– A CASE STUDY IN PROCUREMENT FAILURE –

GOSSAMER THREAD



Ambition, Oversight, and Wartime Defense Culture

JAMES CURTIN

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To H, who stuck by me and believed in me.

Note to the Reader

The author takes no position on the guilt or innocence of any party named in this book. Adjudication of such matters belongs to the judicial system. All parties are presumed innocent unless and until proven guilty in a court of law. The book identifies allegations and potential exposure; it does not decide them.

The events presented in Part One have been reconstructed from publicly available records and information supplied by individuals who agreed to provide it. It is not a work of fiction. Where the public record ends and a sourced account begins, the manuscript says so.

All parties materially discussed were given advance notice of the book's contents as they developed and were invited—on multiple occasions—to identify factual errors, provide supporting records, or offer a factual rebuttal.

By the September 9, 2026 deadline, counsel for Denis Kalenja and Montague Capital Partners had provided the only response addressing specific material in the manuscript. Their response is reflected in the relevant section of the book.

Mark D. Schmidt also responded, first in his individual capacity and later in his stated capacity as President and Chief Executive Officer of Cyberlux Corporation. He broadly denied allegations of procurement fraud and of endangering troops, describing them as false and defamatory. The remainder of his correspondence focused principally on a separate matter that is not discussed in this book, including the author's efforts to verify that unrelated event with the responsible public office. Neither response identified a particular passage, factual error, supporting record, or proposed correction to the manuscript.

On September 11, two days after the deadline, counsel for Bilal "Bill" Maadarani submitted a further response. Although late, it was reviewed and considered. Maadarani categorically denied any involvement in fraud, procurement fraud, theft, misuse or diversion of

government funds, or other unlawful conduct. His counsel challenged the manuscript's reliance on confidential-source material and argued that the author's reporting arose from earlier dealings involving Datron and the author's client. The author disputes that account and provided counsel with the contemporaneous chronology. The response supplied no records disproving a factual statement in the manuscript and proposed no specific correction.

All materials in the possession of the author were collected from public sources or were provided directly to the author by insiders or advisors to Cyberlux.

Those denials are recorded here. Where a response supplied a specific factual account or supporting record, it has been incorporated or identified in the relevant section. Where a party disputed the book more generally, the dispute remains stated as such.

The author's conclusions rest on the records and attributed accounts described in the text, with their limits left visible so readers can judge the evidence for themselves.

This book asks a narrower and more useful question: how did a wartime need become confidence in an aircraft, and how did that confidence survive after the people expected to use it began finding the gaps?

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PROLOGUE

A New Day

Mark Schmidt reached the outskirts of Kyiv under military escort carrying a modified cinematography drone and an explosive payload. He had already tried to move the aircraft through the American system. Now he was taking it to the war.

Ukraine had been at war for five months. Its soldiers needed aircraft, ammunition, radios, replacements and more hours in the day than anyone could provide. Almost everything could be bought, borrowed, donated or flown in. Time could not.

A successful flight could do something the Washington approach had not. It could turn one small supplier's claim into an apparent battlefield answer.

Cyberlux had already tried to interest the Pentagon in its aircraft. The Pentagon had responded in the manner large institutions often respond to small companies explaining that everything is about to change: slowly. Schmidt took the simpler route. If Washington was not ready to come to the aircraft, he would take the aircraft to the people fighting the war.

The K8 flew across the range and into a stationary armored vehicle. It detonated on impact. A second drone carried the picture back.

There was smoke.

Smoke is useful at a weapons demonstration. It removes the need for imagination. Something was there. Something flew. Something blew up. For a few seconds, the result occupied the whole field and the questions had to wait their turn.

* * *

Cyberlux was an unlikely company to have produced the moment. Particularly when you consider it had been in the UAV business for only a few months.

It had once supplied portable lighting to the United States military. That business had largely faded from the federal record years before. Schmidt, along with a team of equally ambitious characters, rebuilt the company through a run of acquisitions touching drones, software, communications and infrastructure. The public story was of an emerging technology group assembling the pieces required for a new kind of defense company.

How Cyberlux appeared to the world was very different from the reality underneath it. Acquisitions looked complete in public before the underlying transactions were. Intellectual-property rights sat in limbo between announcement and execution. Acquired businesses still had to become operating parts of the same organization rather than names collected under one ticker. The public story moved faster than the underlying reality, and bravado covered much of the distance.

The public story and the underlying transaction moved at different speeds. Schmidt consistently behaved as though the first could pull the second into place.

He once reduced Cyberlux's strategy to a sentence.

"We're a virus that's inside the body of DOD."

It was not the language normally used by companies hoping to reassure the Department of Defense.

That was why it worked. The traditionally stoic and conservative U.S. defense industrial base was transforming under a wave of new, swashbuckling, rule-bending entrepreneurs, and Schmidt played the role well.

The virus analogy cast Cyberlux as something new inside the industrial base: focused on results rather than process, impatient with institutional caution and convinced that speed itself was a form of service to Ukraine.

Schmidt proudly credited a U.S. naval command with pairing Cyberlux with HII Mission Technologies, part of one of the largest defense contractors in the United States. HII had the contract vehicles, systems,

history and institutional standing Cyberlux did not. A small company could spend years becoming familiar enough to the Government to receive serious money without frightening anyone. HII already was.

Cyberlux had the aircraft.

HII had the machinery.

The arrangement fit Schmidt's view of the opportunity almost perfectly. Ukraine had an immediate military requirement. The United States had an acquisition system built to move deliberately. Cyberlux had a chief executive who regarded delay less as a condition than as a competitor.

In Schmidt's version of events, the problem was not that the system did not work.

It was that he could work faster.

The recognition came quickly after that. Cyberlux won defense-industry awards. The K8 appeared in reporting about urgent innovation and the effort to move useful technology around the normal pace of American procurement. Ukraine asked for the aircraft by name. A requirement for 1,000 systems became a proposed order for 2,000.

The legend of Cyberlux had taken on a life of its own.

On 29 August 2023, HII awarded Cyberlux a firm-fixed-price subcontract worth $78,857,414.20.

Ten days later, HII transferred $38,700,600 into Cyberlux's operating account.

And for reasons passing understanding, nobody seemed especially troubled that at the end of the previous day Cyberlux had a grand total of $2,297.01 to its name.

For Schmidt, it was difficult to imagine a cleaner vindication.

The virus had not merely entered the body.

The body had supplied the nutrients.

* * *

However, in August 2026, a confidential source gave a different account.

According to the source, the K8 demonstration outside Kyiv had not tested what everyone believed it had tested.

A confidential source alleged that the jammer was not operating during the flight. The present record does not independently establish who controlled the jammer, why it was off or what observers were told.

If that account is true, the K8 had not defeated the jammer at all. The test that helped build confidence in the aircraft had measured nothing of the sort.

PART ONE THE STORY

Building the Future First

At 1:05 on the afternoon of February 28, 2022, Mark Schmidt asked Anthony Gonzalez for his business address. Cyberlux's lawyer was finishing an agreement with Gonzalez's ARG Group, and Schmidt wanted the thing signed before the day got away from them. Four days earlier, Russia had launched its full-scale invasion of Ukraine. Cyberlux did not yet publicly own the company whose engineering would become the foundation of its K8 drone.

Ninety minutes later, the agreement was already becoming old news. The two men were comparing travel schedules, talking about bourbon and discussing the press release that would tell everybody else what they had just agreed. Gonzalez's website was being repaired before the anticipated traffic arrived. They had not yet sat across a table from one another, but the machinery of announcement was already moving. That was Cyberlux's natural tempo.

The agreement contained a problem. ARG was expected to generate purchase orders within forty-five days, and Gonzalez had enough experience around Government sales to know what could be done in forty-five days: not much. Government procurement does not generally arrange itself around the promotional calendar of a small public company. Six months would have been a miracle. Twelve would not have been surprising. Forty-five days belonged to another kind of timetable entirely.

Gonzalez raised the issue. Schmidt did not rewrite the commercial premise; he explained privately that the number was aspirational. The document could keep the harder promise while the conversation carried the softer one. Gonzalez called it a gentleman's agreement. Schmidt agreed, Gonzalez signed and the announcement could proceed.

It was a small exchange, friendly even: two men trying to get something moving and choosing not to let an inconvenient sentence

slow them down. It also contained a great deal of Cyberlux in miniature. The paper could say one thing. The conversation could explain what everybody really meant. Legal got its signature, Gonzalez got Schmidt's assurance and Cyberlux got an agreement it could point to.

* * *

Schmidt had been building the company in variations of that sequence for several years. On New Year's Day 2019, Cyberlux barely existed, although that sentence requires some generosity from the verb. It retained a public stock ticker, a Commercial and Government Entity code and an old history selling portable lighting to the United States military. It also retained the legal machinery of a corporation: shares it could issue, agreements it could sign, debt it could incur and a name that had once meant something inside Government procurement.

What Cyberlux did not have was much current business. Schmidt was then working as chief executive of a health care company, and Cyberlux's visible direct federal work had largely disappeared after 2015. The company remained alive in the formal sense, but very little about its operating business resembled the technology platform it would soon begin describing to investors.

Denis Kalenja saw opportunity in precisely that gap. His firm, Montague Capital Partners, was engaged to help find acquisitions and reconstruct Cyberlux around them. The strategy eventually acquired a suitably muscular name: Operation Alpha. Its underlying idea was not foolish. Building capability takes time; buying it can be much faster.

A public company could acquire businesses that already had employees, products, customers, intellectual property or technical history. One transaction could accomplish what years of internal development might not. Add enough pieces and the old lighting company could become something else before the market had finished remembering what it used to be. There was only one difficulty: Cyberlux did not have much cash.

It did have shares. Shares could pay advisers, support financing and persuade a seller to exchange a business that existed today for a stake in the larger business Cyberlux said would exist tomorrow. The future became a form of currency. Each acquisition announcement made Cyberlux look larger, and each new capability made the next acquisition easier to explain.

A drone company beside a software company beside an infrastructure business begins, from a sufficient distance, to resemble a technology group. Cyberlux's silhouette expanded before the operating business underneath it had to prove that all the pieces belonged together. The company was using tomorrow as consideration for today, and there were people available to help build tomorrow.

* * *

Charles Watts and Watts Law PLLC supplied legal and transactional work. RB Capital appeared around substantial equity issuances and financing. Montague helped design the acquisition strategy. Other advisers brought relationships, introductions, access and the language required to make a small public company legible to larger institutions. Nobody needed the entire structure completed before the next piece was added. They needed enough structure to believe completion was coming.

Then the announcements started arriving: CTMC Drone Solutions, FBD Group, HAVAS Group, KREATX and Digital Automation Solutions. The old military-lighting company began presenting itself as an international technology group touching unmanned aircraft, software, infrastructure, renewable energy and communications. It sounded impressive because parts of it were impressive. There were real people, real businesses, real technical capability and real agreements.

The problem was timing. Investors received the names and capability descriptions as soon as Cyberlux announced them. The less glamorous work came later: closing files, title records, payment schedules, intellectual-property transfers, corporate formation,

integration, authority and accounting. The announcement traveled first. The transaction had to catch up.

CTMC showed the pattern particularly well. Cyberlux announced the acquisition on August 31, 2021. The North Carolina entity associated with the transaction did not legally exist until twenty-seven days later, when Watts formed it as organizer and registered agent. There may be a perfectly ordinary file explaining the sequence. An existing business, assets or people may have been moving into a newly created entity. From the outside, the result was still remarkable: Cyberlux appeared to acquire a company before somebody created the company it had acquired.

That did not stop the announcement, and the share issuances show why the distinction mattered. During the Operation Alpha period, Cyberlux reported 250 million shares issued to RB Capital as acquisition funds, 200 million to Montague as settlement of debt and another 50 million to Watts on the same general basis. The transfers to Kalenja and Watts coincided with the FBD and CTMC acquisitions, although the exact connection has never been publicly explained.

Shares were moving, advisers were being compensated, financing was being arranged and acquisitions were being announced. The public shape of the company was growing while the acquired businesses were still becoming whatever Cyberlux said they had become. An acquisition did not have to work operationally before it became useful corporately. The announcement itself added capability to the story, enlarged the company investors believed they were looking at and helped explain whatever came next.

That gave each transaction value before the acquired company had produced anything inside Cyberlux. It could support another share issuance, attract another adviser and lend the operating history of an acquired business to an organization with very little recent history of its own. The business did not have to be fully integrated before Cyberlux could benefit from having bought it. The transaction could start producing value before the acquired company did.

* * *

CTMC gave Cyberlux a drone-company label before the war. Catalyst Machineworks supplied something more consequential: an operating manufacturer, experienced people, designs and the high-speed drone history from which the K8 would emerge. The distinction matters because Russia invaded Ukraine on February 24, 2022, while Catalyst still sat outside Cyberlux's publicly documented corporate structure.

The available purchase agreement is dated March 28. Cyberlux announced two days later that it had acquired 100 percent of Catalyst, including its assets, intellectual property, technology and know-how. Whatever negotiations preceded the agreement, the formal sequence is plain. Cyberlux added the operating foundation of its UAV business thirty-two days after the invasion had begun.

That does not mean the war created Cyberlux's interest in drones. CTMC had been announced six months earlier. It means something more important for anyone later judging Cyberlux's maturity: the company did not enter the Ukraine emergency with years of integrated military-UAV production behind it. The market arrived while the capability was still being acquired.

Seventeen months later, HII awarded Cyberlux a $78,857,414.20 subcontract for 2,000 wartime aircraft. A young business can be excellent, and a recent acquisition can contain serious engineering talent. Neither fact excuses the buyer from asking the obvious questions. At that size, youth was not a disqualification. It was a red flag telling HII where the verification had to begin.

Cyberlux had been publicly presenting itself as a drone company since CTMC. But the real manufacturing business beneath the K8 story had officially joined the group only about a year and a half before the award. Its visible history showed nothing close to a 2,000-aircraft military production run. Before a prime committed nearly $79 million of taxpayer-funded business, it needed to know exactly what Cyberlux owned, who held the design authority, whether the product was ready

and whether the factory could scale without losing control of the aircraft.

In the months before the HII award, Cyberlux also began dismantling much of the international group it had spent two years assembling. Its third-quarter 2023 filing said the company had decided to focus solely on defense technology because classified projects required Top Secret clearances and corporate Sensitive Compartmented Information Facility, or SCIF, clearances. KREATX was separated effective April 1; FBD and HAVAS followed effective June 30.

The language did more than explain a change in corporate structure. It placed Cyberlux inside a world most outsiders hesitate to question. Classified work sounds important, technically demanding and beyond ordinary inspection. The person invoking it appears informed; the person asking for proof risks appearing careless with national security.

It also created a simple diligence question before HII awarded the subcontract: what security infrastructure did Cyberlux actually possess? The answer should have been visible in facility-clearance records, cleared personnel, approved secure space, sponsoring arrangements and a precise description of which work required protection. Security language could not substitute for the machinery required to perform secure work.

* * *

The acquisition history supplied reasons to look harder. Atlantic Wave offered one of the earlier warnings. Cyberlux obtained technology rights and assumed payment obligations, then faced litigation alleging that it had retained the benefit while payments stopped. Atlantic Wave later settled, which matters because settlement is supposed to end an argument. Cyberlux had already agreed what it owed; Atlantic Wave was trying to collect what Cyberlux had promised under an earlier bargain.

If Cyberlux later chose to use money received from the HII program to satisfy part of that obligation, that was Cyberlux's treasury decision, not

Atlantic Wave's. But the dispute had already left something useful for any future counterparty willing to read it. A company that obtained valuable rights had later been accused of failing to perform the payment side of the transaction. That did not predict the next contract. It told a future buyer where to look.

Catalyst's former owners would later describe a disturbingly familiar shape. They said Cyberlux kept the capability and intellectual property associated with the acquisition while failing to pay the full purchase price. Cyberlux disputed the claim, and that dispute matters. An allegation does not establish ownership. An acquisition announcement does not establish it either.

Before HII relied on Catalyst's technology, personnel, designs or past performance as part of Cyberlux's capability, somebody had to answer ordinary questions. What had actually been purchased and paid for? Who owned the intellectual property? Which people still worked there? Which assets had transferred? What capability genuinely belonged to Cyberlux on the day Cyberlux asked somebody else to rely upon it?

Those questions were not glamorous, but they were exactly the questions Operation Alpha made necessary. The strategy depended upon enough announced pieces eventually becoming one functioning company. That required money to close transactions, satisfy sellers, integrate businesses, hire people and turn acquired capability into operating capability. It also required money to make yesterday's promises stop competing with tomorrow's ambitions.

Cyberlux did not yet have enough of it. Russia had invaded, the market for small military drones had become immediate and the company's newest operating capability had arrived after the emergency began. The next task was to prove that the aircraft worked. In July 2022, barely four months after the Catalyst announcement, Cyberlux took a K8 to Ukraine and produced the demonstration that would make the rest of the story possible.

The Mechanical Deadly Brunette

The K8 entered the program through a telephone.

On 28 March 2022, Anthony Gonzalez was at a skate park in Costa Rica with his son when Mark Schmidt wanted to talk about a new aircraft.

Gonzalez could speak after five.

By the following morning, a product sheet was already moving toward military contacts.

There was nothing inherently wrong with that. Urgent programs are rarely born in conference rooms with numbered tabs and everybody waiting politely for the previous department to finish. They begin in cars, hotel lobbies, encrypted message threads and phone calls taken while somebody's child is doing something dangerous on a skateboard.

The problem was not informality.

The problem was how quickly provisional answers stopped being provisional.

A Special Forces contact wanted the foreign writing removed from the product sheet. The writing was Ukrainian rather than Russian, but nobody wasted much time admiring the distinction. The sheet was cleaned up and sent back out.

Another contact wanted technical details.

Gonzalez wanted to know whether Cyberlux had completed its Directorate of Defense Trade Controls registration.

He wanted live testing.

He wanted a price.

Schmidt gave him one.

Cyberlux said the aircraft cost roughly $4,700 in materials and labor. The company wanted another $2,000 on top. The early complete

package — aircraft, controller, radio, video equipment, munitions container and ignition control — therefore began around $6,700.

That was the beginning.

Then everyone else arrived.

ARG discussed a twenty percent margin. A prime contractor or broker might need room. Gonzalez proposed a manufacturer's suggested retail price of $9,800, with the option of bringing it down later if the market required.

Nobody was pretending the number had descended from a government cost model.

They were building it in real time.

Cost. Margin. Channel.

Room for whatever, and whoever, came next.

The striking thing was not that people wanted to make money. That is generally why companies exist.

What was striking is that the price was more finished than the product.

The aircraft itself came from people who knew what they were doing. More specifically, people who knew about flying drones, but very little about flying munitions.

* * *

Catalyst Machineworks had built a reputation around small unmanned aircraft, including racing and cinematography platforms. Those disciplines are less forgiving than they look from the ground. Weight matters. Balance matters. Vibration matters. Radio performance matters. A bad design choice does not wait for a quarterly review.

It falls out of the sky.

Catalyst gave Cyberlux something real.

That distinction matters.

The K8 was not vaporware. It was not a PowerPoint aircraft invented to support a press release. It flew. It carried payload. It could move quickly and violently enough to make people pay attention.

What Catalyst had not given Cyberlux was a mature weapons system.

That required considerably more than an airframe that could fly.

The K8 needed a controlled production configuration. It needed a communications architecture capable of surviving hostile electronic warfare. It needed repeatable manufacturing, weapons-safety engineering, export compliance, training, configuration control and some confidence that aircraft number 500 would resemble the aircraft everybody had applauded at the range.

Those things are dull right up until one of them is missing.

Schmidt looked at the gap and saw something else.

He saw an aircraft that moved quickly, carried something unpleasant and made a very good argument in person.

* * *

In May 2022, the argument moved into Schmidt's suite at the JW Marriott during Special Operations Forces Industry Conference week in Tampa.

For several days, the hotel room became a small defense market.

Ukrainians came through.

Brazilians. Canadians. Air Force personnel. Engineers. Advisers. Prospective intermediaries.

Meetings shifted by the hour. Introductions became other introductions. The K8 came out of its case when the right people entered the room and went back into the case when somebody had not signed an NDA.

Then it came out again.

The theater worked because most obvious part of the theater was true.

The aircraft existed.

The engineers knew aircraft.

The military people were real.

Gonzalez had relationships Cyberlux did not possess. Catalyst had technical capability Cyberlux had not built itself. Schmidt's talent was arranging all of it in the same place until the distinction between access, capability and company began to blur.

Schmidt controlled that tempo very well.

He also understood presentation.

He called the K8 a "mechanical, deadly brunette."

It was exuberant, absurd and difficult to forget.

That was probably the point.

For several days, an unfinished aircraft sitting in a hotel suite managed to feel like the center of an emerging market.

The paperwork was having a harder time keeping up.

By the end of June, the export problem was still unresolved.

Gonzalez asked whether Cyberlux was effectively beginning from scratch on the necessary license.

Schmidt said Roman Vintfeld was working the Poland authorization. Cyberlux had decided to obtain its own. Holland & Knight had been engaged. A Defense Export Control and Compliance System account existed.

There were pieces.

They were moving.

Schmidt acknowledged the weakness himself.

The effort was "single-threaded."

That phrase belonged to export administration.

It also described much of the company.

One person knew the answer to one indispensable question.

Another person controlled the next relationship.

Another carried the technical knowledge.

Another knew the route through the institution.

If that person was unavailable, the program waited, improvised or found another way around.

Cyberlux was accumulating urgency faster than it was accumulating redundancy.

Then the range supplied another photograph.

* * *

In July, live-fire testing produced a hole through steel.

Schmidt had not even reached the site when the result came through.

"Preliminary results 6" penetration - tank lid buster!" he wrote. "First shot, refining tomorrow. But BOOM."

There are technical reports.

There are qualification packages.

There are witnessed test records, controlled configurations and independent assessments.

And then there is a photograph of a hole in steel.

The photograph has certain advantages.

It travels quickly.

It requires very little explanation.

Nobody needs to understand blast physics, warhead design, stand-off distance or test conditions to understand that something has punched through something else.

The K8 had made a hole.

The hole could open doors.

What did not travel with the photograph was a complete public test plan, a frozen configuration record or an independent report establishing exactly what had been tested and under what conditions.

That did not make the result false.

It made the result incomplete.

And incomplete results were becoming unusually productive.

The useful ambiguity surrounding the K8 was that the aircraft genuinely worked in several important senses.

It flew.

It carried a payload.

It hit things.

It could produce the kind of visible result that made military people lean forward.

Every genuine success made the missing disciplines easier to treat as administrative details that somebody would finish later.

At prototype scale, that can work for quite a while.

Good engineers compensate constantly. They adjust. They know which motor behaves differently, which battery is temperamental, which frame needs attention, which radio setting works and which assembly requires the hand of the person who has already built fifty of them.

That knowledge can make one aircraft excellent.

It does not make two thousand aircraft identical.

At production scale, personal judgment has to become drawings, tolerances, approved parts, software versions, test criteria, inspection procedures and configuration control.

The correction somebody makes instinctively at aircraft twelve has to exist in a form that aircraft 812 can inherit without that person standing beside it.

Otherwise the company is not manufacturing a product.

It is rediscovering one, over and over again.

Cyberlux had found capable people.

It had found a compelling aircraft.

Schmidt's mistake was treating proximity to both as though Cyberlux already possessed everything required to turn them into a weapons program.

The Test That Became a Requirement

Electronic warfare is a bit of science and a bit of sorcery. At its most basic level, it is an organized attempt to make an opponent's electronics lie, disappear or stop working at the moment they are needed.

A small remotely piloted aircraft ordinarily depends upon radio links. One carries commands from the pilot. Another may return video. Navigation may rely upon satellite signals. A munition may also require a reliable initiation command. An adversary does not need to shoot the aircraft if it can overwhelm, imitate or interrupt the signals holding the flight together.

That is why a successful demonstration flight near an active jammer matters. It supports the manufacturer's claim that the aircraft, control link and mission equipment can continue operating while somebody is deliberately trying to prevent them from doing exactly that.

In the summer of 2022, the K8 went to Ukraine for the demonstration that would come to define it. The setting did much of the persuasive work. This was not a trade-show range in Nevada with a few folding chairs and a sales team standing behind the customer. Ukraine was already living inside the electronic-warfare environment American brochures described in the future tense.

The K8 crossed the range, struck a static armored target and exploded, exactly as advertised. Cyberlux was more than happy to carry the result back into American defense channels. If the K8 had successfully flown through active jamming in Ukraine, then the United States military had one more reason to take the aircraft seriously.

The demonstration gave Cyberlux something more valuable than a good video. It gave the company a technical story that could travel.

* * *

Ukraine supplied the urgency. A small group of advisers supplied the route by which that urgency could become paper.

Roman Vintfeld and Michael Sinensky worked Ukrainian relationships through WeShield and associated channels. Anthony Gonzalez brought military contacts and the ability to place the aircraft in front of people whose opinions carried weight. Bilal Maadarani understood the less glamorous machinery of foreign military sales: the certifications, approvals, sponsors and institutional sequence required to turn a foreign user's interest into something the United States could actually fund.

That machinery mattered because a successful demonstration, however persuasive, was still only a demonstration. It could create interest. It could create a photograph. It could create a room full of people talking about what came next. To become a program, it needed paperwork.

The Ukrainian Ministry of Defence later said its personnel tested the K8 on 2 August 2022. Foreign-consignee certifications followed for 1,000 aircraft: 500 armor-piercing systems and 500 dual-purpose systems with a stated aggregate value of $38.704 million. Then came the document Cyberlux needed.

On 21 September, Deputy Defense Minister Denis Sharapov signed a Letter of Request asking the United States for 1,000 K8 aircraft, training for fifty-six pilots and continuing support.

The K8 was no longer merely an aircraft Cyberlux wanted to sell. Ukraine had asked for it by name, and that changed the conversation completely. Cyberlux no longer had to walk into Washington with an unfamiliar drone and persuade the United States to select it from scratch. A country fighting a war had now told the American Government, formally, that this was the aircraft it wanted.

The request also carried the Kyiv demonstration with it. The aircraft had flown. It had struck the target. It had reportedly survived electronic warfare. Ukraine wanted more.

Each proposition strengthened the next.

The request could now move through the foreign-military-sales system with the authority of a country at war behind it. That authority was real. Ukraine understood its immediate battlefield needs better than an American program office several thousand miles away. Its soldiers were learning every day which systems worked, which failed and what Russian electronic warfare did to both. A named request from that environment deserved serious weight.

The problem was that the Letter of Request began carrying more than evidence of demand.

It did not establish that Cyberlux could manufacture 2,000 controlled aircraft. It did not establish that the company had the working capital to support the order. It did not establish that Cyberlux possessed the accounting controls, supplier network, quality organization or configuration discipline required to produce the same weapons system hundreds of times over.

Nor did it explain the price.

Only months earlier, Gonzalez and Schmidt had been discussing an early complete package around $6,700. The aircraft would later cross HII's acceptance line at prices of $36,900 and $40,500 depending on variant. There may have been entirely legitimate reasons for the difference: engineering, payload integration, training, support, transport, fixed-price risk, margin and intermediaries.

The Letter of Request did not say which of them accounted for another roughly $30,000 per aircraft.

Those were American questions.

The distinction became increasingly difficult to preserve because the letter answered the question carrying the greatest political weight: does Ukraine want it?

The answer was yes.

Once that answer existed on official paper, every slower question began to acquire an unfortunate appearance. Why are you delaying the aircraft? Why are you asking for another test? Why are you questioning the supplier? Why are you still talking about price while Ukrainians are fighting?

Due diligence could begin to look like obstruction.

That mattered even more because the electronic-warfare claim had now become part of the logic supporting the request. The K8 had reportedly survived the jammer. Ukraine had then requested the K8 by name. The request could now be read as validation of the demonstration, while the demonstration explained why Ukraine had selected the aircraft in the first place.

The logic began feeding itself.

The aircraft had survived the jammer because Ukraine wanted it, and Ukraine wanted it because the aircraft had survived the jammer.

What should have sat between those two propositions was the test record.

* * *

Then, in August 2026, a confidential source emerged with a very different account of what had happened outside Kyiv.

According to the source, the relevant jammer was not operating during the K8 flight. The source attributed that condition to people involved in the demonstration, but no contemporaneous test record presently establishes who controlled the jammer or why it was off.

If the jammer was off, the flight could not establish resistance to that jammer.

