqualyte is the underlying technology for our family of products, including ConsERV fixed-plate Energy Recovery Ventilators (ERVs), and NanoClear high-performance contaminated water cleaning devices. Aqualyte represents the basis for a broad class of materials with unique features precisely managed by engineered products. Features of the Aqualyte technology include the ability to create hermetic composite membranes possessing ion conduction, high moisture transfer and high molecular selectivity. Our engineering process manages these features to offer differentiated products like ConsERV and NanoClear that are targeting worldwide needs in the clean air, energy efficiency and clean water markets.

The Company sells Aqualyte to companies that use the product to manufacture value-added components and systems that take advantage of its characteristics. In 2017, Dais signed a multi-year agreement with The Haier Group (the “Haier Supply Agreement” described below) that led to increased sales of Aqualyte to Haier for use in their products. In addition, during 2019, Dais sold Aqualyte in a composite membrane form to multiple customers for use in ventilation, HVAC, transportation, and refrigeration. These sales are expected to continue and to grow in 2020 and beyond.

ConsERV™

We continue widening the channels of commercialization for the 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 CO₂ 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 nanotechnology polymer which has been formed into a full enthalpy heat exchanger (the “core”). The nanotechnology 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. 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.

Historically, overall ConsERV core sales were negatively impacted at the beginning of 2017 from the December 2016 termination of the licensing agreement with Multistack LLC which required minimum monthly purchases of cores and related products by Multistack LLC and related entities. The Company is working diligently to re-set ConsERV sales in the effected North American market with initiatives aimed at the architect/engineer specified sales channels as well as establishing relationships with key regional sales channels.

In 2018 and continuing since, the Company is working to re-set ConsERV sales (cores and systems) in the effected North American market selling to representatives across North America. The Company has and continues to negotiate exclusive arrangements with representatives in multiple regions across this geography who in turn target architect and specifying engineers, select OEMs, utility sponsored programs, and sophisticated users of HVAC equipment.

ConsERV revenues began to grow in 2019 as the earlier initiatives began to grow aided by the introduction of a newer line of ConsERV systems and an updated line of ConsERV cores better targeted to serve what management believes addresses up to 75% of the ERV market in N. America.

We continue to have targeted discussions with several companies in the European Union interested in buying and distributing both Aqualyte nanomaterial for use in their ERV cores as well as selling Dais produced ConsERV cores. To help us expand our capabilities in the reported high growth HVAC markets in South East Asia, Dais qualified a Chinese manufacturing company to produce ConsERV cores using Aqualyte membrane to meet the growing demand for ConsERV systems in China and the South East Asian markets at projected lower pricing, and faster order fulfillment.

The Company expects this trend of growing ConsERV system, core, and Aqualyte nanomaterial revenues to continue into 2020 and beyond.

NanoClear™

We commercially introduced a limited number of NanoClear Membrane Evaporators (ME) for pilot testing in China; the ME removes quantities of metals, acids, salt and other impurities from various contaminated water sources, producing potable water using an environmentally friendly, low maintenance design that is competitive with industry leaders in terms of electrical consumption. We constructed and operate a pilot plant installed at a local county wastewater treatment facility that was commissioned in May 2013 and updated to the current generation of membrane evaporator in November 2016. This site has served as a showcase for potential commercial customers as well as a test bed for newer materials and hardware readying for commercialization. The accumulated test data, analyzed by an independent 3rd party firm, shows the quality of the water being produced has not diminished since system start-up. The evolving NanoClear product line purifies contaminated water, created largely during cooling of key manufacturing and utility processes. These sorts of applications are the Company's primary focus. This includes higher salt concentrations and low pH waste streams.

The product's core strength, supported by Company, customer, and third party generated information, is its ability to clean up contaminated wastewater created by a variety of manufacturing processes.

Development efforts on a U.S. Army Corps of Engineers, \$1,000,000, Phase II Small Business Innovation Research (SBIR) award continued throughout 2019 to develop NanoClear water cleaning technology for military use. The NanoClear funding project titled "Non-Fouling Water Reuse Technologies" uses our patented Aqualyte membrane to produce potable water from grey-water sources. The potential product improvements from this award will widen NanoClear's applications in separating clean water from contaminated waste streams.

PolyCool™

PolyCool is a product in development and is believed to offer strategic advantages over existing cooling tower systems. The process water being cooled is separated from the air stream by a solid Aqualyte nanotechnology membrane that establishes a selective barrier, allowing evaporation of water molecules while preventing transmission of microbes and other contaminants. In effect, the process water is isolated in a largely closed system (like dry cooling technology) and initial testing shows it reduces the likelihood of dangerous germs and viruses such as Legionella becoming airborne. In-house testing has shown the ability to generate cooling effects comparable to today's existing cooling towers while largely isolating the process water from the air stream.

PolyCool systems are expected to use up to 32% less energy than a conventional cooling tower while reducing or eliminating the need for expensive chemical biocide application programs to prevent the spread of risk of spreading dangerous diseases. We believe these savings can reduce the operating expenses of a cooling tower by up 74% versus conventional technology. The demonstrated ability of Aqualyte™ to resist fouling and operate with dissolved solids levels up to 25% salinity allows PolyCool™ technology to operate with seawater, brine, or other forms of wastewater instead of consuming potable water as with conventional evaporative cooling technologies. This advantage expands the applicability of evaporative cooling into geographic regions that are suffering from water scarcity or stress. In addition, the dramatic reduction in maintenance and safety issues allows use of PolyCool™ in smaller installations with correspondingly smaller maintenance budgets and less risk tolerance, which conventionally use less energy efficient dry cooling instead of evaporative cooling.

Strategic Partnerships

In the quarter ending September 30, 2018, Dais entered into a strategic development and licensing agreement with the Haier Group, located in Qingdao, China. This innovative work is based around the Company's Aqualyte nanomaterial in a Polycool-like device that would use the evaporation of water through an Aqualyte™ membrane to enhance the performance of refrigerant condensers Haier sells currently.

Haier, and the Company are continuing the development and testing efforts scheduled to run through the end of 2020. Assuming positive development and beta field test results, it is projected Haier will move this novel chilling technology into their Greater China sales channels as early as the 2nd quarter of 2021. The new product, if introduced as projected, is anticipated to have a significant revenue impact for Dais which can be better qualified in the 3rd or 4th quarter of 2020.

In July of 2017, Dais first entered a multi-year, exclusive license agreement with the Haier Group to provide its Aqualyte nanomaterials for use in select refrigeration products. This first agreement has already generated increasing quarterly revenue for Dais and should continue to expand with full roll-out expected by late 2020. Dais projects this first agreement alone for refrigeration products should ultimately generate as much as \$5.6 million in annual revenues once fully deployed. Haier's use of Dais's Aqualyte material follows a growing world-wide trend reported by *Market Insight Reports* (July 18, 2018) that states global adoption of mature nanotechnology materials continues to grow and is on track to reach \$90.5 billion by 2021 from \$39.2 billion in 2016 at a compound annual growth rate (CAGR) of 18.2%, from 2016 to 2021. Dais was listed as one of the companies by *Market Insight Reports* along with BASF, Bayer AG, Dow Chemical, and others.

Also, in July 2017, we signed a 7-year, non-exclusive agreement with the Menred Group (<http://www.menred.eu/en/index.html>), China, to provide our Aqualyte moisture transfer nanomaterial for us in a new line of Menred energy recovery ventilators (ERV) to be sold in the growing Chinese HVAC market. We have expected revenues from this relationship to begin in 2019 and growing. Due to changes in local government policies in China the Menred production is now beginning in the 3Q of 2020.

Orders are already being generated from these agreements, and we expect them to increase as we expand and add new strategic partnerships along the way. The new orders include sales of nanomaterials and components for NanoClear industrial wastewater treatment, and ConsERV for heating, ventilating, and air-conditioning (HVAC). We expect these new orders to convert to increase in revenue into 2020 and beyond as we address expansion in our sales channels, and supply chain to meet the projected increase of our proprietary nanomaterial based products.

Our Patents

We own the rights to thirteen U.S. patents, four Chinese patents, one Hong Kong patent, two U.S. patent applications, and three Patent Cooperation Treaty ("PCT") applications. National stage applications based on one of the PCT applications have resulted in a patent being issued in the U.S., China, and Hong Kong. National stage applications based on a second PCT application have resulted in a patent being issued in both the U.S. and China. National stage applications based on a third PCT application have resulted in the issuance of a U.S. patent with a further application pending in Hong Kong. National stage applications based on the remaining two PCT applications have resulted in the issuance of two U.S. patents. Divisional applications based on two of the above mentioned PCT applications have been filed in China and Hong Kong. National stage applications based on the co-owned PCT application have resulted in one U.S. patent. 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 several 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:** During the formation of our nanomaterial, we believe the resulting inherent features of this material allow it to offer highly efficient latent and sensible transfer abilities as well as creating an inhospitable surface area to support the growth of most known pathogens, mold and mildew. This belief is validated by testing done by 3rd party industry organizations over the past decade. The third parties (including laboratories, universities, utilities, and end users) use known industry standards, i.e. ASTM and others, for their test protocols. The test results, as well as the Company's own on-going testing, supports the belief the features of a properly configured product tuned to manage the features of the company's nanomaterial allow functionally diverse, higher efficiency products to be built and sold worldwide resulting in the creation of an on-going, growing, sustainable revenue streams focused squarely on shareholder value.

The company also owns multiple utility patents that cover inventions that are new, improvements and useful processes including the design and fabrication of devices or approaches that use properties of the polymers described above for HVAC, energy, food preservation and water treatment applications.

Intellectual Property

As stated above, we own thirteen U.S. patents, four Chinese patents, one Hong Kong patent and co-own one additional U.S patent. These patents cover 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 refer to applications relating to the materials we are developing. Please see the "Risk Factors" Section. A list of our existing patents follows:

1. U.S. Patent No. 6,383,391 - Water- and ion-conducting membranes and uses thereof. This patent was issued on May 7, 2002 and the patent term ends on or about July 28, 2020.
2. U.S. Patent No. 6,413,298 - Water- and ion-conducting membranes and uses thereof. This patent was issued on July 2, 2002 and the patent term ends on or about July 28, 2020.
3. U.S. Patent No. 6,841,601 - Crosslinked polymer electrolyte membranes for heat and moisture exchange devices. This patent was issued on January 11, 2005 and the patent term ends on or about March 13, 2022.
4. U.S. 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 the patent term ends on or about March 13, 2022.
5. U.S. Patent No. 7,990,679 - Nanoparticle ultracapacitor. This patent was issued on August 2, 2011 and the patent term ends on or about November 22, 2029.
6. U.S. Patent No. 8,222,346 - Block copolymers and method for making same. This patent was issued on July 17, 2012 and the patent term ends on or about September 28, 2027.
7. U.S. Patent No. 8,470,071 - Enhanced HVAC system and method. This patent was issued June 25, 2013 and the patent term ends on or about August 13, 2030.
8. U.S. Patent No. 8,500,960 - Multi-phase selective mass transfer through a membrane. This patent was issued on August 6, 2013 and the patent term ends on or about October 8, 2030.
9. U.S. Patent No. 8,586,637 - Stable and compatible polymer blends. This patent was issued November 19, 2013 and the patent term ends on or about May 2, 2030.
10. U.S. Patent No. 9,013,155 - Energy storage devices including a solid multilayer electrolyte. This patent was issued April 21, 2015 and the patent term ends on or about March 3, 2031.
11. U.S. Patent No. 9,283,518 - Fluid treatment systems and methods using selective transfer membranes. This patent was issued March 15, 2016 and the patent term ends on or about September 18, 2032.
12. U.S. Patent No. 9,293,269 - Ultracapacitor tolerating electric field of sufficient strength. This patent was issued March 22, 2016 and the patent term ends on or about May 2, 2033.
13. U.S. Patent No. 9,393,557 - Anionic Exchange Electrolyte Polymer Membranes. This patent was issued July 19, 2016 and the patent term ends on or about February 10, 2032.
14. China Patent No. ZL200880009211.4 - Multi-phase selective mass transfer through a membrane. This patent was issued March 27, 2013 and the patent term ends on or about January 22, 2028.
15. Hong Kong Patent No. HK1139888 - Multi-phase selective mass transfer through a membrane. This patent was issued January 10, 2014 and the patent term ends on or about January 22, 2028.
16. China Patent No. ZL201180012841.9 - Energy storage devices including a solid multilayer electrolyte. This patent was issued September 9, 2015 and the patent term ends on or about January 7, 2031.
17. China Patent No. ZL201310052408.9 - A dryer having a drying chamber comprising heated air. This patent was issued January 21, 2016 and the patent term ends on or about January 22, 2028.
18. China Patent No. CN104096459B - Fluid treatment systems and methods using selective transfer membranes. This patent was issued November 5, 2018 and the patent term ends on or about September 7, 2031.

We have provisional and patent applications in the following areas: 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/2017/062812A1 - Evaporative chilling systems and methods using a selective transfer membrane
2. WO/2018/032098A1 - Compact membrane-based heat and mass exchanger

Patents may or may not be granted on any of the above applications. 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

The Company currently assembles ConsERV cores and NanoClear modules. Aqualyte fabrication is outsourced. For future expansion and high-volume scale-up, the Company has continued to establish a robust supply chain with strategic partners having existing multiple channel access to markets - or with qualified outsourced firms. We use a blended “outsourced / in-house” model for material, component, and assembly needs. 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 from alternative suppliers. Purchases to date of raw materials and related services have been on a purchase order basis using non-disclosure agreements.

Customers and Suppliers

For Aqualyte membrane the Company has signed a license agreement with Haier for use in crisper drawers in new refrigerators. We also entered into an agreement with Aperia Solutions (www.aperia.com) to provide membrane for use as a tire inflation product in North America and Europe. We are providing Original Equipment Manufacturers (OEMs) with Aqualyte membrane for use in Energy Recovery Ventilators and other industrial applications. For ConsERV the Company has a multi-year license agreement with Menred to increase the market in China while we are working with North American OEMs to provide full systems and cores to end users through sales representatives. For NanoClear, the Company is working with third party turnkey providers to build and operate fully functional systems for pilot testing of the treatment of industrial wastewater. We are dependent on third parties to manufacture the key components needed for our nano-structured based materials and of the value-added products made with these materials. We require our suppliers to provide components in a timely manner, and to meet the Company’s quality, quantity and cost requirements or technical specifications with acceptable terms. Certain of the components or the processes of the Company’s suppliers are proprietary. If the Company were ever required to replace any of its suppliers, it should be able to obtain comparable components from alternative suppliers at comparable costs, but this would create delays in production.

Research and Development

Expenditures for research, development and engineering of products are expensed as incurred. We incurred research and development costs of \$293,751 and \$318,358 for the years ended December 31, 2019 and 2018, respectively. We account for proceeds received from government funding for research as a reduction in research and development costs. We recorded proceeds against research and development expenses on the Statements of Operations of \$89,994 and \$64,894 for the years ended December 31, 2019 and 2018, respectively.

Sales and Marketing Strategies

We 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, we are discussing relationships for use of our ConsERV products in other applications outside of energy recovery ventilation world-wide.

The Company is focused on creating alliances with companies having strong, existing channel presence or expertise in the target industries, notably for ConsERV and NanoClear. We are using the data and experience of initial sales in the China market to focus on growing NanoClear revenues in North America. We intend to bring industry seasoned talent into the Company at the appropriate time to further drive market development, revenue growth and guide future product feature improvement needs.

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. Armed with the growing base of operational and third-party data this education process will become routine.

There are several companies located in the U.S., Canada, Europe, and Asia that have been developing and selling technologies and products in the energy recovery industry as listed below. 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, Fuwei, Ltd, CORE Energy Recovery Solutions, Renewaire, Holtop, Hoval, Klingenberg, Solar Palau, Kraton, Daikin and AirXchange.
NanoClear	Dow, Dupont, Siemens, GE, Mitsubishi, Kraton and many small and regional companies using existing technologies.
NanoAir	AAON, Trane, Carrier, York, Haier, Mitsubishi, LG, Electrolux, Samsung, Whirlpool, Kraton and Daikin.
PolyCool	Evapco, Baltimore Air Coil, SPX Technologies, Brentwood Industries, Cooling Tower Systems, Whaley Products, and Paltech. Some of the large Air Conditioner manufacturing companies also produce cooling tower systems i.e. Trane and Carrier.

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

The unique characteristics of our NanoClear product means we produce very pure water (TDS <10ppm) with a single module with little or no fouling of the Aqualyte material. Competitors require multiple processes to obtain similar water purity levels and frequent cleaning procedures such as back flushing to remove fouling buildup. The requirement for multiple processes and the tendency to foul increase capital expenditures and operating costs for our competitors and limit the markets where they can potentially be applied relative to NanoClear.

Working with Chinese early adopters of NanoClear systems is allowing us to leverage our experience with customers in the United States and elsewhere around the world projected to aid in more quickly growing long term sustainable revenues.

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, 2019, we employed 10 full-time employees and one independent contractor. 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 1A. RISK FACTORS.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not Applicable.

ITEM 2. PROPERTIES.

We currently lease 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, Tim N. Tangredi, has a controlling financial interest (see Item 13, 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 the building. Most of our 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 outsourced 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.

On April 24, 2014, the Company entered into a Distribution Agreement (the “Soex Distribution Agreement”) with SoEX (Hong Kong) Industry & Investment Co., Ltd., a Hong Kong corporation (“Soex”). The Soex Distribution Agreement was a covenant included in a Securities Purchase Agreement, dated January 21, 2014, between the Company and Soex, pursuant to which Soex purchased 37,500,000 shares of the Company’s Common Stock, equal to approximately 31% of the issued and outstanding shares of Common Stock as of December 31, 2016. Pursuant to the Soex Distribution Agreement, in exchange for \$500,000 to be paid by October 20, 2014, royalty payments and a commitment from Soex to purchase nano-material membrane and other products from the Company, Soex obtained the right to distribute and market our products for incorporation in energy recovery ventilators sold and installed in commercial, industrial and residential buildings, transportation facilities and vehicles in mainland China, Hong Kong, Macao and Taiwan (the “Soex Distribution Territory”). Further, Soex received an exclusive license in the Territory to use our intellectual property in the manufacture and sale of its products and to purchase its requirements of nano-material membrane only from the Company. During 2014, \$50,000 of the \$500,000 license fee was received from Soex. Pursuant to the Soex Distribution Agreement, Soex was required to pay the Company \$500,000, issue to it 25% of the equity of a newly created company, Soex (Beijing) Environmental Protection Technology Company Limited and pay us royalties. Soex only paid us \$50,000 of the required \$500,000, did not issue the required equity and did not pay any required royalties. Effective June 12, 2015, the Board of Directors of the Company (the “Board”) ratified the termination of the Soex Distribution Agreement, due to the breaches by Soex.

In 2015 the Company commenced an action (the “Soex Litigation”) for the cancellation of the 37,500,000 shares issued to Soex (the “Soex Shares”) in connection with the Soex Securities Purchase Agreement, and for the cancellation of the 3,750,000 shares (the “Zan Shares”) issued to Zan Investment Advisory Limited (“Zan”), an affiliate of Soex through Aifan Liu, who was appointed as a Company board observer by Soex and her husband, Xinghong Hua. Sharon Han, General Manager and Chairwoman of Soex, served on the Board pursuant to the provisions of the Soex Securities Purchase Agreement. Ms. Han resigned from the Board effective February 1, 2016.

Pursuant to the Soex Distribution Agreement, Soex is in material breach of the following:

- (1) Section 1(a) of the Soex Distribution Agreement, due to Soex's failure to make a \$225,000 payment to us for the appointment of Soex as the exclusive distributor of the Products in the Field and Territory (the "Distribution Payment Default") in accordance with the terms set forth in the Distribution Agreement. Such payment was due on October 20, 2014 (the "Payment Date").
- (2) Section 8(b) of the Soex Distribution Agreement, due to Soex's failure to make a \$225,000 payment to us for the grant of the license and right to manufacture, sell, lease and distribute Products (excluding manufacture of MTM), and to use the Intellectual Property in connection therewith (the "License Payment Default" and, together with the Distribution Payment Default, the "Payment Default") in accordance with the terms set forth in the Distribution Agreement. Such payment was due on the Payment Date.
- (3) Section 15(b) of the Soex Distribution Agreement, due to Soex's failure to issue to us 25% of the equity (the "Equity Default") of SOEX (Beijing) Environmental Protection Technology Company Limited (the "China Subsidiary").

