

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

CIPHERLOC Corp

Form: 8-K

Date Filed: 2021-01-20

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): **January 15, 2021**

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**

N/A

(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 1.01 Entry into a Material Definitive Agreement.

Effective January 15, 2021 (the "Effective Date"), CipherLoc Corporation (the "Company") entered into a Settlement Agreement and Mutual General Release (the "Settlement Agreement") with the Carmel Trust (the "Trust"), the Carmel Trust II ("Trust II"), James LaGanke, individually ("LaGanke") and as Trustee of both the Trust and Trust II ("Trustee," and collectively with the Trust, Trust II, and LaGanke, the "Carmel Parties"). The Settlement Agreement relates to the action titled CipherLoc Corporation vs. Michael De La Garza, MSR, LLC, and James LaGanke, as CipherLoc Corporation vs. Michael De La Garza, MSR, LLC, and James LaGanke, as Trustee of the Carmel Trust II, Civil Action No. 1:19-CV-01147-LY, currently pending in United States District Court for the Western District of Texas, Austin Division. Under the Settlement Agreement, the foregoing action is to be dismissed with prejudice.

Pursuant to the Settlement Agreement, the Carmel Parties agreed to, among other things, the return of (i) 1,000,000 shares of Series A Preferred Stock of the Company, par value \$0.01 per share (the "Preferred Stock"), and (ii) 127,500 shares of the Company's common stock, \$0.01 par value per share (together with the Preferred Stock, the "Forfeited Stock"), held by the Carmel Parties to the Company's treasury. The Company agreed to pay the Carmel Parties an aggregate sum of \$50,000 (the "Settlement Amount") payable on or before fifteen (15) business days after (i) the execution of the Settlement Agreement by the Carmel Parties, (ii) actual receipt by the Company of the Forfeited Stock and consummation of the deliveries contemplated by the Settlement Agreement, and (iii) the receipt by the Company of a completed Internal Revenue Service form W-9 from both LaGanke and his law firm.

In exchange for the consideration described above, and subject to the terms and conditions set forth in the Settlement Agreement, the Company and the Carmel Parties mutually agreed to grant each other a general release.

The foregoing description of the Settlement Agreement is qualified in its entirety by reference to the text of such agreement, which is filed as Exhibit 10.1

to this Current Report on Form 8-K and incorporated herein by reference.

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

On January 19, 2021, Zeynep Young resigned as a member of the Company's board of directors in order to take a new leadership role.

Ms. Zeynep's resignation was not the result of any disagreement with the Company, any matter related to the Company's operations, policies or practices, the Company's management or the Company's board of directors.

Item 8.01 Other Events.

On January 19, 2021, the Company issued a press release in connection with Ms. Zeynep's resignation. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

On January 20, 2021, the Company issued a press release in connection with the Settlement Agreement. A copy of the press release is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
10.1	Settlement Agreement, effective January 15, 2021
99.1	Press release, dated January 19, 2021
99.2	Press release, dated January 20, 2021

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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: January 20, 2021

CIPHERLOC CORPORATION

By: /s/ Ryan Polk

Ryan Polk
Chief Financial Officer

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SETTLEMENT AGREEMENT AND MUTUAL GENERAL RELEASE

THIS SETTLEMENT AGREEMENT AND MUTUAL GENERAL RELEASE (this "Agreement") is made as of January 11, 2021, by and between CipherLoc Corporation, a Texas corporation ("CipherLoc" or the "Company"), on one hand, and the Carmel Trust (the "Trust"), the Carmel Trust II ("Trust II"), James LaGanke, individually ("LaGanke") and as Trustee of both the Trust and Trust II ("Trustee"), collectively, (the "Carmel Parties"), on the other hand. CipherLoc and the Carmel Parties are referred to individually as a "Party" and together, as the "Parties."