That allegation changes the significance of everything that followed.

Cyberlux was not merely saying that the K8 could fly. It carried the demonstration forward as proof that the aircraft had survived a particular battlefield threat. Ukraine's formal request then endorsed the aircraft that had supposedly done it. The demonstration helped validate the request, and the request gave institutional weight to the demonstration.

If the source account is correct, the procurement was no longer resting on a weak test.

It was resting on a test whose central condition had been removed.

That is what makes the Letter of Request so consequential. It did not create the electronic-warfare claim. It gave the claim somewhere to live inside the American acquisition system.

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The quantity changed as well.

Ukraine requested 1,000 aircraft. The HII subcontract would eventually call for 2,000. Somewhere between the foreign user's request and the American obligation, another thousand systems appeared.

There may be a straightforward explanation. Demand may have expanded. Program planners may have anticipated additional need. Economies of scale may have influenced the quantity. Somebody may simply have concluded that once the production line existed, buying more was the sensible wartime decision.

The decision file should say.

It should also show who tested the price, who decided Cyberlux could carry the production risk and what acceptance criteria would ensure that the system ultimately delivered was the system Ukraine believed it had requested. Because Ukraine had not asked the United States to buy 1,000 boxes with propellers attached. It had asked for a military capability.

The letter included training for fifty-six pilots and continuing support because the aircraft itself was only the visible part of the requirement. The value existed in whether trained operators could launch it, control it, sustain it and reach a target while the enemy was actively trying to prevent them.

Quantity could not repair a weak radio. Production speed could not stabilize an uncontrolled design. And two thousand aircraft would not cure a capability that had never survived the test used to justify buying the first thousand.

This was the point at which the program needed to hold two ideas in its head at the same time. Ukraine's request was powerful evidence of need, but it was not proof of supplier capability. One should have accelerated the American process. The other should have defined what that process still had to prove.

Instead, the request began doing both jobs.

By the autumn of 2022, Schmidt had obtained the thing he had gone to Ukraine to find. Not a contract, not yet, but something more useful at that stage: an official American ally had placed his aircraft by name into the machinery of United States defense procurement.

The K8 had gone to Ukraine as a product.

It came back as a requirement.

The People Who Knew the Door

The secret sauce of military acquisition is less mysterious than it sounds: get everybody at the bottom to say yes, and make sure nobody at the top says no. The language is crude. The mechanism is precise.

The people at the bottom are closest to the need. They are the operators, technical users, military sponsors and officials willing to say that a particular product might solve a real problem. The people at the top control permission, money and institutional risk. They do not all need to champion the product. Most of them simply need to see no reason powerful enough to stop it.

Between those two groups lies a bridge, and every procurement has trolls beneath it. Some are territorial, obstructive or loyal to another program. They pull at an opportunity because they can. Others only look like trolls to the people trying to cross. They ask whether the product works, whether the supplier can build it, whether the price makes sense and whether the paperwork is carrying more confidence than the evidence beneath it. The acquisition operator's job is partly to know the difference. The reckless operator treats them all as obstacles.

The bridge also has to be crossed twice. On the way up, user interest must survive operators, program offices, technical reviewers, foreign-military-sales staff and anyone else capable of questioning the requirement. On the way down, funding and authority must pass through contracting officers, lawyers, the prime contractor, supplier diligence, acceptance and quality control before becoming delivered capability. There are places to stop a weak program on both journeys. Cyberlux found people who knew where most of them were.

Anthony Gonzalez knew the operator door. He could reach military users and senior officers without introducing himself through a generic inbox. He understood how to put an aircraft in front of credible people and, just as importantly, how much their interest

would be worth somewhere else. Gonzalez says Major General Cameron Holt supplied an early foreign-military-sales roadmap. Military contacts received Cyberlux material, discussed demonstrations and helped move the K8 into rooms a small public company would not have entered on its own.

Roman Vintfeld, Michael Sinensky and WeShield worked the Ukrainian side. Cyberlux engaged WeShield in July 2022 as its exclusive Ukrainian government and Ministry of Defence business-development partner. The assignment was not merely to find buyers. It was to create access to the people who could use the aircraft, sponsor the requirement and carry it into the machinery of the Ukrainian state.

Brett Velicovich helped open the military and political doors. The Wall Street Journal later reported that a United States drone expert connected Cyberlux with senior officials in Kyiv. The July demonstration reached General Valeriy Zaluzhny, then commander in chief of Ukraine's armed forces. Cyberlux also publicized a meeting involving Anton Gerashchenko, an adviser to the Ukrainian interior minister and a prominent public advocate for drone procurement. This was not ordinary market development. It put a barely established supplier in front of people whose enthusiasm could become an official demand signal.

The compensation followed the access. Cyberlux's public filings later recorded ten million shares issued to Velicovich under an advisory-board agreement on December 27, 2022, after the Ukrainian paperwork had been signed and after the reported pairing with HII was underway. That sequence does not tell us what every share purchased. It does show that military access and advisory credibility were valuable enough to be paid for in equity.

Bilal Maadarani sat nearer the hinge. He began working with Schmidt on August 9, 2022. In a later sworn affidavit, Maadarani said his work was instrumental to obtaining the K8 award, involved more than ten trips to Ukraine and included meetings with Ukrainian defense officials. Whatever later disputes came to surround his relationship

with Cyberlux, his knowledge of military communications and foreign military sales was real. He understood that enthusiasm was useful but insufficient. It had to become paper the American system could recognize.

The timing is difficult to ignore. WeShield was engaged on July 12. The Kyiv demonstration followed. Maadarani began working with Schmidt on August 9. Ukrainian military officials signed end-user certificates between August 13 and 15, followed by the State Department end-user form on August 24. In September, Deputy Defence Minister Denys Sharapov sent the Letter of Request naming the K8. In roughly ten weeks, access became a demonstration, the demonstration became official sponsorship and sponsorship became a named request inside the American system.

That was the bottom saying yes. The Ukrainian users were not decorative figures in an American sales campaign. Their support created the requirement around which everything else could form. Without it, Cyberlux was a small supplier trying to sell an aircraft. With it, Cyberlux became the named answer to an urgent allied need. The company no longer had to persuade the United States to select the K8 from a clean sheet of paper. Ukraine appeared to have made the selection already.

The distinction matters. The Letter of Request proved that Ukraine had asked for the K8. It did not prove that the K8 could perform the mission, that the demonstration had been representative or that Cyberlux could build two thousand controlled aircraft. But institutions are vulnerable to inherited confidence. Once the end user had named the product, every later participant could treat that choice as evidence that somebody closer to the battlefield had already answered the technical questions.

Maadarani's visible contribution was helping to turn enthusiasm into the documents, sponsorship and sequence that allowed the American system to act. His own account and the surviving records place his work across Ukrainian access, end-user support, the Letter of Request,

sole-source language and entry into the foreign-military-sales system. Each step converted one kind of confidence into something the next institution could use. None of it established that the K8 was technically sound. It made the demand for it administratively usable.

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A second group was working above the requirement. Their job was not to make Ukrainian users say yes. It was to keep the American institutions around the opportunity from producing a fatal no.

Ferdinand Irizarry is the clearest example of how the two tracks overlapped. A retired brigadier general with deep interagency and civil-affairs experience, Irizarry was both a Cyberlux defense adviser and a principal of JMH Group, the registered lobbying firm working through Fairwinds. Schmidt's correspondence placed Irizarry inside work on what it called the 'Zelensky letter' by May 27, 2022. JMH's first public lobbying disclosure appeared on October 7, 133 days later. That does not tell us whether the filing was late. It tells us the work began well before the public paper trail.

The first disclosure named Representative Rob Wittman, Senator Ted Cruz's office and the Defense Security Cooperation Agency. Its subject was Foreign Military Financing for Ukraine. Fairwinds appeared as the client and Cyberlux as its partner. The filing arrived four days after the Fairwinds teaming agreement, by which point the demonstration, end-user certificates and Letter of Request already existed. The public lobbying structure was catching up with a pursuit that was already moving.

Wittman sat at a useful junction. His Virginia district contained HII's Newport News shipbuilding operations, and his work on the House Armed Services Committee placed him near HII's institutional interests. HII's employee political-action committee also contributed to him. A campaign contribution is not a purchase order, and the available material does not show JMH and HII coordinating their activity. But the alignment belongs in the picture: Cyberlux's lobbying channel and HII's political channel were both engaging a

congressional figure important to the environment in which the procurement would move.

Cyberlux had surrounded itself with acquisition fluency as well. Lieutenant General Paul Ostrowski had been the Army's senior uniformed acquisition official. Holt had run Air Force contracting. Irizarry understood the interagency and congressional terrain. Velicovich brought operational access. In October 2023, after the award, Schmidt publicly thanked the Defense Advisory Board for the insight and perspective that helped secure it. He was not describing a group that had designed the radio, stabilized the production configuration or qualified the aircraft. He was describing people who knew how the doors worked.

The top-down effort did not award the contract. It made the opportunity familiar, connected and difficult to dismiss. Congressional offices heard about the capability. DSCA saw the emerging Ukrainian case. Military and acquisition figures gave the pursuit recognizable credentials. Senior people did not need to become passionate advocates. They only needed to see an allied requirement, capable intermediaries and no obvious institutional reason to intervene.

By November 2022, according to the Wall Street Journal, Naval Air Systems Command had paired Cyberlux with HII. That is where the two tracks met. Ukraine had supplied the named demand. The political and agency work had helped preserve the route. NAVAIR supplied the reported introduction. HII supplied the institutional body capable of turning all of it into a contract.

The pairing remains one of the most important handoffs in the entire story. The K8 had not traveled through Marine Corps adoption or emerged from a mature naval program. Cyberlux did not possess the production history, accounting system or contract infrastructure of an established defense manufacturer. Yet a naval command reportedly placed it beside a major American prime whose OASIS vehicle could carry the work.

The pieces are visible. The precise decision path is not. We still do not know who inside NAVAIR selected Cyberlux for the pairing, what technical package accompanied the recommendation, what HII was told about the Kyiv demonstration or which organization treated the Ukrainian request as sufficient reason to move forward. Those are not side questions. They identify the moment at which a successful influence architecture should have met an independent acquisition judgment.

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Fairwinds understood the contracting side of the bridge. At SOFIC, test pilot Paul Nurkkala helped connect Cyberlux with the company. Fairwinds understood the available Government routes and expected to be paid if its work helped the opportunity reach award. The relationship became a teaming agreement. Fairwinds later said it helped Cyberlux secure the vehicle through which the K8 order moved.

Money and authority do not descend automatically from an approved requirement into a supplier's bank account. They need a contract vehicle, a prime contractor, a price, an acceptance structure and somebody willing to say that the proposed supplier can perform. HII's OASIS vehicle was built around services, not as a catalog from which the Government selected two thousand drones and waited for delivery. Somebody still had to decide that this product, this supplier and this very large hardware obligation could sensibly travel through that channel.

That was where the downward journey should have become difficult. Supplier diligence should have tested whether Cyberlux could manufacture at scale and manage a large advance. Technical review should have separated a successful demonstration from a controlled production configuration. Price analysis should have examined how an aircraft Schmidt had costed at about $4,700 became a system sold for roughly eight times that amount. Contracting and legal review should

have tested the hardware, financing and acceptance structure being placed beneath a services vehicle.

Perhaps some people asked. It is unclear what answers they received. The program crossed anyway.

Behind the introductions sat another door, less glamorous and ultimately just as important: the paper. Cyberlux accumulated agreements with ARG, Fairwinds, WeShield, Maadarani, Montague and firms working political and agency relationships around the same pursuit. Those arrangements described different combinations of commissions, revenue shares, expenses, equity, consulting fees and success payments. Each had its own language. Many were attached, directly or indirectly, to the same opportunity.

ARG claimed a substantial share of program revenue. Fairwinds expected compensation for helping secure the contracting route. WeShield described consulting and commercial rights connected to Ukraine. Maadarani had compensation arrangements tied to foreign military sales and later a separate financial relationship with Cyberlux. Montague claimed that its amended consulting agreement covered the Ukrainian order and entitled it to five percent of the resulting receipts. Cyberlux disputed that Montague had sourced the subcontract and said it had already been paid.

Those arguments belong later, when the program begins coming apart. Their presence here tells us something simpler. Long before the claimants arrived in court, Cyberlux was building a stack of promises around the same transaction. Somebody inside the company needed to know how the promises overlapped, what success would cost and whether the available margin had been promised more than once.

Charles Watts was Cyberlux's special counsel and the closest visible thing the company had to an internal legal officer. He was not an unfamiliar outside lawyer who appeared when the trouble began. Cyberlux had previously issued him fifty million shares in what the company described as a debt settlement. He sat close to Schmidt, the corporate structure and the paper that made the company move. It

remains unclear how deeply Watts participated in negotiating or coordinating the agreements around the K8. By then, however, the stack was large enough that somebody had to reconcile it. Either somebody did, or nobody did. Both answers matter.

The cast now becomes easier to see. Gonzalez and Velicovich brought military access. Vintfeld, Sinensky and WeShield worked Ukraine. Maadarani helped convert access into the FMS route. Irizarry, JMH and the lobbyists worked the political and agency environment. Holt and Ostrowski supplied acquisition credibility. Fairwinds pursued the contracting channel. Watts sat nearest the corporate paper. HII would provide the prime contract machinery.

Schmidt sat in the middle. The record shows him carrying confidence from one room into the next. Operator interest became evidence of demand. Ukrainian demand was then treated as evidence of product suitability. The Letter of Request gave the program official form. Political attention suggested institutional support. Fairwinds supplied a contract path. HII's involvement gave Cyberlux institutional credibility it could not have supplied on its own.

Each participant could see a legitimate piece of the opportunity. The operator saw an aircraft worth testing. The Ukrainian official saw a possible answer to an urgent requirement. The FMS specialist saw a case that could be built. The business-development firms saw a transaction worth pursuing. The lobbyists saw a program that needed attention. The prime would eventually see one supplier inside a much larger Government task order. Nobody needed to hold the whole picture.

They may have thought they were building the same transaction. Schmidt appears to have understood that each relationship supplied something Cyberlux did not possess on its own: military credibility, Ukrainian access, acquisition knowledge, political attention, contract machinery or money. Each arrived with a promise attached.

What happened later shows a recurring commercial pattern. After counterparties supplied access, expertise or credibility, several of the

associated payment or compensation obligations were renegotiated, disputed or delayed. People who had opened doors later appeared as claimants or creditors.

That was dangerous for everyone because the machine did not require them to be part of the same plan. It only required them to mistake shared momentum for shared interest. Nobody needed to know everything Schmidt had promised somewhere else, how many people had been offered part of the same opportunity or what technical assumptions another participant had accepted. They only needed to keep their own door open, anticipate the next point of resistance and help the program reach the other side.

The result was less a stable coalition than a sequence of relationships that later fractured into disputes and claims.

By early 2023, Cyberlux had assembled almost everything required for momentum. Users had said yes. The named Letter of Request had entered the FMS machinery. Political and agency relationships were working above it. NAVAIR had reportedly made the introduction. A contracting route was forming, and a growing collection of advisers and intermediaries had acquired an interest in the program succeeding.

The requirement had survived the journey up. Nobody at the top had said no. Now the money and authority had to travel back down through the American acquisition system. The questions waiting on that journey were different: could Cyberlux manufacture the aircraft, could the K8 perform the mission, was the price supportable and would the prime impose the controls that the small supplier lacked?

What remained was the institution capable of answering those questions and turning the entire arrangement into a contract. HII would make it real.

Thirty-Eight Million Before Breakfast

HII Mission Technologies supplied the institutional body Cyberlux lacked. Its parent was America's largest military shipbuilder. Mission Technologies brought contract machinery, established government relationships and the reassuring weight of an organization accustomed to handling public money. From HII's altitude, the K8 could sit inside a much larger program. From Cyberlux's, HII was the bridge between an interesting aircraft and a transformative award.

Once HII stood in front, everybody behind it looked more convincing. Cyberlux became the supplier of a major American prime. Ukraine's request entered a recognized Foreign Military Sales route. The advisers surrounding the opportunity became the network that had delivered it to an institution capable of administering it. Confidence traveled backward through the chain, and each participant could reasonably assume that somebody nearer the government had checked the difficult parts.

On March 9, 2023, Matthew Alley, a Navy civilian at Naval Surface Warfare Center Crane, emailed HII personnel about the FMS case. Congressional approval had been received. The business case was in the home stretch. Funding might follow within days. Shannon Blackerby at HII forwarded the message into the Cyberlux channel.

The email did not select Cyberlux, approve the price or authorize the advance. It did something psychologically stronger: it made the program feel inevitable. A year earlier, Anthony Gonzalez had been chasing export registration and passing a hastily cleaned-up product sheet through military contacts. Now a Navy official was discussing congressional approval inside an HII email chain. What had begun as a speculative sales effort was starting to behave like an authorized government program moving toward money.

Funding took another five months. Somewhere inside that period, 1,000 requested aircraft became 2,000 contracted aircraft and the

value became $78,857,414.20. On August 29, HII awarded Cyberlux a firm-fixed-price subcontract for the full quantity. Roughly half the contract value would be paid at the beginning, before HII accepted a single aircraft.

Seventeen months separated Cyberlux's Catalyst announcement from HII's $78,857,414.20 award. In that brief span, Cyberlux went from acquiring the operating foundation of its UAV business to being contracted for 2,000 wartime aircraft. Its visible history showed no comparable production run. The speed should have made supplier maturity, ownership, engineering authority, factory capacity and financial control central to HII's decision.

Firm-fixed-price meant Cyberlux had promised the finished result for an agreed price. If parts became more expensive, production took longer or aircraft required additional work, the ordinary cost belonged to Cyberlux. The advance did not alter that bargain. It simply gave the company enough cash to begin attempting it at a scale Cyberlux had never approached before.

On September 7, 2023, the company’s TowneBank operating account held $2,297.01. The following morning, HII wired in $38,700,600.

The number changed the company before anyone spent a dollar of it. Suppliers could be ordered. Staff could be hired. Production benches could fill. A business that had spent years financing tomorrow with shares, promises and the expectation that something larger was coming suddenly possessed enough cash to make several tomorrows arrive at once. For the people inside Cyberlux, this was the high point. Ukraine wanted the aircraft. HII had placed the order. Congress had funded the program. The money was in the bank.

It began moving immediately. On the day the advance arrived, $3 million went toward the Datron acquisition, $575,000 went to Atlantic Wave, $50,000 went to Strikepoint and another $250,000 left through a telephone-authorized transfer. These were not factory-floor purchases, but they belonged to the same sensation of release. Cyberlux could manufacture aircraft, complete acquisitions, settle

older commitments and behave like the larger company it had spent years telling investors it was becoming. Everything that had previously depended upon tomorrow could now be addressed today.

The Atlantic Wave payment belonged to a separate bargain signed before HII awarded the subcontract. The June settlement required scheduled payments and contained an acceleration clause tied to the anticipated drone business. Cyberlux agreed to pay the outstanding balance, up to $5,000 per drone sold, within twenty-one days of Cyberlux or a related entity first receiving payment under any contract to purchase drone aircraft.

That was not the later HII termination settlement, and Atlantic Wave had no part in deciding which Cyberlux account would fund the payment. It had negotiated a private exit from an older dispute and written the expected drone money into the trigger. Cyberlux chose to send $575,000 from the account on the day the HII advance arrived.

Three days later, on September 11, Cyberlux wired $213,000 to Fletcher Jones Motorcars, a Mercedes-Benz dealership in Newport Beach. The date gave the transaction a symbolism nobody could have designed better. The relevant point was not the badge on the car. It was that program money had become ordinary corporate cash so quickly that it could purchase a luxury vehicle before HII had accepted a single aircraft.

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Meanwhile, the production machinery was beginning to turn in Spring, Texas. On September 5, three days before the advance arrived, Thin Air Gear had prepared an order for 2,100 wheeled drone bags. Its proposed schedule called for 400 bags within thirty days of receiving the purchase order and deposit, followed by another 200 every two weeks. Cyberlux paid the required $150,000 deposit on September 14.

The extra hundred bags allowed room for training sets, replacements or ordinary production loss, but the important number was still two

thousand. Cyberlux was not purchasing around a small introductory batch. It was organizing the supply chain around the entire order. Bags, controllers, radios, batteries, frames and the other components needed to arrive quickly enough to keep benches full and workers moving. The contract had gone from an award document to a materials problem, and materials problems can usually be attacked with enough money and urgency.

Cyberlux had reason to believe it could afford that urgency. In an April 2022 exchange, Mark Schmidt and Gonzalez had worked with an internal product-cost figure of approximately $4,700 per aircraft. That was not an audited cost for the final 2023 configuration, but it shows the economics the company had been using. At $4,700 each, the product cost for 2,000 aircraft would have been about $9.4 million—less than one-quarter of the advance Cyberlux had just received.

That left considerable room for labor, packaging, freight, training, engineering, overhead and the inevitable messiness of taking a small production operation vertical. From a cash perspective, ordering aggressively was easy. Cyberlux was sitting on nearly $39 million and aiming at a product population with an internal component-cost estimate below $10 million. The temptation to release everything at once must have been enormous. There was little financial reward in moving carefully when the money required to move quickly was already sitting in the account.

So Cyberlux went for two thousand.

The September financial report shows how quickly the factory responded. By September 30, Cyberlux reported approximately $4 million in component parts, $11.6 million in work in process and another $459,000 in finished goods. The company said most of that work in process related to its Department of Defense products. In barely three weeks, parts had been ordered, assemblies had entered the floor and millions of dollars of inventory were moving through production. This was no longer a model aircraft being carried to a

demonstration. Spring was trying to become a wartime production line in real time.

That transformation would have been exhilarating for the people doing the work. Procurement staff were chasing suppliers. Assemblers were building frames. Engineers were answering questions while production continued around them. Logistics staff were arranging bags, batteries, controllers, radios, kit, freight and export movement. Trainers were preparing to meet the Ukrainians who would use the aircraft. The people on the floor were not assembling an abstract government contract. They were building equipment for a country at war, and they were doing it at a speed few small American manufacturers are ever asked to attempt.

The production effort did not wait for the rest of Cyberlux to become quiet. The company was manufacturing, acquiring, settling, transferring and expanding at the same time. By early November, identifiable movements included $850,000 to an Edward Jones account connected to Schmidt, approximately $994,000 to G2G Logistics, additional brokerage transfers, the vehicle purchase, acquisition money and the payments made when the advance first arrived. Together, the identified movements approached $7.5 million.

Inside the company, all of it could feel like momentum. The largest payment in Cyberlux's history had arrived and the business was using it to make several parts of its promised future real at once. The factory was only one part of the hustle, but it was the part that mattered most to the contract. Components had to become work in process. Work in process had to become finished systems. Finished systems had to leave Spring and cross HII's acceptance line.

For sixty-nine days, the factory consumed cash without producing an accepted aircraft. That was not unusual in itself. Production requires parts, labor and time before the first finished unit reaches the customer. The scale simply made every part of the process larger. Components arrived by the pallet. Workers filled benches. Completed machines began appearing in rows. Bags waited for aircraft, aircraft

waited for inspection, and the entire operation pushed toward the first shipment.

On October 9, Will Welter asked Cyberlux's lawyer how many drones had been sold. The next afternoon, Doug Grimes replied: “It's my understanding there have been no actual drone sales yet.” The qualification matters. The email tells us what Grimes said he understood; it does not tell us what Cyberlux had told him about the HII advance.

It also shows how much work a narrow answer could do. By then, $38.7 million had arrived under a contract for 2,000 drones, and Cyberlux had made the Atlantic Wave payment from the receiving account. The response answered the word “sales” without supplying the fact the settlement was built to capture: the anticipated drone contract had begun producing cash. Whatever the intention, that narrowing left the answer incomplete for the purpose the settlement was meant to serve.

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That moment arrived in November. A DD-250 dated November 16 recorded HII’s acceptance of 72 systems shipped from Spring toward Dover Air Force Base five days earlier, with Poland identified as their destination. The form was hardly glamorous, but it meant the factory had crossed an important line. Cyberlux had taken advance money, bought material, assembled aircraft and delivered an identifiable production lot that HII accepted.

Another 120 systems followed on November 29, bringing the cumulative total to 192. For the team in Spring, the numbers were beginning to validate the rush. Aircraft were leaving the building. HII personnel were signing the acceptance paperwork. The supply chain was moving. Trainers and equipment were heading toward Europe. What had existed as a presentation, an email chain and a contract schedule was becoming something that could be counted.

The tempo continued into December. On December 8, HII accepted another 128 systems, bringing the cumulative total to 320. In ninety days, Cyberlux had gone from receiving the advance to placing hundreds of aircraft into the delivery stream. The factory was crowded, the program was moving and the first substantial production population was now beyond the door.

This was the summit. Cyberlux had money, momentum and the attention of the defense establishment. Its employees had taken a seemingly impossible requirement and turned it into a functioning supply chain, a busy factory, accepted production lots and aircraft arriving near the war. For one brief autumn, every improbable claim about the company appeared to be converging into something solid.

The company had spent years promising scale. In Spring, Texas, it finally looked as though scale had arrived.

The Users Find Out

The K8's communications problem did not reveal itself during a board presentation. It revealed itself to the people expected to fly the aircraft in a war.

The same August 2026 source also described what happened after award. Training began in Poland. Ukrainian pilots from the 14th Regiment examined the production configuration and discovered that the aircraft relied upon basic hobbyist radio channels without the electronic-warfare protection they believed they had been promised.

They were not mildly disappointed. They were furious.

The timing matters. ORQA, IronGhost and RadioNor came after award, not before it. They appeared because the aircraft had reached the people expected to use it and those people found the radio system inadequate. Cyberlux now had two possible repairs while production and acceptance continued.

The distinction between a hobby link and a resilient military link is not about prestige. A hobby radio is designed to control an aircraft in an environment where nobody is deliberately attacking the connection. A wartime link must continue functioning while an adversary searches for it, overwhelms it and exploits every predictable weakness. The first may fly beautifully over a field. The second must survive Russia.

The discovery turned the earlier demonstration into an immediate production problem. Cyberlux now needed to change the radio system before wider fielding.

The first proposed repair involved ORQA, a Croatian company, and a replacement radio path associated with its technology. A confidential source said ORQA supplied radios and was not paid. A later account described supply, non-payment and firmware action in the resulting dispute. The present publication record does not independently establish the transaction, the amount owed or the precise product configuration.

The source account says Cyberlux did not complete the integration and continued using the Taranis arrangement that users had found inadequate. Public product material shows that ORQA technology could work with Taranis-compatible hardware in principle, but it does not establish what failed in Cyberlux's attempted implementation.

The second proposed repair involved RadioNor. The source described a December 2023 test in Norway, involving a Cyberlux aircraft and personnel linked to Ukraine's military intelligence service, as successful. RadioNor's published material establishes relevant technical capability and later Ukrainian use; it does not independently prove this particular test.

If the source account is accurate, the RadioNor path showed that the radio problem could be addressed. Cyberlux did not adopt that solution.

The source also supplied an initial price range and a projected reduction as the technology matured. No contemporaneous quote, proposal or decision record in the present publication file independently confirms those numbers.

The source attributed Cyberlux's decision partly to cost and quoted Schmidt discussing corporate profit plans. The present record does not independently confirm that statement or motive. The narrower documented point is that Cyberlux did not put the reported RadioNor solution into the aircraft accepted before stop work.

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Electronic warfare was not the only problem waiting inside the aircraft.

The source's account then turns from the radio to the aircraft's wiring. It says Cyberlux invited personnel from Naval Surface Warfare Center Crane to tour the Texas production facility. During the visit, Government personnel noticed wiring without adequate shielding where it contacted the carbon-fiber frame.

Carbon fiber is light and strong, which is why aircraft designers like it. It can also conduct electricity. A damaged or unprotected wire touching

the frame can turn the structure into part of the circuit. On an aircraft carrying an explosive initiation system, that is not an aesthetic concern.

The visitors reportedly feared that current traveling through the frame could trigger the charge prematurely and injure American or Ukrainian personnel. An investigation followed, and the contract was placed on hold while the risk was examined.

The engineering response to such a discovery should be unromantic. Identify the affected configuration. Quarantine it. Trace the cause. Correct the design. Test the correction. Tell the people handling the aircraft what changed and why. Weapons safety is a field in which boredom is a virtue.

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The source also described a separate K2 safety incident. The K2 is a different Cyberlux model, not the K8 population purchased through HII.

