

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 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): **August 18, 2022**

**Adial Pharmaceuticals, Inc.**

*(Exact name of registrant as specified in charter)*

**Delaware**

*(State or other jurisdiction of incorporation)*

**001-38323**

*(Commission File Number)*

**82-3074668**

*(IRS Employer Identification No.)*

**1180 Seminole Trail, Ste 495**

**Charlottesville, VA 22901**

*(Address of principal executive offices and zip code)*

**(434) 422-9800**

*(Registrant's telephone number including area code)*

*(Former Name and Former Address)*

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12(b) 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:

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock	ADIL	NASDAQ
Warrants	ADILW	NASDAQ

Indicate by check mark whether the registrant is an emerging growth company as defined in 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 checkmark 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 August 18, 2022, the board of directors of Adial Pharmaceuticals, Inc. (the "Company") appointed Cary J. Claiborne, age 61, as President and Chief Executive Officer. On August 18, 2022, the Company's board of directors also appointed Kevin Schuyler as non-executive Chairman of the board of directors.

Cary J. Claiborne has served as the Company's Chief Operating Officer since December 2021 and a director since November 2021. In December 2021, Mr. Claiborne was appointed to the board of directors of NeuroSense Therapeutics, a clinical-stage drug development company that is advancing a treatment for people living with amyotrophic lateral sclerosis, where he also serves as Chairman of the audit committee. In July 2022, Mr. Claiborne was appointed to the board of directors of CytRx Corporation, a biopharmaceutical company focused on discovering and developing new cancer therapeutics, where he also serves as Chairman of the compensation committee.

Prior to joining Adial, Mr. Claiborne served as CEO of Prosperity Capital Management, LLC, a Private Investment and Advisory firm that he founded in 2018. Prosperity Capital is focused on private Investment Management and providing Advisory Services to clients in multiple industries with an emphasis in the Pharma/Biotech and Finance sectors. From November 2014 until February 2017, he served as the Chief Financial Officer and member of the Board of Directors at Indivior PLC (INDV, FTSE 500), a specialty pharmaceutical company. Mr. Claiborne led the company's spin off from its then parent company, Reckitt Benckiser, to become an independent, listed company. While at Indivior, he established and oversaw corporate reporting, internal audit, tax, treasury, external audit and information technology. Prior to joining Indivior, Mr. Claiborne served as the CFO of Sucampo Pharmaceuticals, Inc. , a global biopharmaceutical company, which was later sold to Mallinckrodt. Before joining Sucampo, Mr. Claiborne served as CFO and Corporate Secretary of Osiris Therapeutics, Inc. , and oversaw corporate finance during the company's initial public offering.

Mr. Claiborne graduated from Rutgers University with a B.A. in Business Administration and from Villanova University with an M.B.A., and was a National Association of Corporate Directors (NACD) Governance Fellow.

In connection with his appointment, the Company entered into an amendment to its December 2021 employment agreement with Mr. Claiborne (the "Claiborne

Employment Agreement Amendment”) to employ Mr. Claiborne on a full-time basis as the Company’s Chief Executive Officer for the remaining term of the three-year employment agreement at an annual base salary of \$450,000, with a discretionary bonus of up to 40% of his base salary upon achievement of objectives as may be determined by the Company’s board of directors. Mr. Claiborne also received a grant of restricted stock units for 1,000,000 shares of the Company’s common stock pursuant to the Company’s 2017 Equity Incentive Plan, vesting monthly on a pro rata basis over 36 months. In his previous capacity as the Company’s Chief Operating Officer Mr. Claiborne devoted eighty percent (80%) of his business time to the affairs of the Company for which he received an annual base salary of \$304,000.

There are no family relationships between Mr. Claiborne and any of the Company’s directors or executive officers. In addition, except as set forth above, Mr. Claiborne is not a party to any transaction, or series of transactions, required to be disclosed pursuant to Item 404(a) of Regulation S-K.