RECITALS

WHEREAS, the Trust owns beneficially and of record 63,750 shares of common stock of CipherLoc, par value \$0.01 per share and Trust II owns beneficially and of record 63,750 shares of common stock of CipherLoc, par value \$0.01 per share (together, the "Common Stock"), and the Trust and Trust II are controlled by the Trustee, who has the power and authority to act and enter into this Agreement on their behalf;

WHEREAS, Trust II currently owns beneficially and of record 1,000,000 shares of Series A Preferred Stock of CipherLoc, as evidenced by Certificate #1, par value \$0.01 per share (the "Preferred Stock"), and Trust II is controlled by the Trustee, who has the power and authority to act and enter into this Agreement on its behalf;

WHEREAS, CipherLoc seeks a declaratory judgment invalidating the issuance of the Preferred Stock in a civil action instituted in the United States District Court for the Western District of Texas, Austin Division, styled as *CipherLoc Corporation vs. Michael De La Garza, MSR, LLC, and James LaGanke, as Trustee of the Carmel Trust II, Civil Action No. 1:19-CV-01147-LY*, (the "Lawsuit");

WHEREAS, CipherLoc and the Carmel Parties each deny all liability to the other party and intends to vigorously defend against the claims and allegations asserted;

WHEREAS, LaGanke has also asserted unpaid wage claims and other related unpaid compensation claims against CipherLoc via Pamela Thompson, CPA, PC, of which he is the sole beneficiary ("the Unpaid Compensation Claims"), and CipherLoc has denied liability;

WHEREAS, the Parties desire to avoid the expense, uncertainties, and risks of further litigation between themselves and to fully, finally, and forever compromise and settle all past and present claims between them including but not limited to all claims which were raised or capable of being raised in the Lawsuit and all claims arising out of or related to the Preferred Stock and the Common Stock (together, the "Shares") and the Unpaid Compensation Claims; and

In consideration of the foregoing and mutual promises and other terms contained herein, and for other good and valuable consideration hereby deemed received, CipherLoc and the Carmel Parties agree as set forth below.

SETTLEMENT AGREEMENT AND RELEASE

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TERMS OF AGREEMENT

1. **Payment Terms:** In consideration for the promises, releases and agreements herein, CipherLoc will pay the Carmel Parties the sum of \$50,000.00 (the "Settlement Amount"), on or before fifteen (15) business days after (i) the execution of this Agreement by the Carmel Parties, (ii) actual receipt by CipherLoc of the Subject Securities (as hereinafter defined) and consummation of the deliveries contemplated by Section 2 below; and (iii) the receipt by CipherLoc of a completed Internal Revenue Service form W-9 from both LaGanke and his law firm, Frazer Ryan Goldberg & Arnold, LLP (such date, the "Settlement Date"). Payment is to compensate for the return of the Shares to CipherLoc, certain fees and expenses, and the Unpaid Compensation Claims. The Settlement Amount shall be paid by CipherLoc by ACH transfer or wire transfer in accordance with wire transfer instructions separately provided to CipherLoc by the Carmel Parties, with payment to be made to the trust account of Frazer Ryan Goldberg & Arnold, LLP.

2. **Transfer of the Subject Securities:** As material consideration for the execution of this Agreement, the Carmel Parties hereby assign and transfer to CipherLoc, and CipherLoc hereby accepts from the Carmel Parties, free and clear of all liens, charges, security interests, claims and encumbrances, 1,127,500 of the Shares (the "Subject Securities"). On the date of this Agreement, the Trustee shall complete and release the Trust Custody Delivery Transfer Request attached hereto as Exhibit A and instruct CipherLoc's transfer agent to initiate the transfer of the Subject Securities to CipherLoc via DWAC transfer (the "Instruction Letter"). On the date of this Agreement, the Trustee shall send by overnight delivery, return receipt requested, to the addressee on the Instruction Letter, the original signed Instruction Letter together with the original certificate for the Company's Common Stock, Certificate #1, issued on December 18, 2013 for 1,000,000 shares of Series A Preferred Stock of CipherLoc Corporation and stock certificates CS1-45798 and CS1-45799 issued on March 23, 2015 for an aggregate of 12,750,000 shares of common stock, which were subject to a 1-for-100 reverse stock split effectuated on March 12, 2015, and reversed down to an aggregate of 127,500 shares of Common Stock on that date, endorsed in blank with stock transfer tax stamps affixed and otherwise in good form for transfer via DWAC. The Carmel Parties shall execute any other documents, transfer powers or assignments necessary to effectuate the transfer and conveyance of the Subject Securities, including obtaining a medallion guarantee (if required), and any and all actions required by CipherLoc's transfer agent to complete the transfer of the Subject Securities, and obtain a medallion guarantee. The Carmel Parties hereby irrevocably constitute and appoint on the their behalf any director or officer of CipherLoc as attorney-in-fact to make and execute all necessary documents and instruments of assignment and transfer, to transfer ownership of the Subject Securities to CipherLoc on the books and records of CipherLoc. This power of attorney is coupled with an interest and is irrevocable. The Carmel Parties shall assign and transfer to CipherLoc any other shares or ownership interests they have in CipherLoc. The Parties agree that they are consummating the transactions described in this Agreement by agreement and hereby waive compliance with any provisions of the certificate of incorporation, bylaws or any other organizational document or shareholder agreement of CipherLoc to the extent they conflict with this Agreement.