According to the account, an electrically altered K2 was sent to Ukraine without the contracted test personnel being told the full configuration. The test team chose not to connect the explosive charge. The aircraft later malfunctioned and crashed near an explosives-storage area without detonating.

The source attributed the modification to a Cyberlux technical executive and said factory personnel had raised safety concerns. The present record does not independently establish the instruction, disclosure chain, exact configuration, crash location or later statements attributed to management.

The account also described later K2 certification and flight-test failures. Those allegations do not establish what happened to any K8 accepted under the HII subcontract. Their relevance is limited to questions about configuration control, safety disclosure and user testing within the same drone business.

Engineering changes, shipment records, test reports, certification results and incident records would be needed to move any of those details from source allegation to finding.

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The source also described a meeting in Germany involving Denis Kalenja and people associated with Operation Alpha.

A person who says they attended the meeting recalled a discussion about an eventual IPO and liquidity for people around the program. The attendee interpreted the discussion as improper and said they raised possible criminal consequences.

Through counsel, Kalenja and Montague Capital Partners denied the account in its entirety. The source is known to the author, but no contemporaneous message or independent witness presently corroborates the disputed conversation.

The account therefore identifies a question for travel records, calendars, communications and the other participants. It is not used here as proof of a fraudulent plan, criminal intent or protection from legal process.

The corporate thread did not end in the German room. A separate account supplied to this project places the beginning of an approach to a significant defense company in December 2023. The contemporaneous approach correspondence has not yet been produced, so the month remains provisional. What is documented is that, by April 2024, an adviser to the prospective company said Cyberlux had recently approached it about a partnership, acquisition or merger.

The adviser said the company conducted preliminary “lite” diligence. Litigation, debt, security claims, Cyberlux's direct-contract history and the credibility of the corporate story all entered the review. The findings then traveled outside the proposed transaction in an anonymous warning to David Keithly, counsel for Atlantic Wave.

Put the provisional December timing beside the technical sequence and the geometry becomes difficult to ignore. In one room, Ukrainian users, ORQA, RadioNor and Government engineers were discovering what the production aircraft could not do. In another, Cyberlux was apparently presenting the contract and the company it had created around it as an opportunity for a larger defense business. One room was trying to repair the product. The other was discussing what the contract might make Cyberlux worth.

* * *

That is the point at which the jammer becomes the hero of the story. The jammer did exactly what a competent test instrument is supposed to do: it exposed the difference between an aircraft that could fly and a weapon that could survive contact with the mission. If it was disabled during the originating demonstration, the instrument had been prevented from telling the truth. When the users restored the real-world condition, the truth returned anyway.

The proposals, test records, quotes and decision correspondence should settle the sequence. RadioNor and ORQA can say what they supplied, what worked and what Cyberlux was told. Schmidt's motive remains the part the source alleges and the surrounding record must test.

The available record supports a narrower conclusion. After award, users raised a missing capability. The source says one repair was not integrated and another reportedly worked. Cyberlux put neither reported solution into the aircraft accepted before stop work.

The users had not changed the requirement. They had discovered the aircraft.

The contract record gives us one fixed boundary. HII accepted four groups totaling 392 systems between 16 November and 12 December 2023. Ten days after the final acceptance, it issued stop work because of capability concerns.

Acceptance moved identified systems across the contract line. The operators needed a different answer: could the link survive electronic warfare, were the aircraft built to one stable configuration and had the safety test measured the danger they would actually face?

By 22 December, users had reported an EW problem; one repair attempt had failed and another path had reportedly been declined. HII then stopped the work for capability concerns. The source places the electrical-safety test, certification failures and later crashes in the same broader failure sequence, but the surviving account does not date each event tightly enough to put all of them before stop work.

Whatever happened later, the record at stop work already demanded a serious default analysis.

The open question is why the program eventually ended through convenience instead.

The Long Ending

Stop work ended ordinary production. It did not end the company's need for money or the contract's usefulness as an asset.

HII had accepted 392 of 2,000 systems. Cyberlux's later reconciliation would identify approximately $22.78 million of the advance as unearned. Nine days after stop work, the TowneBank account held roughly $3.2 million. The cash could not repay the balance, and stopped performance could not earn it through ordinary delivery.

On 27 March 2024, Cyberlux entered a purchase-order financing agreement with Legalist SPV III. From this point, two stories were running at once. The technical program had stopped. The subcontract was still being used to support future financial value. Legalist took security over receivables and broader assets, while Cyberlux promised that eligible purchase orders were genuine, collectable and free from disputes, offsets or cancellation.

On 2 April 2024, the task order acquired a new contracting officer. The new officer inherited a program already stopped for capability concerns, with 392 accepted aircraft, an unearned advance, unsettled inventory and a new financing agreement tied to the subcontract.

The next major decision was termination. The handover file should show which technical reports, cash records, lender information and default analysis crossed the new officer's desk. We know the officer changed. We do not yet know what the new officer was told.

Another audience was evaluating the company during this same handover. The account supplied to this project says Cyberlux did not disclose the stop-work order to the prospective defense partner. The transaction correspondence must prove or disprove that assertion; the April warning establishes only that an approach occurred and that the prospective side performed preliminary diligence.

If the nondisclosure account is accurate, the contract was doing two incompatible jobs at once. Inside the program, it had stopped for

capability concerns. Outside the program, it could still be presented as evidence of scale, access and future value. The same piece of paper meant something different depending upon which room received it.

The program now occupied several rooms whose occupants were not comparing notes. The users knew the aircraft had a radio problem. HII knew work had stopped. The prospective partner saw a valuable defense relationship. The lender would soon see a receivable. Cyberlux sat between them.

* * *

The first Legalist advance arrived on 9 April, when the program had been stopped for more than three months. The finance side of HII Mission Technologies had an identifiable owner: the chief financial officer and senior vice president of business management, whose remit covered accounting, financial planning and reporting, budgets, rates and program cost control. The title does not prove the officeholder knew the Cyberlux account. It identifies the function whose records should show how the advance, exposure and closeout numbers were monitored.

HII knew Cyberlux was financing against the program. Its proposed acknowledgment drew a line between any future receivable and the original advance and property bought with it, which HII described as Government property held in trust. Old money and future money were not the same thing.

On May 13, 2024, the Government terminated the affected upstream work for convenience. Four days later, HII used §32.1 of the subcontract to do the same to Cyberlux.

The subcontract contained another route. Section 32.2 allowed HII to terminate for default if Cyberlux failed to make progress, failed to perform after notice and cure, or became insolvent. The public record shows §32.1 convenience was used. It does not show the full comparison against §32.2.

The choice changed the question. Default would have centered on whether Cyberlux failed the bargain and what consequences followed. Convenience made supplier fault unnecessary and opened a claim for the percentage of work performed plus reasonable termination expenses. The ending moved from why the aircraft failed to what the unfinished work was worth.

That is why the contracting-officer change matters. A new officer inherited a stopped program on April 2. Six weeks later, the Government selected convenience. The missing handover and decision files should show whether the radio failures, safety concerns, advance exposure, and default route arrived together—or as disconnected pieces.

Cyberlux did not close quickly. By October, HII was telling a Richmond court that Cyberlux had stopped responding and nobody knew what, if anything, remained payable. The subcontract gave Cyberlux twenty days to submit its termination claim unless HII allowed more time. We have not found the claim or an extension from that period.

Shareholders first heard about the termination in November, nearly six months after it happened. Cyberlux said it was still working to collect the balance and expected a settlement. In other disputes, the company reached for classification when counterparties asked for contract information. The commercial subcontract was proprietary, not classified. Some attachments may have been protected. Repeating the word did not turn the whole transaction into a state secret.

* * *

Ten months after termination, Modification 4 assigned gross value of $43.759 million across the remaining 1,608-system population, credited the $22.776 million unearned advance, and produced a net payment of $25.769 million. It also said its terms controlled wherever they conflicted with the original subcontract's rules for invoicing, payment, delivery, inspection and acceptance, warranty, and closeout. Production acceptance was no longer the only route to value; negotiated settlement categories now carried it. Mission Technologies'

senior vice president of contracts signed for HII. The signature places that office in the approval chain. It does not tell us who built the valuation, what the signatory was shown, or which functions the decision relied upon.

The arithmetic did something strange to the story. Work stopped because of capability concerns. Cyberlux could not return the unearned advance. Yet the settlement eventually assigned enough value to unfinished aircraft, assemblies and components to absorb that advance and produce another substantial payment.

The population was not 1,608 identical finished aircraft. It included thirty-seven kits said to have passed witnessed flight testing, 745 said to have completed quality control and bench testing, 526 in varying stages of assembly and components for 300 not assembled. Heavy redaction obscured the lot economics.

Between April and June 2025, eight shipments carried the closeout property from Spring, Texas, to Government storage in Mechanicsburg, Pennsylvania. New DD-250s recorded the transfer. They did not make unfinished closeout property equivalent to the 392 systems HII had accepted during ordinary production.

The aircraft did not go to Ukraine.

They acquired a quieter address.

The public story moved in the opposite direction. On 23 April 2025, while the closeout property was beginning its journey to Mechanicsburg, Cyberlux's X account celebrated a busy week in Texas over photographs of rows of aircraft. On 6 May it announced a new heavy-lift Group 1 rotary-wing system for the US special-operations community. Two days later it announced GPS- and RF-denied capability with OKSI. On 16 May, its quarterly highlights said the company was moving fast and showed what it had delivered.

The posts show the story Cyberlux chose to tell. Their timing is the point. A program stopped for capability concerns and closed through settlement was followed by a widening product catalog. The feed

skipped the grounded frame, the bare firing wire, the unresolved radio system and the difference between 392 accepted aircraft and 1,608 closeout items. It showed momentum.

The Reckoning

Modification 4 settled a subcontract. It did not settle the company built around it. On 29 June 2026, Mission Technologies' chief financial officer left HII for MTSI. The senior vice president of contracts followed nine days later. On 17 July, creditors filed the involuntary bankruptcy petition against Cyberlux. Four days later, HII announced a new chief counsel for Mission Technologies. Nothing in the present record connects those personnel movements to Cyberlux. Their relevance is custodial rather than accusatory: finance, contracts and legal responsibility passed to new officeholders just as the subcontract's unfinished business entered bankruptcy. The records remained with HII, and those records should preserve the decisions even where the people have changed.

By then, Cyberlux's earlier agreements were competing for the same shrinking pool of value. Legalist arrived with security and an assignment. Atlantic Wave and Secure Community arrived with judgments. ARG, Fairwinds, WeShield, Montague, Maadarani and others arrived with different agreements and accounts of what they had contributed. Suppliers brought invoices. Former employees brought wage claims. The United States brought tax priority.

* * *

Atlantic Wave needs to be seen clearly. Its dispute began before the HII award and concerned acquisition payment, intellectual property, settlement performance and disclosure. The June 2023 settlement gave Cyberlux a route out. In return, Atlantic Wave received scheduled payments, acceleration tied to drone sales, information rights, collateral and a consent judgment.

Cyberlux received enough cash in September to pay Atlantic Wave in full. It paid $575,000 instead. Atlantic Wave was collecting what Cyberlux had already promised; it was not auditing Cyberlux's bank account. If the money came from the HII advance, that was Cyberlux's

choice. Will Welter enforced the bargain Cyberlux had written. The enforcement path was not something Atlantic Wave did to Schmidt. It was something Schmidt left armed.

Atlantic Wave is the clearest example because it offered the cheapest escape from the collapse that followed. The September advance was more than sufficient to pay the settlement in full. Cyberlux instead made a partial payment and left standing a creditor with information rights, an all-assets security interest, a consent judgment and a principal who had already demonstrated that he would keep going.

Welter's tenacity is not villainy. It is what happens when the other side repeatedly turns agreement into delay. Atlantic Wave did not create Cyberlux's treasury problem. It chased money Cyberlux owed. Schmidt simply declined to close the door he had paid to close.

The other lawsuits were different, and that is the point. Former Catalyst owners said Cyberlux kept capability and intellectual property without paying the full acquisition price. Aerotek and Clayton chased labor-related debts. ARG sued over compensation. Montague sued in North Carolina. ANPC litigated. Datron faced eviction. Legalist fought for its financing position.

The numbers removed the last romantic possibilities. Aerotek obtained a $235,411.27 default judgment for unpaid payroll-related charges. Datron's landlord later said $285,149.31 in rent had gone unpaid and moved to recover the Spring facility. One creditor had supplied the workers. The other had supplied the factory floor. By then even the machinery of production had joined the queue.

Some were visible before award; others matured during the long ending. Their placement matters. The pre-award disputes belonged in supplier diligence because they tested ownership, payment behavior and the reliability of announced acquisitions. The later suits belonged in the reckoning because they showed what happened when the advance and the settlement could no longer support every promise made around them.

Together they show a recurring pattern when performance became expensive. Cyberlux entered settlements or payment arrangements that created temporary resolution, but several later returned as litigation, collection activity or creditor claims.

The attempted corporate transaction left another trail. In April 2024, David Keithly received an anonymous email from someone claiming to advise the significant defense company Cyberlux had approached. The writer said the company had conducted preliminary diligence and raised specific questions about Cyberlux's litigation, debt, direct Government history, security clearances and claimed secure facilities. Keithly could authenticate receiving the email. He could not authenticate every conclusion the anonymous writer drew.

The questions did not disappear. In September 2024, Atlantic Wave served Cyberlux with requests for admission asking, among other things, whether Cyberlux and Schmidt lacked United States Government security clearances, whether Cyberlux had any facilities containing a SCIF, and whether it had tried to sell or merge the company or its assets. In a November declaration, Federico Zablah told the court that Cyberlux had not answered by the deadline and that Virginia procedure therefore treated the requests as admitted.

That consequence belonged to that case; it did not make every underlying proposition true everywhere. It was still consequential. Cyberlux had spent years allowing the language of classified work to carry authority, then left direct questions about the machinery behind that language unanswered. The prospective mark had become part of the evidence trail.

* * *

HII filed an interpleader action in the Eastern District of Virginia on 24 June 2025. The prime asked a federal judge to identify the proper recipients rather than choose among competing demands and risk paying twice. It was a remarkable institutional conclusion: HII could administer the award, stop the work, terminate the subcontract and

negotiate the settlement, but it could not safely identify whom Cyberlux had promised the money to.

HII received the Government's final payment on 15 July 2025. On 6 March 2026, it deposited $23,736,937.56 into the court registry. The Nevada bankruptcy court ruled on 20 August 2026 that the automatic stay did not block the Virginia interpleader. The next day, the parties asked the Virginia court to rule and distribute the money. At the 23 August 2026 evidentiary cut-off used for this section, the public record did not establish whether the Virginia court had acted or where the $23.7 million was headed. That is a dated procedural snapshot, not a statement that the fund has remained still.

Cyberlux's financial statements showed why the fund mattered. The company reported little cash, tens of millions in liabilities and its largest apparent recovery inside the interpleader. The public narrative treated the program as a completed 2,000-unit delivery and settlement revenue. The court treated the remaining proceeds as disputed property.

Cyberlux's own litigation story became sharper in March 2026. On 18 March, Cyberlux and Schmidt told a Texas court that the company would be unable to meet payroll by month-end, could obtain only financing at rates approaching 100 percent, and could not manufacture approximately $17 million of backlog, including a pending $8.8 million US Army Communications-Electronics Command (CECOM) order. On 31 March, the company announced $31.4 million in annual revenue and completion of a 2,000-unit K8 delivery. Those statements could be technically reconciled—reported revenue is not cash, backlog is not capacity and a settlement transfer is not operational delivery. That was precisely the problem. Cyberlux now required a different definition of success for every audience.

Then the creditor map widened into bankruptcy. An involuntary Chapter 7 petition filed in July 2026 began with three former workers. By August, ten petitioning and joining creditors had appeared, together with three proofs of claim and demands that, when simply

added across different forums, approached $70 million. That is not a $70 million loss figure. Claims overlap, some describe the same underlying value and some will fail. The number measures congestion around the same shrinking pool, not adjudicated liability.

By then, non-payment was no longer confined to one bilateral dispute. It had become a recurring feature of the company's creditor record.

Before the financial analysis even begins, the shape is plain. Users had rejected the radio system. HII stopped performance for capability concerns. The contract nevertheless ended through convenience and settlement. Around that ending sat a company whose earlier bargains were arriving as creditors.

The aircraft failed first.

The money made the failure contagious.

PART TWO THE THESIS

The Thesis

The Cyberlux program did not happen because one man found a way around a sound system. It happened because several ambitions became compatible at precisely the moment when war made compatibility feel like proof.

Cyberlux wanted transformation. HII Mission Technologies wanted reach, growth and relevance across the connected battlefield. Ukraine wanted aircraft quickly. The acquisition system wanted to answer an urgent ally without spending years proving that it had done so carefully. Intermediaries wanted the opportunity to close. Each ambition made sense from where it stood.

The failure appeared in the space between them.

Two Ambitions Met in the Middle

Cyberlux needed a body.

It had a product story, an urgent customer and a chief executive who regarded institutional resistance as evidence that the institution had not yet been approached correctly. What it did not have was the accumulated machinery of a mature defense contractor: the clearances, systems, audited processes, program controls, accepted accounting habits and long familiarity with the quiet terror of signing something that will later be read by an inspector general.

HII had all of that.

HII Mission Technologies was not merely an accommodating name on the front of a subcontract. It was the growth arm of America's largest military shipbuilder, built to carry HII beyond the shipyard and into C5ISR, cyber, electronic warfare, autonomy, training and the other markets gathered under the useful phrase *all-domain*. In 2023, the year of the Cyberlux award, Mission Technologies reported roughly $2.7 billion in revenue, up thirteen percent from the year before. Its purpose was expansion.

That does not mean somebody inside HII needed a Ukrainian drone contract badly enough to ignore the rules. The Cyberlux subcontract was too small to explain the strategy of a multibillion-dollar division and too large to be treated as a rounding error by the people administering it. The point is more ordinary. Mission Technologies had its own reason to find opportunities that joined emerging technology, foreign partners and urgent Government demand. The K8 arrived dressed as all three.

The fit was almost indecently neat.

Cyberlux brought the named end-user requirement. It brought the demonstration, the advisers, the political and military relationships, and the appearance of a small company that had moved faster than the procurement system. HII brought OASIS, the established

Government relationship, contract administration and the institutional weight necessary to turn a request into an obligation. Cyberlux supplied velocity. HII supplied mass.

Neither side had to see itself as taking an unreasonable risk. Cyberlux could say the user had selected the aircraft. HII could say it was responding to a Government-backed foreign military sales requirement. The acquisition chain could say a major prime stood between the taxpayer and the small supplier. Ukraine could say it had already seen the K8 fly.

Each proposition made the next one easier to accept.

That was the first important conversion. HII's presence did not merely add administrative capacity. It changed the meaning of Cyberlux. A little-known public company with a complicated corporate history became the supplier chosen by an established American prime. The K8 did not acquire a new radio, a frozen production design or a mature quality system when HII arrived. It acquired credibility.

Credibility is useful. It is also dangerous when everyone mistakes it for evidence.

* * *

The parent route deserves the same unromantic treatment. Legacy OASIS was a broad professional-services vehicle. It could accommodate products ancillary to a larger service outcome, but it was not a catalog from which the Government simply selected two thousand loitering munitions. The Cyberlux obligation was dominated by physical aircraft, components, weapons integration, training and acceptance. The contractual route was flexible enough to carry the transaction. Flexibility was not the same thing as fitness.

Somebody still had to ask whether the company could build the aircraft, whether the aircraft could survive the mission, whether the configuration being produced matched the configuration requested, whether the price made sense and whether nearly $39 million could safely be released before HII accepted the first unit.

Those were HII questions even if Cyberlux supplied every answer.

The end user's Letter of Request made the opportunity real. It did not prove Cyberlux could perform. The request named a product because Ukraine believed it had seen something useful. HII's task was not to second-guess Ukraine's need. It was to establish that the company, aircraft, price and financial structure could satisfy it. A sophisticated end user can select a product for understandable reasons and still be wrong about what happened during the demonstration. War makes that more likely, not less.

The scale mismatch should have concentrated attention. To HII, the subcontract sat inside a division doing business in the billions. To Cyberlux, the advance changed the nature of the company in a morning. HII wired $38.7006 million into an operating account that had closed the previous day with $2,297.01. The same amount could be manageable exposure for one party and civilization-changing liquidity for the other.

That asymmetry required controls capable of surviving enthusiasm. It received a spend plan and a promise.

The wider relationship environment mattered because it helped everything feel normal. Fairwinds and JMH worked the opportunity. Representative Rob Wittman's office appeared in lobbying disclosures. HII's employee political-action committee contributed to Wittman. Naval and acquisition organizations entered the route. None of that proves a purchased decision or coordinated scheme. It shows a small, relationship-rich world in which institutional familiarity could move faster than technical doubt.

The most revealing HII functions appear later, after the aircraft had stopped. Mission Technologies' senior vice-president of contracts signed Modification 4. The division's chief financial officer and senior vice-president of business management led the function responsible for accounting, planning, reporting, budgets, rates and program cost

control. In mid-2026, both officeholders moved to MTSI. HII then announced a new chief counsel for Mission Technologies.

Those movements do not explain the Cyberlux program. They do something narrower. They identify where contracts, finance and legal responsibility lived while the program was being valued, settled and carried into litigation and bankruptcy. The records did not leave with the officers. HII still owns the institutional memory.

* * *

That matters because Cyberlux was not simply imposed upon HII. The arrangement answered something each organization wanted. Cyberlux wanted HII's body. Mission Technologies wanted opportunities that demonstrated reach across technology, users and domains. The Government wanted speed. Ukraine wanted aircraft.

Two ambitions met in the middle.

The controls were supposed to decide whether they belonged there.

Oversight Was Everywhere and Owned by No One

Ukraine saw a demonstration and generated the end-user documents. Advisers and intermediaries worked military, diplomatic, political and contracting routes. Naval organizations appeared in the foreign military sales chain. GSA and FEDSIM administered the task-order machinery. HII evaluated, contracted, funded, inspected, accepted, stopped and settled. Cyberlux built aircraft, supplied information and made the promises upon which the other decisions depended.

There were eyes everywhere.

What the program lacked was a single pair looking at the whole machine.

This distinction matters because the familiar explanation—*oversight failed*—is too easy. It suggests an empty chair. The chairs were occupied. The problem was that responsibility had been divided into pieces small enough for each participant to perform its own task without confronting the combined result.

Ukraine owned the need. It did not own HII's supplier review.

The foreign military sales chain owned authority and process. It did not build the aircraft.

HII owned the subcontract and the relationship with Government. It depended upon Cyberlux for product information and upon the end user for the mission signal.

Cyberlux owned its representations and performance. It could point back to the customer's request and forward to HII's acceptance.

Every participant possessed a reason to believe somebody else held the difficult part.

This is how oversight becomes atmospheric. It is present everywhere and operative nowhere.

* * *

The demonstration contained the first version of the problem. The aircraft flew at a target while electronic warfare equipment was present. That fact later traveled as proof that the K8 had survived electronic-warfare testing. According to the confidential source who emerged in August 2026, the jammer had been switched off and an operator had been paid to let the aircraft through. That account requires the native messages, logs and witnesses that can test it. But even before those records arrive, the institutional question is visible: who owned the conditions of the test after its result began supporting public expenditure?

The answer cannot be “Ukraine” merely because the event happened there. Once the result was used to support an American acquisition, somebody in the American chain had to establish what had actually been tested. A spectacular demonstration is evidence that something happened. It is not a test report with better weather.

The Letter of Request carried the same ambiguity. Ukraine’s request was authoritative evidence of demand. It was not independent evidence of product maturity. Yet demand, suitability and urgency began traveling together. The end user had named the product. The product had apparently beaten the jammer. The procurement route had found HII. By the time funding approached, asking whether the original proof was sound could feel like reopening a decision everybody else had already made.

HII was the natural integration point. That is what a prime contractor is for. It stands between Government and a supply chain because Government is purchasing more than a flow-through invoice. It is purchasing judgment, systems and control.

The record shows HII performing pieces of that function. Personnel inspected units. DD-250s recorded acceptance of four production lots. Engineers and program staff received capability concerns. HII issued stop work. Contracts personnel terminated the subcontract and later

negotiated Modification 4. Legal personnel brought the interpleader when creditors converged.

The sequence proves activity. It does not yet reveal integration.

Consider the 392 aircraft accepted between 16 November and 12 December 2023. The DD-250s prove contractual acceptance of identified lots. They do not prove that the aircraft could survive the Ukrainian electronic-warfare environment, that every serial number matched an approved configuration or that the weapons and electrical systems were safe for the end user. Those questions belonged in the acceptance packages and the program's technical baseline.

The timing makes the missing integration difficult to dismiss. HII accepted 120 systems on 29 November. Polish training and user objections followed in early December. RadioNor reportedly tested a replacement system in Norway between 1 and 6 December. HII accepted another 128 systems on 8 December and seventy-two more on 12 December. Paper acceptance and operational discovery were occurring in parallel.

That does not prove an HII signer knew the aircraft were unsuitable when a form was signed. It proves the program needed one chronology joining engineering, user feedback, configuration, quality and acceptance. If such a chronology existed, it should show what each signer knew. If it did not, the program was being administered by several accurate clocks set to different times.

* * *

The contracting-officer change before termination sharpened the same weakness. The incoming officer inherited a stopped program, accepted inventory, unfinished aircraft, a large unliquidated advance and a prime contractor controlling the technical and contractual channel. A new officer can make a sound decision. The quality of that decision depends upon the handover.

If the incoming officer received the user chronology, technical failures, cure history, default analysis, property status and financial exposure,

termination for convenience can be assessed against a complete record. If the program arrived already framed as an administrative closeout, the same signature belongs to a different decision. The change of officer is not suspicious because change occurred. It is important because institutional memory had to cross a narrow bridge at precisely the moment the program changed direction.

The bridge was HII.

Modification 4 made that explicit. It designated HII as the sole channel to the Navy and GSA for communications concerning performance and termination. That may be perfectly ordinary prime-contractor control. It also means Government could review only the program HII described. The technical account, default analysis, settlement proposal and property valuation had to meet inside HII before traveling upstream.

The same need for integration applied inside Cyberlux. Its engineers, factory managers, executives, finance staff and advisers did not necessarily know the same things. A technical warning known on the factory floor was not automatically known to every executive. An executive promise was not automatically understood by the person building an aircraft. But the company made representations as one legal person and spent money through one treasury. Fragmented knowledge does not dissolve corporate responsibility. It tells investigators where to look for the point at which the fragments should have been joined.

No conspiracy is required to produce the outcome. Conspiracy is almost too flattering. It imagines a group of people holding the full picture and coordinating around it. The program could travel this far through something more familiar: each participant performing a bounded task, inheriting confidence from the last and passing unresolved doubt to the next.

The system had oversight.

What it did not have was ownership of the truth.

Urgency Reversed the Burden of Proof

Ukraine did not have the luxury of procurement as a seminar.

Russian forces were occupying Ukrainian territory, attacking cities and forcing a modern army to learn in public. Small unmanned aircraft were changing faster than the approval systems meant to buy them. Equipment could become obsolete while a committee was still deciding which committee should discuss it. Anyone describing that environment without urgency has missed the environment.

Urgency was real.

It was also the program's most powerful solvent.

In ordinary acquisition, the supplier carries the burden of proving that the product works, that the company can perform and that the price is reasonable. The K8 program gradually reversed that arrangement. Ukraine needed aircraft. Ukraine had requested this aircraft. Cyberlux had demonstrated it. HII stood behind the procurement route. The burden moved toward anyone proposing delay.

The sceptic now had to prove why the program should stop.

That is a subtle but profound change. A control that normally protects the user begins to look like an obstacle between the user and survival. Technical qualification becomes bureaucracy. Financial safeguards become delay. A smaller first lot becomes insufficient boldness. Independent testing becomes a request to repeat what the demonstration has supposedly settled.

The people pushing forward do not have to be careless. They may believe that speed is the responsible choice. In war, it often is. The mistake is allowing urgency to decide which facts are true.

The K8 did not become mature because Ukraine needed it. The procurement system merely became less willing to ask whether it was.

The order's expansion from 1,000 aircraft in the Ukrainian request to 2,000 in the HII subcontract captures the psychology. The initial demand signal did not produce a controlled first tranche followed by learning. It produced more confidence. The program placed its largest bet before it had watched the production system, aircraft configuration and user experience operate together.