As a result of the above, we terminated the Soex Distribution Agreement. As provided in Section 14(c) of the Soex Distribution Agreement, the Company has the right to enforce any obligation due to us by Soex. As a result, Soex still must (a) pay the remaining \$450,000 due under the Distribution Agreement and the amount of Royalties due, plus interest at 1.5% per month (18% per year) with interest accruing from the date that payment was due and (b) issue to us 25% of the equity of SOEX (Beijing) Environmental Protection Technology Company Limited. As provided in Section 14(b), neither us nor Soex shall be liable for compensation, reimbursement or damages due to loss of profits on sales or anticipated sales or losses due to expenditures, investments or commitments made or in connection with the establishment, development or maintenance of the business.

The Soex Litigation was moved to the U.S. District Court for the Middle District of Florida where Soex has instituted a counterclaim (Civil Docket Case #: 8:15-CV-02362-MSS-EAJ). On September 19, 2018, a pre-trial conference was held in Tampa finding a trial date set for October 22, 2018. The trial for the original case was held between October 22 and 24, 2018. The jury at the conclusion of the trial did not award monetary damages to either party for claims or counterclaims.

On October 24, 2018, the Company initiated a third law suit against an affiliate of Soex, Zhongshan Trans-Tech New Material Technology Co. Ltd. Zhongshan, China, ("Transtech"), and the Chairperson of the affiliate and Soex, based on new information learned by the Company. The Company will seek maximum relief and damages for this on-going and growing illegal misuse the Company's Intellectual Property. The Company feels this third action will lead to a judgment in favor of the Company.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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

Our stock is currently trading on the OTC Pink Marketplace operated by OTC Markets Group Inc. under the symbol "DLYT".

Authorized Capital

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 (the "Increase in Authorized Shares") 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 (the "Class A Preferred Stock"). There are no shares of Class A Preferred Stock currently issued by the Company.

On November 1, 2018, the Company issued ten (10) shares of Class B Redeemable Preferred Stock par value \$0.01 per share ("Class B Stock") having a stated value of \$1.50 per share to Tim N. Tangredi, the Company's Chief Executive Officer, in exchange for \$15, pursuant to approval of the Board of Directors of the Company.

There are currently (10) shares of Class B Stock of the Company issued and outstanding.

On November 2, 2018, the shareholders of the Company approved an increase in the authorized common shares of the company from 240,000,000 shares to 340,000,000 shares. On March 14, 2019, the shareholders approved an increase in authorized common shares from 340,000,000 shares to 1,100,000,000 shares. In July 2019, the shareholders of the Company approved a reverse stock split of the issued and outstanding shares of the Company's common stock at the ratio ranging from one-for-500 to one-for-2,000. On October 31, 2019, the Company amended its Certificate of Incorporation to reflect a one-for-2,000 reverse stock split of the Company's common stock. The reverse split was effective December 6, 2019. All share and per share data have been retroactively restated in this annual report and the accompanying financial statements and footnotes to reflect the effects of the reverse split.

Approximate Number of Equity Security Holders

As of June 1, 2020, there were approximately 116 shareholders of record of our common stock.

Dividends

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.

Transfer Agent

Our transfer agent is Clear Trust Transfer located at 16540 Point Village Drive #210, Lutz, FL 33558, telephone (813) 235-4490.

Equity Compensation Plan Information

The following table sets forth information regarding our 2000 Incentive Compensation Plan (the "2000 Plan"), 2009 Long-Term Incentive Plan (the "2009 Plan") and 2015 Stock Incentive Plan (the "2015 Plan") under which our securities are authorized for issuance as of December 31, 2019:

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
Equity compensation plans approved by security holders	10,514	\$ 340

In June 2000 and November 2009, the Board adopted, and the 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. Certain awards under the Plans may be subject to performance conditions. The Board of Directors approved and made available 5,547 and 7,500 shares of common stock to be issued pursuant to the 2000 Plan and the 2009 Plan, respectively. On February 27, 2015, the shareholders approved the Dais Analytic Corporation 2015 Stock Incentive Plan (the “2015 Plan”). The number of shares of common stock reserved for issuance under the 2015 Plan is 5,000. The 2015 Plan authorizes the grant to eligible individuals of (1) Stock Options (Incentive and Non-Qualified), (2) Restricted Stock, (3) Stock Appreciation Rights, or SARs, (4) Restricted Stock Units, (5) Other Stock-Based Awards, and (6) Cash-Based Awards.

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. 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. 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.

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.

Under the 2015 Plan, awards which were not previously exercisable and vested may not be accelerated due to a change of control unless the Optionee’s employment is involuntarily terminated because of the change of control. A change of control shall be deemed to occur upon the consummation of a merger or consolidation of the Company with or into any other entity that results in the transfer of 50% of the combined voting power to the new party, 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 50% 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.

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. 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.

Unregistered Sales of Equity Securities and Use of Proceeds

During the year ended December 31, 2019, we issued securities that were not registered under the Securities Act and were not previously disclosed in a Current Report on Form 8-K as listed below. Except where noted, all the securities discussed in this Item 5 were issued in reliance on the exemption under Section 4(a)(2) of the Securities Act.

On June 24, 2016, the Company entered into a Loan and Security Agreement (the "Security Agreement") with Patricia Tangredi (the "Holder") pursuant to which the Company issued a Senior Secured Promissory Note for \$150,000 (the "Note"). Ms. Tangredi is the wife of Timothy Tangredi, the Company's CEO and therefore is a related party of the Company. Pursuant to the Note, the Company is to pay the Holder the principal amount of \$150,000 plus all interest due thereon in accordance with terms and conditions of the Security Agreement on the earlier of: (i) the date upon which the Company secures funds, regardless of source, equal to or exceeding, in the aggregate, \$1,000,000; or (ii) October 31, 2016 (the "Maturity Date"). On September 7, 2016, the parties amended the Security Agreement ("First Amendment") whereby the principal amount was increased by \$100,000. In addition, the Company issued on October 19, 2016, 100 shares of \$0.01 par value common stock in accordance with the terms of the First Amendment. The interest rate is 12% per annum compounded daily with a minimum interest payment of \$2,000. The Note grants the Holder a secured interest in the assets of the Company. The Company is using the proceeds of the Note and the First Amendment for working capital purposes.

During 2017, the Company and the Holder agreed to extend the Maturity Date of the Note in various amendments. Pursuant to the amendments, the principal amount due was increased to \$1,332,000 with accrued interest of \$102,059 and an extended Maturity Date of April 10, 2018. As consideration for the additional proceeds and modification of the Maturity Date, the Company issued to the Holder warrants to purchase an aggregate of 13,125 shares of common stock of the Company with an exercise price of \$20.00 and a ten year exercise period, and has issued the Holder a total of 240 shares of common stock of the Company.

During 2018, the Company and the Holder agreed to extend the Maturity Date of the Note in various amendments. The principal amount due remained at \$1,332,000 and had accrued interest of \$248,282 at December 31, 2018 and an extended Maturity Date of November 16, 2018. As consideration for the modification of the Maturity Date, the Company is obligated to issue 40 shares of \$0.01 par value common stock valued at \$3,200. The obligations to issue shares of common stock were recorded as interest expense and current liabilities at December 31, 2018.

On April 23, 2018, the Company entered into a consulting agreement with an outside business consultant. Under the terms of the consulting agreement, services commenced on April 23, 2018 and continued for three months. The Company issued to the consultant 1,500 shares of common stock, valued at \$120,000. All shares earned under the agreement are considered earned in full and beneficially owned as of April 25, 2018.

On May 15, 2018, the Company issued 1,000 shares of common stock as consideration towards past services rendered, valued at \$40,000, in accordance with the License and Supply Agreement with Zhejiang MENRED Environmental Tech Co, Ltd. effective December 21, 2017. The value of the shares issued was included in accrued expenses at December 31, 2017.

On June 15, 2018, the Company issued 1,500 shares of common stock, valued at \$180,000, pursuant to an agreement with an outside business consultant.

On June 20, 2018, the Company issued 74 shares of common stock, valued at \$8,925, as further incentive to an outside investor to issue a convertible note with a face amount of \$89,250. (See Note 7. - Convertible Notes Payable).

On July 11, 2018, the Company issued 100 shares of common stock, valued at \$14,000, as further incentive to an outside investor to issue a convertible note with a face amount of \$100,000. (See Note 7. - Convertible Notes Payable).

On October 1, 2018, the Company issued 100 shares of common stock, valued at \$6,000, as further incentive to an outside investor to continue to issue convertible notes.

On December 1, 2018, the Company issued 332 shares of common stock, valued at \$19,875, as further incentive to an outside investor to issue two convertible notes with a face amount of \$210,000. (See Note 7. - Convertible Notes Payable).

On January 28, 2019, the parties amended the Loan and Security Agreement (“Seventeenth Amendment”) whereby the Maturity Date of the Note was extended to the earlier of (i) the date upon which the Company secures funds, regardless of source, equal to or exceeding, in the aggregate, \$1,000,000 or (ii) April 8, 2019. The Company is further obligated to issue 10 shares of \$0.01 par value common stock valued at \$600. The obligations to issue shares of common stock were recorded as interest expense and current liabilities at December 31, 2019.

On April 16, 2019, the parties amended the Loan and Security Agreement (“Eighteenth Amendment”) whereby the Maturity Date of the Note was extended to the earlier of (i) the date upon which the Company secures funds, regardless of source, equal to or exceeding, in the aggregate, \$1,000,000 or (ii) May 30, 2019. The Company is further obligated to issue 10 shares of \$0.01 par value common stock valued at \$600. The obligations to issue shares of common stock were recorded as interest expense and current liabilities at December 31, 2019.

On May 24, 2019, the parties amended the Loan and Security Agreement (“Nineteenth Amendment”) whereby the Maturity Date of the Note was extended to the earlier of (i) the date upon which the Company secures funds, regardless of source, equal to or exceeding, in the aggregate, \$1,000,000 or (ii) August 20, 2019. The Company is further obligated to issue 10 shares of \$0.01 par value common stock valued at \$600. The obligations to issue shares of common stock were recorded as interest expense and current liabilities on December 31, 2019.

On August 27, 2019, the parties amended the Loan and Security Agreement (“Twentieth Amendment”) whereby the Maturity Date of the Note was extended to the earlier of (i) the date upon which the Company secures funds, regardless of source, equal to or exceeding, in the aggregate, \$1,000,000 or (ii) November 21, 2019. The Company is further obligated to issue 10 shares of \$0.01 par value common stock valued at \$600. The obligations to issue shares of common stock were recorded as interest expense and current liabilities at December 31, 2019.

On November 1, 2019, the parties amended the Loan and Security Agreement (“Twenty First Amendment”) whereby the Maturity Date of the Note was extended to the earlier of (i) the date upon which the Company secures funds, regardless of source, equal to or exceeding, in the aggregate, \$1,000,000 or (ii) December 15, 2019. The Company is further obligated to issue 10 shares of \$0.01 par value common stock valued at \$600. The obligations to issue shares of common stock were recorded as interest expense and current liabilities at December 31, 2019.

On December 12, 2019, the parties amended the Loan and Security Agreement (“Twenty Second Amendment”) whereby the Maturity Date of the Note was extended to the earlier of (i) the date upon which the Company secures funds, regardless of source, equal to or exceeding, in the aggregate, \$1,000,000 or (ii) January 30, 2020. The Company is further obligated to issue 10 shares of \$0.01 par value common stock valued at \$600. The obligations to issue shares of common stock were recorded as interest expense and current liabilities at December 31, 2019.

Recent Repurchases of Common Stock

There were no repurchases of our common stock during 2019.

ITEM 6. SELECTED FINANCIAL DATA.

Not Applicable.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

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 Annual Report. This discussion and analysis contain 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 nanostructured 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 several diverse market segments and products. We will expand our push to sell ConsERV product domestically and internationally. Growing emphasis is being actively placed on the NanoClear product to generate another revenue stream as a commercially available membrane evaporator given its functionality, and differentiation in the worldwide water market.

RESULTS OF OPERATIONS**Year Ended December 31, 2019 as compared with December 31, 2018**

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

	For the Years Ended December 31,	
	2019	2018
REVENUE		
Sales	\$ 830,625	\$ 1,331,251
Royalty and license fees	75,000	50,000
	<u>905,625</u>	<u>1,381,251</u>
COST OF GOODS SOLD		
	<u>600,213</u>	<u>921,394</u>
GROSS MARGIN		
	305,412	459,857
OPERATING EXPENSES		
Research and development, net of government grant proceeds of \$89,994 and \$64,894 for the years ended December 31, 2019 and 2018, respectively	203,757	253,464
Selling, general and administrative	1,369,037	1,862,024
TOTAL OPERATING EXPENSES	<u>1,572,794</u>	<u>2,115,488</u>
LOSS FROM OPERATIONS		
	(1,267,382)	(1,655,631)
OTHER INCOME (EXPENSE)		
Interest expense	(2,126,590)	(1,396,468)
Change in fair value of derivative	(712,952)	(322,383)
Gain on extinguishment of debt	57,784	349,721
TOTAL OTHER EXPENSE, NET	<u>(2,781,758)</u>	<u>(1,369,130)</u>
NET LOSS		
	<u>\$ (4,049,140)</u>	<u>\$ (3,024,761)</u>
NET LOSS PER COMMON SHARE, BASIC AND DILUTED		
	<u>\$ (19.20)</u>	<u>\$ (41.88)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED		
	<u>210,940</u>	<u>72,229</u>

Revenue

We generate our revenues primarily from the sale of our ConsERV cores, our Aqualyte membrane, and NanoClear membrane evaporators. Product sales were \$830,625 and \$1,331,251 for the years ended December 31, 2019 and 2018, respectively, a decrease of \$500,626 or 38%. We had a 53% increase in ConsERV sales, a 258% increase in NanoClear sales, and a 70% decrease in Aqualyte membrane sales. This decrease in Aqualyte sales was due to significant concentrations of sales belonging to two customers in 2018 and 2019. Other than Aqualyte sales, we have seen an overall increase in revenue for all of our product lines and we are focusing on creating sustainable revenues with the expectation that this will allow for continued growth in 2020.

Revenues from royalty and license fees were \$75,000 and \$50,000 for the years ended December 31, 2019 and 2018, respectively an increase of \$25,000 or 50% due to the royalty due per the license agreement with Menred.

Cost of Sales

Our cost of sales consists primarily of materials (including freight), direct labor, and outsourced manufacturing expenses incurred to produce our ConsERV cores, NanoClear evaporators and Aqualyte membrane. Cost of goods sold were \$600,213 and \$921,394 for the years ended December 31, 2019 and 2018, respectively, a decrease of \$321,181 or 35% resulting from focused efforts to reduce our costs by working with our current suppliers on better pricing and finding alternative suppliers and materials.

Research and Development

Expenditures for research, development and engineering of products are expensed as incurred. We incurred research and development costs of \$293,751 and \$318,358 for the years ended December 31, 2019 and 2018, respectively, a decrease of \$24,607 or 8%. We account for proceeds received from government funding for research as a reduction in research and development costs. We recorded proceeds against research and development expenses on the Statements of Operations of \$89,994 and \$64,894 for the years ended December 31, 2019 and 2018, respectively, an increase of \$25,100 or 39%. The fluctuation in expenses and reimbursements are due to the timing of the grant activities.

Selling, General and Administrative

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 \$1,369,037 and \$1,862,024 for the years ended December 31, 2019 and 2018, respectively, a decrease of \$492,987 or 26%.

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

- Additional expenses because of being an SEC reporting company including, but not limited to, director and officer insurance, director fees, SEC compliance expenses, transfer agent fees, additional staffing, professional fees, and similar expenses;
- Additional infrastructure needed to support the expanded commercialization of our ConsERV and NanoClear 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 recognition of expense related to fair value of new share-based awards, which is based on various assumptions including, among other things, the volatility of our stock price.

The 26% decrease in selling general and administrative expenses in the year ended December 31, 2019 compared to the same period in 2018 resulted from varying marketing, professional services, and travel costs offset by lower payroll fees, recruiting fees and insurance fees.

Other Income (Expense)

Interest expense for the year ended December 31, 2019 was \$2,126,590 compared to an expense of \$1,396,468 for the year ended December 31, 2018. Loss on change in fair value of derivative increased to \$712,952 from \$322,383 from 2018 to 2019 and there was a decrease in gain on extinguishing debt from \$349,721 in 2018 to \$57,784 in 2019.

Net Loss

Net loss for the year ended December 31, 2019 was \$4,049,140 compared to a net loss of \$3,024,761 for the year ended December 31, 2018. The increase in net loss in 2019 was primarily due to increased expenses from financing activities.

Liquidity and Capital Resources

The accompanying financial statements have been prepared assuming we will continue as a going concern. For the year ended December 31, 2019, we generated a net loss of \$4,049,140 and have incurred significant losses since inception. As of December 31, 2019, we have an accumulated deficit of \$54,186,330, total stockholders' deficit of \$9,668,994, negative working capital of \$9,840,866 and cash and cash equivalents of \$4,083. We used \$718,090 and \$1,069,228 of cash from operations during the years ended December 31, 2019 and 2018, respectively, which was funded primarily through proceeds from loans from related parties and equity financings. There is no assurance that such financing will be available in the future.

The Company's ability to continue as a going concern is directly linked to our ability to obtain additional sources of cash flow sufficient to fund our working capital requirements. However, there can be no assurance that we will be successful in our efforts to secure such additional sources of product revenue or capital. Any failure by us to timely procure additional financing or investment adequate to fund our ongoing operations, including planned or currently underway product development initiatives and commercialization efforts, may have material adverse consequences on our financial condition, results of operations and cash flows.

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 us. 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.

We face risks related to Novel Coronavirus (COVID-19) which could significantly disrupt our research and development, operations, sales, and financial results. Although the magnitude of the impact of the Novel Coronavirus (COVID-19) outbreak on our business and operations remains uncertain, the continued spread of the Novel Coronavirus (COVID-19) or the occurrence of other epidemics and the imposition of related public health measures and travel and business restrictions will adversely impact our business, financial condition, operating results and cash flows. In addition to global macroeconomic effects, the Novel Coronavirus (COVID-19) outbreak and any other related adverse public health developments will cause disruption to our operations and sales activities. Our third-party manufacturers, third-party distributors, and our customers have been and will be disrupted by worker absenteeism, quarantines and restrictions on employees' ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, or other travel or health-related restrictions. Depending on the magnitude of such effects on our activities or the operations of our third-party manufacturers and third-party distributors, the supply of our products will be delayed, which could adversely affect our business, operations, and customer relationships. In addition, the Novel Coronavirus (COVID-19) or other disease outbreak will in the short-run and may over the longer term adversely affect the economies and financial markets of many countries, resulting in an economic downturn that will affect demand for our products and services and impact our operating results. There can be no assurance that any decrease in sales resulting from the Novel Coronavirus (COVID-19) will be offset by increased sales in subsequent periods. In addition, we have experienced and will experience disruptions to our business operations resulting from quarantines, self-isolations, or other movement and restrictions on the ability of our employees to perform their jobs that may impact our ability to develop and design our products and services in a timely manner or meet required milestones or customer commitments.

Statements of Cash Flows

Cash and cash equivalents as of December 31, 2019 were \$4,083 compared to \$29,300 as of December 31, 2018. Cash is primarily used to fund our working capital requirements.

Net cash used by operating activities was \$718,090 and \$1,069,228 during the years ended December 31, 2019 and 2018. The decrease in cash used in operations of \$351,138 results primarily from a decrease in loss of \$363,833 (after adjusting for noncash items), partially offset by a decrease in cash resulting from the net change in operating assets and liabilities

Net cash used by investing activities was \$11,547 and \$59,844 for the year ended December 31, 2019 compared to the same period in 2018, driven primarily by decreases in patent spending in 2019.

Net cash provided by financing activities was \$704,420 for the year ended December 31, 2019 compared to \$1,036,336 for the same period in 2018. The difference is a decrease in proceeds from note payable in 2019.

Material Financing Transactions

February 2019 Note

On February 20, 2019, the Company issued a convertible note with a face amount of \$155,000. The note and related accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. The note bears interest at 8% per year and matures on February 20, 2020. The note contains original issue discount aggregating \$12,500 which is being amortized over the life of the note. The Company has also agreed to issue 1,100,000 shares of common stock with a value of \$10,000 in connection with the note. The shares have been valued at \$10,000. This cost will also be amortized over the life of the note. The Company received cash proceeds of \$142,500.

March 2019 Note

On March 26, 2019, the Company issued a convertible note with a face amount of \$78,750. The note and related accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. The note bears interest at 8% per year and matures on March 7, 2020. The note included legal costs of \$3,750 which were deducted from the proceeds and which will be amortized over the life of the note. Proceeds of \$75,000 were used for legal fees and were disbursed directly to the attorney.

July 2019 Notes

On July 3, 2019, the Company issued a convertible note with a face amount of \$100,000. The note and related accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. The note bears interest at 8% per year and matures on July 3, 2020. The note included legal costs of \$5,000 which were deducted from the proceeds and which will be amortized over the life of the note. The Company received cash proceeds of \$95,000.