SETTLEMENT AGREEMENT AND RELEASE

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3. **Tax Treatment:** Each Party is responsible for their own respective income tax and other tax, if any, ramifications that arise from this Agreement and the transactions contemplated herein.

4. **Settlement Consideration/Mutual General Releases:** The Parties, for themselves and their successors, heirs, purchasers, and assigns hereby release, acquit, and discharge each other and each other's parent companies, affiliates, subsidiaries, successors, assigns, partners, agents, representatives, insurers,

sureties, officers, directors, attorneys, employees, servants, and independent contractors of and from any and all past and present claims, demands, debts, rights, actions, damages (including direct, indirect, incidental, special, consequential, and exemplary damages), costs, causes of action, suits at law or in equity, expenses and fees of attorneys, expenses and fees of consultants and/or experts and all claims of any nature or kind whatsoever, whether known or unknown, which the Parties may have had, may now have, or may have in the future against each other by reason of any matter, cause, or thing arising out of, or in any manner connected with the purchase and ownership of the Subject Securities, the Lawsuit and/or the Parties dealings with each other, including but not limited to, all claims made or capable of being made against each other in the Lawsuit, and as described herein, and for any and all future damages arising out of or related to any agreements between the Parties. It is the express intent of CipherLoc and the Carmel Parties to fully, completely, and forever release each other from any and all claims now existing, or which may hereafter arise, having anything to do, in any way, with the Subject Securities, the Lawsuit or the Parties' dealings with each other. The Parties agree that this release of claims is intended to be a broadly construed "General Release" and includes any dispute, action or claim that is known or unknown to each Party, including but not limited to, claims based on a breach of an express or implied contract; breach of the covenant of good faith and fair dealing; any action arising in tort, including, but not limited to, securities fraud, fraud and deceit, negligent misrepresentation, libel, slander, defamation, and/or any other claims arising from intentional or negligent misconduct; and any and all other claims arising in the Lawsuit, under any court decision, statute, rule, regulations or otherwise of the United States, the State of Texas, and/or any other state or local governmental authority, all as amended, and any other federal, state or local statute, law, or ordinance, concerning the terms and conditions of the Agreements and/or the business relationship between or among the Parties; and any claim arising under common law or by public policy, except claims or proceedings necessary to enforce the provisions of this Settlement Agreement and claims that cannot be waived as a matter of law. It is understood and agreed that this Settlement Agreement constitutes a full and final release covering all known, unknown, anticipated and unanticipated injuries, debts, claims or damage that the Parties have, which have arisen, or which may have arisen, in connection with the business relationship between CipherLoc and the Carmel Parties, as well as those injuries, debts, claims or damages not known or disclosed which have arisen, or may have arisen, from said business dealings, up to the date that the Parties sign this Settlement Agreement.

SETTLEMENT AGREEMENT AND RELEASE**PAGE 3**

5. **Representations and Warranties:** The Carmel Parties represent and warrant that the Trustee has the full power to take all actions on behalf of the Trust and Trust II (together, the "Trust"), including entering into this Agreement. The Carmel Parties warrant and represent that the Trust solely owns, has not sold, assigned, pledged granted or transferred, and will not sell, assign, pledge, grant or transfer to any other person, firm, corporation, or business entity, any of the Carmel Parties' claims, causes of action, or ownership interests or any part thereof covered by this Agreement. The Carmel Parties agree to indemnify CipherLoc for any damages, attorney's fees and/or costs it incurs in litigation if any of the representations and/or warranties made by the Carmel Parties in this Agreement is proven to be untrue in a court of law or equity. The Carmel Parties warrant and represent that the Trust is the sole holder of record of the Subject Securities; that no other party including LaGanke has any security or other interest in the Subject Securities; that the Subject Securities are not subject to any lien, claim or encumbrance; that the Trust has good and marketable title to the Subject Securities; and that upon the transfer of the Subject Securities contemplated by this Agreement, CipherLoc will obtain good and marketable title to the Subject Securities, free of all liens, claims and encumbrances.