That is the opposite of wartime learning.

A genuinely urgent program should be more empirical than a peacetime one. It has less time for assumptions and therefore needs faster evidence. Test the actual radio against the actual jammer. Freeze the production configuration. Send a small lot. Watch the users. Correct the defects. Release the next lot and the next portion of money only when the previous one earns it.

None of those controls requires years. They require somebody willing to make continuation depend upon results.

* * *

Instead, the Cyberlux program made continuation depend heavily upon momentum. The demonstration supported the request. The request supported the route. The route supported the award. The award supported the advance. The factory supported acceptance. Acceptance supported the appearance of delivery. Each stage made the earlier proposition look more settled than it had been when first introduced.

By the time users began objecting, the program was no longer an experiment. It was a $78.857 million contractual fact with an operating factory, paid advisers, committed suppliers and nearly $39 million already outside HII's account. The cost of doubt had risen dramatically.

That cost does not disappear when the aircraft fails. It changes the institutional question from *does this work?* to *how do we avoid losing everything already committed?*

This is where sunk cost acquires a badge and a contract number.

The radio war illustrates the point. Users reportedly rejected the original control arrangement. Cyberlux then pursued alternatives involving ORQA's IRONghost system and RadioNor. RadioNor's replacement reportedly worked. According to the source account, Cyberlux did not proceed because of price. If that account is correct, the program had reached a moment when the difference between technical impossibility and commercial choice was measurable. The aircraft could be improved. The program would have to pay for it.

Under a firm-fixed-price subcontract, that distinction should have been mercilessly simple. Cyberlux owned the ordinary cost of making the contracted product conform. The urgent mission did not shift that cost to the user. Nor did the advance convert supplier risk into Government tolerance.

Yet the program's structure had made the opposite outcome easier. HII had already released enough cash to create dependency without retaining a control system equally capable of forcing cure. Cyberlux had already committed money across production and other obligations. The end user needed aircraft now, not after a commercial argument over radios. Everyone had a reason to hope the existing program could be pushed across the line.

Hope is not an acceptance criterion.

* * *

The safety reports should have ended ordinary acceptance until the questions were resolved. A grounded frame, crashes, unstable configurations and the reported instruction to grab a bare wire do not belong to the ordinary nuisance category of a new product. They describe a system in which the engineering baseline, quality process and user safety case were still moving. Once those reports arrived, urgency required a harder stop because the equipment was intended for people already operating under lethal pressure.

Instead, contractual acceptance continued during part of the discovery window. The available record does not yet tell us what every HII signer

knew on each date. That is why the chronology matters. But the institutional lesson does not depend upon proving bad faith. When technical discovery and acceptance move in parallel, the program needs a mechanism that allows discovery to win.

The December stop-work order eventually did that. It ended ordinary performance after 392 accepted systems. What followed showed how much harder stopping had become once the money, inventory and institutional commitments existed. The program had moved quickly at the beginning by postponing proof. It spent the long ending paying for the delay.

Wartime acquisition cannot behave as though time is free. It also cannot behave as though failure is free.

The correct response to urgency is not less control. It is control that moves at the speed of the decision: smaller gates, better telemetry, protected cash, independent technical witnesses and authority to stop before optimism becomes inventory.

Ukraine needed speed.

What it received was momentum.

They are not the same thing.

The Good News Was Public. The Bad News Was “Classified”

Cyberlux never appeared embarrassed by publicity when the news was useful.

The company announced the contract, celebrated its defense relationships, described the K8’s supposed performance and presented the program as evidence that Cyberlux had become a serious defense-technology business. Awards were public. Revenue was public. Photographs of rows of aircraft were public. The vocabulary of delivery, innovation and battlefield relevance traveled freely.

Bad news encountered a security perimeter.

When counterparties sought contract information in litigation, Cyberlux repeatedly invoked classification, confidentiality or the restrictions of an NDA. In the Atlantic Wave dispute, Atlantic Wave alleged that Cyberlux withheld information required by the settlement agreement while pointing toward the sensitive character of the defense program. Shareholders did not learn of HII’s May 2024 termination until November, nearly six months later. The company said it was still pursuing the balance and expected a settlement.

Some information deserved protection. A weapons program connected to Ukraine can involve operational details, end-user information, technical vulnerabilities, controlled attachments and communications that should not be scattered across public filings. The error is treating that legitimate boundary as though it swallowed the commercial transaction whole.

“Classified” has unusual power in an ordinary room. Most Americans have little reason to understand facility clearances, personal clearances, SCIF accreditation or the difference between a protected attachment and a commercial contract. The word arrives carrying its

own authority. Challenge it and the questioner risks looking ignorant at best and irresponsible at worst.

That made security language an institutional flash-bang. It flooded the conversation with seriousness and left few outsiders confident enough to ask whether Cyberlux possessed the facilities, cleared people and approved systems the claim implied. The company's own 2023 filing had made those things central to its defense pivot. Later litigation would ask about them directly.

The subcontract was proprietary. It was not, on the present record, entirely classified. The existence of a termination, the number of ordinary-performance acceptances, the difference between finished aircraft and closeout inventory, and the financial consequences to a public company do not become state secrets merely because the mission is sensitive.

Cyberlux's disclosure posture therefore created an asymmetry. The program could be described in detail when the description increased confidence. When the same program threatened the public story, its details became unavailable.

Whatever the intention, the result was narrative control wearing camouflage.

* * *

The Wall Street Journal article in March 2023 captured the arrangement before the award. Schmidt explained Cyberlux's method by saying, "We're a virus that's inside the body of DOD." He described how a naval command had paired the company with HII and how the larger contractor allowed Cyberlux to bypass the time normally required to enter Government procurement. Cyberlux supplied the movement, the personalities and the extraordinary claim.

HII declined to comment.

The contrast looked prudent. Cyberlux was a small public company performing its future in print. HII was a major contractor protecting

customer relationships and proprietary work. No comment is often the correct answer.

But silence is not neutral once an institution's name is doing work in somebody else's story.

HII's presence was the most important fact Cyberlux could offer a sceptical reader. The prime's credibility reassured the market, the end user and the acquisition chain that somebody capable stood between Cyberlux and the taxpayer. HII did not have to endorse Schmidt's metaphor. Its participation had already endorsed the relationship.

When a large institution lends credibility to a small supplier, it cannot control public understanding solely by refusing to discuss the supplier. Silence protects information. It does not correct inference.

That became more serious after stop work. Cyberlux's public feed continued to celebrate production, new aircraft, new partnerships and new capability. In April and May 2025, as closeout property began moving to Government storage in Mechanicsburg, the company displayed rows of aircraft and announced an expanding catalog. The posts established what Cyberlux chose to show. They did not show the grounded frame, rejected radio system, safety concerns, stop-work history or the difference between 392 aircraft accepted during production and the 1,608 systems and components valued through Modification 4.

The story kept moving forward because the facts requiring explanation were behind it.

By then, the program existed in several rooms. The users saw a radio system they could not trust. HII saw a stopped subcontract and an unearned advance. Atlantic Wave saw a private settlement tied to drone-contract receipts. Legalist saw a future receivable. Shareholders saw production, delivery and an expanding product catalog. A prospective partner apparently saw a valuable defense business.

No single room necessarily received a statement that was false in every word. The problem was the missing fact in each one: the alleged

jammer condition, the technical rejection, the cash already received, the stop-work order, the termination or the difference between accepted aircraft and closeout inventory. Whether that separation was deliberate remains unproved. Its effect was that the rooms did not compare notes.

Good news traveled immediately because it created value. Bad news was contained because it destroyed value. Classification, confidentiality and narrow definitions supplied the doors.

* * *

HII's public position remained restrained. That restraint is understandable in active contracting and litigation. It also left taxpayers with an odd result. The institution that had administered the program possessed the technical, contractual and financial records needed to explain it. The public company that benefited from the program continued shaping the public account. The public, whose money had financed both the aircraft and the ending, could see neither file.

Transparency here does not mean publishing weapons vulnerabilities or identifying protected Ukrainian personnel. It means answering questions that are mundane precisely because public money should make them mundane.

What configuration did HII buy?

What tests established that it could perform the mission?

What did HII inspect before accepting 392 systems?

What did the new contracting officer receive before termination?

Why was the default clause not used?

How were unfinished aircraft and components valued in Modification 4?

What reached Ukraine, what reached Mechanicsburg and what remained in dispute?

Those questions do not ask HII to compromise national security. They ask HII to account for stewardship.

The difference matters for shareholders as well. HII presents Mission Technologies as an organization capable of integrating advanced systems, controlling complex Government work and operating across domains. Cyberlux was unlikely to be financially material to HII as a whole. The program is nevertheless material to the credibility of that claim. A company does not demonstrate systems integration only on the programs large enough to move earnings. It demonstrates it wherever its name converts somebody else's promise into Government business.

That is why the contracts, finance and legal offices matter without becoming characters in a conspiracy. The contracts office should lead to the contract and settlement file. The former chief financial officer's remit should lead to the financial-control record. The arrival of a new chief counsel identifies the legal function now responsible for HII's response. The question is not what individual officeholders secretly knew. It is whether the institution they served can explain what it did.

Cyberlux may continue to invoke confidentiality. HII may continue to say little. Both positions have legal and commercial logic.

They also have a limit.

The good news was sufficiently public to create value. The bad news cannot remain sufficiently secret to prevent accountability for it.

The Contract Outlived the Mission

The mission was simple enough to say in one line.

Ukraine needed usable unmanned aircraft capable of surviving the conditions in which Ukrainian forces would operate them.

Everything else was machinery.

By December 2023, the machinery and the mission had separated. Users had rejected the original radio arrangement. The available source account described crashes, grounding, configuration problems and serious safety concerns. HII stopped ordinary performance after accepting 392 systems. The aircraft did not continue toward Ukraine in the form originally imagined.

The contract continued almost everywhere else.

It remained an unliquidated advance. It became the center of Legalist's financing. It became expected settlement value, collateral, a shareholder narrative, a termination proposal, a property problem and eventually an interpleader fund claimed by creditors whose agreements had little to do with Ukrainian drone performance. The aircraft stopped. The economic object built around them kept moving.

This is the program's strangest transformation. A contract intended to deliver capability became a container for value after capability had stopped being delivered.

* * *

The firm-fixed-price structure should have made failure legible. Cyberlux promised the completed result at the agreed price. Ordinary production cost and cure risk belonged to Cyberlux. HII could inspect, reject, demand correction, enforce warranty or terminate for default if the required conditions were met. The arrangement was not meant to reimburse the supplier for discovering that performance was difficult.

The advance complicated enforcement because so much value moved before performance. Cyberlux needed the money to build. HII needed

Cyberlux to build in order to liquidate the money. Once the program stopped, the ordinary fixed-price remedy collided with an extraordinary recovery problem. The supplier could not simply return the unearned balance. HII now owned a choice among cure, default, recovery, property transfer and negotiated closeout.

That does not make termination for convenience improper. Convenience can be a rational way to end Government work when continued performance no longer serves the customer. It can preserve useful property, avoid a long dispute and allow the Government to move on.

It does change the economics.

A default termination centers supplier failure and the remedies attached to it. A convenience termination values what remains and pays the contractor or subcontractor for recognized work and costs, subject to the governing contract. One asks principally what the supplier failed to deliver. The other must decide what the unfinished ending is worth.

Cyberlux had given HII substantial material for the first analysis. The technical concerns were not cosmetic. Performance had stopped. The advance remained unliquidated. Yet the public record does not show the contemporaneous default decision memorandum, cure analysis or contracting-officer handover that explains why convenience became the route.

Ten months after termination, Modification 4 supplied an economic ending. It assigned $43.759 million of gross value across the remaining 1,608-system population, credited the $22.776 million unearned advance and produced net drone settlement value of roughly $20.983 million before other line items brought the stated net modification amount to $25.769 million.

The arithmetic is visible. The valuation remains behind black ink.

The 1,608 were not a second body of accepted aircraft. The population contained thirty-seven kits said to have passed witnessed

flight testing, 745 aircraft said to have completed quality and bench testing, 526 aircraft in different stages of assembly and components for 300 not yet built. Modification 4 gave those categories contractual value and changed how the original subcontract's provisions on invoicing, payment, delivery, inspection, acceptance, warranty and closeout would operate where they conflicted.

The document did not make unfinished property worthless. It did something more consequential: it converted technical and manufacturing states into negotiated financial states.

* * *

Between April and June 2025, eight shipments moved the closeout population from Texas to Government storage in Mechanicsburg, Pennsylvania. New DD-250s recorded the transfer. The documents show that property changed hands. They do not turn everything transferred into mission-ready aircraft or establish delivery to Ukraine.

The equipment had acquired a quieter purpose. It could satisfy title, custody, settlement and closeout requirements even if it never satisfied the mission that justified the procurement.

Administrative systems are good at this. They can continue processing an object after its original meaning has failed. A drone becomes inventory. Inventory becomes property. Property becomes a settlement category. Settlement becomes a receivable. A receivable becomes collateral. Collateral becomes disputed funds. At every step the paperwork may be accurate.

The sum of the paperwork can still describe the wrong success.

Cyberlux later spoke of completing a 2,000-unit K8 delivery. That statement can be reconciled only by allowing *delivery* to carry several different events: 392 systems accepted during ordinary production, followed much later by closeout transfers of aircraft, work in process and components. The distinction is not pedantry. It separates fulfillment of the wartime mission from fulfillment of an administrative ending.

HII's interpleader made the separation complete. The prime had administered the award, advanced the money, accepted production lots, stopped work, terminated the subcontract and negotiated the settlement. When competing claims arrived, HII asked a federal court to decide who should receive the remaining $23.7369 million. That was sensible protection against paying twice. It was also the program's final institutional form.

The question was no longer whether Ukraine had received a usable aircraft.

It was who owned the money left behind.

* * *

The legal process may answer that question correctly. Creditors can prove their claims. Tax liens can receive priority. A trustee can recover property or transfers where the law permits. HII can obtain discharge after depositing the fund. None of those outcomes repairs the distance between the contract and the mission.

That distance is where the taxpayer disappears from the ending. Public money financed the advance, the production attempt, accepted systems, the closeout property and the machinery required to settle the result. Yet the public account can become dominated by contractual entitlement, creditor priority and bankruptcy recovery. Those questions matter. They are not the original question.

Did the program deliver useful capability to the people for whom it was bought?

The current record points toward a painful answer. The users rejected what arrived. The original control system was not fit for the electronic-warfare environment. The program stopped. Most of the ordered population traveled to storage rather than war.

There may be recoverable value in the property. There may be lawful value in the settlement. There may be explanations in the missing technical and contracting files that materially change parts of this account.

The program still ended with its central purpose unsatisfied.

The contract survived because institutions know how to close contracts.

The mission needed somebody to insist that closing was not the same thing as success.

The Thread

The program did not reveal itself all at once.

There was no single document marked *This Is What Happened*. No inspector arrived with the complete chronology. No institution placed the demonstration, the Letter of Request, HII's due diligence, the bank account, the DD-250s, the user objections, the radio tests, the termination, the settlement and the creditor claims into one file and announced that the pieces belonged together.

The pieces resisted one another.

A demonstration said the aircraft survived electronic warfare. Later technical accounts said the radio system failed in the environment for which it had been selected.

A firm-fixed-price subcontract placed performance risk on Cyberlux. Nearly half the contract value moved before the first accepted aircraft.

Acceptance documents showed 392 systems crossing a contractual line. Users were discovering in parallel that the aircraft crossing it could not safely or reliably perform the mission.

Stop work ended ordinary production. Financing and public claims continued to treat the contract as a source of future value.

Termination occurred in May. Shareholders heard in November.

A private settlement treated first receipt under a drone contract as an acceleration trigger. After $38.7 million arrived, Cyberlux's lawyer said he understood that there had been no actual drone sales.

As users were discovering the aircraft's technical problems, Cyberlux began pursuing a larger defense partner. The approach is documented by the following April; its December start and the reported failure to disclose stop work still require the contemporaneous transaction file.

Cyberlux said classified defense work required clearances and secure facilities. Later requests asked the company to admit that Cyberlux and Schmidt lacked Government clearances and that Cyberlux had no SCIF. Cyberlux did not answer.

The program ended through convenience. The public record still does not show the contemporaneous default analysis that explains the choice.

Closeout papers transferred 1,608 aircraft, unfinished units and components. Cyberlux later described a completed 2,000-unit delivery.

Each contradiction was slight enough to explain alone.

Together they formed a line.

* * *

That is the meaning of the title.

Gossamer is almost nothing: a filament so fine that it disappears until light catches it. One strand looks incapable of carrying weight. Joined to another, anchored across a structure and repeated often enough, it becomes a web.

A thread does two things. It holds material together. It can also be pulled.

The Cyberlux program was held together by a thread of inherited confidence. Ukraine's interest supported the demonstration. The demonstration supported the named request. The request supported the acquisition route. HII's presence supported the award. The award supported the advance. Acceptance supported the delivery story. The settlement supported the receivable. Each institution lent the next one a little of its authority.

Nobody had to fabricate the whole program. Everyone needed only to accept the part immediately in front of them and assume that the difficult proposition had been proved somewhere behind it.

Confidence kept moving after proof stopped.

That same thread became the route back through the program. Court filings exposed agreements that public announcements had simplified. Bank records showed how quickly the advance moved. DD-250s separated ordinary acceptance from later closeout transfer. User accounts placed technical failure beside contractual progress. Social-media posts preserved the public story. Modification 4 showed the ending's arithmetic while concealing enough of the valuation to identify exactly which records remained missing.

The newer records added another route. Cyberlux's quarterly filing supplied the security story. The Atlantic Wave settlement supplied the receipt trigger. The October email showed how "sales" was being described after the advance. The anonymous warning showed a prospective partner testing the corporate story. The unanswered admissions showed the same questions returning in litigation.

The program created its own evidence trail because every institution needed paperwork for its part. The papers had not been written to tell the same story. Once joined, they did.

* * *

This is where Schmidt's "virus" returns.

In the Wall Street Journal, before the award, he described Cyberlux as "a virus that's inside the body of DOD." It was a boast about access and speed. A virus does not bring its own machinery. It enters a host and borrows the machinery already there to reproduce.

The metaphor was grandiose. It was not entirely wrong.

Cyberlux borrowed Ukraine's urgency, HII's credibility, OASIS's reach, Government paperwork and the defense establishment's understandable desire to show that it could move quickly. The company's promise acquired institutional form because larger systems carried it.

But every borrowed system left an attachment point.

The naval email. The HII subcontract. The TowneBank statement. The Atlantic Wave settlement. The October email. The acceptance forms. The stop-work order. The anonymous warning. The unanswered admissions. The termination notice. The Legalist agreements. Modification 4. The interpleader. The bankruptcy petition. Documents created for different purposes became coordinates in the same map.

HII's "no comment" in the Wall Street Journal now reads differently. At the beginning, it looked like the reserve of a large institution standing beside a flamboyant supplier. By the end, it identifies the program's central imbalance. Cyberlux supplied the story. HII supplied much of the credibility and held many of the records. One spoke freely when speech created value. The other remained quiet even though its silence allowed the borrowed credibility to keep doing work.

Silence does not prove agreement. It does not prove knowledge or misconduct. It reveals where the explanation must eventually come from.

The explanation may correct this book. HII may produce a responsibility file showing careful diligence against representations Cyberlux later violated. The technical record may show limits, disclosures or configuration distinctions not visible here. The contracting-officer handover may contain a persuasive reason for convenience. The Modification 4 file may support every valuation behind the redactions.

That is what the missing records are for.

The thesis does not depend upon their absence becoming guilt. It depends upon something more durable: a public procurement system should not require litigation, bankruptcy and the reconstruction of scattered records before taxpayers can understand whether the thing they bought worked.

* * *

This program was not revealed by one enormous failure of secrecy. It was revealed because small inconsistencies survived. Each one caught

a little light. Each led to a document, a person, a payment or another contradiction. The finer the line became, the more precisely it connected the parts institutions had kept apart.

The program had been assembled from threads of borrowed confidence.

Once one of them caught the light, the rest became visible.

It did not take a chain to expose it.

A gossamer thread was enough.

GOSSAMER IS ALMOST NOTHING UNTIL LIGHT CATCHES IT.

A THREAD IS ENOUGH TO LEAD THE EYE FROM ONE THING TO THE NEXT.

PART THREE – WHAT GOOD LOOKS LIKE

What Good Looks Like

Human lessons first. Operating discipline immediately behind them.

The story in Part I is specific. The lessons are not.

Cyberlux, HII, the Government, lenders, advisers and commission claimants arrived with different responsibilities and different pieces of the truth. The program failed because those pieces were never made to answer to one another. A product moved faster than its baseline. Money moved faster than production. Production moved faster than acceptance. Confidence moved faster than doubt.

Everybody inherited confidence. Nobody inherited doubt.

Most of what follows is not complicated. That is rather the point. Large failures often begin with ordinary questions that nobody quite finds time to ask. Does the thing work? Can the supplier carry the risk? Why does it need half the money in advance? Where will the money sit? What happens if work stops tomorrow?

The human lesson comes first because that is how experienced people tend to remember it. The operating response follows because experience is only useful once it changes the way the next program is run.

First, Make Sure the Thing Works

Before buying a technical product, make sure the thing works.

Not once. Not in perfect weather, with the inventor standing beside it and every battery freshly charged. Make sure it performs repeatedly, in the hands of the intended user, in the place where it will actually be used. A defense product does not become fit for purpose because it flies, explodes or photographs well. Those things may prove that an idea is real. They do not prove that a controlled product can survive the mission for which public money is about to buy it.

The K8 was real. That point matters. It flew, carried a payload, attracted a named Ukrainian requirement and moved through production in sufficient numbers for 392 aircraft to receive formal acceptance. Calling it vaporware would be easy, colorful and wrong.

The harder question is what the program proved after the demonstration. One aircraft can perform impressively while the next fifty differ in motors, radios, firmware, batteries, payload interfaces or assembly. A product name can remain perfectly still while the machinery beneath it changes. At small scale that flexibility can look ingenious. At production scale it becomes configuration drift wearing a familiar label.

This is why a technical product is never merely the object placed on the table. It is the drawings, software, firmware, approved components, suppliers, licenses, assembly instructions, inspection points and accumulated judgment that allow the organization to reproduce it. The object is an exemplar of that knowledge. If the supplier does not own or control the knowledge, the customer has bought access to a clever prototype rather than a durable product.

The distinction becomes rather less academic when the aircraft carries a munition. The K8 patent describes a multi-rotor joined to an explosive payload, radio-command firing path, contact-initiation mechanism and blasting cap. That is a weapons system. The patent

describes the idea, not every aircraft Cyberlux built. Somebody still had to own the production configuration and its weapons safety.

Acceptance cannot repair a weak product definition. A DD-250 says identified units crossed the line the parties wrote into the contract. If that line did not test battlefield use, radio resilience and a consistent build, the form cannot prove them. Paperwork can faithfully accept the wrong question.

The approved version

A controlled aircraft is a collection of agreements that happen to fly in formation. The airframe, motors, battery, flight controller, radio link, video system, software, payload interface and initiation mechanism all have to belong to the same approved configuration. Change one of them and the evidence supporting the others may change with it. A new radio can disturb range and electronic-warfare resilience. A heavier battery can alter endurance and handling. A different payload can change structure, center of gravity and safety. A component substitution that looks sensible on a purchasing spreadsheet may be a new aircraft to the engineer responsible for signing it.

The joined K8 file has never appeared in public. The patent describes a multi-rotor carrying an explosive payload with radio-command and contact-initiation paths. The project technical assessment identifies a visible FrSky Taranis X9D Plus controller and asks obvious questions about its 2.4 GHz link. Neither can tell us how every production aircraft was configured. Together they show why the baseline mattered. The program was not buying a camera drone with an interesting attachment. It was buying a weapons system whose usefulness depended upon the whole chain surviving the operating environment.

The post-award sequence shows what happens when that file does not exist. Ukrainian users reached Poland and found ordinary hobbyist communications where they expected a system able to survive Russian electronic warfare. ORQA equipment was brought toward the problem but did not become a working integrated configuration. RadioNor

then reportedly produced a successful KX variant in Norway. The source account says Cyberlux rejected it on economic grounds.

The jammer had therefore asked the right question from the beginning. Could the aircraft remain controllable when somebody deliberately attacked its link? If the jammer was disabled during the originating demonstration, the program did not merely miss a useful test. It allowed a false sense of technical closure to move into the Letter of Request, the award and the factory.

The wiring and frame issue exposed the same failure from another direction. A conductive carbon-fiber structure, inadequately protected wiring and an explosive initiation system are not three separate parts that happen to share an airframe. Together they are the safety case. If someone deliberately grounded the aircraft and sent it into testing without telling the testers, configuration authority, test discipline and informed risk acceptance all failed at once.

That should have produced a simple control file. What was the mission class? Which configuration was demonstrated in Ukraine? Who owned the aircraft design? Who owned the payload and initiation safety decision? Which authority accepted the radio, video and electronic-warfare risk? Which changes were permitted without reopening the test evidence? Which serial numbers inherited which approval?

The four DD-250 populations put 392 aircraft across the contractual acceptance line. We still do not know whether all 392 carried the same motors, firmware, controller, payload interface or initiation configuration. More importantly, the acceptance test may never have asked the battlefield question that later stopped the work. A program can tick every box it wrote and still discover that it wrote the wrong boxes.

That is the difference between inspection and qualification. Inspection asks whether the article tendered meets the written acceptance condition. Qualification asks whether the configuration can do the job safely in the intended environment. The former can be performed perfectly while the latter remains dangerously wrong.

The approved production version needed seven visible gates: (1) a measurable requirement; (2) a frozen design; (3) a named engineering owner; (4) a named weapons-safety owner; (5) a representative trial; (6) controlled substitutions; and (7) proof that each production aircraft matched what had been approved. Miss one and the program begins relying on the product name. The K8 remained the K8 because everybody kept calling it the K8. Engineering deserves a little more than brand continuity.

What good looks like

A competent program joins four things before quantity hardens around the product:

- the mission requirement, expressed in measurable operating terms;
- the exact configuration demonstrated to satisfy it;
- the technical, safety and export authorities required for that configuration; and
- the production evidence showing that later serials inherited the same approval.

The program should preserve the demonstrated article, test data and failures. It should freeze a production baseline, identify design authority and state which changes disturb earlier evidence. Representative operational feedback should return to the same configuration record rather than floating around in presentations and recollection.

None of this requires five years. Wartime development should move quickly. It should also move in controlled iterations because the adversary, component market and operating environment are moving at the same time. Speed without configuration control merely allows the program to become wrong more efficiently.

Before you move

Ask who owns the design, which exact configuration was tested, what acceptance actually measures and which change would require the

evidence to be revisited. If the answer depends upon a particular engineer being in the room, the product has not yet become institutional.

The lesson is not that immature products should never be bought. Many useful defense products begin as immature products. The lesson is that maturity must remain visible while the commercial commitment grows. In this program, the commercial commitment became explicit while product maturity remained largely implied.

Know Who You Are Doing Business With

Every company gets sued. That is not unique. What it gets sued for, how management responds and whether the same behavior appears again can tell you a great deal.

The same is true of public filings. They are not investor decoration. They show how management keeps its books, explains its obligations, describes changes and handles facts that are less flattering than the press release. A buyer willing to read them can learn about cash, inventory, debt, related parties, acquisitions, legal disputes and the quality of the company's internal information before asking the supplier a single question.

Cyberlux came to the program with a ticker, a Commercial and Government Entity (CAGE) code, federal registrations and a respectable history in portable military lighting. Its direct paying federal work visible in USAspending had largely stopped in 2015. The company then spent years with little visible operating activity before rebuilding through acquisitions and advisers. By August 2023 it looked active, international and ambitious. The harder question was how much of that activity had become integrated operating capability.

This is where the three-year rewind becomes useful. Look at the company before the acquisition program began, then follow each transaction to the proposed decision. Who worked there? What did it own? What had it delivered? Which products had been accepted? What cash and credit were available? Which acquired businesses had actually been paid for and integrated?

A point-in-time presentation can hide how recently everything arrived. Acquisitions can supply facilities, people, inventory, past performance and a more serious corporate silhouette. They can also create the illusion that the buyer owns every capability present somewhere in the

group. Buying capable companies does not automatically make the parent capable.