Kevin Schuyler, age 53, has served as the Company’s director since April 2016 and is Lead Independent Director. From April 2016 to August 2022, he served as the Company’s Vice Chairman of the board of directors. He currently serves as a director of Twin Vee PowerCats Co., a Nasdaq-listed designer, manufacturer, distributor, and marketer of power sport catamaran boats based in Fort Pierce, Florida for over 27 years, where he also serves as Chairman of the audit committee, and a director of ForzaX1, Inc., a Nasdaq-listed developer of electric sport boats with a mission to inspire the adoption of sustainable recreational boating, where he also serves as Chairman of the audit committee. Mr. Schuyler is also senior managing director at CornerStone Partners, a full-service institutional CIO and investment office located in Charlottesville, Virginia, with approximately \$10 billion under management. Prior to joining CornerStone Partners in 2006, he held various positions with McKinsey & Company, Louis Dreyfus Corporation and The Nature Conservancy. Mr. Schuyler serves on various boards and committees of Sentara Martha Jefferson Hospital, the US Endowment for Forestry and Communities, and Stone Barns Center. He is a member of the investment committee of the Margaret A. Cargill Philanthropies. Mr. Schuyler graduated with honors from Harvard College and received his MBA from The Darden Graduate School of Business at the University of Virginia. He is a member of the Chartered Financial Analyst Society of Washington, DC.

On August 18, 2022, William B. Stilley was appointed Chief Executive Officer of Purnovate, Inc. In connection with Mr. Stilley’s appointment as Chief Executive Officer of Purnovate, Inc., the Company and Mr. Stilley entered into an amendment to its July 2018 employment agreement with Mr. Stilley, as amended (the “Stilley Employment Agreement Amendment”), to employ Mr. Stilley as the Chief Executive Officer of Purnovate, Inc. for the remaining term of the five-year employment agreement at an annual base salary of \$260,000, with opportunity for bonuses and a salary increase upon certain achievements. Mr. Stilley also received a grant of options to purchase 100,000 shares of the Company’s common stock pursuant to the Company’s 2017 Equity Incentive Plan, vesting upon the achievement of certain milestones.

The foregoing descriptions of the Claiborne Employment Agreement Amendment and Stilley Employment Agreement Amendment are a summary and are qualified in its entirety by reference to the Claiborne Employment Agreement Amendment and Stilley Employment Agreement Amendment, which are attached hereto as Exhibit 10.1 and Exhibit 10.2 and are incorporated by reference herein.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
10.1	<a href="#">Amendment to Employment Agreement, dated as of August 22, 2022, between Adial Pharmaceuticals, Inc. and Cary J. Claiborne</a>
10.2	<a href="#">Amendment to Employment Agreement, dated as of August 22, 2022, between Adial Pharmaceuticals, Inc. and William B. Stilley</a>
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the inline XBRL document)

**SIGNATURES**

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: August 23, 2022

ADIAL PHARMACEUTICALS, INC.

By: /s/ Cary J. Claiborne

Name: Cary J. Claiborne

Title: President and Chief Executive Officer

**AMENDMENT TO EMPLOYMENT AGREEMENT**

This Amendment (this “Amendment”) effective as of the 22<sup>nd</sup> day of August, 2022 to the Employment Agreement, entered into as of December 7, 2021 (the “Employment Agreement”), by and between Adial Pharmaceuticals, Inc. (the “Company”) and Cary J. Claiborne (the “Executive”). Capitalized terms used herein without definition shall have the meanings assigned in the Employment Agreement.

**WHEREAS**, Executive was retained under the Employment Agreement by the Corporation to serve as its Chief Operating Officer; and

**WHEREAS**, in recognition of the hard work and performance by Executive, the Corporation desires to amend the Employment Agreement to, among other things, retain Executive to serve as its Chief Executive Officer.

**NOW THEREFORE**, for the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree to amend the Employment Agreement as follows:

1. **Amendments.**

1.1 The first sentence of Section 2.2. of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

“During the Term of Employment, the Executive shall be employed as the Company’s Chief Executive Officer, with such duties and responsibilities that are consistent with such position as may be assigned by the Board (excluding the Executive) from time to time.”

1.2 The first sentence of Section 2.3. of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

“During the Term of Employment, the Executive shall report to the Chief Executive Officer, and the Executive shall diligently and conscientiously devote all of the Executive’s business time, attention, energy, skill and best efforts as necessary to the business and affairs of the Company Group.

1.3 Section 3.1. of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

“3.1. **Base Salary.** During the Term of Employment, the Executive shall initially receive a base salary per annum of Four Hundred Fifty Thousand Dollars (\$450,000), payable in cash in accordance with the Company’s normal payroll practices as in effect from time to time. During the Term of Employment, the Board may periodically review the Executive’s base salary and the Board (excluding the Executive) may, in its sole discretion, set such base salary to an amount it determines to be appropriate, provided, however, that any reduction will qualify as Good Reason under Section 1.11. The Executive’s base salary, as may be in effect from time to time, is referred to herein as “**Base Salary.**”

1.4 The first sentence of Section 3.2. of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

“During the Term of Employment, the Executive shall be eligible to earn an annual performance bonus based on the achievement of the performance goals established by the Board or a committee thereof in its sole discretion, with an annual target bonus opportunity of forty percent (40%) of the Base Salary and the potential to earn a higher bonus for above target performance, with the amount of any such bonus to be determined in the sole discretion of the Board or a committee thereof, in any case, excluding the Executive (the “Annual Bonus”).”

