

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

CIPHERLOC Corp

Form: 8-K

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Corporate Issuer CIK: 1022505

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **October 19, 2020**

CipherLoc Corporation

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction
of incorporation or organization)

000-28745
(Commission
File Number)

86-0837077
(IRS Employer
Identification No.)

**6836 Bee Caves Road
Building 1, Suite 279
Austin, TX 78746**
(Address of principal executive offices)

Registrant's telephone number, including area code: **(512) 772-4245**

(Former name or former address, if changed since last report)

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On October 19, 2020, the board of directors of CipherLoc Corporation (the “Company”) appointed David Chasteen as Chief Executive Officer of the Company. Mr. Chasteen is currently a member of the Company’s board of directors.

In connection with Mr. Chasteen’s appointment as Chief Executive Officer, the Company entered into an Executive Agreement and Offer Letter, each dated October 19, 2020, with Mr. Chasteen (collectively, the “Chasteen Employment Agreement”), pursuant to which he will receive a base annual salary of \$100,000, payable in accordance with the Company’s standard payroll schedule, and other customary benefits. Mr. Chasteen is also eligible to receive (i) an annual cash bonus based on personal and Company-based metrics; and (ii) annual grants of stock-options and/or restricted stock units at the discretion of the Company’s board of directors.

If the Company terminates Mr. Chasteen’s employment other than for Cause (as defined in the Chasteen Employment Agreement) or Mr. Chasteen resigns for Good Reason (as defined in the Chasteen Employment Agreement), then the Company is obligated to pay to Mr. Chasteen an amount equal to six (6) months of his salary. Additionally, during Mr. Chasteen’s employment, if the Company sells all or substantially all of its assets or consummates a merger, reorganization or similar transaction in which a majority of the equity in the surviving company is not owned by the stockholders of the Company immediately prior to such a transaction, then Mr. Chasteen will receive a bonus equal to 5% of the Net Proceeds (as defined in the Chasteen Employment Agreement) of such a transaction.

The foregoing description of the Chasteen Employment Agreement is qualified in its entirety by reference to the text of the Executive Agreement and Offer Letter, copies of which are filed as Exhibits 10.1 and 10.2 to this Current Report on Form 8-K and incorporated herein by reference.

Set forth below is the biographical information of Mr. Chasteen, as required by Item 401 of Regulation S-K.

David Chasteen, age 42, currently serves as a director of the Company. Mr. Chasteen has been working in national security and information warfare for more than two decades, with a particular focus on strategic messaging, NIST compliance, critical infrastructure security and threat intelligence. Since December 2019, Mr. Chasteen has been a principal consultant at SideChannel, an information security officer and cybersecurity consultancy, where he currently serves as the Chief Information Security Officer for GoFundMe. From 2018 to 2019, Mr. Chasteen was the Chief Information Security Officer for the City and County of San Francisco Police Department. From 2015 to 2018, Mr. Chasteen was a Threat Intelligence Strategist for the City and County of San Francisco where he was responsible for managing city, state and federal intelligence relationships and managing cybersecurity operations for the City and County of San Francisco. From 2015 to 2016 Mr. Chasteen was the Western Regional Director for Iraq and Afghanistan Veterans of America. From 2006 to 2014 Mr. Chasteen worked for the Central Intelligence Agency as a Collection Management Officer, Specialized Skills Officer, and finally an Executive Officer, Covert Action Staff. Mr. Chasteen received a B.S. in Political Science from Ball State University in 2000.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
10.1	Executive Agreement, dated October 19, 2020
10.2	Offer Letter, dated October 19, 2020

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: October 23, 2020

CIPHERLOC CORPORATION

By: */s/ Ryan Polk*

Ryan Polk
Chief Financial Officer

EXECUTIVE AGREEMENT**FOR****CIPHERLOC CORPORATION**

This Agreement (the "Agreement") is entered into October 19, 2020, by and between CIPHERLOC CORPORATION ("the Company") and David Chasteen ("Executive"). Executive is an at-will employee of the Company. The provisions of the Offer Letter are incorporated by reference into this document. Additionally, the Company wishes to provide Executive with severance benefits if Executive's employment is terminated in connection with a change in control.

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants and conditions contained herein, the parties hereby agree as follows:

1. Severance.

(a) If the Company terminates Executive's employment (other than for Cause) or Executive resigns for Good Reason, the Company shall pay to Executive salary continuance for six months at the then current rate. For purposes of this Agreement, termination from employment shall mean a "separation from service" as defined under the default rules under the final Section 409A regulations.