That means investigating the transaction, not merely accepting the capability label. Did the target legally exist when Cyberlux said it was acquired? Was the purchase agreement fully executed? Had the seller been paid? Had the intellectual property actually transferred? Were the employees, facilities, accounting records and licenses still inside the business? CTMC's visible chronology and the pre-award Atlantic Wave record put versions of those questions in public view. Catalyst later showed why they mattered.

Management’s answers matter as much as the documents. When a direct question about a serious condition produces an answer about the excellent lawyers hired to fix it, the question has not been answered. Nor has it been answered when management offers secrecy, famous advisers or future hiring as substitutes for a present fact.

Security claims belong in that same test. A supplier saying that its work is classified should be able to identify the sponsoring relationship, the cleared entity, the cleared people, the approved facility and the exact boundary between protected technical material and ordinary commercial facts. The answer may itself require care. The existence of the machinery does not.

Cyberlux's third-quarter 2023 filing said its defense focus required Top Secret and corporate SCIF clearances. A later preliminary review by a prospective defense partner reportedly could not verify that infrastructure. Still later, unanswered requests for admission put the company and Schmidt's clearances, Cyberlux's SCIFs and the attempted corporate transaction directly into litigation. None of that automatically disqualified Cyberlux. All of it told HII exactly what to verify.

The comparison is uncomfortable. Months after the award, a prospective partner appears to have conducted a light review, found enough to leave and warned a creditor's lawyer. HII had already

placed nearly $79 million of taxpayer-funded business and a $38.7 million advance behind the same company. The responsibility file should show what HII asked before saying yes—and why its answer was different.

Listen to what people do not say.

The warning stack

The useful diligence question was never whether Cyberlux carried one fatal blemish. It was whether the warnings, taken together, described a company capable of carrying this particular obligation.

Cyberlux's visible direct federal award history had largely stopped in 2015. For several years it showed little operating activity before rebuilding through acquisitions. The drone business was recent. Catalyst was recent. Datron brought real people, facilities, inventory and Government history, but Cyberlux had owned it only briefly. Cyberlux had no visible history of delivering military aircraft at anything close to the scale now contemplated.

The financial picture was no kinder. Cyberlux was a thinly capitalized OTC issuer whose shares had entered Caveat Emptor status at the end of 2022. Its filings showed complicated stock financing, acquisition accounting and recurring disputes. Atlantic Wave had already sued over acquisition payment and corporate spending, then settled just before the HII award. Cyberlux might still have qualified. Wiring it nearly $39 million was an extraordinary way to find out whether its treasury controls worked.

The Atlantic Wave dispute was not generic litigation noise. It concerned technology, payment, disclosure and what Cyberlux did after taking the benefit of a bargain. The Catalyst sellers later described the same shape: capability and intellectual property stayed inside the Cyberlux story while the price attached to them remained unpaid or disputed. One lawsuit proves little by itself. When the same kind of problem keeps returning, the buyer has been given something specific to investigate.

The same review should have reached Clayton, Aerotek, ARG, Montague, ANPC and the property obligations surrounding Datron as those matters arose. Their legal theories differed. Their operational signal was cumulative. Cyberlux repeatedly reached agreement, obtained time or value, then arrived at another dispute when its own performance became due.

Supplier diligence is not a criminal background check conducted by people waiting to disqualify somebody. It is the attempt to understand how management behaves under the exact pressures the proposed contract will create. Here, the contract would place a very large advance, an immature product, ambitious production and overlapping counterparties inside a company whose previous endings were already refusing to stay ended.

Each item could be explained. A dormant contract history might reflect a strategic change. Caveat Emptor could be cured. Litigation might be ordinary commercial noise. A young drone business might contain exceptional people. A weak balance sheet might be supported by committed credit. That is precisely why the items had to be joined. Diligence fails when every warning receives its own plausible answer and nobody asks whether the complete set describes the same company.

A competent review would have matched each warning to a safeguard. Thin cash required verified financing and direct bank participation. A young production system required smaller lots and closer oversight. Recent acquisitions required proof of payment, integration, intellectual-property control and delegated authority. Weak public reporting required tested accounting and program records. Creditor history required an honest view of how management behaved when promises became expensive.

HII could still have said yes. But it should have been a conditional yes, owned by named people and tied to visible controls. From the outside, the most consequential word in the responsibility decision appears to have been assumed.

What good looks like

Supplier responsibility should be treated as an affirmative decision, not an absence of disqualifying paperwork. The buyer should build a joined picture of the legal entity that will receive the award and hold the money:

- verified financial resources and banking capacity;
- recent performance at a comparable scale;
- management, engineering, production and quality staff actually employed;
- ownership and control of facilities, IP and critical suppliers;
- litigation, regulatory and disclosure history;
- installed accounting, treasury, inventory and production systems; and
- the mitigations required wherever the supplier is being asked to stretch.

Warnings are not automatic disqualifiers. A thin balance sheet can be supported by committed finance. A young product can be contained through smaller lots and tighter surveillance. A new team can include people who have done the work before. But the support has to exist before the risk arrives.

The file should also preserve unanswered questions. Diligence often fails because a conversation moves on, not because anybody formally decided the answer was satisfactory. A simple register of questions, requested records, responses and named decision owners prevents narrative momentum from closing matters that the evidence left open.

Before you move

Ask what this company did last year, what it can prove today and what has to go right tomorrow. If tomorrow carries most of the answer, the supplier is asking the customer to finance a transformation rather than buy a capability.

That may still be a worthwhile decision. It simply deserves to be described honestly.

Stick to Your Core Competencies

Companies grow by stretching. They do not grow by pretending the stretch has already happened.

A supplier should know what it can design and build. A subcontractor should know what it can integrate. A prime should know what it can manage. The customer should know which contract types and programs it can competently administer. Each can move beyond its history, but only by adding the people, systems and independent controls required for the new responsibility.

Cyberlux had assembled access to capable people and businesses. Catalyst understood small unmanned aircraft. Datron understood Government sales, facilities and communications products. Advisers understood Ukraine, embassies, FMS and political access. Put together, they still did not make Cyberlux an experienced mass producer of controlled military aircraft.

HII brought institutional scale. That did not make every team equally good at every kind of contract. A business raised on cost-reimbursement programs watches allowable cost, schedule and effort while the customer keeps much of the economic risk. Firm fixed price works differently. The supplier owns the cost problem, and the buyer must be harder about delivery, acceptance, property and financing because unfinished performance is supposed to stay with the supplier.

The route should have forced the same honesty. NAVAIR was an odd home for a small land-war munition that had never traveled through Marine Corps adoption. OASIS was a services vehicle carrying a hardware-heavy production obligation. HII knew major Government work. That did not mean this particular team knew how to qualify and control this aircraft, this factory and this advance.

The route may have been perfectly permissible. It was still odd, and odd routes need more explicit competence, not borrowed confidence from the logos involved.

The danger appears when every party assumes another party carries the missing competence. The supplier assumes the prime will provide program discipline. The prime assumes the supplier understands its factory. The customer assumes the prime has qualified the supplier. The bank assumes the contract remains healthy. Everybody has a piece. Nobody owns the gap.

A map, not a cast list

The program had impressive biographies. What it needed was an operating map.

Catalyst supplied aircraft knowledge. Datron supplied facilities, employees, Government-sales history and an established FMS business. Maadarani brought genuine FMS experience, embassy access and knowledge of the route through Ukraine. Other advisers brought introductions, political access and business-development energy. HII brought the institutional standing of a major prime. Cyberlux was supposed to join those pieces into one company capable of designing, financing, producing and administering a fixed-price weapons program.

That final step was the difficult one. Acquired capability remains inside the people, procedures, systems and assets that created it until somebody deliberately integrates them. A facility does not bring its accounting discipline merely because the sign changes. A consultant's expertise does not become a company process because he attends the meeting. A prime's size does not descend through a subcontract and install controls inside the supplier.

The map should have identified one owner for every critical discipline: product design, configuration, weapons safety, production, quality, FMS, export compliance, fixed-price administration, treasury, property, accounting and settlement. It should then have distinguished three states: capability installed inside the program, capability available through a named person, and capability merely assumed to exist somewhere in the relationship.

The third category is where programs become adventurous. Everybody can point to somebody who knows the answer. Nobody has the authority, data or duty to make the answer control the work.

What good looks like

Before award, map each material responsibility against demonstrated competence. Product design, configuration, weapons safety, production, quality, contract administration, treasury, property, FMS, export compliance and settlement should each have an owner who has actually performed the function at comparable scale.

Where the answer is no, there are only three honest choices:

- add qualified capability before the commitment;
- reduce the scope or lot size until the organization can control it; or
- place the responsibility with somebody who already knows how to carry it.

A good CV tells you somebody has done the work before. It does not install procedures, data, authority or the willingness to challenge a program inside the company that hired them.

Before you move

Ask which part of the proposed work would frighten the organization if it arrived tomorrow morning. That is normally where the competence boundary actually sits.

The answer may still be to proceed. Just stop calling optimism readiness.

Capture Must End Where Judgment Begins

In defense contracting, capture is the work of finding, shaping and trying to win an opportunity. Business developers make the introductions, build the route and keep the pursuit alive while institutions find reasons to slow it down.

They should not be the people who decide whether the supplier, product, price and financing are safe.

Cyberlux's pursuit drew in people with access to Ukrainian officials, embassies, retired senior officers, political offices and an established American prime. Some expected commissions, discounts, shares or other rewards. They were not all doing the same job. One understood FMS. Another opened doors. Another may have moved the opportunity through HII. Calling all of it ‘business development’ hides who did what and which controls should have followed.

The danger is not access. Defense business depends upon access, expertise and relationships. The danger is allowing the success of capture to become evidence that independent qualification has already occurred. A compelling requirement, senior referral or customer-specific request can make later reviewers feel that the important decision has been made elsewhere.

That is how judgment becomes ceremonial.

The private economy of capture

The intermediary ecosystem only makes sense once the people are separated by function. This was not one tidy sales team. It was several parties approaching the same program from different directions, each later putting a price on what they believed they had contributed.

ARG described a reseller and sales-representative role. Its agreements and Signal traffic show early price construction, claimed percentage

economics and access to senior military credibility, including the introduction of Major General Cameron Holt. Anthony Gonzalez's visible professional history does not make him an FMS operator of Maadarani's depth. ARG's apparent value was different: relationships, energy and the ability to move people into the same conversation.

Fairwinds occupied the prime and political channel. Its court papers describe strategic business-development work, an eight percent commission and contact with political offices and Government organizations for Fairwinds and Cyberlux. Fairwinds may not have caused the award. It was plainly working in a different lane from technical qualification or FMS design.

Representative Rob Wittman's office belongs on the route map. So do Fairwinds, HII, the OASIS vehicle and the HII employee political-action committee's contributions to Wittman. The map is not a claim that money bought an act. It shows political access, institutional sponsorship and procurement judgment occupying the same small room without enough visible walls between them.

The unanswered question is still who placed HII beside Cyberlux and on what record. If Fairwinds helped open the door, that was capture. If a naval organization identified the route, that was sponsorship. Neither event could substitute for HII's independent decision that Cyberlux could build the system, control the money and survive the fixed-price risk.

WeShield described demand-generation work and a financial interest. Montague sat closer to the corporate architecture: adviser, acquisition strategist and later commission claimant. Maadarani was different again. He had real FMS credentials, described repeated travel to Ukraine and knew how to work through embassies and military-assistance channels. He was also a Cyberlux lender and connected to Datron while advising the Ukraine pursuit. The expertise was real. So were the conflicts that needed managing.

Nobody needed to decide after the fact who deserved which fee. The program needed a live intermediary register while capture was

happening. What did each person do? How were they paid? Which official or institution did they approach? What approval or disclosure applied? And after the introduction worked, which decision still had to remain independent?

Several people can honestly believe they caused the same award. That is one reason percentage arrangements become combustible. The customer sees one program. The people around it see overlapping versions of their own contribution, each with a calculator attached.

Independent judgment exists to stop that multiplication. The capture team can create demand, access and a route. It cannot grade its own homework on supplier responsibility, technical fitness, price or financing. Those decisions belong to people who do not get richer when the answer is yes.

What good looks like

The program should maintain two separate records. The capture record explains how the opportunity arrived, who participated, what each person did and how each expected to be paid. The decision record independently determines whether the supplier, product, price, financing and route comply with the program's requirements.

Every intermediary should have a defined role, written scope, compensation basis, conflict review and disclosure position. Percentage compensation deserves particular attention because several people can rationally claim to have caused the same event while describing very different work.

The independent decision team should not inherit the capture team's confidence. It should be allowed to say no, reduce quantity, change contract form or impose conditions without treating those actions as betrayal of the people who opened the door.

Before you move

Ask who is being paid for access, who is being paid for legitimate selling, who is providing regulated brokering or foreign-market services, and who is making the independent decision. If the same

person appears in every answer, the program has not separated capture from judgment.

Access may open the door. It should not decide what walks through it.

Someone Must Be Allowed to Say No

Contracts do not enforce themselves. They become real only when somebody translates their promises into bank controls, production rules, approval gates and instructions that survive contact with an impatient chief executive.

Cyberlux was not short of lawyers. Watts served as special counsel. Outside firms appeared around transactions and litigation. The HII subcontract was signed, the advance-payment structure was accepted and the company made representations to counterparties, lenders and courts. The unresolved question is not whether legal advice existed somewhere. It is whether anybody had the authority to turn that advice into company behavior.

Cyberlux's signature matters more than guessing what Schmidt personally understood. The company accepted a contract that distinguished earned performance from advance financing. HII later described the original advance and property purchased with it as Government property held in trust. Either the relevant terms were understood and not obeyed, misunderstood despite their importance, or never converted into working controls. None is a comfortable answer.

The first days after the advance show the consequence. The money entered an ordinary operating account and immediately began serving acquisitions, settlements, transfers, a brokerage account, a vehicle and production at the same time. The factory then committed itself broadly across the 2,000-unit population. When the aircraft encountered technical trouble, Cyberlux no longer held enough untouched cash to reverse course cleanly.

THE PERSON BEHIND THE CLAUSE

Every material Government contract needs an internal owner whose job is to make the company obey it. That person may be a lawyer, a senior compliance professional or somebody else with serious legal and contracting training. The title matters less than the authority. Advice that management may ignore is not a control.

The owner should be independent of sales commissions, acquisition bonuses and the pressure to make the quarter. They should receive the complete contract, understand the source and character of the money, know what the company has promised to the prime and have direct access to finance, engineering, production and the board. Most importantly, they must be able to stop something.

They must be able to stop a payment that uses restricted money for the wrong purpose. They must be able to stop production when the approved configuration is moving beneath the workers. They must be able to stop a lender certification or public statement that no longer matches the program. They must be able to treat a stop-work order as an instruction rather than an inconvenience.

A lawyer who can offer advice but cannot stop the payment is expensive stationery. A compliance officer who learns about the wire afterward is an archivist. The function becomes real only when its refusal changes what the company does next.

Management override should therefore be visible and expensive. If the chief executive insists upon proceeding, the objection, authority, decision and consequence should be written down and carried to the board or the prime where necessary. Quiet acquiescence protects the decision-maker by sacrificing the company.

THE PRIME'S SIDE

HII could not satisfy this requirement merely by placing representations in the subcontract. Before releasing $38.7 million, it needed to know who inside Cyberlux owned compliance with the advance, property, accounting, export, configuration and stop-work

terms. A warranty answers what the supplier promised. It does not prove that the supplier has installed the people and systems required to keep the promise.

The verification could have been ordinary. Name the responsible person. Review the treasury instructions. Confirm the account structure and withdrawal approval. Walk the production and inventory controls. Ask how a legal or compliance objection reaches the chief executive and board. Test whether the person answering can actually prevent the transaction.

This is particularly important when a small company is being asked to transform itself under a large fixed-price award. The people who won the opportunity will naturally feel protective of it. The factory will feel heroic. Management will see delay as the enemy. Someone outside that emotional current has to preserve the difference between moving quickly and moving outside the bargain.

WHAT GOOD LOOKS LIKE

The compliance owner should convert the contract into a short operating schedule before money or material moves. At minimum, that schedule should identify:

- which funds are earned, advanced, restricted or returnable;
- which account receives them and who may authorize withdrawals;
- what Government, prime or lender interest follows the money and resulting property;
- which technical configuration the company is permitted to build and represent;
- what changes require approval before production continues;
- what a stop-work, safety event or user rejection requires each function to do;
- what must be disclosed to lenders, shareholders, counterparties and the prime; and

- how an unresolved objection reaches the board without passing through the person being challenged.

The same schedule should follow the contract into daily operations. Finance should not need to interpret a weapons requirement. Engineering should not need to guess whether a cash transfer is permitted. Each function needs the rule that governs its next action, the evidence it must retain and the person who can resolve a conflict.

The failure here was not simply that Cyberlux may have read a clause badly. It was that the company appears to have lacked a sufficiently powerful internal function capable of making the clause matter across treasury, production, disclosure and stop work. HII's failure was accepting that risk without leaving a visible record that it had tested the function before funding it.

BEFORE YOU MOVE

Ask for the name of the person who can stop the money, the build and the representation. Then ask for one example in which that person actually did so. If the answer is a policy, a law firm or a promise that management takes compliance seriously, the function has not yet become operational.

Someone must be allowed to say no before the contract teaches everybody why the answer mattered.

Fixed Price Means the Supplier Owns the Problem

If a customer orders 2,000 widgets and accepts 392, the supplier does not normally receive payment for all 2,000. Unless the contract says otherwise, the unfinished widgets remain the supplier's problem.

That is the economic promise of firm-fixed-price. The buyer agrees to pay for the result. The supplier accepts the risk that labor, material, yield, delay, and rework may cost more than expected. Efficiency produces profit. Failure produces loss. The bargain requires a supplier strong enough to carry the bad days.

Firm-fixed-price contract management requires ruthless fairness from the prime and ruthless risk management from the subcontractor.

The prime has to write the bargain clearly and enforce it consistently. It must neither rescue the supplier from accepted risk nor use ambiguity to escape an obligation genuinely owed. The subcontractor has to assume that cost, yield, rejected units, unfinished inventory and cash-flow strain belong to it. Nobody is coming to make the economics pleasant after the fact.

A $78 million fixed-price production commitment is not an ordinary purchase order. The supplier must finance working capital, absorb rejected units, carry inventory, correct nonconformance and survive delay without converting every problem into the customer's emergency. The apparent margin in this program should have made ordinary cost variation easier to absorb. It did not replace cash discipline, configuration control or a balance sheet capable of carrying unfinished work.

An advance payment complicates the bargain because it places customer money inside the supplier before performance is earned. If the supplier spends the advance and cannot return the unearned portion, the economic risk quietly migrates back to the customer. The

contract can remain labeled fixed price while the program behaves like something else entirely.

The technical sequence made that migration visible. HII accepted the fourth ordinary-performance lot on 12 December 2023. Ten days later it stopped work for capability concerns. By then users had reportedly rejected the radio architecture, attempted remediation had failed or been declined, Government personnel had identified an electrical-safety issue and further tests were producing failure rather than qualification.

Default was not automatic simply because the product had problems. The contract still required notice, a chance to cure where applicable and a decision about whether Cyberlux had an excusable cause. But the known technical failures were already serious enough to require that analysis before convenience turned the ending into a negotiation about money.

Default and convenience answer different questions. Section 32.2 asked whether Cyberlux failed the bargain: lack of progress, failure to perform after notice and cure, or insolvency. Section 32.1 let HII stop after the customer chose convenience without proving supplier fault. One keeps failure in the center. The other makes it unnecessary to the termination decision.

A new contracting officer took over on 2 April 2024, six weeks before the upstream convenience termination. The handover should have carried the Polish training report, ORQA and RadioNor history, Crane inspection, acceptance file, depleted advance and Cyberlux's ability to cure. Leave the facts scattered across other desks and convenience can look tidy simply because default arrived in pieces.

What Cyberlux could still be paid for

The subcontract covered 2,000 systems. HII accepted 392 before stop work, and a later reconciliation valued them at $14.9544 million. The other 1,608 had not crossed the ordinary contract acceptance line.

That did not make the remaining aircraft worthless. It made their value a different question.

Section 32.1 allowed payment for the percentage of terminated work actually performed before notice, plus reasonable expenses caused by the termination. That could support real value in completed work, work in progress, unavoidable commitments, and closeout cost. It did not turn every unfinished unit into an accepted aircraft at the original price. Cyberlux still had to show what existed, when it was built, what the contract allowed, and what value it carried.

Modification 4 later assigned $43.7592 million of gross value to the 1,608-system closeout population. It then credited $22.7766 million of the original advance, producing $20.9826 million of net drone settlement value, before adding approximately $4.7868 million in other modification line items. The negotiated net became $25.7694 million.

The arithmetic is visible. The valuation path is not.

This is where the fixed-price bargain changed character. Before stop work, Cyberlux earned value by sending aircraft through the written acceptance route. After termination, 37 nearly accepted kits, 745 bench-tested aircraft, 526 aircraft in different stages of assembly, and parts for 300 unstarted builds entered negotiated settlement categories. Modification 4 then made its terms control over inconsistent original clauses on invoicing, payment, delivery, inspection and acceptance, warranty, and closeout. Some payment was entirely proper if useful work and property remained. The serious question is how supplier-owned performance risk became those particular closeout values.

A termination for convenience is not a ceremonial rescue clause. It protects the buyer's ability to stop work while compensating the supplier according to the contract. Nor is fixed price a license for the buyer to confiscate useful work. Ruthless fairness runs both ways. The prime pays what the bargain and evidence support. The supplier carries what the bargain left with it.

The missing decision file should explain the result. The termination proposal, audit papers, allowed costs, lot values, title decision and approval memorandum would show how the program reached those numbers. Without them, we can see the starting figure and the settlement figure, but not the calculation between them.

The missing default file matters first. Before valuing the unfinished work, the program had to decide why the work was unfinished and which party had agreed to carry that risk. Otherwise settlement becomes a method of answering the second question while quietly abandoning the first.

What good looks like

The responsibility review should stress-test the actual fixed-price downside:

- What happens if yield is lower than expected?
- What happens if a component must be replaced across several lots?
- What happens if inspection is delayed or units are rejected?
- What happens if work stops after the factory has committed material?
- Can the supplier return unearned financing without destroying the company?

The contract must then express the bargain clearly. Delivery, inspection, acceptance, title, correction, warranty, stop work, termination and advance liquidation should agree with one another. A fixed-price label cannot cure clauses that treat price as a ceiling, allow reimbursement language to drift into the instrument or leave the status of unfinished goods open to negotiation.

Before you move

Ask whether the supplier can carry the most plausible bad outcome without asking the customer to rescue it. If the answer depends upon

unrestricted access to the customer's advance, the risk transfer is largely theatrical.

Fixed price means the supplier owns the problem. Make sure it is strong enough to do so.

If the Price Does Not Make Sense, Ask Why

Price can become strangely polite inside an urgent program. The budget exists. The customer wants the product. The supplier has produced a number with enough decimal places to look considered. Everybody moves on.

Do not move on.

If the price does not make sense, ask why.

The question is not an accusation. A high price may reflect accelerated sourcing, scarce components, warranty, engineering change, foreign delivery, training, support or the genuine risk of a supplier accepting firm-fixed-price performance under wartime conditions. There are many legitimate reasons for a product to cost more than its bill of material.

There are fewer legitimate reasons for nobody to know which reason applies.

Cyberlux's reported manufacturing cost was a fraction of the contract value assigned to the aircraft. Ukrainian-produced FPV systems of similar general scale cost another fraction again. The products were not identical, so the comparison does not by itself prove overcharging. It does show a gap measured in multiples: the accepted K8 prices of $36,900 and $40,500 were roughly eight times the early $4,700 manufacturing estimate, before accounting for the equipment, support, risk and lawful margin that a complete system price would include. A gap that large should have forced a serious reconciliation of product cost, program cost, risk, intermediary economics and profit.

The RadioNor decision gives the comparison operational meaning. The August 2026 source described a technically successful KX configuration and an initial communications cost between $13,000 and $18,000 per aircraft, declining sharply with development and

volume. That account still requires the proposal, quote, test evidence and decision correspondence. If corroborated, even the high early figure appears capable of fitting beneath the accepted prices.

If the RadioNor numbers hold, the program did not face a clean choice between affordability and EW performance. The accepted price had room for the better radio. Why wasn't the better radio included?

Healthy profit is not the enemy. It rewards performance, capital and risk. The trouble starts when the program begins serving the margin rather than the mission.

Pigs get fat. Hogs get slaughtered.

When aggregate profit, commissions, financing returns and settlement claims become too large, the economics begin changing behavior. People stop asking whether the program is healthy and begin asking how much value can still be extracted from it. The price becomes more than a number. It becomes an incentive system.

Show what the price bought

The early Signal pricing is useful because it shows a product price forming in layers. One exchange worked from a stated $4,700 Cyberlux cost, added $2,000 of Cyberlux margin, applied a 20 percent ARG layer and arrived at a $9,800 starting figure. That was an early commercial model, not the executed subcontract. It nevertheless shows that cost, company margin and intermediary economics were being discussed as separate things before the Government program had hardened around them.

The accepted-aircraft record later carried prices of $40,500 for K8-1 units and $36,900 for K8-2 units. Those figures were not simply the early $9,800 model with a modest wartime adjustment. They sat several multiples above the stated manufacturing cost and far above the rough cost of locally produced Ukrainian first-person-view (FPV) aircraft of similar general scale. Those comparisons are not proof of overcharging. They are an invitation to explain what the additional value bought.

Perhaps it bought engineering, payload integration, warranty, accelerated sourcing, support, training, foreign delivery, program management and the risk of a fixed-price obligation. Perhaps the Ukrainian comparison omitted capability that mattered. A disciplined price analysis is allowed to reach an expensive answer. It is not allowed to reach one without showing the route.

The later figure of roughly $29,357 per aircraft belongs in yet another column. It is an arithmetic average produced by dividing the combined drone value by 2,000. It was not the unit price written across every lot, and it does not reveal the redacted values assigned to the different Modification 4 populations. Treating it as a universal contract price makes unlike transactions look cleaner than they were.

A useful price analysis separates six things: manufacturing cost, recurring production price, engineering and support, fixed-price and schedule risk, intermediary payments and settlement allocation. Each needs a source, date and transaction. Then the program can ask whether the premium bought capability and risk transfer, or merely created enough room for everyone around the contract to expect a share.

What good looks like

Build the price in visible layers:

- direct material and labor;
- production overhead and yield;
- engineering, test, support and program execution;
- schedule, technical and fixed-price risk;
- intermediary and channel economics; and
- profit.

Compare those layers to analogous products, but do not force false equivalence. The point is not to declare that every cheaper aircraft is the same. The point is to explain why this aircraft, in this program, justifies the difference.

Review the aggregate economics as well. A commission may look tolerable in isolation. So may a lender's return, supplier margin or termination claim. Placed together, they may reveal that the program is supporting more financial expectation than operating value.

Before you move

Ask the supplier to explain the price in ordinary language. If the explanation requires the customer to stop understanding arithmetic, the price is not ready.

Treat the Advance Like Trade Finance

There is a reason advance payments are described as the least-preferred form of contract financing. The customer parts with cash before receiving the thing it agreed to buy. That may be necessary. It should never be casual.

The first question is why the supplier needs it. A young company may have a sound product and an order too large for its balance sheet. A bank may refuse to lend without customer support. Components may require deposits. Those are legitimate problems.

They are also information. They tell the customer that the supplier lacks enough working capital, credit or banking support to carry the program unaided. The answer should produce tighter control, not sympathy followed by a wire.

A large advance should behave less like an ordinary customer deposit and more like a highly conditioned instrument of international trade finance. In international business, a letter of credit is a nuisance precisely because everybody agrees the conditions before money moves. Documents, shipment, title, amounts, banks and release requirements are specified with a level of detail designed to stop hope from becoming a payment instruction.

The same logic belongs here.

The customer should speak directly with the bank. Is the money going into escrow or a controlled account? Can the supplier borrow against it? Which lot costs are eligible? Who verifies invoices? What event allows money to leave the protected account? How does acceptance reduce the outstanding advance and repay the facility? What alert appears when money moves outside the plan?

In this program, nearly $39 million moved into an ordinary Cyberlux account. The previous balance was a touch over $2,000. Material sums

left on the first day, before the first aircraft had been accepted under the award. The program did not merely lack elegant treasury management. It lacked the physical barrier that would have made misuse or premature use difficult.

