DAIS ANALYTIC CORP
Form 10-K
April 01, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2014

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

For the transition period from_____to_____

Commission file number: 000-53554

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Documents incorporated by reference: none

DAIS ANALYTIC CORPORATION

FORM 10-K

TABLE OF CONTENTS

2

PART I

FORWARD-LOOKING STATEMENTS

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

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

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

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

these forward-looking statements.

ITEM 1. BUSINESS.

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

Formation History

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

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

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

Recent Developments

Securities Purchase Agreement with Strategic Investors

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

Largest Aqualyte Order and Initial ConsERV™ Order in China

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

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

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

Relationship with Soex

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

NanoClear™ Grant to Continue Research

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

Technology

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

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

are using the name ‘Aqualyte” for these materials as we continue their commercialization.

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

Products

ConsERV™

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

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

Composite Polymer Membrane (Aqualyte™)

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

Membrane (Plastic Based Sheet Good)

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

The ConsERV™ Core

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

The ConsERV™ System

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

NanoClear™ -Water treatment

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

NanoAir™ - Water-based packaged HVAC system

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

NanoCap™ - Energy Storage

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

Other

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

Patents

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

- Selectivity: Based on our research, we believe that when the polymer is made there are small channels created that are 5 to 30 nanometers in diameter. There are two types of these channels: hydrophilic (water permeable),

and hydrophobic (water impermeable). The channels can be chemically tuned to be selective for the ions or molecules they transfer. The selectivity of the polymer can be adjusted to efficiently transfer water molecules from one face to the other using these channels.

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

Intellectual Property

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

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

6. Patent No. 5,468,574 – Fuel Cell incorporating novel ion-conducting membrane. This patent was issued on October 21, 1995 and expires on or about May 22, 2014.
7. Patent No. 7,179,860 – Cross-linked polymer electrolyte membranes for heat, ion and moisture exchange devices. This patent was issued on February 20, 2007 and expires on or about March 11, 2022.
8. Patent No. 7,990,679 – Nanoparticle Ultra Capacitor. This patent was issued on August 2, 2011 and expires on or about November 22, 2029.
9. U.S. Patent No. 8,222,346B2 -Novel Coblock Polymers and Method for Making Same. This patent was issued on July 17, 2012 and expires on or about September 28, 2027.
10. U.S. Patent no. 8500960B- Multi Phase Selective Transport Through A Membrane. This patent was issued on August 6, 2013 and expires February 23, 2030.
11. U.S. Patent No. 8586637- Stable and Compatible Polymer Blends. This patent was issued November 19, 2013 and expires October 28, 2029.
12. U.S. Patent No. 8470007- Enhanced HVAC Systems and Methods. This patent was issued June 25, 2013 and expires September 25, 2027.
13. China Patent No. ZL2008009211.4- Multi Phase Selective Transport Through a Membrane. This patent was issued March 27, 2013 and expires January 22, 2028

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

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

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

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* Patent applications jointly owned with Aegis Biosciences, LLC.

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

Manufacturing

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

Licensing

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

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

Customers and Suppliers

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

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

Research and Development

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

Key Relationships

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

ConsERV™ – Sales and Marketing Strategies

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

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

Future Products – Sales and Marketing Strategies

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

Competition and Barriers to Entry

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

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

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

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

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

Government Regulation

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

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

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

Employees

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

Principal Offices

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

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

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

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

ITEM 3. LEGAL PROCEEDINGS

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

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

ITEM 4. MINE SAFETY DISCLOSURE.

Not applicable.

PART II

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

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

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

Transfer Agent

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

Holders

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

Dividend Policy

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

Authorized Stock

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

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

Equity Compensation Plan Information

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

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

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

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

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

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

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

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

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

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

2015 Plan

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

Stand-Alone Grants

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

RECENT SALES OF UNREGISTERED SECURITIES

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

Recent Repurchases of Common Stock

There were no repurchases of our common stock during 2014.

ITEM 6. SELECTED FINANCIAL DATA.

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

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

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

OVERVIEW

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

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

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

RESULTS OF OPERATIONS

DECEMBER 31, 2014 COMPARED TO DECEMBER 31, 2013

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

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

REVENUES

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

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

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

COST OF GOODS SOLD

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

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

GROSS MARGIN

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

OPERATING EXPENSES

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

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

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

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

OTHER EXPENSES

Loss on impairment of equipment was $2,672 for the year en