On July 18, 2019, the Company issued a convertible note with a face amount of \$78,750. The note and related accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. The note bears interest at 8% per year and matures on March 7, 2020. The note included legal costs of \$3,750 which were deducted from the proceeds and which will be amortized over the life of the note. Proceeds of \$75,000 were used for legal fees and were disbursed directly to the attorney.

February 2018 Notes

On February 7, 2018, the Company issued two convertible notes (the "February 2018 Notes"), each in the principal amount of \$87,500. The two February 2018 Notes contained substantially the same terms. The February 2018 Notes and accrued interest were convertible, at the option of the holders, into shares of the Company's common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. The notes bore interest at 8% per year and matured on February 7, 2019. The February 2018 Notes contained original issue discount aggregating \$17,500 which has been amortized over the life of the February 2018 Notes. The Company has also incurred aggregate legal costs of \$7,500 related to the notes. These costs have also been amortized over the life of the February 2018 Notes. The Company received cash proceeds of \$150,000 from the February 2018 Notes.

These February 2018 Notes were redeemed during the third quarter of 2018. As a result of the extinguishment of the debt and the related derivative liabilities, we recorded a gain of \$154,047.

March 2018 Note

On March 12, 2018, the Company issued a convertible note, in the principal amount of \$100,000 (the "March 2018 Note"). The March 2018 Note and accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of \$300 per share. The March 2018 Note provides for an interest payment of 10% of the principal amount of the March 2018 Note, payable before or upon maturity. The March 2018 Note matured six months from the effective date of March 12, 2018. The March 2018 Note contains original issue discount of \$20,000, payable at maturity, which has been amortized over the life of the note. The Company has also incurred aggregate legal costs of \$6,000 related to the March 2018 Note. These costs have also been amortized over the life of the March 2018 Note. The Company received cash proceeds of \$100,000 from the March 2018 Note.

On September 18, 2018, the amount of the original issue discount of \$20,000, 10% interest and legal costs of \$6,000 were repaid to extend the maturity date of the March 2018 Note to March 18, 2019. We incurred additional original issue discount of \$20,000, 10% interest and legal costs of \$6,000 because of the extension. These costs are being amortized over the life of the March 2018 Note.

April 2018 Notes

On April 4, 2018, the Company issued a convertible note, in the principal amount of \$75,000. This note and accrued interest were convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of \$300 per share. This note provided for an interest payment of 10% of the principal amount of the note, payable before or upon maturity. This note matured six months from the effective date of April 4, 2018. The note contained original issue discount of \$15,000, payable at maturity, which has been amortized over the life of the note. The Company has also incurred aggregate legal costs of \$6,000 related to the note. These costs have also been amortized over the life of this note. The Company received cash proceeds of \$75,000. The note, interest and costs were paid at maturity.

On April 30, 2018, the Company issued a convertible note, in the principal amount of \$150,000. This note and accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of \$300 per share. The note provides for an interest payment of 10% of the principal amount of the note, payable before or upon maturity. The note matures six months from the effective date of April 30, 2018. The note contains original issue discount of \$30,000, payable at maturity, which is being amortized over the life of the note. The Company has also incurred aggregate legal costs of \$9,000 related to the note. These costs are also being amortized over the life of the note. The Company received cash proceeds of \$150,000. At maturity, the amount of the original issue discount of \$30,000, 10% interest and legal costs of \$9,000 was paid to extend the maturity date of the note to January 31, 2019. We incurred additional original issue discount of \$15,000, 5% interest and legal costs of \$4,500 because of the extension, payable at maturity. These costs are being amortized over the life of the new note.

June 2018 Notes

On June 1, 2018, the Company issued a convertible note, in the principal amount of \$50,000. This note and accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of \$300 per share. This note provided for an interest payment of 10% of the principal amount of this note, payable before or upon maturity. This note matured six months from the effective date of June 1, 2018. This note contained original issue discount of \$10,000, payable at maturity, which has been amortized over the life of the note. The Company has also incurred aggregate legal costs of \$3,000 related to the note. These costs have also been amortized over the life of this note. The Company received cash proceeds of \$50,000. The maturity date of the note has been extended to August 15, 2019. As consideration for the extension, we have agreed to issue one million shares of common stock for each month that the note is outstanding, commencing in April 2019.

On June 6, 2018, the Company issued a convertible note, in the principal amount of \$100,000. This note and accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of \$300 per share. This note provides for an interest payment of 10% of the principal amount of this note, payable before or upon maturity. This note matures six months from the effective date of June 6, 2018. This note contains original issue discount of \$20,000, payable at maturity, which is being amortized over the life of this note. The Company has also incurred aggregate legal costs of \$6,000 related to the note. These costs have been amortized over the life of this note. The Company received cash proceeds of \$100,000. The maturity date of the note has been extended to August 15, 2019. As consideration for the extension, we have agreed to issue one million shares of common stock for each month that the note is outstanding, commencing in April 2019.

On June 7, 2018, the Company issued a convertible note, in the principal amount of \$100,000. This note and accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of \$300 per share. This note provides for an interest payment of 10% of the principal amount of this note, payable before or upon maturity. This note matures six months from the effective date of June 7, 2018. This note contains original issue discount of \$20,000, payable at maturity, which is being amortized over the life of this note. The Company has also incurred aggregate legal costs of \$6,000 related to the note. These costs are also being amortized over the life of this note. The Company received cash proceeds of \$100,000. At maturity, the amount of the original issue discount of \$20,000, 10% interest and legal costs of \$6,000 was paid and a new note issued to extend the maturity date of the note to September 4, 2019. We incurred additional original issue discount of \$3,000 (face amount of the new note is \$103,000) and the new note bears interest at 10% per year. The \$3,000 addition to the note is being amortized over the life of the new note.

On June 22, 2018, the Company issued a convertible note (the "June 22, 2018 Note"), in the principal amount of \$89,250. The June 22, 2018 Note and accrued interest are convertible, at the option of the holders, into shares of the Company's common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. The June 22, 2018 Note bears interest at 8% per year and matures on June 4, 2019. The Company has also incurred aggregate legal costs of \$4,250 related to the June 22, 2018 Note. These costs are also being amortized over the life of the June 22, 2018 Note. The Company received cash proceeds of \$85,000.

July 2018 Note

On July 18, 2018, the Company issued a convertible note (the "July 2018 Note"), with a face amount of \$100,000. This note and accrued interest are convertible, at the option of the holders, into shares of the Company's common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. This note bears interest at 10% per year and matures on July 10, 2019. The Company has also incurred aggregate legal costs of \$5,000 related to the note. These costs are also being amortized over the life of this note. The Company received cash proceeds of \$95,000.

August 2018 Notes

On August 13, 2018, the Company issued a convertible note, in the principal amount of \$100,000. This note and accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of \$300 per share. This note provides for an interest payment of 10% of the principal amount of the note, payable before or upon maturity. This note matures six months from the effective date of August 13, 2018. This note contains original issue discount of \$20,000, payable at maturity, which is being amortized over the life of this note. The Company has also incurred aggregate legal costs of \$6,000 related to the note. These costs are also being amortized over the life of this note. The Company received cash proceeds of \$100,000.

On August 28, 2018, the Company entered an agreement for a short-term loan, with a principal amount of \$59,132. The agreement provides for an interest payment of 8% of the principal amount of the note, payable before or upon maturity. The note matures twelve business days from the effective date of August 28, 2018. The Company received cash proceeds of \$59,132. The note was repaid on September 21, 2018.

September 2018 Notes

On September 17, 2018, the Company issued a convertible note (the “September 2018 Note”), in the principal amount of \$131,250. The September 2018 Note and related accrued interest are convertible, at the option of the holders, into shares of the Company’s common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. The September 2018 Note bears interest at 8% per year and matures on September 12, 2019. The Company has also incurred aggregate finance costs of \$13,125 and legal costs of \$6,250 related to the September 2018 Note. These costs are also being amortized over the life of the September 2018 Note. The Company received cash proceeds of \$125,000.

On September 18, 2018, the Company issued a convertible note, in the principal amount of \$100,000, to replace a note issued in March 2018 as discussed above. This note and accrued interest are convertible, at the option of the holder, into shares of the Company’s common stock at a conversion price of \$300 per share. This note provides for an interest payment of 10% of the principal amount of the note, payable before or upon maturity. This note matures six months from the effective date of September 18, 2018. This note contains original issue discount of \$20,000, payable at maturity, which is being amortized over the life of this note. The Company has also incurred aggregate legal costs of \$6,000 related to the note. These costs are also being amortized over the life of this note.

October 2018 Notes

On October 5, 2018, the Company issued a convertible note (the “October 2018 Note”), in the principal amount of \$135,000. The October 2018 Notes and related accrued interest are convertible, at the option of the holder, into shares of the Company’s common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. The note bears interest at 8% per year and matures on September 28, 2019. The October 2018 Note contained original issue discount aggregating \$10,000 which is being amortized over the life of the October 2018 Note. The Company received cash proceeds of \$125,000.

On October 31, 2018, the Company issued a convertible note, in the principal amount of \$150,000, to replace a note issued in April 2018 as discussed above. This note and accrued interest are convertible, at the option of the holder, into shares of the Company’s common stock at a conversion price of \$0.15 per share. This note provides for an interest payment of 5% of the principal amount of the note, payable before or upon maturity. This note matures January 31, 2019. This note contains original issue discount of \$15,000, payable at maturity, which is being amortized over the life of this note. The Company has also incurred aggregate legal costs of \$4,500 related to the note. These costs are also being amortized over the life of this note.

November 2018 Notes

On November 7, 2018, the Company issued a convertible note (the “November 2018 Note”), in the principal amount of \$78,750. The November 2018 Note and related accrued interest are convertible, at the option of the holder, into shares of the Company’s common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. The November 2018 Note bears interest at 8% per year and matures on November 7, 2019. The Company has also incurred aggregate finance costs of \$6,750 and legal costs of \$3,750 related to the November 2018 Note. These costs are also being amortized over the life of the November 2018 Note. The Company received cash proceeds of \$75,000.

On November 29, 2018, the Company issued a convertible note, in the principal amount of \$50,000. This note and accrued interest are convertible, at the option of the holder, into shares of the Company’s common stock at a conversion price of \$300 per share. This note provides for an interest payment of 10% of the principal amount of the note, payable before or upon maturity. This note matures six months from the effective date of November 29, 2018. This note contains original issue discount of \$10,000, payable at maturity, which is being amortized over the life of this note. The Company has also incurred aggregate legal costs of \$3,000 related to the note. These costs are also being amortized over the life of this note. The Company received cash proceeds of \$50,000.

December 2018 Note

On December 4, 2018, the Company issued a convertible note, in the principal amount of \$103,000, to replace a note issued in June 2018 as discussed above. This note and accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of \$300 per share. This note provides for interest at 10% per year and matures on September 4, 2019. This note contains original issue discount of \$3,000, payable at maturity, which is being amortized over the life of this note.

On December 7, 2018, the Company issued a convertible note (the "December 2018 Note"), with a face amount of \$100,000. This note and related accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. This note bears interest at 10% per year and matures on December 7, 2019. The Company has also incurred aggregate legal costs of \$5,000 related to the note. These costs are also being amortized over the life of this note. The Company received cash proceeds of \$95,000.

During the year ended December 31, 2019, the Company amortized \$664,330 of debt discount and \$48,094 of debt issue costs to interest expense. Unamortized debt discount and debt costs of \$68,079 and \$3,296, respectively, were charged against gain on extinguishment of debt at the time of redemption. At December 31, 2019, unamortized debt discount was \$101,899 and unamortized debt issue costs were \$5,848.

During 2018, the Company amortized \$343,882 of debt discount and \$38,803 of debt issue costs to interest expense. Unamortized debt discount and debt costs of \$134,219 and \$5,554, respectively, were charged against gain on extinguishment of debt at the time of redemption. At December 31, 2018, unamortized debt discount was \$440,315 and unamortized debt issue costs were \$34,738.

Covid-19 Disclosure

The Company's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Company's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Company's customers and revenue, absenteeism in the Company's labor workforce, unavailability of products and supplies used in operations, and a decline in value of assets held by the Company, including inventories, property and equipment, and marketable securities.

Economy and Inflation

Except as disclosed herein, we have not experienced any significant cancellation of orders due to the downturn in the economy. 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, 2019.

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, and 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 accounting principles generally accepted in the United States of America 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:

Revenue Recognition

Generally, we recognize revenue for 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 except for the energy recovery ventilator core produced and sold by us. The distributor of the ConsERV system 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. We have recorded an accrual of \$91,531 for future warranty expenses on December 31, 2019, which is included in accrued expenses, other.

Revenue derived from the sale of licenses is deferred and recognized as license fee revenue on a straight-line basis over the life of the license, or until the license arrangement is terminated. We recognized license fee revenue of \$50,000 and \$50,000 for the years ended December 31, 2019 and 2018, respectively. Royalties are recognized as earned. We recognized royalty revenue of \$25,000 and \$0 for the years ended December 31, 2019 and 2018, respectively.

The Company has adopted the new revenue recognition guidelines in accordance with ASC 606, Revenue from Contracts with Customers (ASC 606), commencing from the period under this report. The Company analyzes its contracts to assess that they are within the scope and in accordance with ASC 606. In determining the appropriate amount of revenue to be recognized as the Company fulfills its obligations under each of its agreements, whether for goods and services or licensing, the Company performs the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation. The Company acts as a principal in its revenue transactions as the Company is the primary obligor in the transactions. Generally, the Company recognizes revenue for its products upon shipment to customers, provided no significant obligations remain and collection is probable.

Accounts Receivable

Accounts receivable consist primarily of receivables from the sale of our ERV products and NanoClear systems. We regularly review accounts receivables for any bad debts based on an analysis of our 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, an allowance for doubtful accounts of \$0 and \$0 has been recorded at December 31, 2019 and 2018, respectively.

Impairment of Long-Lived and Intangible 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. We periodically evaluate whether events and circumstances have occurred that indicate possible impairment. When impairment indicators exist, we use 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. We did not recognize impairment on its long-lived assets during the years ended December 31, 2019 or 2018.

Identified intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Our existing intangible assets consist solely of patents. Patents are amortized over their estimated useful or economic lives of 17 years. Patent amortization expense was \$16,255 and \$21,508 for the years ended December 31, 2019 and 2018, respectively. Based on current capitalized costs, total patent amortization expense is estimated to be approximately \$16,200 per year for the next five years and thereafter.

Stock-Based Compensation

We recognize 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) or immediately if the share-based payments vest immediately.

There were no stock options issued during the year ended December 31, 2019 and 2018.

Derivative Financial Instruments

We do 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 us 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.

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.

We identify and evaluate uncertain tax positions, if any, and recognize 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. We have not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, we would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company’s 2015-2018 tax years remain open and subject to examination by the Internal Revenue Service.

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 Part II, Item 8 Note 3 Significant Accounting Policies: Recent Accounting Pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements and the related notes begin on Page F-1 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

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)). Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. Management's assessment was based on criteria set forth in Internal Control Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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 not effective to provide reasonable assurance that the objectives of our disclosure control system were met as a result of limited resources, and a lack of segregation of duties.

Management's Annual Report on Internal Control over Financial Reporting

Our 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. Based on the results of this assessment, our management concluded that the Company's existing internal controls over financial reporting were not effective as defined in Rule 12a-15(f) under the Exchange act as of December 31, 2019 as a result of limited resources, and a lack of segregation of duties.

Auditor's Report on Internal Control over Financial Reporting

This Annual Report does not include an attestation report of our 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, 2019 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 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 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	64	President, Chief Executive Officer and Chairman of the Board of Directors
Brian C. Johnson	47	Chief Technology Officer
Robert W. Schwartz	75	Director
Ira William McCollum, Jr.	75	Director
Thomas E. Turner ⁽¹⁾	70	Director
Eliza Wang	42	Director

- (1) On March 10, 2020, Tom Turner resigned from his position as a member of the board of directors of Dais Corporation (the “Company”), effective immediately. Mr. Turner did not resign because of any disagreement with the Company on any matter relating to the Company’s operations, policies or practices.

Directors and Executive Officers

The following are our directors and executive officers:

Timothy N. Tangredi has been our Chief Executive Officer since 1996. Mr. Tangredi joined us 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 our nano-structured intellectual property and materials in the biomedical and healthcare fields.

Brian Johnson is our Chief Technology Officer and joined us in 1999. Mr. Johnson was the lead engineer responsible for developing our successful ConsERV product line and has served as Principal Investigator on multiple development efforts involving NanoClear and NanoAir. He holds patents in both the U.S. and China and brings 20 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).

Robert W. Schwartz was appointed to our board of directors in 2001. Mr. Schwartz founded the Schwartz-Heslin Group (“SHG”) in 1985 and serves as its Chairman. 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 (Windsorce, 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). His earlier experience was with KPMG and IBM as a management consultant. Mr. Schwartz received a Bachelor of Science from Cornell University and attended graduate courses at the University of New York at 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 us.

Ira William McCollum, Jr. joined our board of directors on March 25, 2013. In 2011, Mr. McCollum joined as a partner in Denton's Public Policy and Regulation practice in 2012. 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, Mr. McCollum was a partner with Baker & Hostetler's Government Policy practice from 2001 to 2007. Between 1981 and 2001, Mr. McCollum was a Member of the U.S. 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 at 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 of directors on December 20, 2013. Mr. Turner is currently the Chairman of Cabo Vida Group and Sun Ranch Costa Rica, two companies that are developing communities in Costa Rica. He also serves as a consultant to Golden Gate Capital, a director of Qylur Security Systems and a director of Rohinni. Mr. Turner also served as an executive of ADS imagine from 2009 to 2011. During his career he has been President and/or CEO of Wang Canada Limited, Datamax Corporation and Itronix. He has held 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 is an asset to the Board of Directors. Mr. Turner resigned from our board of directors on March 10, 2020.

Eliza Xuan Wang joined our board of directors on April 1, 2015. Ms. Wang has been the Managing Attorney of The Meridian Law, a Professional Law Corporation, since 2009. Her legal practice includes venture capital, general civil and commercial litigation and immigration matters. Ms. Wang is licensed to practice law in the states of California and New York. She has a Bachelor of Law degree from China University of Political Science and Law (Beijing, China) and L.L.M. degree from Hastings College of The Law, University of California. Ms. Wang's expertise in commercial and legal matters in both the United States and China will be an asset to us as we conduct further business in China.

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

On December 3, 2018, Mr. John Herrin submitted his resignation from his position with the Company as Chief Operating Officer. Mr. Herrin did not resign because of any disagreement with the Company on any matter relating to the Company's operations, policies, or practices.

Significant Employees

Peter DiChiara is Corporate Secretary since December 1, 2013. Mr. DiChiara is currently a partner at Carmel, Milazzo & Feil, LLP, a law firm in New York City specializing in advising small cap companies. From August 2012 to March 1, 2016, he was Counsel for Sichenzia Ross Friedman Ference LLP. Mr. DiChiara earned a B.B.A. in accounting from the University of Notre Dame and a J.D. from Pace University School of Law. 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.

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 three 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, Thomas E. Turner and Eliza Wang are our independent directors. On the basis of information solicited from Mr. Schwartz, Mr. Turner and Ms. Wang, none of them 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 seven 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 most 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 year 2018.

ITEM 11. EXECUTIVE COMPENSATION

Executive Officer Compensation

The Summary Compensation Table below sets forth the total compensation paid or earned for the fiscal years ended December 31, 2019 and 2018 for: (i) each individual serving as our chief executive officer (“CEO”) or acting in a similar capacity during any part of fiscal 2019; and (ii) the other two most highly paid executive officers (collectively, the “Named Executive Officers”) who were serving as executive officers at the end of fiscal 2019.