Before the wire

The first control decision came before Cyberlux saw the money. Somebody authorized half the subcontract value to move at award against a milestone called "Award and Spend Plan". The missing decision is who authorized it and on what basis.

If the money represented Government contract financing passed through HII, the exceptional-financing file should identify the applicable findings, Contracting Officer approval, supplier responsibility, security, bank arrangement and continuing surveillance. Advance payments are the least-preferred method precisely because they reverse the normal sequence of performance and payment. The program pays first and then spends the rest of its life making sure confidence was not mistaken for collateral.

If HII funded a private award milestone from its own resources, the FAR route may not govern the direct transfer in the same way. The business risk did not become smaller. HII's treasury, legal, contracts and supplier-risk functions still had to explain why an ordinary operating account was an acceptable destination for $38.7006 million and what would preserve the unearned balance if performance stopped.

The invoice and spend plan did not authorize themselves. Under either route, the decision file should have answered the same questions: who approved the exposure, what bank architecture contained it, which expenditures were eligible, how frequently the supplier reported, who reconciled cash to production and what event froze further use.

The first surveillance test

September 8 gave the program an immediate test. The operating account began with $2,297.01. The $38.7006 million wire arrived. The

same statement then showed several large withdrawals, including $3 million, $575,000 and $250,000. The statement records movement, not motive. By the end of the day, HII's control system already had serious work to do.

No aircraft had yet been accepted. A competent surveillance process would have matched each movement to the spend plan, program purpose, approving authority and remaining lot requirement. An exception should have reached HII immediately where a transfer fell outside the agreed use or threatened later production. The point of surveillance is not to write a stern report after the money has gone. It is to stop the next transaction while the first remains explainable.

The $3 million Datron transfer created a simple either-or question. Either the spend plan allowed drone-production money to finance a corporate acquisition, or Cyberlux departed from the plan on day one. HII needed to know which before day two.

By 30 September, Cyberlux reported $16.8935 million of cash, $14.6931 million of inventory and the full $38.7006 million customer-deposit liability. The aggregate buried the questions HII needed answered: which inventory belonged to Datron, which belonged to K8, what was committed, what remained liquid and whether Cyberlux had followed the spend plan. That was the moment for a joined program reconciliation, not another comforting total.

A protected account would not have solved product design, pricing or production. It would have bought time. Money for future lots would have remained physically difficult to spend, and the bank would have become another institution forced to ask what performance had earned the next release. In this program, that single inconvenience would have been enormously useful.

What good looks like

Before the wire, the decision file should identify:

- the authority and funding source;
- why ordinary financing is unavailable or inadequate;

- the supplier's responsibility and cash-flow need;
- the protected bank account and authorized users;
- any line of credit secured by the account;
- eligible costs and lot-release conditions;
- invoice, inspection and acceptance mechanics;
- reporting, surveillance and exception handling; and
- liquidation and repayment if performance stops.

The bank should confirm the architecture directly. Wiring instructions supplied by the recipient are not proof that the account will perform the control function the program needs.

Before you move

Ask what would physically prevent the supplier from spending tomorrow's production money today. If the answer is policy, a spend plan or management assurance, the program does not yet have a control.

Do Not Eat the Steak in One Bite

Small companies are often encouraged to think big. That is useful advice until the factory, bank account and management team are expected to become big on the same morning.

Do not try to eat the steak in one bite. Cut it into manageable pieces.

For a production program, the pieces are lots. Finance one lot, build it, inspect it, accept it, get paid and learn something. Then release the next. The purpose is not bureaucratic neatness. It is to limit how much can go wrong before the program has a chance to notice.

A first lot tests more than the product. It tests supplier yield, purchasing lead times, training, inspection, configuration, invoicing and cash conversion. Those lessons should change the next lot. If all 2,000 units are financially and operationally committed before the first hundred teach the program anything, production has converted learning into archaeology.

Lot size should reflect the supplier's actual capacity, not the program's ambition. A small company may be able to assemble hundreds of units quickly while lacking the quality staff, working capital or supplier controls needed to keep those units consistent. Capacity is the ability to finish cleanly, not the ability to start enthusiastically.

The four gates

The program eventually produced four natural gates. On 16 November, 72 aircraft were accepted. On 29 November, another 120 brought the cumulative total to 192. A further 128 followed on 8 December, and the final 72 on 12 December brought the accepted population to 392.

The dates matter. The first formal acceptance arrived 69 days after the advance. All four accepted populations then passed through the system within 26 elapsed days. Ten days after the fourth, the program went on stop work.

Each acceptance lot could have been a decision gate. The first 72 should have tested the approved build, yield, defects, inspection, invoicing and cash conversion. The next 120 should have been released only after those answers were reconciled. By the third and fourth lots, the program should have known whether quality was improving, whether the aircraft were consistent, how long acceptance took and how much cash remained exposed.

Instead, the later closeout record shows a factory mobilized against the 2,000-system objective while only 19.6 percent of the quantity had crossed ordinary acceptance. Lot paperwork existed. Lot discipline did not contain the exposure.

The distinction is important. Dividing a purchase order into deliveries does not create control if material, labor and cash for the full program have already been committed. A real lot gate retains the power to say not yet. It can reduce the next population, change the configuration, correct the inspection method or stop production without discovering that the supplier has already built past the decision.

For each of the four populations, five signatures should have agreed before more work was released: engineering on baseline, quality on conformance, contracts on authority, finance on cash exposure and the customer on acceptance readiness. The next lot begins when the previous one closes. Otherwise the staircase is decorative.

What good looks like

Each lot should have its own authority, budget, configuration, material plan, quality evidence, acceptance package and cash path. Release of the next lot should depend upon the prior one being reconciled rather than merely shipped.

The program should ask two different questions:

- What is the smallest advance needed to release the next useful increment?
- What is the largest lot the supplier can complete without outrunning cash, quality, acceptance or management attention?

The safe operating space sits between those answers.

Before you move

If the production plan assumes that financing, yield, staffing or configuration control will improve after work begins, the first lot is too large.

The customer is not insulting a small supplier by limiting the first lot. It is limiting the size of the first mistake.

Do Not Let the Factory Outrun the Cash Flow

A factory consumes cash before it produces revenue. Material becomes inventory. Inventory becomes work in progress. Labor and overhead attach themselves to it. Only after inspection, acceptance and invoicing does the product become cash again.

Do not let the factory outrun that cycle.

The temptation is obvious. A large order rewards visible momentum. Components arrive, benches fill and completed units begin stacking up. Production photographs beautifully. Cash flow does not.

Under a controlled advance structure, the original principal should remain isolated. A bank can lend against that protected asset to finance a defined lot. The supplier builds the lot, the customer accepts it and the amount earned against the accepted units is released from the protected account. That release repays the line of credit and produces the profit associated with the batch. The next lot then begins from a known position.

The mechanics matter because fixed-price production can otherwise become upside down very quickly. If the factory builds faster than inspection occurs, cash remains trapped in work in progress and finished goods. If the product is later rejected or work stops, those goods do not magically become customer obligations. The supplier has financed an inventory exposure it may be unable to carry.

In this program, 392 units moved through four formal acceptance populations. The remaining 1,608 later appeared in sharply different states: some reportedly flight-tested, others bench-tested, others partly assembled, others represented by components and spares. That was not one inventory population. It was the financial history of a factory that had moved far beyond its closed acceptance gates.

Work the cash cycle

The mechanism is easier to see with a deliberately simple lot. Suppose 100 aircraft require $4,700 each of controlled production cost, using the early figure recorded in the Signal pricing discussion. The lot requires roughly $470,000 before allowing for any difference between that early estimate and the actual program cost. A bank lends that amount against the protected advance. The supplier buys material, builds the lot and carries the borrowing until inspection and acceptance.

Once the customer accepts the 100 aircraft, the earned amount for that population is released from the protected account. The bank is repaid first. Interest is paid. The remaining earned value contains the supplier's overhead, risk reward and profit. Only then does the next lot receive its own borrowing and authority.

That is an illustration of the control, not a reconstruction of Cyberlux's undisclosed lot economics. The actual mix of K8-1 and K8-2 prices, costs, support and risk would change the numbers. The operating principle would not. Borrow only enough to cross the next acceptance gate. Keep the unearned principal isolated. Let accepted performance replenish the system.

The model forces management to know the deepest cash hole each lot can create before customer payment arrives. If acceptance slips thirty days, interest keeps running while finished units remain supplier inventory. If ten aircraft fail, the supplier pays to correct them. If the customer stops work, the unearned advance is still there and the bank can stop further draws without depending on the chief executive's mood.

It also generates better interest economics. The supplier borrows against a strong protected asset in controlled amounts instead of consuming the asset and later seeking expensive rescue finance against a disputed receivable. Treasury management is not an administrative garnish. It determines whether a technical interruption remains a program problem or becomes a corporate emergency.

The four Cyberlux acceptance populations offered exactly this rhythm. Instead, production marched toward 2,000 while acceptance stopped at 392 and cash fell sharply. The factory did not merely outrun cash flow. It outran the mechanism that could have told it where to stop.

What good looks like

Production, treasury, contracts and quality should share a lot-level cash curve. It should show when material is ordered, when labor is committed, when inspection is scheduled, when acceptance is expected, when an invoice can be issued and when cash returns.

Management should know the maximum negative position for each lot and the source of liquidity covering it. Money reserved for later production is not an acceptable answer. Nor is acceptance that has not been scheduled.

Before you move

Ask whether the factory can continue at the planned rate if the next acceptance slips by thirty days. If the answer is no, production is not running the program. It is borrowing confidence from the future.

One Program Needs One Version of Reality

Accounting, production and contracts describe the same program in different languages. That is manageable until they begin describing different programs.

Cyberlux's public filings recorded the award payment as a customer deposit. The liability was visible. No protected pot of cash sat opposite it. Inventory grew sharply around the Datron acquisition and the drone program, but the consolidated total mixed acquired communications stock, K8 material, work in progress and completed aircraft. Finished goods remained surprisingly modest for a program supposedly producing aircraft worth nearly $40,000 each.

The accounts do not reveal a secret purpose. They reveal a more immediate failure: nobody reading them could answer basic questions about the program.

The balance-sheet test

The customer-deposit entry was commercially ordinary. The control environment was not. Cyberlux booked the award payment as a liability because it had received cash before earning the revenue. The balance sheet showed no matching pot of protected cash reserved against it. Accounting rules cannot manufacture a lockbox that the contract and bank never created. The financing architecture had to come first.

At 30 September 2023, the company reported $16.8935 million of cash, $14.6931 million of inventory and a $38.7006 million customer-deposit liability. The balance sheet balanced. The program did not. HII still needed to know how much of the advance remained liquid, how much had become K8 material, how much inventory came from Datron, which aircraft sat in work in progress and what had actually been accepted.

Datron makes the distinction especially important. Its acquisition brought substantial communications inventory onto Cyberlux's consolidated books. That inventory made the combined company look materially larger, but it was not evidence of drone production. K8 components, acquired radio stock, partially assembled aircraft and completed systems could all live inside an inventory total while carrying completely different relationships to the subcontract.

Later disclosures separated components, work in progress and finished goods, but even those captions could not replace the serial-level program record. Inventory is normally recorded at cost rather than contract selling price, so a low finished-goods value is not proof that completed aircraft did not exist. It is a reason to reconcile the accounting population to the physical one before drawing conclusions about either.

The useful test is movement. As aircraft progress, protected cash should decline in authorized amounts while K8 work in progress rises. Acceptance should move identified serials out of supplier exposure, liquidate the associated advance and create earned revenue or receivable. Datron inventory should remain separately identifiable. Stop work should freeze the entire chain. If those movements cannot be joined, the accounts may be formally balanced while the program is functionally lost.

This was one of the earliest warnings anyone could see from outside. The numbers did not look impossible. They looked lonely. Cash, deposit liability, inventory, production and acceptance were all present, but they were not speaking to one another.

One program needs one ledger. Cash, commitments, inventory, work in progress, configuration, acceptance, title, custody, forecast and contract liability must reconcile at lot and serial level. The finance team should not need to ask the factory what “inventory” means after the quarter closes. The factory should not need to ask contracts which units have become customer property. Management should not learn the answer from litigation.

The ledger must also say which version of the aircraft each serial number actually represents. A unit fitted with the original hobby radio was not operationally equivalent to a RadioNor-integrated KX. An aircraft affected by the frame-conduction concern was not merely another partly built unit. A configuration rejected by the user could carry accounting cost and look complete while having little value for the mission.

This is where HII's institutional position mattered most. The prime sat across contracts, acceptance, financing communication, Government liaison and settlement. It was the only participant capable of forcing the Polish user report, radio remediation, Crane inspection, factory state, cash exposure and subcontract status into the same decision. If those facts remained on separate desks, the program could be internally accurate everywhere and wrong as a whole.

What good looks like

The program ledger should join:

- protected and unrestricted cash;
- purchase commitments and paid material;
- inventory by origin, location, title and condition;
- work in progress and completed units by serial and configuration;
- inspection, acceptance and shipment;
- advance liquidation and receivables;
- customer and supplier property;
- current forecast, risk and termination exposure.

The general ledger remains the company’s accounting system. The program ledger is the joined operating record that explains what the accounting means. It should support the financial statements, not compete with them.

Public-company filings provide a useful external test. Material contract events, advances, inventory changes, receivables and termination states should be recognizable from the same underlying record used

to run the program. If the public description requires a separate reality, the problem is not disclosure language. It is management information.

Before you move

Ask finance, production and contracts to state the same inventory exposure independently. If the answers cannot be reconciled in the room, the program is already depending upon future reconstruction.

Know the Stop-Work Number Every Day

A fixed-price supplier should be able to say, on any given day, exactly what happens if the customer stops work.

How many units are accepted? How many are complete but unaccepted? What sits in work in progress? Which material can be canceled or reused? Who holds title? How much of the advance has been earned? How much must be returned? What commitments remain unavoidable?

That answer should not require a termination notice. It should already exist.

The reason is simple. Fixed-price exposure changes every day that material is ordered, labor is applied and units cross acceptance. Management cannot control a risk it only calculates after the event.

At the Cyberlux stop-work point, 392 aircraft had formal acceptance and approximately $14.95 million of assigned accepted value in the later reconciliation model. Approximately $22.78 million of the original advance remained unearned under that same model. The program should not have needed months of dispute and settlement material to discover those two numbers. They were the basic daily relationship between accepted performance and customer cash.

The unfinished aircraft were a separate exposure. Some may have had salvage, completion or negotiated settlement value. Under the original fixed-price structure, they were not automatically equivalent to accepted units merely because the factory had spent money on them.

The 22 December ledger

The later settlement record allows the stop-work population to be reconstructed, although not as neatly as it should have existed on the day.

The accepted side contained 392 aircraft carrying $14.9544 million of assigned value. Against the original $38.7006 million advance, the later reconciliation therefore left approximately $22.7766 million unearned under the fixed-price performance model.

In practical terms, the remaining 1,608 systems sat on four shelves. Group A held 37 kits said to have passed factory testing but not formal acceptance. Group B held 745 aircraft said to have passed quality control and bench testing but not final flight acceptance or kitting. Group C held 526 partly built aircraft: 46 with documented pre-stop-work assembly, 383 with pre-stop-work assembly not documented in the supplied record and 97 with post-stop-work activity. Group D held parts for 300 aircraft whose assembly had not begun.

That is not one inventory balance. It is a risk ladder.

Group A may have been close to the contractual line. Group B still required material work and evidence. Group C contained both valuation and authority questions. Group D was principally a material and commitment problem. Each population required its own answer on completion, configuration, title, usability, cost, cancellation and contractual entitlement.

The company later reported approximately $3.198 million of cash at 31 December. That figure is useful but not the stop-work bank balance; it comes nine days later. A competent 22 December ledger would have frozen the actual cash, the unearned advance, each aircraft population, open purchase commitments and the authority for any action taken afterward.

It would also have assigned five fields to every material item: who owned it, what it was worth, who could authorize the next step, what evidence supported the stated condition and what action the stop-work order required. Without those fields, the program did not have a stop-work number. It had the beginning of a reconstruction.

What good looks like

Maintain a current termination-exposure report showing:

- accepted units and earned value;
- complete but unaccepted units;
- work in progress by completion state and configuration;
- cancellable and non-cancellable material;
- title, custody and insurance;
- unliquidated advance and repayable cash;
- supplier-owned exposure and customer-owned property; and
- open commitments and direct termination cost.

This is not a settlement model. It is a management instrument. The point is to know where the floor sits before it falls away.

Before you move

Ask the chief financial officer for today's stop-work number. If the answer begins with "we would need to assemble a team", the program has already lost control of the exposure.

When Stop Work Arrives, Stop

A stop-work order is not correspondence. It is a new condition of the business.

Production should stop. New commitments should stop. Uncontrolled spending against program cash should stop. Financing against future performance should stop until the contract state is confirmed. Public statements suggesting ordinary performance should stop. Property should be counted and preserved before it is moved.

The purpose is not punishment. It is containment. A program that has discovered a serious performance problem needs a still photograph before anybody resumes arguing about the film.

Cyberlux received stop work in December 2023. The later record indicates that assembly activity continued across at least part of the remaining population and that Legalist financing began after stop work. Investors did not receive a clear public account of the program's condition for months. Each continuing action made the eventual reconciliation harder because the state of the contract, cash and inventory kept changing after the event that should have frozen them.

Stop work should also have changed what Cyberlux said to investors, lenders and other outsiders about the program. Instead, the contract remained a source of future value while the users' rejection and HII's capability concerns stayed outside the shareholder story. When counterparties asked for records, Cyberlux repeatedly invoked classification. The subcontract was proprietary, not wholly classified. Protecting genuine operational details did not require the commercial events to vanish.

What continued

The stop-work order arrived on 22 December 2023. Modification 4 later placed assembly work on 97 Group C aircraft after that date. Somebody either authorized an exception or the work continued without one. The authority file should tell us which.

The financial state also continued moving. Cyberlux signed its financing agreement with Legalist on 27 March 2024. Advances began in April. HII terminated the subcontract in May, yet $4.15 million of Legalist's eventual $6.95 million in advances was made after termination. The public narrative moved more slowly still. Investors did not receive a clear account of stop work and termination when the program itself changed state.

Authority changed as well. A new contracting officer arrived roughly six weeks before the convenience termination. A disciplined stop-work protocol would have made the handover almost mechanical: current technical failures, cure status, accepted population, unearned advance, continuing work, lender activity, property state and available termination routes. Without that package, the most consequential new decision-maker entered at the moment the program was least capable of explaining itself.

Some of that activity may have been sensible. Limited work can preserve property. A lender can finance a settlement rather than future delivery. A company may need a little time to understand what an event means. What is missing is the joined file that names the authority, purpose and contract condition behind each action that continued.

The post-stop-work ledger should therefore be brutally simple: action, date, amount or quantity, authority, purpose, contract state and approving person. If the action cannot survive that row, it should not continue.

What good looks like

Stop work should trigger one joined protocol:

- preserve the notice, authority and precise scope;
- freeze production, purchasing and discretionary program spending;
- secure remaining advance funds;
- count and classify inventory, work in progress and completed units;

- establish title, custody and insurance;
- notify lenders and other parties relying upon future performance;
- suspend representations inconsistent with the new contract state; and
- assign an independent team to determine cure, default, convenience termination or resumption.

The protocol should be designed before award. A stop-work letter is a poor moment to begin deciding who controls the bank account or knows where the aircraft are.

Before you move

Ask what continued after stop work and why. Every answer should identify an authority, an owner and a record. “The program was urgent” ceased to be enough the moment the program itself said stop.

A Receivable Is Only as Healthy as the Contract Beneath It

A receivable is money another party is actually obliged to pay. A contract number and a large face value are not the same thing.

A receivable exists because an enforceable obligation remains underneath it. Before lending against expected contract value, confirm that the contract is alive, performance remains possible and somebody will owe the money when the conditions are satisfied.

Legalist advanced millions after stop work and kept lending after termination. The financing documents and warrants show what Cyberlux said about the contract and its expected proceeds. They do not show everything Legalist knew or every conversation among Cyberlux, HII and the lender. They do show that somebody treated the remaining value of a stopped program as financeable.

That can be rational. A lender may finance expected settlement proceeds rather than ordinary performance receivables. But then the collateral is a disputed closeout outcome and must be described, priced and controlled that way. A terminated performance contract cannot keep pretending the old delivery stream is merely late.

Follow the draws

The Legalist papers sharpen the underwriting question. On 27 March 2024, Cyberlux put the HII subcontract at the center of the financing. The agreement required information about the Government customer, the contract and the counterparty. Cyberlux also promised that eligible purchase orders were genuine, collectable and free from cancellation, offset or counterclaim, and that it would report when those conditions changed.

Those were not decorative warranties. They were the operating condition of each draw.

The sequence then becomes uncomfortable. Approximately $2.3 million had been advanced before HII's 23 April response or acknowledgment appears in the surviving record. The total had reached roughly $2.8 million by early May. HII terminated the subcontract in May. Legalist nevertheless advanced another $4.15 million after termination, bringing the eventual total to $6.95 million through October 2024. The amended documents reaffirmed the relevant warranties as further money moved.

Legalist may have known exactly what it was doing and deliberately moved from performance finance to settlement finance. Cyberlux may have supplied information that never reached the filed exhibits. HII may have spoken directly with the lender. The underwriting file and correspondence will tell us which story is true.

The collateral changed as the contract changed. Before stop work, value depended upon future performance. After stop work, it depended upon cure or resumption. After termination, it depended upon claim and settlement. A lender can finance any of those things. It cannot let the same $78.8 million headline pretend they are the same thing.

What good looks like

The lender should confirm contract status directly with the party expected to pay, or another authorized source. The file should distinguish:

- accepted and invoiced receivables;
- future performance value;
- an expected termination or settlement payment;
- disputed claims;
- trust, advance or Government interests; and
- collateral that may not legally or practically be assigned.

The prime should understand when its conduct is being used to support financing. The supplier should update the lender when the

contract changes state. The lender should not rely upon the supplier alone to describe an obligation owed by somebody else.

Before you move

Ask what specific event will make the other party owe the money, and what must remain true until then. If the answer is simply ‘there is a $78 million contract’, the underwriting has not begun.

Start as Friends. End as Friends.

You want to start a project as friends and end it as friends.

First make sure this is somebody you actually want to be friends with.

The test is not whether the meetings are pleasant while the opportunity is growing. Most commercial relationships are agreeable when the forecast is rising and nobody has missed a milestone. The useful questions are how the other organization behaves when the money is late, the product fails, a promise becomes expensive or the program turns politically uncomfortable.

Litigation can help answer that question. So can disputes with former partners, lenders, employees and acquired businesses. The point is not to reject every company that has fought with somebody. It is to understand whether management solves problems, shares bad news and honors documented obligations, or whether every ending becomes an argument about what the beginning meant.

The buyer should apply the same test to itself. A prime that writes ambiguous terms, allows control gaps and later uses its institutional weight to redefine the bargain is not a good program partner merely because its balance sheet is large.

Behavior is operating data

The Atlantic Wave litigation was public before the Cyberlux award. It raised questions about acquisition payment, corporate spending and what happened when former partners expected Cyberlux to keep its promises. The parties settled in June 2023, just before the August award. Later disputes drew in acquisition sellers, advisers, lenders, employees, creditors and commission claimants. The details differ. The repeated ending does not.

Atlantic Wave did what this chapter says a counterparty should do. It negotiated an ending, wrote down the obligations, secured information rights and expected Cyberlux to perform. It was not hired

to audit Cyberlux's bank account. If the $575,000 came from the HII advance, that was Cyberlux's choice. Enforcing the settlement did not make Atlantic Wave responsible for where Cyberlux found the money.

The decisive behavior belonged to Schmidt. Cyberlux received enough cash to pay Atlantic Wave in full and close the dispute. It made a partial payment instead. That choice left a tenacious creditor holding a consent judgment, broad collateral and the contractual ability to keep asking about drone receipts. The legal collapse was not unleashed because Welter refused to go away. It was unleashed because Schmidt again refused to do the thing he had agreed would make Welter go away.

Aerotek ended differently but landed in the same place. Cyberlux and Datron did not defend the staffing claim, and the court entered a $235,411.27 judgment for unpaid payroll charges and fees. No negotiated breathing room this time. Just another supplier left holding paper.

Litigation is not disqualification. Some excellent companies are sued because they do difficult work, take principled positions or operate in litigious markets. The useful question is behavioral: when value contracts, does management disclose the problem, preserve the record, negotiate against the written bargain and perform the result? Or does every ending produce a new account of what the relationship had always meant?

That question should be applied symmetrically. Cyberlux's disputes deserved review before HII relied upon the company. HII's own contract language, surveillance and later positions deserve the same scrutiny. Institutional size does not exempt a prime from relationship diligence. It merely gives the prime more lawyers when the relationship fails.

This is not amateur psychology. It is operating data. Programs become most vulnerable when the facts become expensive, because that is when habit takes over from aspiration.

What good looks like

Relationship diligence should examine competence, incentives, candor, escalation habits, litigation behavior and ability to absorb difficulty. The parties should discuss failure before award:

- What happens when a lot fails acceptance?
- Who pays for rework?
- How are changes authorized?
- What happens to unearned financing?
- Who owns unfinished inventory?
- What must be disclosed to lenders and stakeholders?
- How will stop work and termination be administered?

The contract should give both parties an honest route through those answers. Clear terms are not hostile. They are the mechanism that allows reasonable people to remain reasonable when optimism is no longer available.

Before you move

Ask whether a fair ending would require either party to surrender clear rights, accept unsupported facts or finance the other party's undisclosed exposure. If so, the relationship has been designed around continuing good fortune rather than continuing friendship.

Settlement Should Not Be Archaeology

Settlement should not begin with an archaeological dig.

By the time negotiations begin, the program should already know what was built, accepted, paid for, owned, usable and owed. Settlement should apply the bargain to facts maintained during performance. It should not negotiate the facts into existence.

Sometimes the controls fail so completely that an independent team has to rebuild cash, inventory, title, acceptance and liability from bank statements, factory records, invoices and declarations. By then the program is not administering a settlement. It is recovering from itself.

The Cyberlux closeout took 1,608 unaccepted systems and related material in very different states of completion, assigned them a gross value, credited the unearned advance and produced a net settlement amount. Modification 4 lets us follow the headline arithmetic. The black bars hide enough of the valuation to stop anyone reproducing it in full.

The settlement came roughly ten months after termination. Ten months should have produced clarity. Instead, more financing, more creditor pressure, more post-stop-work activity and more versions of value accumulated around the same aircraft.

The original contract made that outcome easier by leaving room around delivery, acceptance, reimbursement language and termination. A poorly written bargain met a badly controlled program. Settlement then carried the weight of facts the program should have resolved much earlier.

The settlement gates

1. A defensible closeout should have crossed ten distinct gates before price became the center of the discussion.

2. The executed bargain. What did the fixed-price subcontract make payable through ordinary performance, and what did its termination-for-convenience clause permit after termination?
3. The claim. Was a timely and adequately supported termination proposal submitted under the contract, including the twenty-day requirement appearing in Section 32.1?
4. The population. Which 392 aircraft were accepted, and what exactly existed within Groups A, B, C and D among the remaining 1,608?
5. The advance. How much of the $38.7006 million had been earned, how much remained unliquidated and how would the $22.7766 million credit be applied?
6. Property. Who held title, custody, risk of loss and authority to move each aircraft, kit, component and item of work in progress?
7. Valuation. Which contemporaneous costs, completion evidence, reuse assumptions, audit workpapers and redacted lot values supported the negotiated categories?
8. Government approval. Which contracting officer or other authority approved the settlement path, and what information about capability, cash, production, financing and property reached that decision-maker through HII?
9. The contracting-officer handover is the ninth gate, not a footnote to the chronology. The relevant question is not merely who signed. It is what institutional memory crossed the desk before that signature became possible.
10. Closing conditions. Which creditor releases, liens, assignments, registry-fund issues and other conditions had to be resolved before payment or transfer?

Only then does the arithmetic become meaningful. Modification 4 assigned $43.7592 million of gross value to the 1,608-system population. It applied a $22.7766 million advance credit, leaving $20.9826 million of net drone settlement value. Approximately

$4.7868 million in other line items brought the stated net modification value to $25.7694 million.

The arithmetic shows how the money falls. The black bars hide why the underlying values were chosen.