6. **Attorneys' Fees and Costs:** The Parties agree that each Party shall be solely responsible for its own respective litigation fees, attorneys' fees, expenses, and other costs and expenses incurred in connection with the execution and performance of this Agreement and in connection with the Lawsuit.

7. **Dismissal:** Immediately upon payment of the Settlement Amount but no later than three (3) business days after the Settlement Date, the Trustee and his counsel shall execute and CipherLoc shall file with the court the agreed motion for dismissal with prejudice, attached hereto as Exhibit "B," and the proposed order granting motion for dismissal with prejudice, in the form attached hereto as Exhibit C (and any required related pleadings) that dismisses all of the claims in the Lawsuit, with prejudice. The Carmel Parties shall return the Settlement Amount if the Court does not dismiss the Lawsuit with prejudice.

8. **Future Actions:** In exchange for the consideration set forth in this Settlement Agreement, the Carmel Parties each agree that they will not directly or indirectly purchase shares or any interests in CipherLoc or any subsidiary of CipherLoc in the future. In addition, the Carmel Parties each agree that they and their affiliates (as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) will not (and will not assist, provide or arrange financing to or for others or encourage others to), directly or indirectly, acting alone or in concert with others, unless specifically requested in writing in advance by the Company's Board of Directors (or similar governing body) for the period commencing on the date of this Agreement and ending on the 5th anniversary thereof: (i) acquire or agree, offer, seek or propose to acquire (or request permission to do so), ownership (including, but not limited to, beneficial ownership as defined in Rule 13d-3 under the Exchange Act) of any of the assets or businesses of the Company or any securities, bank debt or trade debt issued by the Company, or any rights or options to acquire such ownership (including from a third party), (ii) seek or propose to influence or control the management or the policies of the Company or to obtain representation on the Company's Board of Directors, or solicit, or participate in the solicitation of, any proxies, consents or votes with respect to any securities of the Company or with respect to any plan of reorganization filed by the Company or any other person in connection with a bankruptcy or similar proceeding under state or federal law involving the Company or any of its subsidiaries, (iii) enter into any discussions, negotiations, arrangements or understandings with any third party with respect to any of the foregoing or (iv) seek or request permission to do any of the foregoing or make or seek permission to make any public announcement with respect to any of the foregoing.

SETTLEMENT AGREEMENT AND RELEASE**PAGE 4**

9. **Non-Disparagement:** In exchange for the consideration set forth in this Agreement, the Carmel Parties agree not to make any false or disparaging, derogatory or negative statements, comments or remarks about CipherLoc, Tom Wilkinson, Anthony Ambrose, Sammy Davis, Zeynep Young, David Chasteen, the board of directors as a whole, CipherLoc's goods and services, management, valuation, employees, contractors, officers, directors or attorneys. Likewise, CipherLoc agrees not to make any false or disparaging, derogatory or negative statements, comments or remarks about the Carmel Parties. Nothing in this Agreement shall preclude any Party from testifying or providing truthful statements in accordance with any court order, subpoena, summons or other legal process.

10. **Cooperation:** The Carmel Parties understand that CipherLoc is a party to litigation with certain third parties, including, but not limited to, Robert LeBlanc and Eric Marquez. The Carmel Parties agree that each will cooperate fully with any reasonable requests or efforts by CipherLoc to secure their testimony, in these disputes and will testify in depositions and otherwise, as requested by CipherLoc, but at no out of pocket expense to the Carmel Parties except for expenses they would have incurred if they were responding to a subpoena or order of a court. The Carmel Parties shall immediately notify CipherLoc if they are requested to produce documents to or testify in any dispute or proceedings in which CipherLoc is a party. The Carmel Parties agree and acknowledge that the Company may file this Agreement (including any of its exhibits and schedules) with the Securities and Exchange Commission and make such other statements as are required by applicable law, rule or regulation.