Name and principal position (a)	Year (b)	Salary (\$) (c)	Bonus (\$) (d)	Option Awards (\$)(1)(f)	All Other Compensation (\$)(i)	Total (\$) (j)
Timothy N. Tangredi (2)						
Chief Executive Officer, President, and Chairman of the Board of Directors	2019	\$ 125,333			36,674	\$ 162,007
	2018	\$ 95,000	\$ -	\$ -	36,674	\$ 131,674
John Herrin (3)						
Former Chief Operating Officer	2019					
	2018	\$ 116,078	\$ -	\$ -	\$ -	\$ 116,078
Brian Johnson						
Chief Technology Officer	2019	\$ 135,006				\$ 135,006
	2018	\$ 111,000	\$ -	\$ -	\$ -	\$ 111,000

- (1) 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, 2019 and 2018. See Part II, Item 8, Financial Statements and Supplementary Data - Note 3 for information on the valuation assumptions used in calculating these dollar amounts included in this Annual Report for the fiscal years ended December 31, 2019 and 2018. 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.
- (2) 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 2019 and 2018, Mr. Tangredi was paid \$125,333 and \$95,000, respectively and had accrued unpaid salary of \$74,667 and \$105,437 for the years ended December 31, 2019 and 2018, respectively. All other compensation includes accruals for unused vacation, health insurance and auto allowance. As of December 31, 2019, we owed Mr. Tangredi accrued compensation in the aggregate amount of \$1,882,464.
- (3) Mr. Herrin received a salary of \$150,000 per year and served as Chief Operating Officer through December 04, 2018. In 2018 he was paid \$116,078 and had accrued unpaid salary of \$22,000 for the year ended December 31, 2018. All other compensation includes accruals for unused vacation, health insurance and auto allowance. As of December 31, 2019, we owed Mr. Herrin, if possible, to repay at a future liquidity event, or cash from operations and accrued compensation in the aggregate amount of \$64,000.

Narrative Disclosure to Summary Compensation Table

Tim N. Tangredi. The Company entered into an employment agreement with Mr. Tangredi, our President, Chief Executive Officer, and Director, which was amended and restated on September 14, 2011 and subsequently on February 27, 2015 (the “Tangredi Employment Agreement”). The Tangredi 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 the Board, as well as option-based compensation under our equity compensation plans. Under the Tangredi Employment Agreement, Mr. Tangredi is eligible to receive a grant to purchase up to 520,000 shares of common stock from the Company upon the successful completion of a secondary public offering. For a full description of the Tangredi Employment Agreement please refer to Item 13. Certain Relationships and Related Party Transactions -Employment Agreements below.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth certain information regarding outstanding stock options awards for each of the Named Executive Officers as of December 31, 2019.

Name	Number of securities underlying unexercised options (#) Exercisable	Option exercise price(\$)	Option expiration date
Timothy N. Tangredi	200	\$ 600	6/25/2020
	63	\$ 600	1/18/2021
	50	\$ 800	4/5/2021
	23	\$ 700	10/7/2021
	100	\$ 240	11/30/2022
	1,500	\$ 360	5/30/2023
	150	\$ 600	12/17/2024
	150	\$ 140	4/14/2026
	300	\$ 80	11/23/2027
Brian Johnson	50	\$ 600	6/25/2020
	100	\$ 600	1/18/2021
	50	\$ 240	11/30/2022
	500	\$ 80	11/23/2027

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

Beneficial Ownership Information

The following table sets forth information as of the date of May 28, 2020, 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 and Address of Beneficial Owner	Common Stock Owned Beneficially	Percent of Class	Series B Preferred Stock	Percent of Class
<i>Named Executive Officers and Directors</i>				
Timothy N. Tangredi, Officer, Chairman of the Board(1) #	242,955	46.6%	10	100%
Brian Johnson, Chief Technology Officer (2) #	701	*	-	-
Robert W. Schwartz, Director (3) #	1,210	*	-	-
Eliza Wang, Director (4)	450	*	-	-
Ira William McCollum Jr., Director (5) #	750	*	-	-
Thomas E. Turner, Director (6) #	2,175	*	-	-
All directors and officers as a group (6 persons)	248,241	48.5%	10	100%
<i>5% or greater shareholders</i>				
Soex (Hong Kong) Industry & Investment Co., Ltd. (7)	18,750	6.7%	-	-
All 5% or greater shareholders as a group	18,750	6.7%	-	-
Total	266,991	55.2%	10	100%

* Less than 1%

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

(1) Includes 2,535 shares of common stock issuable upon exercise of stock options and 516 shares beneficially owned by Mr. Tangredi's wife, Patricia Tangredi. 239,824 of Ms. Tangredi's shares are issuable upon the exercise of stock options and stock purchase warrants.

(2) Includes 700 shares of common stock issuable upon exercise of stock options.

(3) Includes 1,210 shares of common stock issuable upon exercise of stock options.

(4) Includes 450 shares of common stock issuable upon exercise of stock options.

(5) Includes 750 shares of common stock issuable upon exercise of stock options.

(6) Includes 750 shares of common stock issuable upon exercise of stock options. Also includes 1,425 shares owned by a limited liability company for which Mr. Turner is the natural person with voting power. Mr. Turner resigned from his position as a member of our board of directors on March 10, 2020.

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

Applicable percentage ownership in the preceding table is based on approximately 278,757 shares of common stock outstanding as of May 28, 2020 plus, for each individual, any securities that individual has the right to acquire within 60 days of March 27, 2019. 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”), 2009 Long-Term Incentive Plan (the “2009 Plan”) and 2015 Stock Incentive Plan (the “2015 Plan”) under which our securities are authorized for issuance as of December 31, 2019:

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
Equity compensation plans approved by security holders	10,514	\$ 340

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. Pursuant to the second license, Aegis is required 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. Aegis sold no such products, nor has it received any licensing fees requiring a royalty payment be made to us. All obligations for such payments ended on June 2, 2015.

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 (including property tax charges) related to this lease of \$57,565 and \$56,760 for the years ended December 31, 2019 and 2018, respectively. The lease term will terminate upon 30 days’ written notice from landlord or 90 days written termination from us.

The Company has accrued compensation due to the Chief Executive Officer as of December 31, 2019 and 2018 of \$1,882,464 and \$1,772,623, respectively, included in accrued compensation and related benefits in the accompanying balance sheets.

On June 24, 2016, the Company entered into a Loan and Security Agreement (“Security Agreement”) with Patricia Tangredi (the “Holder”) pursuant to which the Company issued a Senior Secured Promissory Note for \$150,000 (the “Note”). The interest rate is 12% per annum compounded daily with a minimum interest payment of \$2,000. The Note grants the Holder a secured interest in the assets of the Company. Ms. Tangredi is the wife of Timothy N. Tangredi, the Company’s CEO and stockholder, and therefore is a related party of the Company. Pursuant to the Note, the Company is to pay the Holder the principal amount of \$150,000 plus all interest due thereon in accordance with terms and conditions of the Security Agreement on the earlier of: (i) the date upon which the Company secures funds, regardless of source, equal to or exceeding, in the aggregate, \$1,000,000 or (ii) October 31, 2016 (the “Maturity Date”).

During 2016 to the period ended December 31, 2019, the Holder extended the Note pursuant to various amendments. Pursuant to the amendments, the principal amount due was increased to \$1,822,600 with an extended maturity date of January 30, 2020. As consideration for the additional proceeds and modification of the maturity date, the Company issued to the related party warrants to purchase an aggregate of 239,125 shares of common stock with a weighted average exercise price of \$3.41 with a ten year exercise period, from the date of issuance and 240 shares of common stock in 2017, valued at \$17,200, of which \$15,400 was recorded against debt due to related party. On January 28, 2019, the Holder further extended the Note pursuant to an amendment. The maturity date was extended to April 8, 2019, effective as of November 16, 2018. As consideration for the additional extension of the maturity date, the Company issued a warrant to purchase 1,000 shares of common stock with an exercise price of \$20 and a ten-year exercise period. The Company calculated the relative fair value of the warrant as \$25,320, using the Black Scholes Model based on the following assumptions: (1) risk free interest rate of 2.75%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company’s common stock of 244%; and (4) an expected life of 10 years. The fair value of the warrant was charged to expense as finance cost. During the three months ended June 30, 2019 the maturity date was extended twice, to May 30, 2019 and then to August 20, 2019. The Company also received additional proceeds of \$100,000. As consideration for the additional extensions of the maturity date and the additional proceeds, the Company issued warrants to purchase 20,000 shares of common stock with an exercise price of \$20 and a ten-year exercise period. The Company calculated the relative fair value of the warrants as \$141,844, using the Black Scholes Model based on the following assumptions: (1) risk free interest rate of 2.46%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company’s common stock of 246%; and (4) an expected life of 10 years. The fair value of the warrants was charged to expense as finance cost. During the three months ended September 30, 2019 the maturity date was extended to November 21, 2019. The Company also received additional proceeds of \$91,500. As consideration for the additional extension of the maturity date and the additional proceeds, the Company issued warrants to purchase 5,000 shares of common stock with an exercise price of \$20 and a ten-year exercise period. The Company calculated the relative fair value of the warrants as \$17,734, using the Black Scholes Model based on the following assumptions: (1) risk free interest rate of 1.49%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company’s common stock of 255%; and (4) an expected life of 10 years. The fair value of the warrants was charged to expense as finance cost. During the three months ended December 31, 2019 the maturity date was extended to January 30, 2020. The Company also received additional proceeds of \$230,100. As consideration for the additional extension of the maturity date and the additional proceeds, the Company issued warrants to purchase 200,000 shares of common stock with an exercise price of \$0.16 and a ten-year exercise period. The Company calculated the relative fair value of the warrants as \$31,999, using the Black Scholes Model based on the following assumptions: (1) risk free interest rate of 1.49%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company’s common stock of 255%; and (4) an expected life of 10 years. The fair value of the warrants was charged to expense as finance cost. As of the date of filing, the note is being further negotiated to extend the maturity date.

On February 27, 2015, the Company entered into an amendment to the Tangredi Employment Agreement with Tim N. Tangredi. Currently, we have non-interest-bearing accrued compensation due to the Chief Executive Officer for deferred salaries earned and unpaid as described above. 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 common stock during such calendar year. The conversion rate shall be equal to 75% of the average closing price for the common stock for the 30 trading days prior to the date of conversion. We shall also pay to Mr. Tangredi a cash payment equal to 20% of the compensation income incurred because 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 the voting equity interests or a person or group initiate a tender offer for our common stock, Mr. Tangredi may convert unpaid compensation to Class A Convertible Preferred Stock at \$1.50 per share. The Board of Directors did not require Mr. Tangredi to convert \$100,000 of unpaid compensation into common stock during 2015-2019.

On April 24, 2014, the Company entered into a Distribution Agreement (the “Soex Distribution Agreement”) with SoEX (Hong Kong) Industry & Investment Co., Ltd., a Hong Kong corporation (“Soex”). The Soex Distribution Agreement was a covenant included in a Securities Purchase Agreement, dated January 21, 2014, between the Company and Soex, pursuant to which Soex purchased 37,500,000 shares of the Company’s Common Stock, equal to approximately 31% of the issued and outstanding shares of Common Stock as of December 31, 2016. Pursuant to the Soex Distribution Agreement, in exchange for \$500,000 to be paid by October 20, 2014, royalty payments and a commitment from Soex to purchase nano-material membrane and other products from the Company, Soex obtained the right to distribute and market our products for incorporation in energy recovery ventilators sold and installed in commercial, industrial and residential buildings, transportation facilities and vehicles in mainland China, Hong Kong, Macao and Taiwan (the “Soex Distribution Territory”). Further, Soex received an exclusive license in the Territory to use our intellectual property in the manufacture and sale of its products and to purchase its requirements of nano-material membrane only from the Company. During 2014, \$50,000 of the \$500,000 license fee was received from Soex. Pursuant to the Soex Distribution Agreement, Soex was required to pay the Company \$500,000, issue to it 25% of the equity of a newly created company, Soex (Beijing) Environmental Protection Technology Company Limited and pay us royalties. Soex only paid us \$50,000 of the required \$500,000, did not issue the required equity and did not pay any required royalties. Effective June 12, 2015, the Board ratified the termination of the Soex Distribution Agreement, due to the breaches by Soex (see Part I, Item 3, Legal Proceedings).

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.

On November 1, 2018, the Company issued ten (10) shares of Class B Preferred Stock par value \$0.01 per share having a stated value of \$1.50 per share to Timothy N. Tangredi, the Company’s Chief Executive Officer, in exchange for \$15, pursuant to approval of the Board of Directors of the Company.

Employment Agreements

We entered into the following employment agreements with our officers and significant employees:

The Company entered the Tangredi Employment Agreement with Mr. Tangredi, our President, Chief Executive Officer, and Director, which was amended and restated on September 14, 2011, and subsequently on February 27, 2015. The Tangredi 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). Additionally, at the discretion of the Board 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. In addition to this bonus, Mr. Tangredi may be eligible for a separate merit bonus if approved by the Board, 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 six weeks of paid time off annually, an automobile allowance, reimbursement of all reasonable business expenses, automobile insurance and maintenance, and executive conference or educational expenses.

Under the Tangredi 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 the Tangredi Employment Agreement (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 Tangredi Employment 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 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 Tangredi 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 Tangredi Employment Agreement, the Company and Mr. Tangredi have agreed that the Company 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. Notwithstanding the recommendation and board consideration, Mr. Tangredi has the right to continue the current terms of the Tangredi Employment Agreement.

Currently, we have non-interest-bearing accrued compensation due to Mr. Tangredi for deferred salaries earned and unpaid as described above. Pursuant to the February 27, 2015 amendment to the Tangredi Employment Agreement 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 shares of common stock of the Company during such calendar year. The conversion rate shall be equal to 75% of the average closing price for the common stock for the 30 trading days prior to the date of conversion. We shall also pay to Mr. Tangredi a cash payment equal to 20% of the compensation income incurred because 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 than 40% of the then-outstanding voting power of the voting equity interests or a person or group initiates a tender offer for our common stock, Mr. Tangredi may convert unpaid compensation to Class A Convertible Preferred Stock at \$1.50 per share. The Board of Directors did not require Mr. Tangredi to convert \$100,000 of unpaid compensation into common stock during 2015-2019.

On August 17, 2015 (the "Effective Date"), the Company entered into an employment agreement (the "Johnson Employment Agreement") with Mr. Brian Johnson ("Johnson"), pursuant to which Johnson was appointed as Chief Technology Officer of the Company. Johnson's initial base salary pursuant to the Johnson Employment Agreement was \$135,000. Johnson may receive a performance bonus at the discretion of the Board. Johnson is entitled to participate in any benefits programs offered by the Company and shall be reimbursed for reasonably incurred expenses incurred in the performance of the functions and duties under the Johnson Employment Agreement. The initial term of the Johnson Employment Agreement was from the Effective Date through February 29, 2016 (the "Initial Term"). Upon expiration of the Initial Term, the Johnson Employment Agreement will be automatically extended for additional one-year terms unless Johnson or the Company shall, upon 30 days written notice to the other, elect not to extend this Agreement for an additional one-year term.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

The aggregate audit fees billed for the years ended December 31, 2019 and 2018 was \$85,830 and \$62,500, respectively. Audit services include the audits of the financial statements included in our annual reports on Form 10-K and reviews of interim financial statements included in our quarterly reports on Form 10-Q.

Audit-Related Fees

None.

Tax Fees

None

All Other Fees

None

Audit Committee Pre-Approval Policies and Procedures

The Board has completed a competitive process to review the appointment of the Company's independent registered public accounting firm for the year ending December 31, 2017. As a result of this process, on July 12, 2017, the Board elected to engage RBSM LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017 and dismissed Mayer Hoffman McCann PC from that role. RBSM LLP remains the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019.

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 RBSM LLP as disclosed above in the captions audit fees and all other fees and has concluded that such services are compatible with the independence of RBSM LLP as our principal accountant.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Exhibit	Filing Date	
3.1	Certificate of Incorporation of The Dais Corporation	S-1	3.1	08/11/2008	
3.2	Certificate of Amendment of the Certificate of Incorporation of The Dais Corporation	S-1	3.2	08/11/2008	
3.3	Certificate of Amendment of the Certificate of Incorporation of The Dais Corporation	S-1	3.3	08/11/2008	
3.4	Certificate of Amendment of the Certificate of Incorporation of The Dais Corporation	S-1	3.4	08/11/2008	
3.5	Certificate of Amendment of the Certificate of Incorporation of Dais Analytic Corporation	S-1	3.5	08/11/2008	
3.6	Certificate of Amendment of the Certificate of Incorporation of Dais Analytic Corporation	S-1	3.6	08/11/2008	
3.7	Certificate of Amendment of the Certificate of Incorporation of Dais Analytic Corporation	S-1	3.7	08/11/2008	
3.8	Certificate of Amendment of the Certificate of Incorporation of Dais Analytic Corporation	S-1	3.8	08/11/2008	
3.9	Certificate of Amendment of the Certificate of Incorporation of Dais Analytic Corporation	8-K	3.1	03/05/2015	
3.10	Certificate of Amendment of the Certificate of Incorporation of Dais Analytic Corporation	8-K	3.1	02/28/2019	
3.11	Certificate of Designation				<input checked="" type="checkbox"/>
3.12	Bylaws of The Dais Corporation	S-1	3.9	08/11/2008	
10.1	Dais Analytic Corporation 2000 Incentive Compensation Plan	S-1	10.1	08/11/2008	
10.2	Form of Employee Non-Disclosure and Non-Compete Agreement	S-1	10.2	08/11/2008	
10.3	Form of Secured Patent Agreement (Financing)	S-1	10.11	08/11/2008	
10.4	Dais Analytic Corporation 2009 Long Term Incentive Plan	DEF 14A	A	10/09/2009	
10.5	Executive Compensation Agreement dated April 11, 2011, by and between Dais Analytic Corporation and Timothy N. Tangredi	S-1/A	10.17	04/13/2011	
10.6	Executive Compensation Agreement dated September 14, 2011, by and between Dais Analytic Corporation and Timothy N. Tangredi	8-K	10.1	09/15/2011	
10.7	Executive Compensation Agreement dated January 11, 2012, by and between Dais Analytic Corporation and Timothy N. Tangredi	S-1/A	10.28	01/13/2012	
10.8	Executive Compensation Agreement dated February 27, 2015, by and between Dais Analytic Corporation and Timothy N. Tangredi	8-K	10.1	03/05/2015	
10.9	Executive Compensation Agreement dated April 8, 2011, by and between Dais Analytic Corporation and Patricia K. Tangredi	S-1	10.18	04/13/2011	
10.10	Securities Purchase Agreement dated October 21, 2014, by and between Dais Analytic Corporation and Soex (Hong Kong) Industry & Investment Co., Ltd.	8-K	10.1	01/27/2014	
10.11	Distribution Agreement dated April 24, 2014, by and between Dais Analytic Corporation and Soex (Hong Kong) Industry & Investment Co., Ltd.	8-K	10.1	04/28/2014	
10.12	Loan and Security Agreement dated June 24, 2016, by and between Dais Analytic Corporation and Patricia K. Tangredi	8-K	10.1	06/28/2016	
10.13	Amendment to Senior Secured Promissory Note dated September 7, 2016 by and between Dais Analytic Corporation and Patricia K. Tangredi	8-K	10.1	10/28/2016	
10.14	Second Amendment to Senior Secured Promissory Note dated October 30, 2016 by and between Dais Analytic Corporation and Patricia K. Tangredi	10-Q	10.1	11/14/2016	
10.15	Employment Agreement dated August 17, 2015, by and between Dais Analytic Corporation and Brian C. Johnson.				<input checked="" type="checkbox"/>
14.1	Code of Ethics of Dais Analytic Corporation	10-K	14.1	3/31/2009	
31.1	Certification by the Principal Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a))				<input checked="" type="checkbox"/>
31.2	Certification by the Principal Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a))				<input checked="" type="checkbox"/>
32.1	Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				<input checked="" type="checkbox"/>
32.2	Certification by the Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				<input checked="" type="checkbox"/>
101.INS	XBRL Instance Document				<input checked="" type="checkbox"/>
101.SCH	XBRL Taxonomy Extension Schema Document				<input checked="" type="checkbox"/>
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				<input checked="" type="checkbox"/>
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				<input checked="" type="checkbox"/>
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				<input checked="" type="checkbox"/>
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				<input checked="" type="checkbox"/>

SIGNATURES

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

DAIS CORPORATION

Date: June 1, 2020

By: /s/ Timothy N. Tangredi
Timothy N. Tangredi
Chairman of the Board
Chief Executive Officer and Director
(Principal Executive Officer)
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity and on the dates indicated.