(b) Each of the following shall constitute "Good Reason", and provided further that Executive must provide notice to the Company within sixty (10) days of the existence of such condition and the Company will have thirty (30) days from receipt of such notice to remedy the condition. If the condition is not remedied within such 30 day period, the following conditions will constitute "Good Reason":

(1) the material diminution of Executive's position, duties, responsibilities or status with the Company or its successor, as compared with the position, duties, responsibilities or status of Executive with the Company immediately prior to the Event Date, except in connection with the termination of Executive for Cause;

(2) the Company's requiring Executive to work at a location more than 35 miles from the Executive's residence at such time; provided, however, that this paragraph shall not apply to travel in the furtherance of the Company's business to an extent substantially consistent with Executive's business travel obligations as of the date hereof;

(3) the Company's failure to obtain an assumption of the obligations of the Company to perform this Agreement by any successor to the Company;

(4) any material reduction in Executive's base salary, or a material reduction in benefits payable to Executive or failure of the Company to pay Executive any earned salary, bonus or benefits except with the prior written consent of Executive;

(5) the exclusion or limitation of Executive from participating in some form of variable compensation plan which provides the Executive the opportunity to achieve a level of total compensation (base salary plus variable compensation) consistent with what the Executive had the opportunity to earn at the Event Date; or

(6) any demand by any director or officer of the Company that Executive take any action or refrain from taking any action where such action or inaction, as the case may be, would violate any law, rule, regulation or other governmental pronouncement, court order, decree or judgment, or breach any agreement or fiduciary duty.

(e) Each of the following shall constitute "Cause":

(1) any violation by Executive of any material obligation under this Agreement or the attached Confidentiality and Non-Disclosure Agreement;

(2) any action or failure to act by Executive not in conformance with his required duties which causes the Company to incur significant monetary damages;

(3) conviction for commission of a felony;

(4) any violation of law by the Executive, which has a material, adverse effect on the Company;

(5) habitual abuse of alcohol or a controlled substance;

(6) theft or embezzlement from the Company;

(7) repeated unexcused absence from work for reasons unrelated to short-term illnesses;

(8) the failure by Executive substantially to achieve personal performance goals reasonably established by mutual agreement of the Executive and the board of directors other than where such failure is substantially attributable to factors beyond control of Executive;

(9) Disability of Executive (as defined below); and

(10) repeated failure or refusal by Executive to carry out the reasonable directives, orders or resolutions of the Company's Board of Directors consistent with the CEO position continuing after written warning.

(f) "Disability" shall mean any physical, mental or other health condition which substantially impairs Executive's ability to perform his/her assigned duties for 90 days or more in any 180 day period. Any disagreement as to whether Executive is disabled shall be resolved by a physician selected by the Company after an examination of Executive. Executive hereby consents to such physical examination and to the examination of all medical records of Executive necessary, in the judgment of the examining physician, to make the determination of disability.

2. Company Sale or Liquidation Bonus. If, during the term of service, the Company sells all or substantially all of its assets or consummates a merger, reorganization or similar transaction in which a majority of the equity in the surviving company is not owned beneficially by the stockholders of the Company immediately prior to the consummation of such transaction (a "Company Sale"), the Executive will receive a bonus equal to 5% of the Net Proceeds. Net Proceeds shall be defined as the purchase price, less costs incurred to complete the sale, to include but not limited to accounting, legal, due diligence, commissions, investment banking fees or similar costs that are necessitated by the Company Sale. The date for determination of such amount shall be as of the consummation of the Company Sale and the bonus shall be paid by within thirty (30) days after that date. In addition to the foregoing, in the event that (a) the Company has commenced discussions with any third party regarding a Company Sale during the Executive's term of service, (b) the Company thereafter terminates the employment of the Executive without Cause or the Executive terminates his employment for Good Reason and (c) within six (6) months after such termination, such Company Sale with such third party is consummated, then the Executive shall be entitled to receive such bonus on the same terms and conditions as set forth previously in this section.

3. Confidentiality and Non-Competition Agreement. In consideration of the obligations undertaken by the Company pursuant to this Agreement, contemporaneously with the execution of this Agreement, Executive and the Company have entered into the form of Confidentiality and Non-Competition Agreement attached hereto as Exhibit A and each agreement shall be effective only if both agreements have been executed.

4. At Will Employment. Unless and to the extent otherwise agreed by the Company and Executive in a separate written employment agreement, Executive's employment shall be "at will", with either party permitted to terminate the employment at any time, with or without cause. No term of any employment agreement between the Company and Executive shall be construed to conflict with, lessen or expand the obligations of the parties under this Agreement.

5. Notices. All notices and other communications called for or required by this Agreement shall be in writing and shall be addressed to the parties at their respective addresses stated below or to such other address as a party may subsequently specify by written notice and shall be deemed to have been received (i) upon delivery in person, (ii) five days after mailing it by U.S. certified or registered mail, return receipt requested and postage prepaid, or (iii) two days after depositing it with a commercial overnight carrier which provides written verification of delivery:

To the Company:

Attention: Chairman of the Board of Directors
Cipherloc Corporation
6836 Bee Caves Road
Building 1, Suite 279
Austin, TX 78746

To Executive: David Chasteen

6. Withholding. All payments due to and all benefits to be provided to Executive hereunder shall be subject to reduction for any applicable withholding taxes, including excise taxes.