11. **Market Stand-Off:** The Carmel Parties each agree that they will not, without the prior written consent of the managing underwriter (which, for purposes of this provision, shall include placement agents and parties performing a similar function), during the period commencing on the date of the closing of any sale by CipherLoc of any of its securities and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred

eighty (180) days), or such other period as may be requested by the Company or an underwriter to accommodate regulatory restrictions on (1) the publication or other distribution of research reports, and (2) analyst recommendations and opinions, including, but not limited to, the restrictions contained in FINRA Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto) (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock (whether such shares or any such securities are then owned by the Carmel Parties or are thereafter acquired or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The underwriters in connection with such registration are intended third-party beneficiaries of this provision and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. The Carmel Parties further agree to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this provision or that are necessary to give further effect thereto.

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12. **Proxy:** In consideration of this Agreement, the Carmel Parties hereby appoint Tom Wilkinson as the true and lawful representative of the undersigned with full power of substitution and revocation, and authorizes him to vote all the shares of capital stock of the Company which the Carmel Parties are entitled to vote in connection with any stockholders meeting, any adjournment or postponement thereof, and any written consent or other stockholder action, upon any and all matters to be voted upon in connection with such action, and exercise all related rights (to the fullest extent that Carmel Parties are entitled to do so) with respect to all of the shares of capital stock of the Company that now are or hereafter may be beneficially owned by Carmel Parties, and any and all other shares or securities of the Company issued or issuable in respect thereof on or after the date hereof in accordance with the terms of this provision, conferring authority upon such true and lawful attorney to vote in his discretion on all such matters as may be presented for a vote of the Company's stockholders, for a period of five years from the date of this Agreement. The Carmel Parties revoke any proxy heretofore given with respect to such capital stock and agrees not to grant any other proxies with respect thereto during such five year period. This proxy is coupled with an interest and is irrevocable.

13. **No Admission of Liability:** Notwithstanding any other provision, the Parties acknowledge and agree that this settlement is a compromise of disputed claims and neither the existence of this Agreement, nor any recitals, terms, conditions, or other statements contained in it, shall be construed as an admission of liability by or on the part of the Parties with respect to any allegation or claim. The Parties do not admit, but expressly deny all liability for the claims asserted against them and enter into this settlement solely to avoid the expense, uncertainties, and risks of further litigation. Consequently, no evidence relating to the existence of the terms or negotiations of this Agreement, shall be admissible in the Lawsuit or in any other action, suit, or legal proceeding as evidence of any liability, culpability, or fault of or on the part of either Party; provided, however, that such evidence may be offered in a proceeding seeking to enforce the terms of this Agreement.

14. **Fully Informed:** Each Party expressly warrants and represents that before executing this Agreement, it has fully informed itself/himself/herself of the terms, conditions, and effect of this Agreement, that no promises or representations of any kind have been made to it/him/her by or on behalf of anyone, except as expressly stated herein, and that it/him/her has had the advice of counsel, if it/him/her so desired. Each Party acknowledges that it/him/her has entered into this Agreement voluntarily and with full knowledge and understanding of its import. Each Party has read and fully understands the terms of this Agreement and agrees to be bound hereby. Moreover, the Parties agree that this Agreement was drafted, reviewed, and agreed upon by both Parties, and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision herein.

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15. **Entire Agreement:** This instrument, along with the exhibits hereto, contains the entire agreement between the Parties, and all previous discussions, understandings, representations, negotiations, and agreements are merged herein. Additionally, the consideration recited above is the full, complete, and entire consideration for this Agreement, and there is no further consideration to be paid other than as recited herein. All representation and warranties contained in this Agreement shall survive the execution and delivery of this Agreement and the delivery of the Subject Securities contemplated hereby, and shall continue in full force and effect for the maximum period permitted by applicable law.

16. **Severability:** If any provision or any part of this Agreement is found void or unenforceable, then the remainder of this Agreement shall not be affected thereby.

17. **Binding Effect:** This Agreement shall be binding upon and inure to the benefit of the Parties, and each of their respective successors in interest, purchasers, and assigns.

18. **Authority to Execute:** CipherLoc and the Carmel Parties hereby represent and warrant that they each have the power and are duly authorized to enter into this Agreement with regard to all matters described herein.

19. **Headings:** The headings of the sections of this Agreement are for the convenience of reference only, are not to be considered a part hereof, and shall not limit or otherwise affect any of the terms hereof or thereof.