1.5 Section 3.3. of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

“3.3. **Equity Grants.** Subject to the approval of the Company’s Board of Directors or its Compensation Committee, and the availability of additional shares for grant under the Company’s 2017 Equity Incentive Plan, as amended (the “Plan”), you will be granted restricted stock units for 1,000,000 shares of the Company’s common stock (the “RSU Award”), pursuant to the terms of the Plan and the Restricted Stock Unit Agreement (collectively, the “RSU Agreement”). If granted, the RSU shall be subject to vesting as follows: two-thirds of the shares subject to the RSU shall vest on and be issued on a pro rata basis over 24 months and the balance shall vest and be issued on a pro rata basis over the following 12 months, provided that on the applicable vesting date you are in the Company’s “Continuous Service” (as defined in the RSU Agreement). The RSU will be governed in full by the terms of the Plan and your individual RSU Agreement. During the Term of Employment, the Executive shall be eligible for additional equity or equity-based awards that may be granted to the Executive at such times, in such amounts and in such manner as the Board (excluding the Executive) may determine in its sole discretion, but, in good faith, taking into account the roles of and responsibilities of Executive relative to industry norms for similar positions. Any such equity or equity-based awards shall be subject to the terms and conditions set forth in the applicable plan and award agreement.”

1.6 Sections 4.2.3. and 4.2.4. of the Employment Agreement are hereby deleted in their entirety and replaced with the following:

“4.2.3. **Termination Without Cause or for Good Reason—Not In Connection with a Change of Control** If, during the Term of Employment, the Executive’s employment is terminated by the Company without Cause (and not due to death or Disability) or by Executive for Good Reason, in either case, and such termination is not covered by Section 4.2.4, then the Executive shall be entitled to receive the Accrued Benefits and, subject to Section 4.2.4: (i) the Unpaid Prior Year Bonus, with such amount to be payable in cash and/or fully vested shares of the Company’s common stock (as determined by the Company in its sole discretion) at the same time as if no such termination had occurred; (ii) the Annual Bonus for the year in which the Termination Date occurs, but multiplied by a fraction (A) the numerator of which is the number of days in the fiscal year that have transpired through the Termination Date and (B) the denominator of which is the number of days in such fiscal year (to be paid in cash and/or fully vested shares of the Company’s common stock (as determined by the Company in its sole discretion) at the same time as if no such termination had occurred); (iii) continuation of the Base Salary as of the Termination Date for twelve (12) months following the Termination Date, with all portions of such Base Salary to be paid in cash in equal installments in accordance with the Company’s normal payroll policies, with the first such payment to be made on the sixtieth (60<sup>th</sup>) day following the Termination Date and to include a catch-up covering any payroll dates between the Termination Date and the date of the first payment, and (iv) the COBRA Benefit for a period of twelve (12) months following the Termination Date; provided, however, that notwithstanding the foregoing, the COBRA Benefit shall not be provided to the extent that it would result in any fine, penalty or tax on the Company or any of its Affiliates (under Section 105(h) of the Code or the Patient Protection and Affordable Care Act of 2010, or otherwise); provided further, that the COBRA Benefit shall cease earlier if the Executive (or his dependents) become eligible for health coverage under the health plan of another employer. All other rights the Executive may have to compensation and employee benefits from the Company or its Affiliates, other than as set forth in this Section 4.2.3, shall immediately terminate upon the Termination Date.