HII later said the closing conditions had not been met and that only one required release, from Thin Air Gear, had arrived. Modification 4 was never merely a price agreement. It was a conditional machine involving property, creditors, releases, Government approval and payment. A settlement that complicated needs a complete program record. Here the holes in the record became part of the negotiation.

What good looks like

A settlement-ready program maintains:

- accepted quantities and value;
- work in progress and inventory by physical state;
- title and custody;
- advance liquidation and remaining cash;
- correction, warranty and nonconformance history;
- direct termination cost and unavoidable commitments;
- claims, offsets and releases; and
- the approval and disclosure path through the prime and Government.

Independent review should begin before commercial negotiation. The reviewer should be able to trace every material settlement line to contemporaneous records and identify where a negotiated assumption has replaced one.

Every handoff has to retest the confidence it inherits. The Government must check what the prime preserved. The prime must look past the supplier's inventory captions. The lender must confirm that the contract still lives. The settlement authority must separate earlier acceptance from actual product utility. Each institution inherits the record, not merely the optimism.

What good looks like as a program

The complete operating model is unromantic:

1. qualify the actual supplier;
2. freeze the requirement and product baseline;
3. reconcile price and capture economics;
4. approve financing before cash;
5. isolate the advance;
6. release manageable lots;
7. join production, acceptance and cash;
8. know the daily stop-work exposure;
9. freeze the program when conditions change; and
10. settle from the record already maintained.

This is what good looks like. Not flawless performance. Not an absence of urgency or risk. A program that can discover a problem while the problem is still small enough to manage.

PART FOUR – THE EXPOSURE

The Exposure

Part Two showed how the program failed. Part Three asks what that failure put at risk for the parties who built, funded, approved, administered and financed it. This is not a verdict. A documented event can engage a contractual, regulatory, civil or criminal rule without proving that the rule was violated. A source allegation can identify a serious question without establishing that the underlying conduct occurred. Even where the conduct is documented, liability may still depend on knowledge, intent, materiality, authority, reliance or some other element the present record cannot yet supply.

The chapters therefore follow the parties rather than the statute book. Each asks the same six questions:

- What happened?
- What was the party responsible for?
- What potential exposure did the event create?
- What does the present record establish?
- What remains unknown or disputed?
- Which records would determine whether exposure becomes liability?

That sequence matters. The aircraft did not become a false claim merely because it failed its users. A high price did not become an overcharge merely because Cyberlux estimated a much lower manufacturing cost. A commission did not become a kickback merely because it was large. A bank did not join a scheme merely because money passed through an account. The events create questions. The governing duties and missing evidence decide what those questions become.

The potential exposures are nevertheless real. They are no longer floating accusations looking for a law. They arise from identifiable events, attach to identifiable responsibilities and lead to records that should exist.

Each party chapter ends with an exposure schedule. It names the criminal, civil, regulatory, contractual or professional rule that may be engaged; the event that engages it; and the element the present record has not yet supplied. The schedule is not a charge sheet. It is a disciplined map of where an investigator, regulator, contracting authority, trustee or court would begin.

Exposure Is Not a Verdict

The loudest legal word is rarely the best place to begin. It invites the reader to work backward from a conclusion and encourages every strange payment, failed test and missing record to take on a criminal color it has not earned.

The cleaner method begins with the event. Who made the decision? What did that person or organization own? What information was available at the time? What duty governed the decision? What money, property or public statement did it affect? Only then does a legal or regulatory framework become useful.

THE EVIDENCE LADDER

The source categories in this case are not interchangeable.

- A contract proves the terms the parties accepted. It does not prove they performed them.
- A bank statement proves that money moved. It does not explain the authority, purpose or knowledge behind the transfer.
- A DD-250 proves that an acceptance decision was recorded for the identified lot. It does not prove operational suitability in Ukraine.
- A pleading proves that a party made an allegation. It does not turn that allegation into a finding.
- A declaration may authenticate an agreement or describe personal knowledge. It remains the declarant's account unless corroborated.
- A confidential source can identify records, people and events to investigate. The source does not authenticate itself.
- An order proves what a court decided. It should not be stretched beyond the issue actually decided.

This distinction gives the analysis room to be forceful. The book need not pretend uncertainty where a transfer, signature or date is visible. It also need not pretend certainty where motive, knowledge or authority remains hidden.

Four forms of exposure

- Contractual exposure comes first. Cyberlux may have failed to deliver conforming systems, comply with financial controls, protect property, disclose commissions or honor warranties. HII may have failed to administer the subcontract, control the advance, inspect the product or support its settlement. Contract liability can exist without dishonesty. Failure may be enough.
- Administrative exposure concerns the machinery surrounding the contract. Responsibility findings, questioned costs, corrective action, suspension, debarment, audit and procurement-policy review do not require a criminal conviction. They ask whether the parties remain trustworthy, whether their systems worked and whether public money was properly protected.
- Civil exposure includes contract recovery, the False Claims Act, securities liability, creditor remedies, restitution and bankruptcy avoidance. These are different regimes with different tests. Some turn on knowledge. Others turn on title, value, materiality, reliance or the existence of an obligation.
- Criminal exposure sits beyond them. False claims, false statements, major procurement fraud, wire fraud, conversion, kickbacks, securities offenses and obstruction require the acts and mental state written into the law. Scale attracts attention. Timing tells an investigator where to look. Neither supplies intent.

THE RECURRING PROOF SEQUENCE

Every serious question in this part can be reduced to six objects:

1. the exact act, statement, omission or transfer;
2. the person who made, approved or controlled it;
3. the responsibility that person held at the time;
4. the information then available;
5. the decision, payment or property affected; and

6. the strongest lawful explanation.

The last object is not politeness. It is part of the test. A weak explanation may collapse when the native records arrive. A strong one may collapse the exposure instead.

THE PRINCIPAL EXPOSURE MAP

PARTY	RESPONSIBILITY	EVENTS CREATING POTENTIAL EXPOSURE
Cyberlux	Product, performance, invoices, use of funds, public statements and corporate records.	Demonstration conditions, technical failures, acceptance submissions, transfers, lender certifications, delayed disclosure and bankruptcy conduct.
HII Mission Technologies	Supplier selection, price, subcontract administration, advance controls, inspection, termination and Government submissions.	Compressed diligence, the $38.7006 million payment, DD-250 acceptance, stop work, convenience termination and Modification 4.
Acquisition authorities	Requirement, contract vehicle, delegated authority, contracting decisions and settlement review.	Sole-source momentum, OASIS execution, divided technical ownership, contracting-officer change and closeout approval.
Intermediaries	Legitimate services, fee disclosure, customer approval, registration and price treatment.	Percentage claims, overlapping engagements, FMS contacts and commissions not reconciled to the subcontract record.
Counsel and gatekeepers	Accuracy of sworn accounts and filed positions, professional duties, preservation and custody of the corporate record.	Watts's personal involvement in payments and declarations; outside counsel's filed positions and access to the underlying record.
Lender and banks	Legalist financed against the receivable; banks held accounts and processed payments.	Financing after stop work, later draws, rapid account movements, possible account restrictions and transaction monitoring.
Creditors and recipients	Contractual entitlement, value given, knowledge where legally relevant and later claim status.	Settlement payments, acquisition consideration, unexplained transfers, liens, garnishment and bankruptcy recovery.

The rest of Part Four opens those files one party at a time.

Cyberlux: The Company That Made the Promises

Cyberlux supplied the aircraft, the capability story and the commercial representations that allowed the program to move. Its potential exposure begins with what it said, what it delivered, what it knew and what it did with the money and property that followed.

That does not make every failure Cyberlux's alone. HII chose the supplier and converted its claims into Government business. The acquisition chain accepted the route. But Cyberlux was the party selling the product. No amount of institutional diffusion removes that center.

THE COMPANY HII WAS BUYING

The supplier file should have contained a simple proposition: Cyberlux could build and manage the program it was proposing. That proposition covered more than the K8 airframe. It included financial capacity, production controls, accounting, configuration management, subcontractor oversight, export compliance and the ability to receive an extraordinary advance without turning it into ordinary corporate cash.

The public record already contained reasons to test that proposition. Cyberlux had a history of unpaid transactions, litigation over acquired intellectual property, breached settlements, judgments and financial strain. None of those items automatically made Cyberlux non-responsible. Together they made a shallow review indefensible.

Cyberlux's potential exposure turns on what it disclosed to HII and what warranties it made about capability, financial condition, commissions, conflicts, litigation and performance. If it disclosed the problems accurately, the responsibility shifts toward HII's decision. If it withheld or misdescribed material facts, the exposure remains closer to Cyberlux. The proposal, certifications and negotiation file decide.

THE ORIGINATING PROOF

The jammer-off demonstration sits at the beginning of the product story. The August 2026 confidential-source account alleges that the successful flight occurred with the relevant jammer disabled and that the demonstration therefore did not prove the capability later attributed to it.

That is a serious allegation, not an adjudicated fact. Its importance comes from what the demonstration appears to have supported: end-user confidence, the Letter of Request, sole-source momentum and the belief that Cyberlux had solved a problem others had not.

The exposure depends on who controlled the test, who knew the jammer state, what the observers were told and how the result was later described. If the test conditions were accurately disclosed, the issue may remain one of poor technical judgment. If the success was represented as evidence of resistance to an operating jammer when the jammer had been turned off, the same event may engage contractual, civil or criminal false-statement questions.

The missing objects are satisfyingly physical: test plan, jammer logs, telemetry, range notes, attendee accounts, videos and the communications that carried the result into the procurement.

WHAT ARRIVED AFTER AWARD

The later technical sequence matters because it developed during performance, when Cyberlux was presenting systems for acceptance and drawing value from the contract.

Users in Poland reportedly reacted badly during training. Aircraft crashed. The frame was grounded. The existing radio arrangement could not deliver the required electronic-warfare performance. Cyberlux then pursued possible remediation involving ORQA and IronGhost before a RadioNor solution reportedly demonstrated that the problem could be improved.

That sequence separates impossibility from choice. If a workable radio existed, the question was no longer simply whether the K8 could be fixed. It was whether Cyberlux would pay for the fix, incorporate it into a controlled production configuration and tell HII what the existing systems could not do.

Reported electrical-safety, certification and manufacturing issues widen the same inquiry. The technical allegations do not establish a false invoice by themselves. They identify the knowledge timeline that must be placed beside each acceptance submission.

THE 392 SYSTEMS

The DD-250 material supports formal acceptance of 392 systems. That establishes a contractual act. It does not establish that every aircraft satisfied the Ukrainian mission or that the later inventory of 1,608 systems, kits and components inherited the same status.

Cyberlux's potential exposure turns serial by serial. What configuration was presented? Which radio, controller, firmware and safety state did it contain? What tests supported conformity? What contrary information had reached the people preparing the lot? What did the invoice say?

If Cyberlux accurately presented the configuration and HII knowingly accepted it despite limitations, the exposure shifts. If Cyberlux certified conformity or capability it knew the lot did not possess, the event may support contract recovery and, if the remaining elements are met, false-claim or false-statement scrutiny.

THE $38.7006 MILLION

Cyberlux received $38,700,600 from HII on September 8, 2023, before delivery or acceptance. The money entered a TowneBank operating account and began moving almost immediately.

The movements include the same-day $3 million transfer associated in other records with the Datron transaction; $213,000 sent to Fletcher Jones Motorcars; approximately $850,000 sent to an investment account associated with Schmidt; $994,460 sent to G2G Global; and

payments made under the Atlantic Wave settlement. Later records identify additional transfers to Schmidt or related accounts.

Those transactions are not self-interpreting. Datron may have received acquisition consideration without knowing its source. Atlantic Wave was collecting a pre-existing settlement obligation. It is unclear whether G2G knew where its payment originated or what restrictions might have followed it. Cyberlux chose the account; knowledge does not automatically travel with the wire.

Cyberlux's exposure is different. What authority permitted each transfer? What did the spend plan allow? Who approved the movement? What value returned to the program? What did Cyberlux tell HII about the use of the advance? If Government title, a lien or other restrictions followed the funds or resulting property, where were those interests recorded?

Cyberlux's signature fixes the responsibility at company level. The subcontract and later HII acknowledgment distinguished the advance, future receivables and property purchased with program money. It is unclear who inside Cyberlux read those provisions, explained them to management and finance, or turned them into treasury instructions before the wire arrived.

That is the control trail investigators should follow: contract routing, legal comments, board or management approvals, bank instructions, spend-plan approvals and any warning raised before or after the transfers. The question is not whether every recipient understood the money. It is whether Cyberlux did.

Conversion requires Government money or property and knowing unauthorized control. Wire fraud requires a deliberate scheme to obtain money or property and a qualifying transmission. The False Claims Act may reach knowingly false material statements or certain knowing conduct involving money or property owed to the Government. A strange wire proves none of that. It does, however, force the authority and tracing files open.

THE FEE STRUCTURE

Cyberlux was surrounded by parties claiming success-based or percentage compensation. The claims associated with ARG, Fairwinds, WeShield or Assure, Montague, Cyclops and others do not establish that the fees were valid, invalid, paid, disclosed or included in price.

Cyberlux was nevertheless the common contracting point. It knew whom it had engaged, what each party was promised and what had been disclosed to HII and the foreign customer. That creates potential exposure under contingent-fee, FMS commission, brokering and anti-kickback rules if the arrangements crossed the relevant thresholds.

The clean file is not complicated: engagement, principal, services, contacts, fee formula, success condition, bona fide status, customer approval, registration, invoice, payment and treatment in price. If Cyberlux maintained that file, the arrangements can be tested. If it did not, the absence becomes part of the control failure.

LEGALIST FINANCING

Legalist was not a bank. It was a private lender financing against contract-related receivables and other collateral.

Cyberlux entered the facility after the stop-work order. It later requested six draws totaling approximately $4.03 million after receiving formal notice that the contract had been terminated. Filed draw forms carried continuing representations concerning the accuracy of Cyberlux's warranties and the absence of events permitting termination of the financing agreement.

The sequence creates potential contractual and fraud exposure for Cyberlux. It does not establish the offense. The governing questions are what the agreement defined as an eligible receivable, what each certification said, what Schmidt knew, what Legalist knew, whether the statement affected the advance and where the proceeds went.

THE PUBLIC COMPANY

The Government contract was also Cyberlux's central market story. Cyberlux received formal termination notice on May 17, 2024. The first shareholder acknowledgment identified in the current record came roughly six months later.

The delay is documented. Its legal meaning is not. Materiality, the applicable disclosure regime, negotiations then underway, intervening public statements and management knowledge all matter.

Cyberlux repeatedly invoked classification or confidentiality when contract details were sought in litigation and public reporting. The available record does not show that the entire subcontract was classified. A contract can contain controlled information without every commercial fact becoming secret. Termination, receivable value and delivery status do not acquire a security classification merely because the underlying mission is sensitive.

Potential securities exposure therefore turns on a narrower question: whether Cyberlux's statements or omissions left investors with a materially false picture, and whether the responsible speakers acted with the state of mind the governing rule requires.

CYBERLUX AND SCHMIDT EXPOSURE SCHEDULE

EVENT	POTENTIAL LAW OR RULE	WHY IT MAY BE ENGAGED	WHAT IS STILL MISSING
Demonstration, proposal and invoices	18 U.S.C. §§ 287, 1001 and 1031; 31 U.S.C. § 3729; subcontract warranties.	A materially false capability statement could have influenced award, payment or acceptance.	Exact representation, speaker, knowledge, materiality, Government reliance and test record.
Technical conformity and DD-250 support	31 U.S.C. § 3729; 18 U.S.C. §§ 287 and 1031; warranty, inspection and acceptance clauses.	Knowingly presenting or supporting payment for nonconforming systems can create claims and major-procurement-fraud exposure.	Serial configuration, acceptance submission, contrary technical notice and actor-specific knowledge.
Advance and Government property	18 U.S.C. § 641; 31 U.S.C. § 3729(a)(1)(G); FAR 52.232-12 and 52.245-1 if incorporated or otherwise applicable; subcontract spending controls.	Unauthorized control of Government money or property, or knowingly avoiding a repayment obligation, can create civil or criminal exposure.	Legal character of the payment, title, account restrictions, authority, value returned and knowledge.
Wires and transaction representations	18 U.S.C. §§ 1031 and 1343; state contract and fraud law.	A deliberate scheme using interstate wires to obtain or move money by material deception could engage these statutes.	Scheme, false representation, intent, transmission nexus and recipient knowledge.
Legalist draws	18 U.S.C. § 1343; financing agreement; state fraud law.	Legalist is a private lender, so 18 U.S.C. §§ 1014 and 1344 do not attach merely because it advanced money. The live question is whether a material draw representation was knowingly false and transmitted to obtain funds.	Coverage of the representation, falsity, Schmidt's knowledge, reliance and causation.
Intermediary fees	FAR 52.203-5; DFARS 225.7303-4 and 252.225-7027 if applicable; 41 U.S.C. §§ 8702–8707; 22 U.S.C. § 2778 and 22 C.F.R. Parts 129–130.	Contingent fees, kickbacks, brokering and fee reporting turn on the actual service, bona fide status, approval, registration and price treatment.	Agreements, work performed, Government contacts, customer approval, reporting and payment.
Investor statements and omissions	Securities Exchange Act § 10(b), 15 U.S.C. § 78j(b); SEC Rule 10b-5, 17 C.F.R. § 240.10b-5.	A material misstatement or omission made with the required state of mind in connection with a securities transaction can create exposure.	Applicable reporting duty, complete statement set, materiality, scienter, transaction nexus and reliance where required.
Books, assets and bankruptcy submissions	11 U.S.C. §§ 521 and 542; 18 U.S.C. §§ 152, 157 and 1519.	Bankruptcy creates new duties to disclose, preserve and surrender property and records.	The actual schedules, statements, asset control, omissions, record handling and required intent.

HII: The Prime That Made the Story Government Business

Cyberlux could make claims. HII was the institution that converted them into a supplier decision, a funded subcontract, accepted systems and a negotiated ending.

Ukraine's Letter of Request explains the momentum. It does not remove HII's responsibility to decide whether Cyberlux could perform, whether the price was supportable, whether the advance could be controlled and whether the aircraft being accepted matched the mission that justified the purchase.

SUPPLIER RESPONSIBILITY

The problem was not that one lawsuit existed. It was that the same kinds of problems appeared repeatedly: unpaid acquisitions, disputed intellectual property, breached settlements, judgments, financial strain and representations that did not comfortably match the underlying corporate record.

A competent responsibility review should have tested technical resources, production capacity, financial strength, accounting controls, litigation, integrity, subcontractor management and the ability to comply with the schedule. It should also have asked whether the people running Cyberlux could manage nearly $39 million arriving before the first accepted aircraft.

The current record does not show the complete HII responsibility file. That absence creates potential contractual and administrative exposure, not proof that no review occurred. The decisive records are the due-diligence package, responsibility determination, proposal evaluation, risk register, mitigation plan and approval chain.

A FIXED-PRICE CONTRACT CARRYING COST-TYPE HABITS

The subcontract described itself as firm fixed price. That should have placed the cost and performance risk on Cyberlux. HII would pay the agreed price for conforming products; Cyberlux would manage the cost of producing them.

The instrument behaved less cleanly. It used a services template, called the contract value a ceiling, required cost-category reporting, contemplated reimbursement and released $38.7006 million on an invoice and spend plan before delivery. At termination, timecards and receipts became part of the verification machinery for a warehouse full of aircraft, components and work in process.

The label did not change merely because the drafting was awkward. The mismatch did create exposure. HII had chosen a fixed-price vehicle while building controls that did not fully protect either fixed-price performance or cost-type expenditure. When the program stopped, the contract could identify neither a clean delivered-product obligation nor a complete allowable-cost ledger. It had built itself a gearbox from two different cars and appeared surprised when reverse became philosophical.

PRICE AND FEE ANALYSIS

The subcontract average was approximately $39,428.71 per system. Schmidt's own manufacturing estimate placed the K8 around $4,700 before the additional items, support, risk and lawful margin that a complete price would include.

The gap does not prove overcharging. It requires the price file. HII should be able to show quantities, configuration, materials, labor, support, training, transport, integration, contingency, profit and every intermediary fee included in the negotiated amount.

The commission claims make that file more important. HII had to determine whether contingent-fee restrictions applied, whether claimed agents were bona fide, whether FMS commissions required foreign-customer identification and approval, and whether the

amounts were reasonable and allowable. Cyberlux may have concealed the arrangements. HII may have received and approved them. Different fees may produce different answers.

Potential HII exposure begins if materially inaccurate supplier representations were accepted and passed upstream without the review the contract required. It becomes more serious if HII knew the information was inaccurate when it supported a Government decision or payment. The present record does not establish that knowledge.

THE ADVANCE AND THE MISSING CONTROLS

HII released $38.7006 million before delivery. The first question is what the payment legally was.

If it was Government advance-payment financing, the FAR framework ordinarily points toward a special account, a financial-institution agreement, restricted withdrawals, supervision and a Government lien. The clause also contemplates similar terms for advances to subcontractors.

If HII instead used its own treasury to fund a commercial milestone, those federal special-account duties may not have applied directly to Cyberlux's TowneBank account. HII still owned the commercial risk. It needed an enforceable spend plan, withdrawal controls, surveillance, audit rights and a recovery mechanism capable of protecting unearned value.

The current record shows an ordinary TowneBank operating account receiving the money. It does not show a tripartite special-account agreement, Government countersignature or bank-administered restriction. That is not proof that none existed elsewhere. It makes the prime financing authority, HII payment approval, spend plan, bank instructions, account agreement and accounting treatment decisive.

HII also needed a human answer, not merely a contractual one. Who inside Cyberlux had authority to enforce the restrictions, prevent management override and alert HII when the money, configuration or public story moved outside the agreed plan? If HII verified that

function, the responsibility and financing files should identify it. If it did not, the advance depended upon promises without an internal mechanism capable of making them hold.

INSPECTION AND ACCEPTANCE

HII accepted 392 systems through the DD-250 process. The forms prove that HII recorded acceptance of the identified lots. They do not answer what was inspected or whether the accepted configuration could perform the Ukrainian mission.

Once user objections, crashes, grounding, radio failures, configuration concerns and safety reports arrived, HII had tools. It could stop later lots, demand correction, test cure, enforce warranty and preserve the Government's position.

The exposure turns on timing. What had HII engineering, quality, contracts and program management received before each acceptance? Which test supported each lot? Did the DD-250 signer rely on a complete configuration record or a general belief that the program would eventually be fixed? The acceptance packages and internal chronology answer.

DEFAULT, CONVENIENCE AND THE CHANGED OFFICER

The reported technical record gave HII substantial material for a default analysis. Default was not automatic. It required breach, notice, cure where applicable, consideration of excusable cause and a defensible contemporaneous decision.

The Government contracting officer changed shortly before termination. The incoming officer then inherited a stopped program, a partly accepted inventory, a substantial unliquidated payment and a prime contractor that controlled the technical and contractual channel.

Timing is not motive. It makes the handover file important. If the new officer received the full technical chronology, financial position, default analysis and Cyberlux history, the convenience decision can be assessed on that record. If the matter arrived already packaged as a

closeout problem, the same signature would rest on a very different decision.

MODIFICATION 4

Modification 4 stated a settlement value of $25,769,369.03 and rewrote the route by which the remaining work, inventory and property reached closeout. FAR 49.108-3 required sufficient accounting and other information for Government review and left HII responsible for the subcontract settlement despite Government approval.

The public document shows arithmetic. The file should show valuation: accepted work, inventory, title, allowable termination components, profit limits, post-stop-work cost, treatment of the advance and the basis for the remaining aircraft and components.

Mission Technologies' senior vice president of contracts signed the modification. That makes the contracts office a natural custodian of the decision record; it does not make the person who signed a wrongdoer. The chief financial officer's remit places the finance function beside the valuation, cash and accounting questions. The arrival of a new chief counsel gives the later legal response an institutional anchor. These offices matter because their functions should lead to records. They do not create personal liability merely by appearing on an organization chart.

Modification 4 also made HII the sole communication channel to the Navy and GSA regarding performance and termination. Prime-controlled communication can be ordinary. Here it matters because Government review could only be as complete as the information HII transmitted.

MANDATORY DISCLOSURE AND ESCALATION

The events developed across technical, contracts, finance and legal functions. At some point, ordinary program trouble may have become credible evidence of a serious contractual or regulatory problem. FAR

52.203-13 and HII's own compliance system define what should happen when that threshold is reached.

The threshold cannot be assumed from hindsight. The inquiry is chronological: what was known, by whom, when was it aggregated, what inquiry followed and what was disclosed to the Government. A concern held by one engineer is not automatically corporate knowledge. A concern documented across functions and carried into payment or settlement is harder to contain.

HII EXPOSURE SCHEDULE

EVENT	POTENTIAL LAW OR RULE	WHY IT MAY BE ENGAGED	WHAT IS STILL MISSING
Supplier responsibility and subcontract award	FAR Part 9; FAR 44.202-2 where applicable; HII's approved purchasing system and subcontract terms.	The prime had to make and document a supportable supplier and subcontract decision.	Responsibility determination, approval chain, risk treatment and purchasing-system file.
Price and commissions	FAR 15.404-1 where applicable; FAR 52.203-5; DFARS 225.7303-4 and 252.225-7027 if applicable; 41 U.S.C. §§ 8702–8707.	HII may have passed through an unsupported price or unallowable fee, or failed to respond to credible kickback information.	Price analysis, fee disclosures, foreign-customer approval, allowability treatment and HII knowledge.
Government claims and submissions	18 U.S.C. §§ 287, 1001 and 1031; 31 U.S.C. § 3729.	The statutes become relevant only if HII knowingly presented, caused or supported a materially false Government claim or statement.	Exact submission, responsible speaker, knowledge, materiality and effect on payment or settlement.
Advance payment and property	FAR Subpart 32.4 and 52.232-12 if the payment was Government advance financing; FAR Part 45 and 52.245-1 where applicable; subcontract controls.	The governing payment authority determines whether a special account, lien, surveillance or property controls were required.	Prime financing authority, treasury source, bank agreement, lien, spend controls, surveillance and title record.
Inspection and acceptance	FAR Part 46; DD-250 support; subcontract inspection, warranty and acceptance clauses.	Acceptance made the product payable and shifted rights. The file must show what HII tested and knew.	Lot-level test, configuration, nonconformance, waiver and signer knowledge.
Default, convenience and settlement	FAR Part 49, including 49.108-3; applicable termination clauses; Modification 4.	HII remained responsible for the subcontract settlement and for supplying sufficient information for Government review.	Default analysis, officer handover, settlement proposal, audit, negotiation memorandum and Government questions.
Mandatory disclosure and ethics escalation	FAR 52.203-13; FAR 52.203-7; suspension and debarment standards in FAR Subpart 9.4.	Credible evidence of specified offenses, FCA violations, overpayments or kickbacks can trigger inquiry, disclosure and remedial duties.	When credible evidence arose, who aggregated it, what inquiry occurred and what was disclosed.
Procurement information	41 U.S.C. §§ 2102–2105.	Pre-award disclosure or receipt of protected bid, proposal or source-selection information can create administrative, civil or criminal consequences.	The information, its protected status, source, recipient, timing and knowing use.

The Acquisition Chain: Authority Without a Single Owner

The program moved through Ukraine's requirement, American security-assistance machinery, NAVAIR, GSA, FEDSIM, HII and Cyberlux. Each institution could point to another part of the chain. That was precisely the problem.

THE LETTER OF REQUEST

Ukraine's Letter of Request placed Cyberlux inside the requirement and gave the procurement sole-source momentum. The end user was not choosing from a blank sheet. It had been shown a product and a claimed electronic-warfare result.

That direction explains why HII did not conduct an open competition. It does not excuse responsibility, price or capability review. A named product can still be immature. A well-informed end user can still have been shown a demonstration that did not test what everyone thought it tested.

The end-user file should show who requested Cyberlux, what evidence supported the choice, what price was understood and whether the later technical objections changed the requirement.

NAVAIR'S PLACE IN THE PATH

NAVAIR is not an obvious destination for a small quadcopter intended for Ukrainian land forces. That does not mean its involvement was improper. It means the sponsorship and technical route deserve a plain explanation.

What office first encountered Cyberlux? Who introduced the company? What technical evaluation occurred? Was NAVAIR acting as sponsor, technical authority, acquisition support or simply a point of entry? The answers matter because institutional familiarity may have traveled further than technical validation.

The missing records are the referral, meeting, evaluation, sponsorship and requirements files. Without them, NAVAIR's role should remain a question, not a theory about political or corporate influence.