Signatures	Title	Date
<u>/s/ Timothy N. Tangredi</u> Timothy N. Tangredi	Chairman of the Board, Chief Executive Officer and Director	June 1, 2020
<u>/s/ Robert W. Schwartz</u> Robert W. Schwartz	Director	June 1, 2020
<u>/s/ Ira William McCollum, Jr.</u> Ira William McCollum, Jr.	Director	June 1, 2020
<u>/s/ Eliza Xuan Wang</u> Eliza Xuan Wang	Director	June 1, 2020

Dais Corporation
(Formerly Dais Analytic Corporation)

Financial Statements
Years Ended December 31, 2019 and 2018
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Dais Corporation
(formerly Dais Analytic Corporation)

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Dais Corporation (formerly Dais Analytic Corporation) (the “Company”), as of December 31, 2019 and 2018, and the related statements of operations, stockholders’ deficit and cash flows for each of the two years in the period ended December 31, 2019 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

The Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the accompanying financial statements, the Company has suffered recurring losses from operations, generated negative cash flows from operating activities, has an accumulated deficit that raise substantial doubt about Company’s ability to continue as a going concern. Management's evaluation of the events and conditions and management’s plans in regarding these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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 are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The company is not required to have, nor were we engaged to perform, an audit of the Company’s internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RBSM LLP

We have served as the Company’s auditor since 2017

New York, New York
June 1, 2020

DAIS CORPORATION
(formerly Dais Analytic Corporation)
BALANCE SHEETS

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,083	\$ 29,300
Accounts receivable, net	12,883	34,043
Other receivables	34,144	14,348
Inventory	91,281	53,184
Prepaid expenses	32,362	48,654
Total Current Assets	<u>174,753</u>	<u>179,529</u>
Property and equipment, net	<u>30,957</u>	<u>57,420</u>
OTHER ASSETS:		
Deposits	4,780	4,780
Patents, net	146,135	150,842
Total Other Assets	<u>150,915</u>	<u>155,622</u>
TOTAL ASSETS	<u>\$ 356,625</u>	<u>\$ 392,571</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable, including related party payables of \$280,247 and \$165,076 at December 31, 2019 and 2018, respectively	\$ 952,415	\$ 632,574
Accrued expenses, other, including interest due to related party of \$444,476 and \$261,901 at December 31, 2019 and 2018, respectively	1,034,745	702,601
Accrued compensation and related benefits	2,019,777	1,909,936
Customer deposits	91,742	78,816
Notes payable to related parties	1,832,600	1,332,000
Current portion of deferred revenue	398,656	448,656
Derivative liabilities	2,349,471	1,280,188
Convertible notes payable, net of unamortized debt discount and deferred debt issuance costs	1,336,213	809,197
Total Current Liabilities	<u>10,015,619</u>	<u>7,193,968</u>
Note payable - related party	10,000	-
Total Liabilities	<u>10,025,619</u>	<u>7,193,968</u>
STOCKHOLDERS' DEFICIT		
Preferred stock, undesignated; \$0.01 par value; 7,990,000 shares authorized; no shares issued and outstanding	-	-
Preferred stock, Series A; \$0.01 par value; 2,000,000 shares authorized; no shares issued and outstanding	-	-
Preferred stock, Series B; \$0.01 par value; 10,000 shares authorized; 10 and no shares issued and outstanding, respectively	-	-
Common stock; \$0.01 par value; 1,100,000,000 shares authorized; 278,757 and 74,910 shares issued and 278,128 and 74,281 shares outstanding at December 31, 2019 and 2018, respectively	2,788	749
Capital in excess of par value	45,976,660	44,797,156
Accumulated deficit	<u>(54,186,330)</u>	<u>(50,137,190)</u>
	<u>(8,206,882)</u>	<u>(5,339,285)</u>
Treasury stock at cost, 629 shares at December 31, 2019 and 2018, respectively	<u>(1,462,112)</u>	<u>(1,462,112)</u>
Total Stockholders' Deficit	<u>(9,668,994)</u>	<u>(6,801,397)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 356,625</u>	<u>\$ 392,571</u>

See accompanying Notes to Financial Statements

DAIS CORPORATION
(formerly Dais Analytic Corporation)
STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2019	2018
REVENUE		
Sales	\$ 830,625	\$ 1,331,251
Royalty and license fees	75,000	50,000
	<u>905,625</u>	<u>1,381,251</u>
COST OF GOODS SOLD	<u>600,213</u>	<u>921,394</u>
GROSS MARGIN	305,412	459,857
OPERATING EXPENSES		
Research and development, net of government grant proceeds of \$89,994 and \$64,894 for the years ended December 31, 2019 and 2018, respectively	203,757	253,464
Selling, general and administrative	1,369,037	1,862,024
TOTAL OPERATING EXPENSES	<u>1,572,794</u>	<u>2,115,488</u>
LOSS FROM OPERATIONS	(1,267,382)	(1,655,631)
OTHER INCOME (EXPENSE)		
Interest expense	(2,126,590)	(1,396,468)
Change in fair value of derivative	(712,952)	(322,383)
Gain on extinguishment of debt	57,784	349,721
TOTAL OTHER EXPENSE, NET	<u>(2,781,758)</u>	<u>(1,369,130)</u>
NET LOSS	<u>\$ (4,049,140)</u>	<u>\$ (3,024,761)</u>
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	<u>\$ (19.20)</u>	<u>\$ (41.88)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	<u>210,940</u>	<u>72,229</u>

See accompanying Notes to Financial Statements

DAIS CORPORATION
(formerly Dais Analytic Corporation)
STATEMENTS OF STOCKHOLDERS' DEFICIT

	Preferred Stock		Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Treasury Stock	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance at December 31, 2017	-	\$ -	70,304	\$ 703	\$ 44,408,387	\$ (47,112,429)	\$ (1,462,112)	\$ (4,165,451)
Sale of preferred stock	10	-	-	-	15	-	-	15
Issuance of common stock for services	-	-	3,000	30	299,970	-	-	300,000
Issuance of common stock for accrued expenses	-	-	1,000	10	39,990	-	-	40,000
Issuance of common stock for debt issue costs	-	-	506	5	42,795	-	-	42,800
Issuance of common stock for finance cost	-	-	100	1	5,999	-	-	6,000
Net loss	-	-	-	-	-	(3,024,761)	-	(3,024,761)
Balance at December 31, 2018	10	-	74,910	749	44,797,156	(50,137,190)	(1,462,112)	(6,801,397)
Shares issued upon conversion of debt	-	-	203,020	2,030	952,616	-	-	954,646
Issuance of common stock for finance cost	-	-	550	6	9,994	-	-	10,000
Adjustment for fractions	-	-	277	3	(3)	-	-	-
Warrants issued for finance cost	-	-	-	-	216,897	-	-	216,897
Net loss	-	-	-	-	-	(4,049,140)	-	(4,049,140)
Balance at December 31, 2019	<u>10</u>	<u>\$ -</u>	<u>278,757</u>	<u>\$ 2,788</u>	<u>\$ 45,976,660</u>	<u>\$ (54,186,330)</u>	<u>\$ (1,462,112)</u>	<u>\$ (9,668,994)</u>

See accompanying Notes to Financial Statements

DAIS CORPORATION
(formerly Dais Analytic Corporation)
STATEMENTS OF CASH FLOWS

	For the Years Ended	
	December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,049,140)	\$ (3,024,761)
Adjustments to reconcile net loss to net cash and cash equivalents used by operating activities:		
Amortization of deferred debt issue costs	48,094	38,803
Depreciation and amortization	42,717	61,088
Change in fair value of derivative liability	712,952	322,383
Non-cash interest expenses	1,047,141	493,212
Amortization of debt discount	664,329	343,883
Gain on extinguishment of debt	(57,784)	(349,721)
Bad debt expense	-	3,589
Stock issued for finance cost	-	6,000
Legal fees paid through proceeds of notes payable	150,000	-
Stock compensation	-	300,000
(Increase) decrease in:		
Accounts receivable	21,160	(32,574)
Inventory	(38,097)	48,423
Other receivables	(19,796)	(10,750)
Prepaid expenses/Other assets	16,292	(36,060)
Increase (decrease) in:		
Accounts payable	319,841	279,381
Accrued expenses	461,275	579,639
Customer deposits	12,926	(41,763)
Deferred revenue	(50,000)	(50,000)
Net cash used in operating activities	<u>(718,090)</u>	<u>(1,069,228)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in patent costs	(11,547)	(54,744)
Purchases of property and equipment	-	(5,100)
Net cash used in investing activities	<u>(11,547)</u>	<u>(59,844)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable - related parties	500,600	-
Proceeds from note payable	237,500	1,534,132
Repayments of notes	(33,680)	(497,796)
Net cash provided by financing activities	<u>704,420</u>	<u>1,036,336</u>
Net decrease in cash and cash equivalents	(25,217)	(92,736)
Cash and cash equivalents, beginning of period	<u>29,300</u>	<u>122,036</u>
Cash and cash equivalents, end of period	<u>\$ 4,083</u>	<u>\$ 29,300</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 7,311	\$ 195,210
NON-CASH FINANCING AND FINANCING ACTIVITIES		
Issuance of common stock upon conversion of notes and accrued interest	\$ 954,646	\$ -
Payment of accrued expense with common stock	\$ -	\$ 40,000
Notes and accrued interest converted to common stock	\$ 328,011	\$ -
Debt costs deducted from proceeds of note	\$ 20,000	31,750
Issuance of common stock for deferred debt issuance costs	\$ -	\$ 42,800
Issuance of common stock for finance cost	\$ 10,000	\$ 6,000
Issuance of warrants for debt modification	\$ 216,897	\$ -
Initial derivative liability at issuance of notes	\$ 1,112,125	\$ 907,969
Initial debt discount at issuance of notes	\$ 393,994	\$ 816,750

See accompanying Notes to Financial Statements

Dais Corporation
(formerly Dais Analytic Corporation)
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

Note 1. Background Information

Dais Corporation (the “Company”), a New York corporation, has developed and is commercializing applications using its nanostructure polymer technology. The first commercial product, ConsERV™ is an energy recovery ventilator (“ERV”) (core and systems) for use in commercial Heating, Ventilating, and Air Conditioning (HVAC) applications. The second commercial product is NanoClear™, a water cleanup process useful in the creation of potable water from most forms of contaminated water including industrial process wastewater (petrochemical, steel, etc.) sea, brackish, or wastewater. In addition to direct sales, the Company licenses its nanostructures polymer technology to strategic partners in the applications and is in various stages of deployment with regard to other applications employing its base technologies. The Company was incorporated in April 1993 and its corporate headquarters is in Odessa, Florida.

The Company is dependent on third parties to manufacture the key components needed for its nanostructured based materials and some portion of the value-added products made with these materials. Accordingly, a suppliers’ failure to supply components in a timely manner, or to supply components that meet the Company’s quality, quantity and cost requirements or technical specifications, or the inability to obtain alternative sources of these components on a timely basis or on acceptable terms, would create delays in production of the Company’s products and/or increase its unit costs of production. Certain of the components or the processes of the Company’s suppliers are proprietary. If the Company was ever required to replace any of its suppliers, it should be able to obtain comparable components from alternative suppliers at comparable costs, but this would create a delay in production and may briefly affect the Company’s operations.

On November 2, 2018, the shareholders of the Company approved an increase in the authorized common shares of the company from 240,000,000 shares to 340,000,000 shares. On March 14, 2019, the shareholders approved an increase in authorized common shares from 340,000,000 shares to 1,100,000,000 shares. In July 2019, the shareholders of the Company approved a reverse stock split of the issued and outstanding shares of the Company’s common stock at the ratio ranging from one-for-500 to one-for-2,000. On October 31, 2019, the Company amended its Certificate of Incorporation to reflect a one-for-2,000 reverse stock split of the Company’s common stock. The reverse split was effective December 6, 2019. All share and per share data have been retroactively restated in the accompanying financial statements and footnotes to reflect the effects of the reverse split.

Note 2. Going Concern and Management’s Plans

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. For the year ended December 31, 2019, the Company generated a net loss of \$4,049,140 and has incurred significant losses since inception. As of December 31, 2019, the Company has an accumulated deficit of \$54,186,330, total stockholders’ deficit of \$9,668,994, negative working capital of \$9,840,866 and cash and cash equivalents of \$4,083. The Company used \$718,090 and \$1,069,228 of cash from operations during the years ended December 31, 2019 and 2018, respectively, which was funded primarily by proceeds from loans from related parties and equity financings. There is no assurance that any such financing will be available in the future. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The Company is currently pursuing the following sources of short and long-term working capital:

1. The Company has select targeted parties that it is actively working with who are interested in licensing, purchasing the rights to, or establishing a joint venture to commercialize applications of the Company’s technology;
2. The Company continues to seek capital from certain strategic and/or government (grant) related sources. These sources may, pursuant to any agreements that may be developed in conjunction with such funding, assist in the product definition and design, roll-out and channel penetration of products; and
3. The Company is actively working with newer investors, private equity companies, purchase order financing parties, and its existing debt holders to restructure its existing debt, and obtain short and long-term working and growth capital.

Any failure by the Company to timely procure additional financing or investment adequate to fund the ongoing operations, including planned product development initiatives and commercialization efforts, will have material adverse consequences on the Company's financial condition, results of operations and cash flows as could any unfavorable terms. There are no assurances the Company will be able to obtain the financing and planned product development commercialization. Accordingly, the Company may not have the ability to continue as a going concern. 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.

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.

Significant estimates underlying the Company's reported financial position and results of operations include the allowance for doubtful accounts, fair value of stock-based compensation, fair value of derivative liabilities, valuation allowance on deferred taxes and the warranty reserve.

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 had no uninsured balances at December 31, 2019. The Company has never experienced any losses related to these balances.

Accounts receivable - Accounts receivable consist primarily of receivables from the sale of the Company's 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, no allowance for doubtful accounts was deemed necessary at December 31, 2019 and 2018, respectively.

Concentrations - At December 31, 2019, one customer accounted for 77% of accounts receivable. For the year ended December 31, 2019, five customers accounted for 71% of total revenue. For the year ended December 31, 2018 three customers accounted for 74% of total revenue.

Other receivables - Other receivables consist primarily of receivables from the U.S. Department of Defense (See Note 3 - Research and development expenses and funding proceeds). The Company prepares invoices as it meets funding program milestones. Based on management's review of other receivables, management has determined that no allowance for other receivables is necessary at December 31, 2019 and 2018.

Fair Value of Financial Instruments - The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, deferred revenue, customer deposits and notes payable are carried at historical cost. At December 31, 2019 and 2018 the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

Inventory - Inventory consists of raw materials, work-in-process and finished goods 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, 2019 and 2018, the Company had \$85,456 and \$40,341 of raw materials, \$4,101 and \$12,191 of in-process inventory and \$1,724 and \$652 of finished goods inventory, respectively. A reserve is recorded for any inventory deemed excessive or obsolete. No reserve is recorded at December 31, 2019 and 2018, respectively.

Property and equipment - Property and equipment is 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 term. Depreciation and amortization expense were \$26,463 and \$39,580 for the years ended December 31, 2019 and 2018, 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. There were no dispositions of property and equipment in 2019 or 2018.

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 years. Patent amortization expense was \$16,254 and \$21,508 for the years ended December 31, 2019 and 2018, respectively. Based on current capitalized costs, total patent amortization expense is estimated to be approximately \$16,000 per year for the next five years and 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 estimates 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. The Company did not recognize impairment on its long-lived assets during the years ended December 31, 2019 or 2018.

Government Funding - Government funding represents grants from the U.S. Department of Defense and are recognized when there is reasonable assurance that the funding will be received, and conditions associated with the funding are met. When funding's 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. When funding's are received which relate to expense reimbursement they are recorded as a reduction of the associated expense in the period in which the expense is incurred.

Research and development expenses and funding proceeds - Expenditures for research, development and engineering of products are expensed as incurred. The Company incurred research and development costs of \$293,751 and \$318,358 for the years ended December 31, 2019 and 2018, respectively. The Company accounts for proceeds received from government funding's for research as a reduction in research and development costs. The Company recorded proceeds against research and development expenses on the Statements of Operations of \$89,994 and \$64,894 for the years ended December 31, 2019 and 2018, respectively.

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

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

Revenue recognition - The Company has adopted the new revenue recognition guidelines in accordance with ASC 606, Revenue from Contracts with Customers (ASC 606). The Company analyzes its contracts to assess that they are within the scope and in accordance with ASC 606. In determining the appropriate amount of revenue to be recognized as the Company fulfills its obligations under each of its agreements, whether for goods and services or licensing, the Company performs the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation. The Company acts as a principal in its revenue transactions as the Company is the primary obligor in the transactions. Generally, the Company recognizes revenue for its products upon shipment to customers, provided no significant obligations remain and collection is probable.

In certain instances, the Company's ConsERV system product may carry a limited warranty of up to one year for all parts contained therein except for the energy recovery ventilator core produced and sold by the Company. The distributor of the ConsERV system 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 recorded an accrual of \$91,531 for future warranty expenses at December 31, 2019 and 2018, which is included in accrued expenses, other.

Royalty revenue is recognized as earned. The Company recognized royalty revenue of \$25,000 and \$0 for the years ended December 31, 2019 and 2018, respectively. Revenue derived from the sale of licenses is deferred and recognized as license fee revenue on a straight-line basis over the life of the license, or until the license arrangement is terminated. The Company recognized license fee revenue of \$50,000 for each of the years ended December 31, 2019 and 2018.

The Company accounts for revenue arrangements with multiple elements under the provisions of the Financial Accounting Standards Boards (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.

In December 2017, the Company and Zhejiang MENRED Environmental Tech Co, Ltd., Zhejiang Province, China ("Menred"), entered into a License and Supply Agreement (the "Agreement"), effective December 21, 2017. Pursuant to the Agreement, the Company licensed certain intellectual property and improvements to Menred, 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 China. Menred also agreed to purchase its requirements of certain products from the Company for Menred's use, pursuant to the terms and conditions of the Agreement. Menred will also pay royalties, as defined, to the Company on a quarterly basis, based on price and production volume as provided by Menred. No royalties are due within the first year of the Agreement. Also pursuant to the Agreement, the Company is required to purchase 50,000 square meters of Product from Menred for delivery as an annual minimum with a 10,000 square meter minimum order quantity per delivery. The Agreement has a ten-year term with mutually agreed upon five-year extensions.

Shipping and handling fees billed to customers are included in revenue. Shipping and handling fees associated with freight are generally included in cost of revenue.

Derivative Liability - The Company has financial instruments that are considered derivatives or contain embedded features subject to derivative accounting. Embedded derivatives are valued separately from the host instrument and are recognized as derivative liabilities in the Company's balance sheet. The Company measures these instruments at their estimated fair value and recognizes changes in their estimated fair value in results of operations during the period of change.

Warranties - The Company offers a limited warranty generally ranging from one to three years. A provision for product warranties has been recorded at December 31, 2019 and 2018. The Company has not incurred any warranty expense in either 2019 or 2018.

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) or immediately if the share-based payments vest immediately.

There were no grants in 2019 or 2018.

Fair Value Measurements - The Company accounts for financial instruments in accordance with FASB Accounting Standards Codification (ASC) 820 "Fair value Measurement 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.

A financial asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The Company has recorded a derivative liability for its convertible notes which contain variable conversion prices. The table below summarizes the fair values of our financial liabilities as of December 31, 2019:

	Fair Value at December 31, 2019	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Derivative liability	\$ 2,349,471	\$ -	\$ -	\$ 2,349,471

The reconciliation of the derivative liability measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows for the years ended December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Balance, beginning of year	\$ 1,280,188	\$ 243,501
Additions	1,112,125	1,262,460
Extinguished derivative liability	(755,794)	(578,156)
Change in fair value of derivative liabilities	712,952	322,383
	\$ 2,349,471	\$ 1,280,188

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 2016 through 2019 tax years remain open and subject to examination by the Internal Revenue Service.

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 upon the conversion of notes. 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 11,735,574 and 54,832 were excluded from the computation of diluted earnings per share for the years ended December 31, 2019 and 2018, respectively, because their effect is anti-dilutive.

Recent Accounting Pronouncements - There are new accounting pronouncements issued by the Financial Accounting Standards Board (“FASB”) which are not yet effective as follows:

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The adoption of this ASU did not have a material effect on the Company’s financial statements.

In December 2019, the FASB issued ASU 2019-12, “*Simplifying the Accounting for Income Taxes*.” This guidance, among other provisions, eliminates certain exceptions to existing guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. This guidance also requires an entity to reflect the effect of an enacted change in tax laws or rates in its effective income tax rate in the first interim period that includes the enactment date of the new legislation, aligning the timing of recognition of the effects from enacted tax law changes on the effective income tax rate with the effects on deferred income tax assets and liabilities. Under existing guidance, an entity recognizes the effects of the enacted tax law change on the effective income tax rate in the period that includes the effective date of the tax law. ASU 2019-12 is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the impact of this guidance.

Note 4. Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2019	2018
Furniture and fixtures	\$ 20,966	\$ 20,966
Computer equipment and software	21,761	21,761
Demonstration equipment	92,733	92,733
Office and lab equipment	308,949	308,949
Leasehold improvements	14,808	14,808
Property and equipment, gross	459,217	459,217
Less accumulated depreciation	428,260	401,797
Property and equipment, net	<u>\$ 30,957</u>	<u>\$ 57,420</u>

Note 5. Accrued Expenses, Other

Accrued expenses, other consists of the following:

	December 31,	
	2019	2018
Accrued expenses, other	\$ 166,158	\$ 174,489
Accrued interest	777,056	436,581
Accrued warranty costs	91,531	91,531
	<u>\$ 1,034,745</u>	<u>\$ 702,601</u>

Note 6. Related Party Transactions

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 (including property tax charges) related to this lease of \$57,565 and \$56,760 for the years ended December 31, 2019 and 2018, respectively. The lease term will terminate upon 30 days' written notice from landlord or 90 days written termination from us.