4.2.4. **Termination Without Cause or for Good Reason – In Connection with a Change of Control** If, during the Term of Employment, the Executive’s employment is terminated by the Company without Cause (and not due to death or Disability) or by Executive for Good Reason, in either case, (A) upon or within 24 months following a Change of Control or (B) within 60 days prior to such Change of Control, then the Executive shall be entitled to receive the Accrued Benefits and, subject to Section 4.2.5: (i) the Unpaid Prior Year Bonus, with such amount to be payable in cash and/or fully vested shares of the Company’s common stock (as determined by the Company in its sole discretion) at the same time as if no such termination had occurred; (ii) a lump sum payment equal to two times the sum of Executive’s Base Salary (at the highest rate in effect during the 24 month period commencing on the date of such Change of Control) and the higher of Executive’s target Annual Bonus opportunity and the Annual Bonus paid to Executive with respect to the fiscal year immediately preceding the fiscal year in which such termination occurred, with such payment to be paid in cash on the first payroll date after the effective date of the release (as described in Section 4.2.5) and in all events no later than 70 days after such termination and (iii) a payment equal to 24

times the monthly COBRA premium for Executive and his eligible dependents (at the rate in effect for Executive's coverage at the time of his termination, regardless of whether Executive elects COBRA coverage), with two-thirds of such payment to be paid in cash on the first payroll date after the effective date of the release (as described in Section 4.2.5) and in all events no later than 70 days after such termination, and with the remaining one-third to be paid according to the same schedule as the COBRA Benefit is provided in clause (iii) of Section 4.2.3 (i.e., in installments over 12 months following the Termination Date). Notwithstanding the foregoing, in the event that a termination described in clause (B) of this Section 4.2.4 occurs, then the payments described in clauses (ii) and (iii) of this Section 4.2.4 shall be paid over the same 12-month period and in the same manner as set forth in clauses (iii) and (iv) of Section 4.2.3, respectively, rather than being paid in a lump sum. In addition, if (and only if), during the Term of Employment, the Executive's employment is terminated by the Company without Cause (and not due to death or Disability) or by Executive for Good Reason, in either case, upon or within 24 months following a Change of Control, then, to the extent the following will not result in a violation of Section 409A, the Executive shall be entitled to, in addition to the Accrued Benefits and the payments set forth in the foregoing clauses (i) through (iii), and subject to Section 4.2.5, immediate and full accelerated vesting of all equity awards received by Executive from the Company or any of its direct or indirect parent companies that are outstanding as of the Termination Date without regard for the vesting schedule set forth in any applicable plan or agreement governing such equity awards; provided that, any equity awards that are subject to the satisfaction of performance goals shall be deemed earned at not less than target performance; and provided, further, that, with respect to any equity award that is in the form of a stock option or stock appreciation right, the option or stock appreciation right shall remain outstanding and exercisable for 24 months following the Termination Date (but in no event beyond the expiration date of the applicable option or stock appreciation right). All other rights the Executive may have to compensation and employee benefits from the Company or its Affiliates, other than as set forth in this Section 4.2.4, shall immediately terminate upon the Termination Date.

4.2.5. **Release Requirement.** Payment and provision of the benefits set forth in Sections 4.2.2, 4.2.3, or 4.2.4 (other than the Accrued Benefits) is subject to the Executive's (or, as applicable, the Executive's estate's or legal representative's) execution of a general release of claims and covenant not to sue in form and substance satisfactory to the Company, such that such release becomes effective, with all revocation periods having expired unexercised, within sixty (60) days after the Termination Date. Notwithstanding the foregoing, if such sixty (60) day period ends in a calendar year after the calendar year in which the Executive's employment terminates, then to the extent required by Section 409A, any severance payment set forth in Sections 4.2.2, 4.2.3, or 4.2.4 (other than the Accrued Benefits) that would have been made during the calendar year in which the Executive's employment terminates instead shall be withheld and paid on the first payroll date in the calendar year after the calendar year in which the Executive's employment terminates, with all remaining payments to be made as if no such delay had occurred."

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2. **Severability.** The provisions of this Amendment are severable and if any part of it is found to be unenforceable the other paragraphs shall remain fully valid and enforceable.

3. **No Other Amendments; Confirmation.** All other terms of the Employment Agreement shall remain in full force and effect. The Employment Agreement, as amended by this Amendment, constitutes the entire agreement between the parties with respect to the subject matter thereof.

4. **Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed an original but both of which together shall constitute one and the same instrument.

5. **Governing Law.** This Amendment is made and shall be construed and performed under the laws of the Commonwealth of Virginia without regard to its choice or conflict of law principles and the parties agree to Virginia as the exclusive venue for any disputes arising hereunder.

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to the Employment Agreement to be duly executed as of the day and year first above written.