7. Assignment. Executive's rights and duties hereunder are personal to Executive and are not assignable to others, but Executive's obligations hereunder will bind his/her heirs, successors, and assigns. The Company may assign its rights under this Agreement in connection with any merger or consolidation of the Company or any sale of all or any portion of the Company's assets (including, without limitation, any division or product line), provided that any such successor or assignee expressly assumes in writing the Company's obligations hereunder.

8. No Duty to Mitigate. Executive shall not be required to mitigate the amount of any payment made or benefit provided hereunder and any amounts payable shall not be reduced by any other earnings. The Company may offset any payment due hereunder by the amount of damages to the Company resulting from any breach of this Agreement by Executive.

9. Indemnification for Prior Acts and Events. It is expressly understood and agreed by the parties hereto that the Executive shall not be liable for any act or matters arising out of any act committed by Company officers prior to the Executive's tenure at the Company. Executive will also not be liable for any act or omission that occurred at the Company prior to his employment. Executive will therefore be indemnified and held harmless for any act or omission before his first full day of employment with the Company. The Indemnification Agreement between the Company and the Executive in effect on the date hereof shall be deemed amended to extend to the Executive's role hereunder as an officer of the Company.

9. General. This Agreement constitutes the exclusive agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements or understandings of the parties. No waiver of or forbearance to enforce any right or provision hereof shall be binding unless in writing and signed by the party to be bound, and no such waiver or forbearance in any instance shall apply to any other instance or to any other right or provision. This Agreement will be governed by the local laws of the State of Texas without regard to its conflicts of laws rules to the contrary. The parties hereby consent to the exclusive jurisdiction and venue of the state and federal courts sitting in Travis County, Texas for all matters and actions arising under this Agreement. The prevailing party shall be entitled to reasonable attorneys' fees and costs incurred in connection with such litigation. No term hereof shall be construed to limit or supersede any other right or remedy of the Company under applicable law with respect to the protection of trade secrets or otherwise. If any provision of this Agreement is held to be invalid or unenforceable to any extent in any context, it shall nevertheless be enforced to the fullest extent allowed by law in that and other contexts, and the validity and force of the remainder of this Agreement shall not be affected thereby.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the date first above written.

CIPHERLOC CORPORATION

EXECUTIVE:

By: /s/ Tom Wilkinson

Signature: /s/ David Chasteen

Name: Tom Wilkinson, Chairman

Name: David Chasteen

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT



October 19, 2020

David Chasteen

Dear David,

CipherLoc Corporation ("CipherLoc"), a dynamic company in the data encryption market, is pleased to offer you an opportunity to join our exciting and diverse team as we innovate and establish polymorphic encryption as the market standard for quantum resistant data encryption.

The following letter of offer will detail the specifics regarding your remuneration package on our offer of employment to you:

1. Compensation

- \$100,000 salary annually.
- Discretionary annual bonus target based on company and personal objectives.
- Your start date will be mutually agreed.
- In addition, you will be provided with severance and company sale bonus commitments as described in the Employment Agreement.

2. Benefits

- You will be entitled to paid time off as company policy dictates. In addition, you will be paid for the standard company holidays.
- You will be entitled to an extensive company paid health care benefits package. CipherLoc pays for the majority of medical, vision, and dental coverage for employees and eligible dependents. Benefits will commence the first day of the month following the date of hire. You will be responsible for completing the necessary paperwork for enrollment as quickly as possible to ensure there is no lag time in coverage.

3. Position

- Your position will be Chief Executive Officer reporting directly to the Board of Directors.
- You will remain a Director of the Company.
- You will spend such time as you and the Company mutually agree is necessary conducting the business of CipherLoc.

6836 Bee Caves Road, Bldg 1, Suite 279, Austin, TX 78746
www.quantanova.com



4. Company Equity

- You will be eligible for annual stock option and/or restricted stock unit grants.
- The Board of Directors must approve these options prior to issuance. A stock option or restricted stock unit is considered granted the day the Board of Directors approves and ratifies the stock option grant at a specific board of directors meeting and vesting will be as per CipherLoc's standard option plan.
- Additionally, the shareholders ultimately have to approve the establishment of any equity based incentive plans.
- You will be eligible for further equity-based compensation on an annual basis.

David, I along with the rest of the team look forward to working with you as members of an exciting and unique team of professionals, who collectively form CipherLoc, as we expand the horizons for proven mobile information systems.

If you require assistance or have any questions regarding the terms and conditions contained in the offer, please do not hesitate to call me. I would be happy to assist you.

Please sign below signifying your acceptance of the terms and conditions contained in this offer of employment and your acknowledgement that the company has relied on the representations made by you during the interview process in making this offer. You acknowledge and agree that the Company may require a background check, credit check, reference check and verification of all information which you have provided to them in connection with this offer of employment. This offer of employment is not to be considered an offer of permanent employment and as such your employment is always considered to be at will.

Yours truly,

CipherLoc Corporation

/s/ Tom Wilkinson

Tom Wilkinson
Chairman of the Board of Directors

Accepted:

/s/ David Chasteen

David Chasteen

October 19, 2020

Date

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