The Company has accrued compensation due to the Chief Executive Officer as of December 31, 2019 and 2018 of \$1,882,464 and \$1,772,623, respectively, included in accrued compensation and related benefits in the accompanying balance sheets.

On June 24, 2016, the Company entered into a Loan and Security Agreement ("Security Agreement") with Patricia Tangredi (the "Holder") pursuant to which the Company issued a Senior Secured Promissory Note for \$150,000 (the "Note"). The interest rate is 12% per annum compounded daily with a minimum interest payment of \$2,000. The Note grants the Holder a secured interest in the assets of the Company. Ms. Tangredi is the wife of Timothy N. Tangredi, the Company's CEO and stockholder, and therefore is a related party of the Company. Pursuant to the Note, the Company is to pay the Holder the principal amount of \$150,000 plus all interest due thereon in accordance with terms and conditions of the Security Agreement on the earlier of: (i) the date upon which the Company secures funds, regardless of source, equal to or exceeding, in the aggregate, \$1,000,000 or (ii) October 31, 2016 (the "Maturity Date").

During 2016 to the period ended December 31, 2019, the Holder extended the Note pursuant to various amendments. Pursuant to the amendments, the principal amount due was increased to \$1,822,600 with an extended maturity date of January 30, 2020. As consideration for the additional proceeds and modification of the maturity date, the Company issued to the related party warrants to purchase an aggregate of 239,125 shares of common stock with a weighted average exercise price of \$3.41 with a ten year exercise period, from the date of issuance and 240 shares of common stock in 2017, valued at \$17,200, of which \$15,400 was recorded against debt due to related party. On January 28, 2019, the Holder further extended the Note pursuant to an amendment. The maturity date was extended to April 8, 2019, effective as of November 16, 2018. As consideration for the additional extension of the maturity date, the Company issued a warrant to purchase 1,000 shares of common stock with an exercise price of \$20 and a ten-year exercise period. The Company calculated the relative fair value of the warrant as \$25,320, using the Black Scholes Model based on the following assumptions: (1) risk free interest rate of 2.75%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 244%; and (4) an expected life of 10 years. The fair value of the warrant was charged to expense as finance cost. During the three months ended June 30, 2019 the maturity date was extended twice, to May 30, 2019 and then to August 20, 2019. The Company also received additional proceeds of \$100,000. As consideration for the additional extensions of the maturity date and the additional proceeds, the Company issued warrants to purchase 20,000 shares of common stock with an exercise price of \$20 and a ten-year exercise period. The Company calculated the relative fair value of the warrants as \$141,844, using the Black Scholes Model based on the following assumptions: (1) risk free interest rate of 2.46%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 246%; and (4) an expected life of 10 years. The fair value of the warrants was charged to expense as finance cost. During the three months ended September 30, 2019 the maturity date was extended to November 21, 2019. The Company also received additional proceeds of \$91,500. As consideration for the additional extension of the maturity date and the additional proceeds, the Company issued warrants to purchase 5,000 shares of common stock with an exercise price of \$20 and a ten-year exercise period. The Company calculated the relative fair value of the warrants as \$17,734, using the Black Scholes Model based on the following assumptions: (1) risk free interest rate of 1.49%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 255%; and (4) an expected life of 10 years. The fair value of the warrants was charged to expense as finance cost. During the three months ended December 31, 2019 the maturity date was extended to January 30, 2020. The Company also received additional proceeds of \$230,100. As consideration for the additional extension of the maturity date and the additional proceeds, the Company issued warrants to purchase 200,000 shares of common stock with an exercise price of \$0.16 and a ten-year exercise period. The Company calculated the relative fair value of the warrants as \$31,999, using the Black Scholes Model based on the following assumptions: (1) risk free interest rate of 1.49%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 255%; and (4) an expected life of 10 years. The fair value of the warrants was charged to expense as finance cost. As of the date of filing, the note is being further negotiated to extend the maturity date.

The Company is using the proceeds of the Note and related amendments for working capital purposes. Interest expense on the Note was \$182,425 and \$159,842 for the years December 31, 2019 and 2018, respectively. Accrued interest on the Note was \$444,326 and \$261,901 at December 31, 2019 and 2018, respectively.

During May 2019 Dais Holdings Corp. (Dais Holdings") was formed in Vancouver, B.C. and is wholly owned by our Chief Executive Officer. Dais Holdings' purpose is to facilitate debt financing in Europe. The intent is for Dais Holdings to enter into the debt transactions. It will then immediately loan any proceeds received to the Company on the same or similar terms as the European debt. To date, Dais Holdings has not entered into any transactions and Dais Corporation has not received any funding from Dais Holdings. The Company has paid the professional and other fees for setting up the Dais Holdings structure, aggregating \$150,000. Ultimately, Dais Corporation will benefit from the Dais Holdings capital raise activities, and therefore has borne the cost. The costs have been expensed as incurred.

On October 12, 2019, the Company entered into a promissory note with an entity controlled by our Chief Executive Officer in the amount of \$10,000. The note bears interest at 10% per year and matures on October 12, 2021. Accrued interest at December 31, 2019 is \$150.

On February 27, 2015, the Company, and Timothy N. Tangredi, the Company's Chief Executive Officer entered into an amendment (the "Tangredi Employment Agreement 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 as described above. The Tangredi Employment Agreement 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 to Mr. Tangredi a cash payment equal to 20% of the compensation income incurred because of the conversion. The Company has waived the conversion requirement from 2015 to the present. See Note 12 Commitments and Contingencies for further disclosure of the terms of Mr. Tangredi's employment agreement.

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 the voting equity interests of the Company or a person or group initiate a tender offer for the Company's common stock, Mr. Tangredi may convert unpaid compensation into Class A Convertible Preferred Stock ("Class A Preferred Stock") of the Company at a conversion price of \$1.50 per share. The Board of Directors waived the requirement to convert \$100,000 of unpaid compensation into common stock during 2016. No amounts have been converted under the terms of the Tangredi Employment Agreement Amendment to date.

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 7. Equity Transactions

Preferred Stock

At December 31, 2019 and 2018, the Company's Board of Directors has authorized 10,000,000 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.

2,000,000 of the shares of preferred stock has been designated as Class A Preferred Stock. The 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.

10,000 of the shares of preferred stock has been designated as Class B Preferred Stock. The 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 B Stock includes the right to vote in an amount equal to 51% of the votes to approve certain corporate actions, including, without limitation, changing the name of the Company and increasing the number of authorized shares.

On November 1, 2018, the Company issued ten shares of Class B Redeemable Preferred Stock par value \$0.01 per share ("Class B Stock") having a stated value of \$1.50 per share to Timothy N. Tangredi, the Company's Chief Executive Officer, in exchange for \$15, pursuant to approval of the Board of Directors of the Company.

Upon any liquidation, dissolution or winding up of the Company, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Class A or Class B Preferred Stock unless, prior thereto, the holders of shares of Class A or Class B Preferred Stock shall have received \$1.50 per share (the "Stated Amount"). The Class A and Class B Preferred Stock shall rank, with respect to the payment of liquidation, dividends and the distribution of assets, senior to the Company's Common Stock.

The Holder (as defined in the Class A Preferred Stock certificate of designations) of the Class A Preferred Stock may convert all or part of the outstanding and unpaid Stated Amount (as defined in the Class A Preferred Stock certificate of designations) into fully paid and non-assessable shares of the Company's common stock at the Conversion Price (as defined in the Class A Preferred Stock certificate of designations). The number of shares receivable upon conversion equals the Stated Amount divided by the Conversion Price. The Conversion Price shall be equal to the 75% of the average closing price for the 30 trading days prior to the election to convert. At no time will the Company convert any of the Stated Amount into common stock if that would result in the Holder beneficially owning more than 49% of the sum of the voting power of the Company's outstanding shares of common stock plus the voting power of the Class A Preferred Stock. No shares of Class A Preferred Stock have been issued.

The shares of the Class B Preferred Stock shall be automatically redeemed by the Company at \$0.01 per share on the date that Timothy N. Tangredi ceases, for any reason, to serve as an officer, director, or consultant of the Company.

Common Stock

At December 31, 2019, the Company's Board of Directors has authorized 1,100,000,000 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.

On November 2, 2018, the shareholders of the Company approved an increase in the authorized common shares of the company from 240,000,000 shares to 340,000,000 shares. On March 14, 2019, the shareholders approved an increase in authorized common shares from 340,000,000 shares to 1,100,000,000 shares. In July 2019, the shareholders of the Company approved a reverse stock split of the issued and outstanding shares of the Company's common stock at the ratio ranging from one-for-500 to one-for-2,000. On October 31, 2019, the Company amended its Certificate of Incorporation to reflect a one-for-2,000 reverse stock split of the Company's common stock. The reverse split was effective December 6, 2019. All share and per share data have been retroactively restated in the accompanying financial statements and footnotes to reflect the effects of the reverse split.

2019 Transactions:

During the year ended December 31, 2019, the Company issued 203,020 shares of common stock with a value of \$954,646 upon the conversion of \$286,960 principal amount of notes and related accrued interest and costs of \$41,051.

During the year ended December 31, 2019, the Company issued 550 shares of common stock, valued at \$10,000, as a finance cost.

2018 Transactions:

On March 19, 2018, the parties amended the Loan and Security Agreement ("Thirteenth Amendment") whereby the Maturity Date of the Note was extended to the earlier of (i) the date upon which the Company secures funds, regardless of source, equal to or exceeding, in the aggregate, \$1,000,000 or (ii) April 10, 2018. The Company is further obligated to issue 10 shares of common stock valued at \$800. The obligations to issue shares of common stock were recorded as interest expense and current liabilities at December 31, 2018.

On April 23, 2018, the Company entered into a consulting agreement with an outside business consultant. Under the terms of the consulting agreement, services commenced on April 23, 2018 and continued for three months. The Company issued to the consultant 1,500 shares of common stock, valued at \$120,000. All shares earned under the agreement are considered earned in full and beneficially owned as of April 25, 2018.

On May 7, 2018, the parties amended the Loan and Security Agreement ("Fourteenth Amendment") whereby the Maturity Date of the Note was extended to the earlier of (i) the date upon which the Company secures funds, regardless of source, equal to or exceeding, in the aggregate, \$1,000,000 or (ii) May 22, 2018. The Company is further obligated to issue 10 shares of \$0.01 par value common stock valued at \$600. The obligations to issue shares of common stock were recorded as interest expense and current liabilities at December 31, 2018.

On May 15, 2018, the Company issued 1,000 shares of common stock as consideration towards past services rendered, valued at \$40,000, in accordance with the License and Supply Agreement with Zhejiang MENRED Environmental Tech Co, Ltd. effective December 21, 2017. The value of the shares issued was included in accrued expenses at December 31, 2017.

On June 15, 2018, the Company issued 1,500 shares of common stock, valued at \$180,000, pursuant to an agreement with an outside business consultant.

On June 20, 2018, the Company issued 74 shares of common stock, valued at \$8,925, as further incentive to an outside investor to issue a convertible note with a face amount of \$89,250. (See Note 8. - Convertible Notes Payable).

On July 11, 2018, the Company issued 100 shares of common stock, valued at \$14,000, as further incentive to an outside investor to issue a convertible note with a face amount of \$100,000. (See Note 8. - Convertible Notes Payable).

On July 31, 2018, the parties amended the Loan and Security Agreement (“Fifteenth Amendment”) whereby the Maturity Date of the Note was extended to the earlier of (i) the date upon which the Company secures funds, regardless of source, equal to or exceeding, in the aggregate, \$1,000,000 or (ii) August 22, 2018. The Company is further obligated to issue 10 shares of \$0.01 par value common stock valued at \$1,200. The obligations to issue shares of common stock were recorded as interest expense and current liabilities at December 31, 2018.

On October 1, 2018, the Company issued 100 shares of common stock, valued at \$6,000, as further incentive to an outside investor to continue to issue convertible notes.

On October 31, 2018, the parties amended the Loan and Security Agreement (“Fifteenth Amendment”) whereby the Maturity Date of the Note was extended to the earlier of (i) the date upon which the Company secures funds, regardless of source, equal to or exceeding, in the aggregate, \$1,000,000 or (ii) November 16, 2018. The Company is further obligated to issue 10 shares of \$0.01 par value common stock valued at \$600. The obligations to issue shares of common stock were recorded as interest expense and current liabilities at December 31, 2018.

On December 1, 2018, the Company issued 332 shares of common stock, valued at \$19,875, as further incentive to an outside investor to issue two convertible notes with a face amount of \$210,000. (See Note 7. - Convertible Notes Payable).

Note 8. Convertible Notes Payable

The Company’s convertible promissory notes at December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Convertible notes payable, bearing interest at 8- 10%	\$ 1,453,960	\$ 1,284,250
Unamortized debt discount	(101,899)	(440,315)
Unamortized deferred debt issuance cost	(5,848)	(34,738)
Total	1,346,213	809,197
Current portion	\$ 1,346,213	\$ 809,197

2019 Transactions

February 2019 Note

On February 20, 2019, the Company issued a convertible note with a face amount of \$155,000. The note and related accrued interest are convertible, at the option of the holder, into shares of the Company’s common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. The note bears interest at 8% per year and matures on February 20, 2020. The note contains original issue discount aggregating \$12,500 which is being amortized over the life of the note. The Company has also agreed to issue 1,100,000 shares of common stock with a value of \$10,000 in connection with the note. The shares have been valued at \$10,000. This cost will also be amortized over the life of the note. The Company received cash proceeds of \$142,500.

March 2019 Note

On March 26, 2019, the Company issued a convertible note with a face amount of \$78,750. The note and related accrued interest are convertible, at the option of the holder, into shares of the Company’s common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. The note bears interest at 8% per year and matures on March 7, 2020. The note included legal costs of \$3,750 which were deducted from the proceeds and which will be amortized over the life of the note. Proceeds of \$75,000 were used for legal fees and were disbursed directly to the attorney.

July 2019 Notes

On July 3, 2019, the Company issued a convertible note with a face amount of \$100,000. The note and related accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. The note bears interest at 8% per year and matures on July 3, 2020. The note included legal costs of \$5,000 which were deducted from the proceeds and which will be amortized over the life of the note. The Company received cash proceeds of \$95,000.

On July 18, 2019, the Company issued a convertible note with a face amount of \$78,750. The note and related accrued interest are convertible, at the option of the holder, into shares of the Company's common stock at a conversion price of 60% of the lowest trading price for 15 days prior to conversion. The note bears interest at 8% per year and matures on March 7, 2020. The note included legal costs of \$3,750 which were deducted from the proceeds and which will be amortized over the life of the note. Proceeds of \$75,000 were used for legal fees and were disbursed directly to the attorney.

During the year ended December 31, 2019, the Company amortized \$292,094 of debt discount and \$16,651 of debt issue costs to interest expense. At December 31, 2019, unamortized debt discount was \$101,899 and unamortized debt issue costs were \$5,848. Unamortized debt discount and debt costs of \$68,079 and \$3,295, respectively, were charged against gain on extinguishment of debt at the time of redemption.

2018 Notes

The company entered various convertible notes during 2018, aggregating \$1,041,460 at December 31, 2019. The notes all matured during 2019. Three notes that came due during the period were extended to August 15, 2019. Pursuant to the terms of the extensions, we have agreed to issue one million shares of common stock for each month that the notes are outstanding, commencing in April 2019. The shares have not been issued at December 31, 2019. We have accrued \$34,323 as interest expense during 2019 for the 13,000 shares due for the extensions. All notes are currently being renegotiated.

During the year ended December 31, 2019, the Company amortized \$372,236 of debt discount and \$31,443 of debt issue costs to interest expense. Unamortized debt discount and debt costs of \$68,079 and \$3,296, respectively, were charged against gain on extinguishment of debt at the time of redemption.

During 2018, the Company amortized \$343,882 of debt discount and \$38,803 of debt issue costs to interest expense. Unamortized debt discount and debt costs of \$134,219 and \$5,554, respectively, were charged against gain on extinguishment of debt at the time of redemption. At December 31, 2018, unamortized debt discount was \$440,315 and unamortized debt issue costs were \$34,738.

Debt conversions

During the year ended December 31, 2019, the Company issued 203,020 shares of common stock with a value of \$954,646 upon the conversion of \$286,960 principal amount of notes and related accrued interest and costs of \$41,051. The Company also made a cash payment of \$33,680 against principal. In addition, \$755,794 of derivative liability was extinguished. The company recorded gain on extinguishment of debt of \$57,784.

Note 9. Derivative Liabilities

The Company has identified certain embedded derivatives related to its convertible notes. Since the notes are convertible into a variable number of shares or have a price reset feature, the conversion features of those notes are recorded as derivative liabilities. The accounting treatment of derivative financial instruments requires that the Company record fair value of the derivatives as of the inception date and to adjust to fair value as of each subsequent balance sheet date.

2019 Notes

February 2019 Note

The Company identified embedded derivatives related to the conversion features of the February 2019 Note. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the note and to adjust the fair value as of each subsequent balance sheet date. The Company calculated the fair value of the embedded derivative at the inception of the note as \$213,517, using the Black Scholes Model based on the following assumptions: (1) risk free interest rate of 2.54%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 240%; and (4) an expected life of 1 year. The initial fair value of the embedded debt derivative was allocated \$142,500 as debt discount, which will be amortized to interest expense over the original term of the note, with the balance of \$71,017 charged to expense at issue date as non-cash interest expense.

March 2019 Note

The Company identified embedded derivatives related to the conversion features of the March 2019 Note. The Company calculated the fair value of the embedded derivative at the inception of the note as \$103,009, using the Black Scholes Model based on the following assumptions: (1) risk free interest rate of 2.4%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 223%; and (4) an expected life of 11 months. The initial fair value of the embedded debt derivative was allocated \$78,750 as debt discount, which will be amortized to interest expense over the original term of the note, with the balance of \$24,259 charged to expense at issue date as non-cash interest expense.

June 2019 Derivative Addition

On June 5, 2019, a note that previously had a fixed conversion price became a variable conversion price note. As a result, we have recorded a derivative liability on that date. The Company calculated the fair value of the embedded derivative as \$205,808, using the Black Scholes Model based on the following assumptions: (1) risk free interest rate of 2.35%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 311%; and (4) an expected life of 3 months. This amount has been charged to expense as non-cash interest expense.

July 2019 Notes

The Company identified embedded derivatives related to the conversion features of the July 3, 2019 Note. The Company calculated the fair value of the embedded derivative at the inception of the note as \$81,494, using the Black Scholes Model based on the following assumptions: (1) risk free interest rate of 2.54%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 240%; and (4) an expected life of 1 year. The initial fair value of the embedded debt derivative was allocated \$81,494 as debt discount, which will be amortized to interest expense over the original term of the note.

The Company identified embedded derivatives related to the conversion features of the July 18, 2019 Note. The Company calculated the fair value of the embedded derivative at the inception of the note as \$166,842, using the Black Scholes Model based on the following assumptions: (1) risk free interest rate of 2.01%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 312%; and (4) an expected life of 7.5 months. The initial fair value of the embedded debt derivative was allocated \$78,750 as debt discount, which will be amortized to interest expense over the original term of the note, with the balance of \$88,092 charged to expense at issue date as non-cash interest expense.

The Company has recorded additions to the derivative conversion liabilities related to the conversion feature attributable to interest accrued during the period. These additions totaled \$82,154 for the year ended December 31, 2019 and were charged to interest expense.

During the year ended December 31, 2019, the Company recorded expense of \$534,539 related to the change in the fair value of the derivatives. The fair value of the embedded derivative was \$1,506,684 at December 31, 2019, determined using the Black Scholes Model with the following assumptions: (1) risk free interest rate of 1.51% - 1.6%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 537% - 751%; and (4) an expected life of 2 - 6 months.

During the year ended December 31, 2019, the Company issued 25,079 shares of common stock upon the conversion of \$9,800 principal amount of notes and related accrued interest and costs of \$3,600. As a result of the conversions and payment, derivative liability in the amount of \$47,372 was extinguished. We recorded gain on extinguishment of debt of \$57,784 during 2019.

2018 Notes

The Company identified embedded derivatives related to the conversion features of the various 2018 notes. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the Dais derivatives as of the inception date of the note and to adjust the fair value as of each subsequent balance sheet date.