**ADIAL PHARMACEUTICALS, INC.**

By: /s/ Joseph Truluck  
Name: Joseph Truluck  
Title: Chief Financial Officer

/s/ Cary J. Claiborne  
**CARY J. CLAIBORNE**

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**AMENDMENT TO EMPLOYMENT AGREEMENT**

This Amendment (this "Amendment") dated as of the 22<sup>nd</sup> day of August, 2022 amends the Employment Agreement, dated July 31, 2018, as amended (the "Agreement"), by and between Adial Pharmaceuticals, Inc. (the "Company"), and William B. Stilley, III ("Executive"). Capitalized terms used herein without definition shall have the meanings assigned in the Agreement.

**WHEREAS**, Executive and the Corporation desire to amend the Employment Agreement.

**NOW THEREFORE**, for the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree to amend the Employment Agreement as follows:

1. **Amendments**

1.1 The first sentence of Section 2.2. of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

"Beginning as of August 22, 2022 and for the balance of the Term of Employment, the Executive shall be employed as the Chief Executive Officer of Purnovate, Inc., with such duties and responsibilities that are consistent with such position as may be assigned by the Board (excluding the Executive) from time to time."

1.2 The first sentence of Section 3.1. of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

"Beginning as of August 22, 2022 and for the balance of the Term of Employment, the Executive shall initially receive a base salary per annum of Two Hundred Sixty Thousand Dollars (\$260,000), payable in cash in accordance with the Company's normal payroll practices as in effect from time to time; provided, that when Purnovate, Inc.'s cash balance shall equal a minimum of Three Million Dollars (\$3,000,000), the base salary payable to Executive hereunder shall be increased to Four Hundred Thirty Thousand Dollars (\$430,000)."

1.3 Section 3.3. of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

"3.3. **Equity Grants.** Subject to the approval of the Company's Board of Directors or its Compensation Committee, and the availability of additional shares for grant under the Company's 2017 Equity Incentive Plan, as amended (the "Plan"), you will be granted an option to purchase 100,000 shares of the Company's common stock (the "Option") pursuant to the Plan and the Company's form of Stock Option Agreement. If granted, the vesting schedule for the Option shall be as follows: 50% of the shares subject to the option will vest after Purnovate, Inc. has held a pre-IND meeting with the FDA and the balance shall vest when the IND is granted, provided that on the applicable vesting date you are in the Company's "Continuous Service" (as defined in the Stock Option Agreement). The exercise price per share of the Option will be determined by the Board of Directors or the Compensation Committee when the Option is granted. The Option will be subject to the terms and conditions applicable to options granted under the Plan and the applicable Stock Option Agreement. During the Term of Employment, the Executive shall be eligible for additional equity or equity-based awards that may be granted to the Executive at such times, in such amounts and in such manner as the Board (excluding the Executive) may determine in its sole discretion, but, in good faith, taking into account the roles of and responsibilities of Executive relative to industry norms for similar positions. Any such equity or equity-based awards shall be subject to the terms and conditions set forth in the applicable plan and award agreement."

1.4 Section 3.5. of the Employment Agreement is hereby amended by the addition of the following sentence at the end thereof:

"Until December 31, 2022, the Company shall continue to make the payments it has been making to Executive's Health Savings Account."

1.5 Section 4.2.1. of the Employment Agreement is hereby amended by the addition of the following sentence at the end thereof:

"In the event that Executive's employment is terminated by the Company without Cause or by Executive for Good Reason on or before August 22, 2023, the Accrued Benefits and the compensation to be received under Sections 4.2.3 and 4.2.4 to be received by Executive shall be determined based on an assumed Base Salary of the greater of his then Base Salary and Four Hundred Thirty Thousand Dollars (\$430,000)."

1.6 Section 4.2. of the Employment Agreement is hereby amended by the addition of the following new Section 4.2.6. at the end thereof:

"4.2.6. **Six-Month Period.** In the event that Executive's employment with the Company is terminated by Executive on or before February 22, 2023, for the purposes of this Section 4.2. any such termination shall be deemed to be a termination by Executive for Good Reason."

2. **No Other Amendments; Confirmation.** All other terms of the Agreement shall remain in full force and effect. The Agreement, as amended by this Amendment, constitutes the entire agreement between the parties with respect to the subject matter thereof.

3. **Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed an original but both of which together shall constitute one and the same instrument.

4. **Choice of Law.** This Amendment shall be construed and interpreted in accordance with the internal laws of the State of Delaware without regard to its conflict of laws principles.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first written above.

**Company:**

**ADIAL PHARMACEUTICALS, INC.**

By: /s/ Joseph Truluck

Name: Joseph Truluck

Title: Chief Financial Officer

**Executive:**

/s/ William B. Stilley, III

WILLIAM B. STILLEY, III

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