20. **Counterparts:** This Agreement may be signed in counterparts, each copy of which shall be deemed an original and all of which together shall constitute one and the same instrument.

21. **Applicable Law and Arbitration:** This Agreement will be governed by, and construed exclusively in accordance with, the laws of the State of Texas. Any action arising out of or relating to this Agreement, or any breach shall be referred to and finally settled by mandatory binding arbitration in Dallas, Texas. The parties agree that this arbitration shall be governed by the Texas General Arbitration Act, Tex. Civ. Prac. & Rem. Code § 171 et seq. The Arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures, except that notwithstanding anything to the contrary in the JAMS rules, full discovery shall be permitted as allowed by the Texas Rules of Civil Procedure that govern discovery. Such arbitration shall be conducted before a single arbitrator which shall be appointed by JAMS in accordance with its rules. Judgment on a binding arbitration award may be entered in any court of competent jurisdiction. The Parties mutually acknowledge that, by this agreement to arbitrate, each Party irrevocably waives it/him/her rights to court or jury trial. The arbitration hearing shall be held within six months after the filing of the arbitration demand with JAMS. The Party prevailing in any such arbitration shall be entitled to recover, and the arbitrator shall award to the prevailing Party, the reasonable attorneys' fees incurred by the prevailing Party in connection with enforcing it/him/her rights under this Agreement.

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/s/ James LaGanke

JAMES LAGANKE, AS TRUSTEE OF THE CARMEL TRUST

Date: January 12, 2021

STATE OF ARIZONA)
)
COUNTY OF MARICOPA)

Personally appeared before me this _____ day of _____, 2021, _____ to me properly identified as the same; who acknowledged that he has executed the foregoing instrument in his own free act and deed for the purposes therein expressed.

(SEAL)

NOTARY PUBLIC FOR ARIZONA

My Commission Expires: _____

SETTLEMENT AGREEMENT AND RELEASE

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IN WITNESS WHEREOF, the undersigned, by its duly authorized officer(s), has hereunto set its hand and seal on the day and year first written above.

THE TRUSTEE OF THE CARMEL TRUST II

/s/ James LaGanke

JAMES LAGANKE, AS TRUSTEE OF THE CARMEL TRUST II

Date: January 12, 2021

STATE OF ARIZONA)
)
COUNTY OF MARICOPA)

Personally appeared before me this _____ day of _____, 2021, _____ to me properly identified as the same; who acknowledged that he has executed the foregoing instrument in his own free act and deed for the purposes therein expressed.

(SEAL)

NOTARY PUBLIC FOR ARIZONA

My Commission Expires: _____

SETTLEMENT AGREEMENT AND RELEASE

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IN WITNESS WHEREOF, the undersigned, by its duly authorized officer(s), has hereunto set its hand and seal on the day and year first written above.

/s/ James LaGanke

JAMES LAGANKE, Individually

Date: January 12, 2021

STATE OF ARIZONA)
)
COUNTY OF MARICOPA)

Personally appeared before me this _____ day of _____, 2021, _____ to me properly identified as the same; who acknowledged that he has executed the foregoing instrument in his own free act and deed for the purposes therein expressed.

(SEAL)

NOTARY PUBLIC FOR ARIZONA

My Commission Expires: _____

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EXHIBIT A

Paul Bednar

Client Services Manager
Pacific Stock Transfer Company
6725 Via Austin Pkwy., Ste. 300
Las Vegas, NV 89119

Dear Mr. Bednar:

Enclosed here with please find stock certificate #1, issued on December 18, 2013 for 1,000,000 shares of Series A Preferred Stock of CipherLoc Corporation and stock certificates CS1-45798 and CS1-45799 issued on March 23, 2015 for an aggregate of 12,750,000 shares of common stock, which were subject to a 1-for-100 reverse stock split effectuated on March 12, 2015, and reversed down to an aggregate of 127,500 shares of Common Stock on that date. Please return to the treasury of CipherLoc Corporation 1,127,500 of the shares represented by such certificates.

Very truly yours,

James LaGanke, as Trustee of the Carmel Trust and the Carmel Trust II

EXHIBIT B

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION**

CIPHERLOC CORPORATION, a Texas Corporation,

Plaintiff,

v.

MICHAEL DE LA GARZA, an individual, MSR, LLC, and JAMES LAGANKE, as Trustee of the CARMEL TRUST II,

Defendants.