The Company has recorded additions to the derivative conversion liabilities related to the conversion feature attributable to interest accrued during the periods. These additions totaled \$92,608 and 51,734 for the years ended December 31, 2019 and 2018, respectively, and were charged to interest expense.

During the year ended December 31, 2019, the Company recorded expense of \$178,413 related to the change in the fair value of the derivatives. The fair value of the embedded derivative was \$842,787 at December 31, 2019, determined using the Black Scholes Model with the following assumptions: (1) risk free interest rate of 1.6%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 537%; and (4) an expected life of 6 months.

During the year ended December 31, 2018, the Company recorded expense of \$322,383 related to the change in the fair value of the derivatives. The fair value of the embedded derivative was \$1,280,188 at December 31, 2018, determined using the Black Scholes Model with the following assumptions: (1) risk free interest rate of 2.56% - 2.63%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 217% - 232%; and (4) an expected life of 5 - 11 months.

During the year ended December 31, 2019, the Company issued 177,941 shares of common stock upon the conversion of \$277,160 principal amount of notes and related accrued interest and costs of \$37,451 and made a cash principal payment of \$33,680. As a result of the conversions and payment, derivative liability in the amount of \$708,422 was extinguished.

Note 10. Stock Options and Warrants

Options

In June 2000 and November 2009, the Company’s Board of Directors adopted, and the shareholders approved, the 2000 Plan and 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 5,547 and 7,500 shares of common stock to be issued pursuant to the 2000 Plan and the 2009 Plan, respectively. On February 27, 2015, the shareholders approved the Dais Analytic Corporation 2015 Stock Incentive Plan (the “2015 Plan”). The number of shares of common stock reserved for issuance under the 2015 Plan is 5,000. The Plans and the 2015 Plan permit grants of options to purchase common shares authorized and approved by the Company’s Board of Directors. The shares authorized by the Plans have been reduced pursuant to the one-for-2,000 reverse stock split effective December 6, 2019.

There were no stock options issued during the year ended December 31, 2019 and 2018.

The following summarizes the information relating to outstanding stock options activity during 2019 and 2018:

	Common Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	13,446	\$ 500.00	6.42	\$ -
Granted	-	-	-	-
Forfeited or expired	(1,000)	320.00	-	-
Outstanding at December 31, 2018	12,446	343.37	5.5	\$ -
Granted	-	-	-	-
Forfeited or expired	(1,932)	837.15	-	-
Outstanding at December 31, 2019	10,514	\$ 252.61	5.5	\$ -
Exercisable at December 31, 2019	10,514	\$ 252.61	5.5	\$ -

Stock compensation expense related to options was \$0 for the years ended December 31, 2019 and 2018. As of December 31, 2019, there was no unrecognized employee stock-based compensation expense related to non-vested stock options.

Warrants

At December 31, 2019, 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:

	Number of Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
Warrants at December 31, 2017	13,730	9.29	\$ 60.00
Granted	-	-	-
Forfeited or expired	(605)	-	960.00
Warrants at December 31, 2018	13,125	8.70	\$ 20.00
Granted	226,000	-	2.44
Forfeited or expired	-	-	-
Warrants at December 31, 2019	239,125	9.77	\$ 3.41

Note 11. Deferred Revenue

In December 2017, the Company and Zhejiang MENRED Environmental Tech Co, Ltd., Zhejiang Province, China (“Menred”), entered into a License and Supply Agreement (the “License and Supply Agreement”), effective December 21, 2017. Pursuant to the License and Supply Agreement, the Company licensed certain intellectual property and improvements to Menred, 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 China. Menred also agreed to purchase its requirements of certain products from the Company for Menred’s use, pursuant to the terms and conditions of the License and Supply Agreement. Menred will also pay royalties, as defined, to the Company on a quarterly basis, based on price and production volume as provided by Menred. No royalties are due within the first year of the License and Supply Agreement. Also pursuant to the License and Supply Agreement, the Company is required to purchase 50,000 square meters of Product from Menred for delivery as an annual minimum with a 10,000 square meter minimum order quantity per delivery. The License and Supply Agreement has a ten-year term with mutually agreed upon five-year extensions.

The Company recognized license revenue of \$50,000 for each of the years ended December 31, 2019 and 2018. Deferred revenue for the agreement was \$398,656 and \$448,656 at December 31, 2019 and 2018, respectively. The Company recognized royalty revenue of \$25,000 and \$0 for the years ended December 31, 2019 and 2018, respectively.

Note 12. 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.

The Company entered into an amended and restated employment agreement with Mr. Timothy N. Tangredi, the Company's 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 the Company's yearly revenue compared to the Company's 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 the board of directors or compensation committee (if applicable). Additionally, at the discretion of the Company's 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 six weeks of paid time off 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 the Company completes a secondary public offering, Mr. Tangredi will be granted an option to purchase up to 260 shares of the Company's 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, the Company's 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 the Company 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 the Company's confidential information and solicitation of employees, which are similarly applicable to other executive officers. In addition the Company is obligated to indemnify Mr. Tangredi for any claims made against him in connection with his employment with the Company, to advance indemnification expenses, and maintain his coverage under the Company's directors' and officers' liability insurance policy.

Under the employment agreement, the Company and Mr. Tangredi have agreed that the Company 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 as described above. 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 to Mr. Tangredi a cash payment equal to 20% of the compensation income incurred because 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 than 40% of the then-outstanding voting power of the voting equity interests or a person or group initiates 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. The Board of Directors waived the requirement to convert \$100,000 of unpaid compensation into common stock during 2019 and 2018. No amounts have been converted under this agreement to date.

Litigation

From time to time, claims are made against the Company in the ordinary course of its 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 the Company 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 the Company's results of operations for that period or future periods.

In the third quarter of 2015, the Company commenced an action for the cancellation of the 37,500,000 shares issued to Soex (the "Shares") in connection with a Securities Purchase Agreement, dated January 21, 2014 ("Soex SPA"), and 3,750,000 shares issued to Zan Investment Advisory Limited ("Zan"), which is affiliated with Soex through Aifan Liu, who was appointed as a Company board observer by SOEX and her husband, Xinghong Hua. Sharon Han, General Manager and Chairwoman of Soex, served on our board pursuant to the provisions of the Soex SPA. Ms. Han resigned from the Board of Directors effective February 1, 2016.

On April 24, 2014, we entered into a Distribution Agreement (the "Distribution Agreement"), with Soex to distribute certain of the Company's products in China. As reported in the Company's Form 10-K for the year ended December 31, 2014 and filed with the Securities and Exchange Commission on April 1, 2015, the Company was entitled to receive, pursuant to the Distribution Agreement, royalties and a \$500,000 payment, of which \$50,000 has been received, that was due on or before October 24, 2014. Further, the Company reported it had not received any royalties from Soex. Soex is in breach of the Distribution Agreement.

As first reported in the Company's Form 10-Q for the quarter ended June 30, 2015, the Company began pursuing legal action against Soex for breach of the Soex SPA and Distribution Agreement. On July 8, 2015, the Company filed a lawsuit in state courts in Florida against Soex and Zan.

Pursuant to the Distribution Agreement, Soex is in material breach of the following:

- (1) Section 1(a) of the Distribution Agreement for Soex's failure to make a \$225,000 payment to the Company for the appointment of Soex as the exclusive distributor of the Products in the Field and Territory (the "Distribution Payment Default") in accordance with the terms set forth in the Distribution Agreement. Such payment was due on October 20, 2014 (the "Payment Date").
- (2) Section 8(b) of the Distribution Agreement for Soex's failure to make a \$225,000 payment to the Company for the grant of the license and right to manufacture, sell, lease and distribute Products (excluding manufacture of MTM), and to use the Intellectual Property in connection therewith (the "License Payment Default" and, together with the Distribution Payment Default, the "Payment Default") in accordance with the terms set forth in the Distribution Agreement. Such payment was due on the Payment Date.
- (3) Section 15(b) of the Distribution Agreement for Soex's failure to issue to the Company 25% of the equity (the "Equity Default") of SOEX (Beijing) Environmental Protection Technology Company Limited (the "China Subsidiary").

As a result of the above, we terminated the Soex Distribution Agreement. As provided in Section 14(c) of the Soex Distribution Agreement, the Company has the right to enforce any obligation due to us by Soex. As a result, Soex still must (a) pay the remaining \$450,000 due under the Distribution Agreement and the amount of Royalties due, plus interest at 1.5% per month (18% per year) with interest accruing from the date that payment was due and (b) issue to us 25% of the equity of SOEX (Beijing) Environmental Protection Technology Company Limited. As provided in Section 14(b), neither us nor Soex shall be liable for compensation, reimbursement or damages due to loss of profits on sales or anticipated sales or losses due to expenditures, investments or commitments made or in connection with the establishment, development or maintenance of the business.

The Soex Litigation was moved to the U.S. District Court for the Middle District of Florida where Soex has instituted a counterclaim (Civil Docket Case #: 8:15-CV-02362-MSS-EAJ). On September 19, 2018, a pre-trial conference was held in Tampa finding a trial date set for October 22, 2018. The trial for the original case was held between October 22 and 24, 2018. The jury at the conclusion of the trial did not award monetary damages to either party for claims or counterclaims.

On October 24, 2018, the Company initiated a third lawsuit against an affiliate of Soex, Zhongshan Trans-Tech New Material Technology Co. Ltd. Zhongshan, China, (“Transtech”), and the Chairperson of the affiliate and Soex, based on new information learned by the Company. The Company will seek maximum relief and damages for this on-going and growing illegal misuse the Company’s Intellectual Property. The Company feels this third action will lead in a judgment in favor of the Company.

Note 13. Income Taxes

The Company had, subject to limitation, approximately \$31,200,000 of net operating loss carryforwards at December 31, 2019, of which approximately \$27,700,000 will expire at various dates beginning in 2020 through 2037. In addition, the Company has research and development tax credits of approximately \$353,000 at December 31, 2019 available to offset future taxable income, which will expire from 2030 through 2037. We have provided a 100% valuation allowance for the deferred tax benefits resulting from the net operating loss carryover and our tax credits due to our lack of earnings history. In addressing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. The valuation allowance increased by approximately \$400,000 and \$600,000 for the years ended December 31, 2019 and 2018, respectively. Significant components of deferred tax assets and liabilities are as follows:

	2019	2018
Deferred revenue	\$ 101,000	\$ 114,000
Depreciation	4,000	6,000
Accrued compensation	504,000	477,000
Research and development credit	353,000	333,000
Accrued warranty and interest expense	132,000	86,000
Net operating loss carryforward	7,887,000	7,551,000
Valuation allowance	(8,981,000)	(8,567,000)
	<u>\$ -</u>	<u>\$ -</u>

A reconciliation of the federal statutory income tax rate to the Company’s effective income tax rate is as follows:

	December 31,	
	2019	2018
Federal statutory income tax rate	(21.0)%	(21.0)%
State income taxes, net of federal benefit	(4.3)	(4.3)
Permanent differences	15.5	6.3
Change in valuation allowance	9.8	19.0
Provision for income taxes	<u>0.0%</u>	<u>0.0%</u>

As of December 31, 2019, 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 2019 and prior years. However, the Company will complete the study prior to the utilization of any of its recorded net operating losses.

Income Tax returns remain open by statute, generally for the years 2016 through 2019.

Note 14. Subsequent Events

No material events have occurred after December 31, 2019 that requires recognition or disclosure in the financial statements except as follows:

On January 9, 2020, the principal amount due on the related party Senior Secured Promissory Note (described in Note 6) was increased to \$1,922,600 as part of the Twenty Second Amendment dated December 12, 2019.

On March 10, 2020, Tom Turner resigned from his position as a member of the board of directors of Dais Corporation (the “Company”), effective immediately. Mr. Turner did not resign as a result of any disagreement with the Company on any matter relating to the Company’s operations, policies or practices.

On March 11, 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. The extent of the public-health impact of the outbreak is currently unknown and rapidly evolving, and the related health crisis could adversely affect the global economy, resulting in an economic downturn. Any disruption of the Company’s facilities or those of our suppliers could likely adversely impact the Company’s operations. Currently, there is significant uncertainty relating to the potential effect of the novel coronavirus on our business.

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CERTIFICATE OF AMENDMENT
of
THE CERTIFICATE OF INCORPORATION
of
DAIS ANALYTIC CORPORATION

(Pursuant to Section 805 of the Business Corporation Law)

It is hereby certified that:

1. The name of the corporation is Dais Analytic Corporation (hereinafter called the "Corporation").
2. The Corporation's Certificate of Incorporation was filed by the Department of State on April 8, 1993 under the name The Dais Corporation (such certificate of incorporation, as amended and restated and in effect thereafter, the "Certificate of Incorporation").
3. This Certificate of Amendment (1) deletes the existing Section 3.1 of Article FOURTH of the Certificate of Incorporation and cancels the designated but unissued Series A-D Preferred Stock and (2) inserts an amended Section 3.1 of Article FOURTH of the Certificate of Incorporation to create a new series of Preferred Stock designated as the "Class A Preferred Stock."
4. To effect the foregoing, Article FOURTH of the Certificate of Incorporation, is amended to read in its entirety as follows:

FOURTH: Section 1. Authorized Capital. The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock;" and collectively referred to herein as the "Capital Stock." The total number of shares of Capital Stock which the Corporation shall have authority to issue shall be 210,000,000 shares, consisting of 200,000,000 shares of Common Stock, having a par value of \$0.01 per share, and 10,000,000 shares of Preferred Stock, having a par value of \$0.01 per share.

Section 2. Common Stock. Subject to any preferential or other rights granted to any series of Preferred Stock, the holders of shares of Common Stock shall be entitled to receive dividends out of funds of the Corporation legally available therefore, at the rate and at the time or times as may be provided by the Board of Directors and shall be entitled to receive distributions legally payable to stockholders on the liquidation of the Corporation. The holders of the Common Stock, on the basis of one vote per share, shall have the right to vote for the election of members of the Board of Directors of the Corporation and the right to vote on all other matters, except where a separate class or series of the Corporation's stockholders vote by class or series.

Section 3. Preferred Stock. Except as otherwise expressly prohibited by the provisions of this certificate of incorporation, shares of Preferred Stock may be issued from time to time in one or more classes or series in any manner permitted by law as determined from time to time by the Board of Directors (any such issuance to require the affirmative vote of a majority of the independent directors) and stated in the resolution or resolutions providing for the issuance thereof, prior to the issuance of any shares thereof. The Board of Directors shall have the authority to fix and determine, subject to the provisions hereof, the rights and preferences of the shares of any class or series so established.

Section 3.1 Designated Series of Preferred Stock. Of such 10,000,000 shares of Preferred Stock, 2,000,000 are hereby designated as "Class A Convertible Preferred Stock (the "Class A Preferred Stock").

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(a) Voting Rights. The holders of shares of Class A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, 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 Corporation

(B) Except as otherwise provided herein, in any other Certificate of Amendment creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Class A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Class A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

(b) Liquidation. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Class A Preferred Stock unless, prior thereto, the holders of shares of Class A Preferred Stock shall have received \$1.50 per share (the "Stated Amount"). The Class A Preferred Stock shall rank, with respect to the payment of liquidation, dividends and the distribution of assets, senior to the Corporation's Common Stock.

(c) Conversion. The Holder of the Class A Preferred Stock may convert all or part of the outstanding and unpaid Stated Amount into fully paid and non-assessable shares of the Corporation's Common Stock at the Conversion Price. The number of shares receivable upon conversion equals the Stated Amount divided by the Conversion Price. The Conversion Price shall be equal to the 75% of the average closing price for the 30 trading days prior to the election to convert. At no time will the Corporation convert any of the Stated Amount into Common Stock if that would result in the Holder beneficially owning more than 49% of the sum of the voting power of the Company's outstanding shares of Common Stock plus the voting power of the Class A Preferred Stock.

(d) Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Class A Preferred Stock shall, at the option of the Holder, (1) at the same time be similarly exchanged or changed into an amount of Common Stock at the Conversion Price or (2) payable in cash at the Stated Amount.

(e) No Redemption. The shares of Class A Preferred Stock shall not be redeemable by the Corporation.

5. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Class A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Class A Preferred Stock, voting together as a single class.

6. This amendment to the Certificate of Incorporation was authorized, pursuant to Section 502 of the New York Business Corporation Law and the Certificate of Incorporation, by a vote of the Board of Directors. Pursuant to Section 502 of the New York Business Corporation Law and the Certificate of Incorporation, no vote of the stockholders was necessary for adoption of this amendment.

The Board of Directors adopted resolutions on December 17, 2014 authorizing the amendment of the Certificate of Incorporation

The Certificate of Incorporation provides that the Board of Directors may, by delivering an appropriate Certificate of Amendment to the Department of State of the State of New York, fix the designation and number of shares of one or more series of Preferred Stock, and may establish all relative rights, preferences and limitations pertaining to such series, without the approval of the stockholders of the Corporation.



EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of August 17, 2015 (the "Effective Date"), by and between: (i) Dais Analytic Corporation, a Florida corporation (the "Company") and (ii) Brian C. Johnson, an individual (hereinafter referred to as "Employee"). The Company and Employee may be referred to hereinafter individually as a "Party" and collectively as the "Parties".

NOW THEREFORE, in consideration of the mutual covenants set forth below, and subject to the terms of this Agreement, the Company agrees to employ Employee, and Employee agrees to be employed by the Company as set forth in this Agreement.

1. DESCRIPTION OF POSITION AND DUTIES.

a. Position. Employee shall be employed as Chief Technology Officer of the Company and in such other capacities as may be mutually agreed upon by the Company and Employee. Employee may be removed or terminated by the Company's President or Board of Directors (the "Board") as outlined herein.

b. Essential Job Functions and Duties. During the Term of this Agreement, the Employee shall serve as Chief Technology Officer of the Company, shall report to the President of the Company, and is subject to the direction of the President and its Board. The Employee shall perform well, timely and faithfully all the duties and responsibilities customarily rendered by Chief Technology Officers of companies of similar size and nature and such other duties and responsibilities as may be delegated to him from time to time by the President or the Board in their sole discretion. Employee will devote substantially all of his professional time during the work week to the Company's business, except that Employee will be permitted to perform charitable work and to manage his personal and other business investments so long as such outside activities do not interfere with the performance of Employee's duties on behalf of Company. Employee shall notify the Company of any commercial activities. Employee shall commit such time to the Company as is necessary to perform his responsibilities and duties hereunder.

2. COMPENSATION TERMS.

a. Base Salary. Employee shall receive a base salary (the "Base Salary") of \$135,000 per year, in twelve equal monthly installments pursuant to Company's payroll practices. Employer will periodically review Employee's performance and determine whether increases in Employee's base salary are warranted.

b. Performance Bonus. In connection with each calendar year, partial or otherwise, in which Employee is employed by the Company, Employee may, at the discretion of the Board and President, receive a performance bonus.

c. Exempt Status. Employee understands that at all times he is employed as an "exempt employee" and, therefore, he is not entitled to overtime wages.

d. Expense Reimbursement. Employee shall be entitled to reimbursement of reasonably incurred expenses incurred in the performance of the functions and duties under this Agreement; *provided, however*, all expenses over \$500 shall require prior authorization of the President. In order to receive reimbursement, Employee must timely provide the Company with an itemized account of all expenditures, along with suitable receipts therefore and other support reasonably requested.

e. Benefits. Employee shall be entitled to participate in any benefits programs offered by the company on the same terms as all other executives of the company.



3. VACATION. Employee is entitled to up to four (4) weeks of paid vacation per year, which if unused shall not accrue. Vacation consisting of greater than five (5) business days shall be approved in advance.

4. TERM OF EMPLOYMENT. The Company agrees to continue Employee's employment, and Employee agrees to remain in the employ of the Company, pursuant to the terms of this Agreement from the Effective Date through February 29, 2016 (the "Initial Term"), unless Employee's employment is earlier terminated or modified pursuant to the provisions of this Agreement. Upon expiration of the Initial Term, this Agreement will be automatically extended for additional one-year terms unless Employee or the Company shall, upon 30 days written notice to the other, elect not to extend this Agreement for an additional one-year term. If this agreement is terminated pursuant to this Section 4, no matter which Party sends the written notice, it shall be considered to be a Voluntary Termination, as defined in Section 5.

5. TERMINATION.

a Events of Termination. The Employee's employment with the Company shall terminate upon any one of the following:

i. After the date of a written notice sent to Employee stating the Company's determination made in good faith that it is terminating Employee for "Cause" as defined under Section 5(b) below ("Termination for Cause");

ii. After the date of a written notice sent to Employee stating the Company's determination made in good faith that, due to a mental or physical incapacity, Employee has been unable to perform his duties under this Agreement for a period of at least twelve consecutive weeks ("Termination for Disability");

iii. Upon Employee's death ("Termination Upon Death");

iv. Thirty (30) days after the date of a notice sent to Employee stating that the Company is terminating his employment, without Cause, which notice can be given by the Company at the Company's sole discretion, for any reason or for no reason whatsoever ("Termination Without Cause"); or

v. The date of a notice sent to the Company from Employee stating that Employee is electing to terminate his employment with the Company ("Voluntary Termination").

b. "Cause Defined". For purposes of this Agreement, "Cause" for Employee's termination will exist at any time after the occurrence of one or more of the following events:

For the purposes of this agreement, For Cause shall mean:

i. your conviction of a crime involving moral turpitude;

ii. you become incapable of performing the duties of your employment with the Company due to loss or suspension of any license or certification required for the performance of those duties;

iii. conduct by you that constitutes fraud, embezzlement, or theft that occurs during or in the course of your employment with the Company;

iv. intentional damage by you to the Company's assets or property or the assets or property of the Company's customers, vendors, or employees;



v. intentional disclosure by you of the Company's confidential information during or in the course of your employment with the Company;

vi. intentional engagement by you in any activity which would constitute a breach of duty of loyalty to the Company;

vii. conduct by you that constitutes a willful and continued failure or refusal by you to substantially perform your duties for the Company (except as a result of incapacity due to physical or mental illness),

viii. your failure to comply with the Company's policies or practices despite having been advised and/or instructed regarding those policies or practices; or

ix. conduct by you that are demonstrably and materially injurious to the Company, monetarily or otherwise, including injury to the Company's reputation or conduct by you otherwise having an adverse affect upon the Company's interests.

c. "Termination Without Cause" shall mean termination of Employee's employment with the Company for any reason other than Cause.

d. Effect of Termination .

i. Termination for Cause or Voluntary Termination. In the event of any termination of Employee's employment pursuant to Section 5(a)(i) or Section 5(a)(v), the Company shall immediately pay to Employee the compensation and benefits accrued and otherwise payable to Employee under Section 2 through the date of termination. The Employee's rights under the Company's benefit plans of general application, if any, shall be determined under the provisions of those plans.

ii. Termination for Disability. In the event of termination of employment pursuant to Section 5(a)(ii):

A. the Company shall immediately pay to Employee the compensation and benefits accrued and otherwise payable to Employee under Section 2 through the date of termination; and

B. the Employee shall receive any other benefit payments as provided in the Company's standard benefit plans applicable to disability, if any.

iii. Termination Upon Death. In the event of termination of employment pursuant to Section 5(a)(iii), all obligations of the Company and Employee shall cease, except the Company shall immediately pay to Employee (or to Employee's estate) the compensation and benefits accrued and otherwise payable to Employee under Section 2 through the date of termination, if any.

iv. Termination Without Cause. In the event of any termination of this Agreement pursuant to Section 5(a)(iv), the Company shall immediately pay to Employee (i) the compensation and benefits accrued and otherwise payable to Employee under Section 2 through the date of termination plus (ii) a lump-sum severance amount consisting of one month of salary plus one additional month's salary for each full year of service (measured by each anniversary of the Effective Date) up to a maximum combined severance amount of four months of salary.



6. CONFIDENTIALITY; NON-COMPETITION; NON-SOLICITATION .

a. Covenants Regarding Confidential Information, Trade Secrets and Other Matters. Employee covenants and agrees as follows:

i. Definitions. For purposes of this Agreement, the following terms are defined as follows:

A. "Trade Secret" means all information possessed by or developed for the Company or any of its subsidiaries, including, without limitation, a compilation, program, device, method, system, technique or process, to which all of the following apply: (i) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) the information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

B. "Confidential Information" means information, to the extent it is not a Trade Secret, which is possessed by or developed for the Company or any of its subsidiaries and which relates to the Company's or any of its subsidiaries' existing or potential business or technology, which information is generally not known to the public and which information the Company or any of its subsidiaries seeks to protect from disclosure to its existing or potential competitors or others, including, without limitation, for example: business plans, strategies, existing or proposed bids, costs, technical developments, clients, existing or proposed research projects, financial or business projections, investments, marketing plans, negotiation strategies, training information and materials, information generated for client engagements and information stored or developed for use in or with computers. Confidential Information also includes information received by the Company or any of its subsidiaries from others which the Company or any of its subsidiaries has an obligation to treat as confidential.

ii. Nondisclosure of Confidential Information. Except as required in the conduct of the Company's or any of its subsidiaries' business or as expressly authorized in writing on behalf of the Company or any of its subsidiaries, Employee shall not use or disclose, directly or indirectly, any Confidential Information during the period of his employment with the Company. In addition, following the termination for any reason of Employee's employment with the Company, Employee shall not use or disclose, directly or indirectly, any Confidential Information. This prohibition also does not prohibit Employee's use of general skills and know-how acquired during and prior to employment by the Company, as long as such use does not involve the use or disclosure of Confidential Information or Trade Secrets.

iii. Trade Secrets. During Employee's employment by the Company, Employee shall do what is reasonably necessary to prevent unauthorized misappropriation or disclosure and threatened misappropriation or disclosure of the Company or any of its subsidiaries' Trade Secrets and, after termination of employment, Employee shall not use or disclose the Company or any of its subsidiaries' Trade Secrets as long as they remain, without misappropriation, Trade Secrets.

iv. Exceptions. The provisions of paragraphs (ii) and (iii) above will not be deemed to prohibit any disclosure that is required by law or court order, provided that Employee has not intentionally taken actions to trigger such required disclosure and, so long as not prohibited by any applicable law or regulation, the Company is given reasonable prior notice and an opportunity to contest or minimize such disclosure.

b. Non-Competition.

i. During Employment. During Employee's employment hereunder, Employee shall not engage, directly or indirectly, as an employee, officer, director, partner, manager, consultant, agent, owner or in any other capacity, in any competition with the Company or any of its subsidiaries and agrees not to solicit any customer or prospective customer, and vendor or prospective vendor of the Company or any of its subsidiaries. .



ii. Subsequent to Employment. For a period of one year following the termination of Employee's employment for any reason or without reason, Employee shall not in any capacity, whether in the capacity as an employee, officer, director, partner, manager, consultant, agent or owner, directly or indirectly advise, manage, render or perform services to or for any person or entity which is engaged in a business competitive to that of the Company or any of its subsidiaries and agrees not to solicit any customer or prospective customer of the Company or any of its subsidiaries.

c. Non-solicitation. For a period of eighteen (18) months following the termination of Employee's employment for any reason or without reason, Employee shall not solicit or induce any person who is a customer or prospective customer, is a vendor or prospective vendor, is an employee or independent contractor of the Company or any of its subsidiaries to leave their employment or in any way alter their working relationship with the Company or any of its subsidiaries.

d. Return of Documents. Immediately upon termination of employment, Employee will return to the Company or any of its subsidiaries, and so certify in writing to the Company, all the Company or any of its subsidiaries' papers, documents and things, including information stored for use in or with computers and software applicable to the Company or any of its subsidiaries' business (and all copies thereof), which are in Employee's possession or under Employee's control, regardless whether such papers, documents or things contain Confidential Information or Trade Secrets. The Company shall have the option to withhold the Employee's final paycheck until all documents are returned.

e. No Conflicts. To the extent that they exist, Employee will not disclose to the Company or any of its subsidiaries any of Employee's previous employer's confidential information or trade secrets. Further, Employee represents and warrants that Employee has not previously assumed any obligations inconsistent with those of this Agreement and that employment by the Company does not conflict with any prior obligations to third parties. In addition, Employee and the Company agree that it is important for any prospective employer to be aware of this Agreement, so that disputes concerning this Agreement can be avoided in the future. Therefore, Employee agrees that, following termination of employment with the Company, the Company or any of its subsidiaries may forward a copy of this Agreement (and any related Exhibits hereto) to any future prospective or actual employer, and Employee releases the Company or any of its subsidiaries from any claimed liability or damage caused to Employee by virtue of the Company's act in making that prospective or actual employer aware of this Agreement (and any related Exhibits hereto).

f. Agreement on Fairness. Employee acknowledges that: (i) this Agreement has been specifically bargained between the parties and reviewed by Employee; (ii) Employee has had an opportunity to obtain legal counsel to review this Agreement; and (iii) the covenants made by and duties imposed upon Employee hereby are fair, reasonable and minimally necessary to protect the legitimate business interests of the Company, and such covenants and duties will not place an undue burden upon Employee's livelihood in the event of termination of Employee's employment by the Company and the strict enforcement of the covenants contained herein.

g. Equitable Relief and Remedies. Employee acknowledges that any breach of Section 6 or Section 7 of this Agreement will cause substantial and irreparable harm to the Company or any of its subsidiaries for which money damages would be an inadequate remedy. Accordingly, notwithstanding the other provisions of this Agreement, the Company or any of its subsidiaries shall in any such event be entitled to seek injunctive and other forms of equitable relief to prevent such breach and the prevailing party shall be entitled to recover from the other, the prevailing party's costs (including, without limitation, reasonable attorneys' fees) incurred in connection with enforcing this Agreement, in addition to any other rights or remedies available at law, in equity or by statute.



7. INTELLECTUAL PROPERTY.

a. General Provisions. Employee acknowledges that the Company possesses and will continue to possess information that has been created, discovered, or developed by the Company (including, without limitation, information created, discovered, or developed by the Employee that arises out of the Employee's relationship with the Company) and/or in which property rights have been assigned or otherwise conveyed to the Company, which information has commercial value in the business in which the Company is or may become engaged. All of the aforementioned information is hereinafter called "Intellectual Property". By way of illustration, but not limitation, Intellectual Property includes, whether or not patentable, trade secrets, processes, developments, ideas, structures, formulas, data, know-how, improvements, modification, inventions, product concepts, techniques, marketing plans, strategies, forecasts, customer lists, information regarding products, designs, methods, systems, software programs, copyrightable works, discoveries, trademarks, copyrights works of authorship, projects, plans and proposals, information about the Company's Employees and/or consultants (including, without limitation, the compensation, job responsibilities and job performance of such Employees and/or consultants). For the purpose of this Agreement inventions shall include, but not be limited to, discoveries, concepts, and ideas, whether patentable or not, including but not limited to, devices, processes, methods, formulae, designs, techniques, and any improvements or modifications to the foregoing.

b. Ownership of Intellectual Property. All Intellectual Property shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents, copyrights and other rights in connection therewith. The Employee hereby assigns to the Company or to any person, or entity designated by the Company, any and all rights and interest the Employee has or may acquire to Intellectual Property made or conceived by the Employee, solely or jointly, or in whole or in part, during the Term hereof. Any Intellectual Property create and/or reduced to practice by the Employee within one year following the termination of his employment shall be presumed to have been created and/or reduced to practice under this Agreement unless proven otherwise. At all times both, before and during the Term of this Agreement and after its termination, Employee agrees to keep in confidence and trust all Intellectual Property and anything directly or indirectly relating to it. The Employee will not during or after the Term of his employment by the Company, in whole or in part, disclose, publish or make accessible such Intellectual Property which Employee may now possess, may obtain during or after employment or may create prior to the end of his employment, to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, nor shall the Employee make use of any such Intellectual Property for his own purposes or for the benefit of any person, firm, corporation or other entity (except the Company) under any circumstances during or after the Term of his employment.

c. Disclosure of Intellectual Property. Employee will promptly disclose to the Company, or any persons designated by it, all Intellectual Property made or conceived or reduced to practice or learned or proposed by Employee, either alone or jointly with others, during the Term of this Agreement which is in any way related to or useful in the actual, anticipated or potential businesses of the Company, or the result of tasks assigned to the Employee by the Company or resulting from use of premises or equipment owned, leased or contracted for by the Company.



d. Assignment of and Assistance With Regard To Intellectual Property. Employee hereby assigns to the Company any rights the Employee may have or acquire in any and all Intellectual Property and agrees that any and all Intellectual Property shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents, copyrights and other rights in connection therewith. Employee further agrees to assist the Company in every proper way (but at the Company's expense) to obtain and from time to time enforce patents, copyrights or other rights on said Intellectual Property in any and all countries, and to that end Employee will execute all documents necessary:

1. To apply for, obtain and vest in the name of the Company (unless the Company otherwise directs) letters patent, copyrights or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same; and

2. To defend, at the Company's expense, any opposition proceedings in respect of such applications and any opposition proceedings or petitions or applications for revocation of such letters patent, copyright or other analogous protection.

e. Designation of Attorney-in-Fact. In the event the Company is unable, after reasonable effort, to secure Employee's signature on any letters patent, copyright or other analogous protection relating to Intellectual Property because of the Employee's physical or mental incapacity the Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney-in-fact, to act for and in Employee's behalf and stand to execute and file any such application or applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent, copyright or other analogous protection thereon with the same legal force and effect as is executed by Employee. Employee's obligation to assist the Company in obtaining and enforcing patents and copyrights for Intellectual Property in any and all countries shall continue beyond the expiration or termination of this Agreement, but the Company shall compensate the Employee at a reasonable and customary rate after such termination for time actually spent by the Employee at the Company's request on such assistance.

f. Work for Hire. Employee acknowledges that all original works of authorship which are made by him (solely or jointly with others) within the scope of this Agreement and which are protectable by copyright are being created at the instance of the Company and are "works for hire", as that term is defined in the United States Copyright Act (17 USC Section 101). If such laws are inapplicable or in the event that such works, or any part thereof, are determined by a court of competent jurisdiction not to be a work made for hire under the United States copyright laws, this Agreement shall operate granting to Company an irrevocable right, title and interest (including, without limitation all rights in and to the copyrights throughout the world, including the right to prepare derivative works and the right to all renewals and extensions) in the Works in perpetuity.

8. MISCELLANEOUS PROVISIONS.

a. Necessary Acts. Each Party to this Agreement agrees to perform any further acts and execute and deliver any further documents that may be reasonably necessary to carry out the provisions of this Agreement.

b. Entire Agreement; Modifications; Waiver. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter contained in it. This Agreement supersedes all prior and contemporaneous agreements, representations, and understandings of the Parties. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by all the Parties. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the Party making the waiver.

c. No Assignment. This Agreement and all rights hereunder are personal to Employee and may not be transferred or assigned by Employee at any time. The Company may assign its rights, together with its obligations hereunder, to any parent, subsidiary, affiliate or successor, or in connection with any sale, transfer or other disposition of all or substantially all of its business and assets, provided, however, that any such assignee assumes the Company's obligations hereunder.



d. Withholding. All sums payable to Employee hereunder shall be reduced by all federal, state, local and other withholding and similar taxes and payments required by applicable law.

e. Notices.

All notices and other communications required or permitted hereunder shall be in writing and shall be effective when delivered personally, or sent by facsimile machine or email, provided that a copy is mailed by registered mail, return receipt requested, or when received by the addressee, if sent by Federal Express or other express delivery service (receipt requested) in each case to the appropriate address set forth below:

If to the Company :

Dais Analytic Corporation
11552 Prosperous Drive
Odessa, Florida 33556
Attention: Timothy N. Tangredi
E-mail: tntangredi@daisanalytic.com

If to Employee :

Brian C. Johnson
3603 W Morrison Ave
Tampa, FL 33629
E-mail: bjohnson@tampabay.rr.com

f. Severability. If any provision of this Agreement is invalid, illegal, or unenforceable, the balance of this Agreement shall remain in effect. If any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances.

g. Headings. The headings contained in this Agreement are for reference purposes only and shall in no way affect the meaning or interpretation of this Agreement.

h. Dispute Resolution. The subject matter of this Agreement shall be governed by and construed in accordance with the laws of the State of Florida (without reference to its choice of law principles), and to the exclusion of the law of any other forum, without regard to the jurisdiction in which any action or special proceeding may be instituted. EACH PARTY HERETO AGREES TO SUBMIT TO THE PERSONAL JURISDICTION AND VENUE OF THE STATE AND/OR FEDERAL COURTS LOCATED IN PASCO COUNTY, FLORIDA FOR RESOLUTION OF ALL DISPUTES ARISING OUT OF, IN CONNECTION WITH, OR BY REASON OF THE INTERPRETATION, CONSTRUCTION, AND ENFORCEMENT OF THIS AGREEMENT, AND HEREBY WAIVES THE CLAIM OR DEFENSE THEREIN THAT SUCH COURTS CONSTITUTE AN INCONVENIENT FORUM. AS A MATERIAL INDUCEMENT FOR THIS AGREEMENT, EACH PARTY SPECIFICALLY WAIVES THE RIGHT TO TRIAL BY JURY OF ANY ISSUES SO TRIABLE.

i. Attorney's Fees. Should any Party hereto employ an attorney for the purpose of enforcing or constituting this Agreement, or any judgment based on this Agreement, in any legal proceeding whatsoever, including insolvency, bankruptcy, arbitration, declaratory relief or other litigation, the prevailing party shall be entitled to receive from the other Party or Parties thereto reimbursement for all reasonable attorneys' fees and all reasonable costs, including but not limited to service of process, filing fees, court and court reporter costs, investigative costs, expert witness fees, and the cost of any bonds, whether taxable or not, and that such reimbursement shall be included in any judgment or final order issued in that proceeding. The "prevailing party" means the party determined by the court to most nearly prevail and not necessarily the one in whose favor a judgment is rendered.



j. Execution of the Agreement. The Company, the party executing this Agreement on behalf of the Company, and Employee, have the requisite corporate power and authority to enter into and carry out the terms and conditions of this Agreement, as well as all transactions contemplated hereunder. All corporate proceedings have been taken and all corporate authorizations and approvals have been secured which are necessary to authorize the execution, delivery and performance by the Company and Employee of this Agreement. This Agreement has been duly and validly executed and delivered by the Company and Employee and constitutes a valid and binding obligation, enforceable in accordance with the respective terms herein. Upon delivery of this Agreement, this Agreement, and the other agreements and exhibits referred to herein, will constitute the valid and binding obligations of Company, and will be enforceable in accordance with their respective terms.

k. Exclusive Agreement. This Agreement is the only agreement executed by and between the Parties related to the subject matter described herein. There are no additional oral agreements or other understandings related to the subject matter described herein. This Agreement shall be deemed to have been drafted jointly by the Parties hereto, and no inference or interpretation against any one Party shall be made solely by virtue of such Party allegedly having been the draftsman of this Agreement.

l. Acknowledgments and Assent. The Parties acknowledge that they have been given adequate time to consider this Agreement and that they had the time and opportunity to consult with an independent attorney prior to signing this Agreement. The Parties agree that they have read this Agreement and understand the content herein, and freely and voluntarily assent to all of the terms herein. The Parties have each conducted sufficient and appropriate due diligence with respect to the facts and circumstances surrounding and related to this Agreement and the other Party. The Parties expressly disclaim all reliance upon, and prospectively waive any fraud, misrepresentation, negligence or other claim based on information supplied by the other Party, in any way relating to the subject matter of this Agreement.

m. Counterparts and Fax Signatures. This Agreement may be executed by .pdf and in one or more counterparts, each of which shall be deemed to be an original but all of which, taken together, constitute one and the same agreement.

*****SIGNATURE PAGE FOLLOWS*****



SIGNATURE PAGE

IN WITNESS WHEREOF the Parties have executed this Employment Agreement effective as of the day and year first above written.

EMPLOYEE

COMPANY

BRIAN C. JOHNSON

DAIS ANALYTIC CORPORATION

By: _____
Brian C. Johnson
An individual

By: _____
Tim Tangredi
Its: President and Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy N. Tangredi, certify that:

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

Date: June 1, 2020

/s/ Timothy N. Tangredi

Timothy N. Tangredi
President, Chief Executive Officer
and Principal Executive Officer
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy N. Tangredi, certify that:

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

Date: June 1, 2020

/s/ Timothy N. Tangredi

Timothy N. Tangredi
President, Chief Executive Officer and
Principal Executive Officer
(Principal Financial and Accounting Officer)

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

In connection with the Annual Report on Form 10-K of Dais Corporation, a New York corporation (the "Company") for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Timothy N. Tangredi, President, Chief Executive Officer, Principal Executive Officer and Principal Financial and Accounting Officer of Dais Corporation, do hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) that:

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

Date: June 1, 2020

/s/ Timothy N. Tangredi

Timothy N. Tangredi

President, Chief Executive Officer and

Principal Executive Officer

(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Dais Corporation, and will be retained by Dais Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

In connection with the Annual Report on Form 10-K of Dais Corporation, a New York corporation (the "Company") for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Timothy N. Tangredi, President, Chief Executive Officer, Principal Executive Officer and Principal Financial and Accounting Officer of Dais Corporation, do hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) that:

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

Date: June 1, 2020

/s/ Timothy N. Tangredi

Timothy N. Tangredi

President, Chief Executive Officer

and Principal Executive Officer

(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Dais Corporation, and will be retained by Dais Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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