Civil Action No. 1:19-CV-01147-LY

STIPULATED MOTION TO DISMISS

Pursuant to Rule 41(a)(1)(A)(ii) of the Federal Rules of Civil Procedure, Plaintiff CipherLoc Corporation ("Plaintiff") and Defendant James LaGanke, as Trustee of the Carmel Trust II ("Defendant") hereby jointly move for judgment of dismissal as to Defendants. Plaintiff hereby dismisses its complaint against Defendants with prejudice and Defendants dismiss all counterclaims, if any, against Plaintiff with prejudice. Each party agrees to bear his/its own costs and attorneys' fees

Dated: January ___, 2021

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

Frazer Ryan Goldberg & Arnold, LLP

/s/ Dwight M. Francis

/s/ Philip B. Whitaker

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Attorney for Defendant James LaGanke, as Trustee of the Carmel Trust II

EXHIBIT C

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

CIPHERLOC CORPORATION, a Texas
Corporation,

Plaintiff,

v.

MICHAEL DE LA GARZA, an individual,
MSR, LLC, and JAMES LAGANKE, as
Trustee of the CARMEL TRUST II,
Defendants.

Civil Action No. 1:19-CV-01147-LY

ORDER GRANTING STIPULATED MOTION TO DISMISS

Based on the Stipulated Motion to Dismiss (the "Motion"), after reviewing pleadings and papers on file, being fully advised, and for good cause appearing, the Court hereby GRANTS the Motion. Plaintiff CipherLoc Corporation's claims against James LaGanke, as Trustee of the Carmel Trust II are DISMISSED with prejudice and James LaGanke, as Trustee of the Carmel Trust II's counterclaims, if any, are DISMISSED with prejudice. All costs of court incurred to date shall be borne by the party previously incurring the same.

All relief not expressly granted herein is denied.

JUDGE PRESIDING



Cipherloc Announces Resignation of Zeynep Young from Board of Directors

AUSTIN, TX – January 19, 2021 – Cipherloc Corporation (OTCQB:CLOK) (“CipherLoc”), a developer of advanced encryption technology, today announced that Zeynep Young has resigned her role as an independent director in order to take a new leadership role.

“Zeynep stepped in during a critical juncture in Cipherloc’s turnaround and business transformation, providing leadership as we transformed Cipherloc into a lean, low-cost operating platform to advance our software development. She also helped to secure the return of more than 13 million shares to the company from the previous Chief Executive Officer,” said Tom Wilkinson, Chairman of Cipherloc. “While we regret that she will be leaving the board, new challenges are in need of her attention. We wish her all the best in those endeavors. We will begin a search process to identify a suitable candidate to fill her independent director seat in the future.”

About Cipherloc Corporation (OTCQB: CLOK)

Cipherloc Corporation provides advanced technology and expertise to secure your data. Cipherloc Corporation provides advanced technology and expertise to secure your data and safeguard your privacy with the speed you need today and the agility you’ll need tomorrow. Our patented Polymorphic Encryption technology provides a layer of security that is stronger, adaptable, and scalable across a variety of applications and systems. Learn more at www.cipherloc.net.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All forward-looking statements are inherently uncertain as they are based on current expectations and assumptions concerning future events or future performance of the Company. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. In evaluating such statements, prospective investors should review carefully various risks and uncertainties identified in this release and matters set forth in the Company’s SEC filings. These risks and uncertainties could cause the Company’s actual results to differ materially from those indicated in the forward-looking statements.

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Cipherloc Settles Litigation, Reclaims Additional Shares

AUSTIN, TX – January 20, 2021 – Cipherloc Corporation (OTCQB:CLOK) (“CipherLoc”), a developer of advanced encryption technology, today announced the return of 127,500 common shares and 1 million preferred shares, which were convertible into 1.5 million common shares, as part of a settlement with the estate of its previous Chief Financial Officer Pamela Thompson. As consideration in the settlement, Cipherloc agreed to pay \$50,000.

“This settlement returns the equivalent of more than 1.6 million shares of Cipherloc’s common stock to the Company,” said David Chasteen, CEO of Cipherloc. “While we believe this return of shares improves the standing of our stockholders, we remain fully focused on revenue-generating sales activity as we continue to work with our partners and distributors to move Cipherloc’s software into the market.”

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