GSA, FEDSIM AND OASIS

The parent vehicle was the legacy OASIS unrestricted pool, a services contract used to deliver an outcome dominated by physical products. That choice did not make the order invalid. It did create a flow-down and ownership problem.

Who owned the technical baseline? Who assessed Cyberlux as a product manufacturer? Who reviewed the fixed-price structure, the advance and the hardware-specific terms? Who verified the accounting and property systems? A services vehicle can buy complex outcomes. It cannot make the hardware questions disappear.

GSA and FEDSIM exposure is primarily administrative: acquisition planning, delegation, contract-vehicle fit, oversight and closeout review. The record would need to show more before any civil or criminal theory became responsible.

THE CONTRACTING OFFICERS

The contracting officer owned the Government decision, but did not personally inspect every aircraft or trace every dollar. The officer depended upon the file assembled by the program and the prime.

The change in contracting officer shortly before convenience termination therefore matters as an information event. The question is not why a new officer arrived. People change jobs. The question is what arrived with the officer.

The handover should have included the stop-work history, technical chronology, acceptance status, unliquidated advance, inventory, property interests, default analysis, HII recommendation and Cyberlux response. The later settlement review should show what the Government questioned and how HII answered.

Government employees should be identified by role unless a signature or decision makes the name necessary. The analysis is about institutional responsibility, not dragging public servants into a book because their email addresses survived discovery.

ACQUISITION-AUTHORITY EXPOSURE SCHEDULE

INSTITUTION OR ROLE	POTENTIAL LAW OR RULE	WHY IT MAY BE ENGAGED	WHAT IS STILL MISSING
End-user authorities	Arms Export Control Act and security-assistance process; LOA/LOR requirements; applicable technical-acceptance rules.	The end-user request and operational feedback shaped the sole-source route and later suitability assessment.	What was demonstrated, what was represented, who selected the product and how later objections traveled.
NAVAIR	Delegated technical or acquisition authority; FAR Parts 7, 9 and 10 where applicable.	If NAVAIR sponsored or technically endorsed Cyberlux, the scope and basis of that action matter.	Referral, evaluation, sponsorship, market research and technical authority.
GSA/FEDSIM	FAR Parts 1, 7, 9, 16, 32, 44, 46 and 49 as allocated by the order and delegation.	Vehicle fit, responsibility, contract financing, technical ownership, subcontract oversight and settlement all required an identified owner.	Acquisition plan, delegation, surveillance plan, HII oversight, payment authority and closeout review.
Contracting officers	FAR 1.602-2; FAR Parts 32, 46 and 49; 41 U.S.C. §§ 2102–2105.	Contracting officers must safeguard the United States' interests and act on a sufficient decision record. Procurement-integrity rules become relevant only if protected information was knowingly disclosed or obtained.	Handover, technical chronology, default analysis, settlement recommendation, protected information and actor-specific knowledge.
Government personnel generally	18 U.S.C. §§ 201 and 208 only if actor-specific facts establish a thing of value, official act or conflicting financial interest.	The present record does not establish a criminal predicate merely from sponsorship, signature, error or poor judgment.	Payment, benefit, financial interest, official action, intent and direct evidence.

Intermediaries: The Cost of Access

The subcontract appears simple on its face: HII buys aircraft from Cyberlux. The claims surrounding it describe a much larger commercial organism.

ARG, Fairwinds, WeShield or Assure, Montague, Kalenja, Cyclops and others have asserted relationships, services or compensation tied in different ways to Cyberlux, Ukraine or the K8 program. Those positions are not interchangeable. Some may describe ordinary business development. Some may fall within bona fide agency exceptions. Some may never have been paid. Some may be disputed entirely.

The exposure comes from the structure, not the size alone.

THE COMMON TEST

Every arrangement needs the same file:

1. Who retained the intermediary?
2. What services were actually required?
3. Did compensation depend upon winning or funding the contract?
4. Was the person a bona fide employee or established commercial agency?
5. Which Government or foreign-customer contacts occurred?
6. Was the arrangement disclosed to Cyberlux, HII and the customer where required?
7. Was brokering registration or reporting required?
8. Was the fee included in the price paid by the Government?
9. What was paid, to whom and for what value?

FAR 52.203-5 restricts contingent fees used to obtain Government contracts while preserving an exception for qualifying bona fide employees or agencies. The FMS rule is DFARS 225.7303-4, not 225.7303-3. It generally permits bona fide and reasonable contingent

fees, but makes fees above the stated threshold unallowable for countries outside the listed group unless they were identified and approved in writing by the foreign customer before award. DFARS 252.225-7027 carries that restriction into the contract when applicable. ITAR Parts 129 and 130 may add brokering-registration and fee-reporting duties. The Anti-Kickback Act reaches value offered or paid to obtain or reward improper favourable treatment connected with a prime contract or subcontract.

No fee satisfies those tests merely by being large or contingent. The same rules also prevent the word consultant from doing magical laundry.

ARG

ARG's claimed role, compensation and later litigation make it a central source for the formation of the opportunity. Its exposure depends on the engagement, the work performed, Government contacts, success condition, disclosures, approvals and treatment in price.

ARG's filings also preserve communications and transaction detail that may illuminate Cyberlux's conduct. That evidentiary value does not prove ARG participated in any underlying misuse.

FAIRWINDS

The Fairwinds material presents both a fee claim and a window into Cyberlux's own calculations. The claimed percentage, Schmidt's spreadsheets and the later treatment of the amount should be reconciled against the subcontract price and the FMS approval record.

The decisive issue is not whether Fairwinds expected to be paid. It is whether the arrangement qualified, was disclosed and approved, reflected actual services and entered the Government price lawfully.

WESHIELD AND ASSURE

The asserted Ukraine business-development relationship raises the same questions with an additional brokering dimension. Who made

introductions? What defense articles or services were discussed? Which entities operated under the relevant agreement? Were registrations, fee reports or foreign-customer approvals required and obtained?

The claim amount establishes a party's position. It does not establish entitlement or a regulatory violation.

MONTAGUE AND KALENJA

Montague's sourcing and negotiation relationship, together with the related declarations and litigation, may show how Cyberlux assembled the commercial structure around the program. Kalenja's role requires the same actor-specific treatment. Their knowledge cannot be inferred from proximity to Cyberlux or from later corporate collapse.

The useful questions are narrower: what each person agreed to do, what each knew about the product and fees, what representations each made and what compensation each sought or received.

CYCLOPS AND MAADARANI

Maadarani’s claim tied to the K8 effort requires the engagement, fee calculation, services, approvals and financing overlap to be assembled. Personal conduct unrelated to the procurement is excluded. It is not needed to test the commercial arrangement.

INTERMEDIARY EXPOSURE SCHEDULE

PARTY	POTENTIAL LAW OR RULE	WHY IT MAY BE ENGAGED	WHAT IS STILL MISSING
ARG	FAR 52.203-5; DFARS 225.7303-4 and 252.225-7027 if applicable; 31 U.S.C. § 3729; 18 U.S.C. §§ 287, 1001, 1031 and 1343 only if knowing participation is proved.	The claimed success-based economics and asserted role in obtaining the award require bona fide status, approval and price treatment to be tested.	Agreement, work, contacts, disclosure, approval, invoices, payment and actor-specific knowledge.
Fairwinds	The same contingent-fee and FMS rules; 41 U.S.C. §§ 8702–8707 only if value was offered to obtain improper favourable treatment.	The percentage claim and Cyberlux calculation connect the fee to contract value but do not establish illegality.	Services, recipient, customer approval, allowability, payment and any improper-treatment purpose.
WeShield/Assure	22 U.S.C. § 2778; 22 C.F.R. Parts 129 and 130; FMS contingent-fee rules; Anti-Kickback Act where its elements are met.	Meetings, demonstrations and defense-article brokering may require registration, reporting or approval.	Exact actor, defense article or service, brokering activity, exemption, registration, fee report and approval.
Montague/ Kalenja	FAR 52.203-5; applicable FMS fee rules; FCA or criminal fraud statutes only upon proof of knowing participation.	Sourcing, negotiation and percentage compensation create disclosure and allowability questions, not an automatic offense.	Individual role, statements, services, fee, approval, payment and knowledge.
Cyclops/ Maadarani	FAR 52.203-5; applicable FMS, ITAR and Anti-Kickback rules.	The K8-related claim must be tested against services, registration, approval and price. Retaliation-related material is excluded.	Engagement, calculation, work, contacts, registration, approval and payment.

Counsel and Gatekeepers: Where Knowledge Had to Live

The legal record did not assemble itself. Cyberlux had inside counsel, outside litigators and advisers who received declarations, bank information, settlement documents, creditor demands and property representations. That makes them important. It does not make them participants in Cyberlux's conduct.

The distinction is simple. Watts was inside the company machinery. Thompson Coburn stood outside it as retained counsel. Watts's own declarations place him in the underlying facts. Thompson Coburn's filings place the firm in the representation. Those are not the same position.

THE MISSING COMPLIANCE OWNER

The contract should have had a legally trained owner inside Cyberlux with authority across treasury, production and disclosure. The company signed the instrument. What remains unclear is who reviewed the advance and property provisions, who explained them to Schmidt and finance, and who could stop a transaction that did not fit them.

Watts's position as special counsel makes him an obvious person to ask, not an automatic answer. The existing documents place him around transactions, Atlantic Wave payments, bank issues and later declarations. They do not yet show that he reviewed the HII subcontract or approved a particular use of its advance.

The routing email, redline, approval record, board material and treasury instructions would settle his role. If another lawyer or officer owned the work, the same records should identify that person. The exposure lies in what each gatekeeper actually knew, said and had power to prevent—not in the title printed beside the name.

CHARLES WATTS

Watts identified himself under penalty of perjury as Cyberlux's special counsel. In June and July 2024, he said he had been personally involved in Cyberlux's payments under the Atlantic Wave settlement. Other filed material places him beside the company's bank-account dispute and Government-property account. Corporate records also connect him to CTMC's formation and Cyberlux share issuances.

That combination makes Watts a substantive actor and a natural custodian. The questions are actor-specific: what did he personally handle, which records did he review, what did he understand about the source and restrictions of funds, and were his sworn statements complete and accurate when made?

A declaration does not become false or professionally improper because another party disputes it. Any legal consequence would require proof of the exact statement, its falsity and materiality, the declarant's knowledge and the duty applicable to the setting.

Watts's municipal employment and City account may raise separate employment or ethics questions. The case study should use that material only where it proves routing, custody or divided professional roles relevant to Cyberlux. It should not turn a local-government employment issue into a federal procurement offense.

THOMPSON COBURN

Cyberlux retained Thompson Coburn in the Atlantic Wave litigation. Its lawyers appeared on pleadings supported by Watts's declarations and therefore occupied a professional channel through which Cyberlux's version of the settlement, bank and enforcement facts reached a federal court.

Representation is not participation. A law firm is permitted to advance a client's disputed position. Exposure begins only if a lawyer made or continued a factual contention without the inquiry required by the rules, knowingly misled a tribunal or third party, unreasonably

multiplied proceedings, mishandled property or funds, or participated in some separate wrongful act.

Federal Rule of Civil Procedure 11 governs counsel's representations in signed papers. Section 1927 of Title 28 permits personal cost liability where counsel unreasonably and vexatiously multiplies federal proceedings. Professional-conduct rules impose duties of candor and truthfulness. Criminal obstruction statutes require corrupt conduct and the specific nexus written into the statute; nothing presently reviewed establishes that predicate merely because Thompson Coburn represented Cyberlux or filed its position.

The firm is also a likely custodian of engagement files, drafts, client communications, litigation-hold material and the documents used to support filed positions. Privilege may protect some communications. It does not erase the existence, timing or custody of underlying non-privileged facts and records.

COUNSEL AND GATEKEEPER EXPOSURE SCHEDULE

PARTY	POTENTIAL LAW OR RULE	WHY IT MAY BE ENGAGED	WHAT IS STILL MISSING
Charles Watts	28 U.S.C. § 1746 and applicable professional-conduct duties; other statutes only if tied to independently established personal conduct.	Watts made sworn statements from claimed personal knowledge and occupied a legal role inside Cyberlux.	Exact statement, falsity, materiality, knowledge, records reviewed, corporate authority and transaction role.
Thompson Coburn and its responsible lawyers	Fed. R. Civ. P. 11; 28 U.S.C. § 1927; applicable professional-conduct rules and court authority.	Signed papers and continued advocacy carry duties of reasonable inquiry, candor and proper purpose.	Which lawyer knew what, when; client-supplied facts; inquiry performed; contrary material; correction or continuation.
Thompson Coburn — evidentiary boundary	No actor-specific basis for a criminal or disciplinary accusation is established by the material presently reviewed.	Representation, privilege assertions and adverse advocacy are not evidence of participation in a client's alleged misconduct.	Any further inquiry would require an actor-specific act, knowledge, duty and supporting record.
Other professional gatekeepers	Applicable accounting, transfer-agent, issuer-disclosure and professional rules.	Corporate filings, share issuances, books and public disclosures ordinarily pass through identifiable professional systems.	Engagements, scope, records received, work performed, representations and response to contradictions.

Lender, Banks, Creditors and Recipients

Money passed through several different relationships. Treating them as one category would be analytically lazy and legally wrong.

Legalist was a private lender. TowneBank, PNC and Huntington were depositary banks processing account activity. Atlantic Wave was a settlement creditor. G2G received a documented payment for a purpose that remains unresolved. The former Datron owner received acquisition consideration. Each relationship creates a different question.

LEGALIST: THE PRIVATE LENDER

Legalist chose to lend against receivables and related collateral. Its own exposure depends on what it knew, what it represented to others, how it structured and perfected its interests and what later advances or protective payments it made.

The current record does not establish that Legalist knew the full contract state when the facility opened or the credit limit later changed. It does establish that Cyberlux signed representations and requested post-termination draws. Legalist's underwriting, communications with Cyberlux and HII, amendment files and disbursement decisions would show whether it was deceived, accepted a known risk or occupied some position in between.

Legalist's later claim against the interpleader fund is a creditor position. Filing it does not make the claim allowed, and disputing it does not make the lender complicit in Cyberlux's conduct.

TOWNEBANK AND THE DEPOSITARY-BANK QUESTION

TowneBank held the operating account that received the $38.7006 million payment and processed the first wave of transfers. The bank

later appeared as a garnishee. Those facts alone do not establish bank misconduct.

Potential exposure could arise through four much narrower routes.

First, a special-account or blocked-account agreement may have imposed restrictions. FAR 52.232-12 contemplates a financial-institution agreement for a Government advance-payment special account, restricted withdrawals and a paramount Government lien. If TowneBank signed such an agreement, received notice of restrictions or controlled a designated account, its conduct must be measured against those actual terms. The present record has not established that agreement.

Second, banks have risk-based Bank Secrecy Act and anti-money-laundering duties to identify, evaluate and report suspicious activity. A dramatic balance change followed by rapid transfers to personal, acquisition, settlement or foreign endpoints could have generated internal alerts depending on the customer profile and information available to the bank. Whether TowneBank investigated or filed a suspicious activity report is generally confidential and cannot be inferred from silence. The proper exposure is regulatory: whether its monitoring and escalation systems worked, not whether a particular public transaction looks suspicious after the fact.

Third, a bank may face ordinary payment-law exposure if it processed unauthorized transfers or ignored effective account controls. Nothing presently reviewed establishes that the wires were unauthorized from Cyberlux's perspective. The native wire instructions, security procedures, signatory authority and bank communications would decide.

Fourth, bankruptcy recovery may reach a bank if it received an avoidable transfer for its own benefit, such as debt repayment or fees. A depositary bank that merely passes a customer's money onward is not automatically the beneficial transferee. Control, benefit, value and the precise transfer matter.

PNC and Huntington require the same disciplined treatment. Their account periods, payment roles and information were different. A bank chapter should not treat three institutions as one nervous system simply because Cyberlux moved between them.

WHAT THE BANK RECORDS CAN REVEAL

Even where the banks face no liability, their records may be among the most important evidence in the case:

- account-opening and beneficial-ownership material;
- customer risk profiles;
- signature and authority records;
- native wire instructions and confirmations;
- account restrictions, liens and control agreements;
- subpoenas, garnishments and legal-process responses;
- communications with Cyberlux personnel; and
- transaction sequences unavailable on cropped statement pages.

The bank may be a witness before it is a target.

ATLANTIC WAVE

Atlantic Wave held settlement rights created before the HII payment. Cyberlux paid $575,000 to Atlantic Wave on September 8, 2023 and $50,000 to Strikepoint under the same broader settlement setting.

The present record does not show that Atlantic Wave or its principals knew the payment came from money Cyberlux had just received from HII or that the funds carried any trust, lien or program restriction. Atlantic Wave's persistence exposed Cyberlux's repeated settlement failures and helped trigger the later legal collapse. That makes it important to the story. It does not make it a villain.

G2G

The $994,460 payment to G2G is a fact. Its purpose remains unresolved.

The agreement, invoice, deliverables, approval, source disclosure and recipient communications would determine whether the payment represented value, commission, logistics, repayment or something else. Until those records are assembled, the case study should neither hide the payment nor decorate it with an illegal purpose.

DATRON AND OTHER RECIPIENTS

The same principle applies to the former Datron owner and other acquisition counterparties. Receipt may establish consideration. It does not establish knowledge of the source, restrictions or later use of the acquired business.

Bankruptcy law may permit recovery of some transfers depending on timing, value, insider status, good faith and the identity of the transferee. Those are estate questions, not retroactive moral findings.

FINANCE-PARTY EXPOSURE SCHEDULE

PARTY	POTENTIAL LAW OR RULE	WHY IT MAY BE ENGAGED	WHAT IS STILL MISSING
Legalist	Financing agreement; U.C.C. Article 9; state fraud and contract law; 11 U.S.C. §§ 502, 506, 547, 548 and 550.	Its rights depend on the collateral, perfection, representations, advances and bankruptcy treatment. Legalist is not a bank and does not acquire bank status because the word lender sounds adjacent.	Underwriting, collateral schedule, perfection, contract-state knowledge, draw reliance, proceeds and defenses.
TowneBank	Account and control agreements; U.C.C. Article 4A; Bank Secrecy Act duties under 31 U.S.C. § 5318 and 31 C.F.R. Part 1020; 11 U.S.C. §§ 542 and 550 where applicable.	The bank received the advance and processed transfers. Exposure depends on actual restrictions, payment authority, monitoring duties and whether the bank benefited from a transfer.	Account agreement, control or special-account instrument, native wires, authority, alerts, bank benefit and confidential supervisory record.
PNC and Huntington	The same banking, payment and bankruptcy rules, applied separately.	Their periods, accounts and information differed; one bank's knowledge cannot be assigned to another.	Institution-specific account, transfer, garnishment, control and benefit files.
Banks — criminal boundary	18 U.S.C. § 1344 and related statutes only upon proof that a covered financial institution was defrauded or knowingly participated.	Processing a customer's authorized transfer is not bank fraud by the bank.	Deception directed at the bank, bank property or risk, participant knowledge and intent.
Atlantic Wave	Settlement agreement; judgment-enforcement law; 11 U.S.C. §§ 502, 547, 548 and 550.	A pre-existing creditor may face claim or avoidance litigation without having committed misconduct.	Claim amount, payment timing, value, good faith, source knowledge and statutory defenses.
G2G and Datron recipients	Contract law; 11 U.S.C. §§ 547, 548 and 550; 18 U.S.C. §§ 1343 or 1956 only if the recipient's own knowledge and conduct satisfy the elements.	Receipt and possible recovery are different from knowing participation in fraud or laundering.	Purpose, agreement, value, source disclosure, beneficial use, knowledge and tracing.

Bankruptcy: When Earlier Conduct Acquires New Consequences

Bankruptcy changes who gets to ask the questions. It does not magically turn every earlier breach, transfer or misleading statement into a bankruptcy offense.

The estate acquires property, claims, avoidance powers and an independent interest in the books. Creditors stop competing only through private leverage and begin competing through a statutory process. Transactions that once looked merely strange can become recoverable. That is different from becoming criminal.

THE CREDITOR LANDSCAPE

The involuntary case brought together petitioners, proofs of claim, judgment creditors, commission claimants, the Legalist financing position, Government interests and the remaining interpleader value. The amounts asserted are large. Filing is not allowance. A creditor's claim remains a position until it is admitted, resolved or adjudicated.

The stay affecting the interpleader was later removed. As of the date of this edition, the public record does not establish the final destination of the money. The book should state that uncertainty plainly rather than letting an old procedural snapshot impersonate the present.

WHAT BELONGS TO THE ESTATE

The trustee or estate representative must identify cash, receivables, aircraft, components, intellectual property, causes of action, insurance rights, settlement rights and interests held through related entities.

The HII program complicates that inventory because Government title, HII rights, Cyberlux ownership, secured claims and physical custody may not align. The serial ledger, property records, Modification 4, interpleader filings and financing documents must be reconciled rather than stacked.

AVOIDANCE AND RECOVERY

Transfers before bankruptcy may be examined as preferences, fraudulent transfers or other recoverable dispositions. The analysis turns on timing, value, insolvency, insider status, the identity of the initial transferee, benefit, good faith and available defenses.

That is why recipients must not be treated as a single guilty class. A settlement creditor taking value in good faith occupies a different position from an insider receiving money without consideration. A bank merely processing a customer's wire occupies a different position from a bank retaining payment on its own debt. The statute notices these differences even when rhetoric does not.

BOOKS, SCHEDULES AND TESTIMONY

Bankruptcy creates new duties concerning disclosure, preservation, schedules, assets, transfers, claims and relationships. Statements made in the bankruptcy case can create new exposure if they are materially false and made with the state of mind required by law.

Earlier conduct becomes relevant because bankruptcy puts it into a new reporting and reconstruction process. It does not become bankruptcy fraud merely because the debtor later entered bankruptcy.

The important records include native ledgers, bank files, contracts, board materials, related-party schedules, property records, electronic communications and the systems used to prepare bankruptcy submissions. Missing records may support remedies or inferences under the governing law. They do not permit the book to invent what the records would have shown.

THE TRUSTEE'S RECONSTRUCTION

The estate should be able to answer:

1. Where did the HII money go?
2. What value returned to Cyberlux or the program?
3. Which transfers benefited insiders or related entities?

4. What property is owned by Cyberlux, HII or the Government?

5. Which creditor claims are valid and in what priority?

6. What collateral did Legalist obtain and against what actual receivable?

7. Which transfers may be avoided or recovered?

8. What claims does the estate hold against officers, counterparties or advisers?

Those questions give the bankruptcy chapter its purpose. It is not the epilogue to a failed company. It is the mechanism capable of turning the scattered record into an account.

PARTY	POTENTIAL LAW OR RULE	WHY IT MAY BE ENGAGED	WHAT REMAINS TO BE ESTABLISHED
Cyberlux debtor	11 U.S.C. §§ 521, 541 and 542; Fed. R. Bankr. P. 1007 and 4002; 18 U.S.C. §§ 152, 157 and 1519.	The debtor must identify estate property, disclose financial affairs, preserve records and surrender property. Criminal exposure requires the specific falsehood, concealment, scheme or record act and the	Complete schedules, statements, books, assets, transfers, amendments, testimony and knowledge.
Officers and custodians	11 U.S.C. §§ 521 and 542; 18 U.S.C. §§ 2, 152 and 1519 where personal acts and intent are proved.	Corporate status does not create personal criminal exposure; control, participation and intent do.	Actor-specific custody, direction, statement, benefit, omission and record handling.
Trustee and estate	11 U.S.C. §§ 323, 544, 547, 548, 550 and 704.	These provisions supply investigation, avoidance and recovery powers rather than culpability.	Estate property, claims, transfer elements, defenses and recoverable value.
Legalist	11 U.S.C. §§ 362, 502, 506, 547, 548 and 550; U.C.C. Article 9.	Claim allowance, perfection, priority and avoidance turn on the actual collateral and transfers.	Perfection, value, advances, knowledge, defenses and collateral proceeds.
Payment recipients and banks	11 U.S.C. §§ 542, 547, 548 and 550.	A recipient may face turnover or avoidance without wrongdoing; liability depends on transferee status, benefit and statutory defenses.	Timing, value, good faith, insider status, control, benefit and initial or subsequent-transferee identity.

Bankruptcy exposure schedule

Where the Exposures Converge

The program's defining feature was not one spectacularly bad act. It was the way one event created different responsibilities for several parties and then moved forward without any one of them forcing the whole picture into view.

THE DEMONSTRATION

Cyberlux potentially owned the accuracy of the result and its later description. The end user relied on what it was shown. The acquisition chain used the resulting confidence. HII inherited the product selection but still owned supplier and technical diligence.

If the jammer condition was disclosed, the event may remain a weak demonstration that acquired too much institutional weight. If it was concealed or misrepresented, the exposure changes for the people who knew and for any later statement that depended on the result.

THE AWARD

Cyberlux owned its proposal, warranties and disclosures. HII owned the responsibility and price decision. Intermediaries owned the accuracy and regulatory treatment of their engagements. Government authorities owned the acquisition route and approval.

No shared conspiracy is required to explain the result. Several incomplete decisions can carry the same weak proposition further than one dishonest decision ever could.

THE ADVANCE

Cyberlux owned its use of the funds. HII owned the decision to release and control them. A designated bank may have owned account restrictions if an agreement existed. Deposit banks owned their own transaction-monitoring systems. Recipients owned only the knowledge, value and conduct the evidence can actually place with them.

The same $38.7006 million therefore creates several potential exposures without making everyone who touched it part of the same act.

ACCEPTANCE

Cyberlux owned conformity and the information accompanying each lot. HII owned inspection and acceptance. The Government relied on the prime's administration. Engineers, quality personnel and signers owned only the decisions and communications tied to their roles.

The DD-250s are not proof that the K8 worked. They are proof that acceptance happened. That makes the supporting file more important, not less.

TERMINATION AND SETTLEMENT

Cyberlux owned its disclosures to investors, creditors and Legalist. HII owned the default analysis, settlement proposal, property accounting and Government submission. The incoming contracting officer owned the decision record actually received. The signature of Mission Technologies' senior vice president of contracts identifies the HII settlement custodian. The chief financial officer and chief counsel identify functions likely to hold the surrounding record.

The legal route chosen at termination changed the economic ending. That does not prove the route was selected to protect anyone. It makes the contemporaneous explanation indispensable.

BANKRUPTCY

Cyberlux and its officers now face disclosure and preservation duties. The trustee acquires recovery powers. Creditors must prove entitlement. Recipients may face avoidance without having committed wrongdoing. Banks may hold the records that reconstruct the sequence. Government and HII property claims must be reconciled against the estate.

Exposure converges. Guilt does not.

The Responsibility Ledger

The record does not support a single verdict against a single actor. It supports a series of specific exposure questions attached to people and institutions that owned different parts of the program.

PARTY	RESPONSIBILITY	POTENTIAL EXPOSURE	WHAT IS STILL MISSING
Cyberlux	Product, proposal, invoices, funds, property, financing representations and disclosure.	18 U.S.C. §§ 287, 641, 1001, 1031 and 1343; 31 U.S.C. § 3729; 41 U.S.C. §§ 8702–8707; 15 U.S.C. § 78j(b); applicable FAR, DFARS, ITAR, contract and bankruptcy provisions.	Proposal, test record, serial files, authority for transfers, fee disclosures, lender communications, complete books and required knowledge or intent.
Schmidt and relevant Cyberlux officers	Personal statements, approvals, transfers, certifications and records.	The same regimes only where the individual's own act, knowledge, materiality and required intent are proved; 18 U.S.C. §§ 152 and 1519 may arise from later bankruptcy conduct.	Actor-specific communications, approvals, beneficial use, knowledge, testimony and record custody.
HII Mission Technologies	Supplier diligence, price, advance, inspection, termination, settlement and Government submissions.	FAR Parts 9, 32, 44, 45, 46 and 49; FAR 52.203-7 and 52.203-13; 18 U.S.C. §§ 287, 1001 and 1031; 31 U.S.C. § 3729; Anti-Kickback and Procurement Integrity Acts where their elements are met.	Responsibility file, price analysis, financing authority, acceptance packages, default memorandum, settlement audit, disclosure chronology and knowledge.
HII decision custodians	Records tied to contracts, finance, legal and executive functions.	Personal exposure follows participation and knowledge under the applicable statute or professional rule, not title.	Native handover, review, approval, escalation, disclosure and testimony.
End-user and acquisition authorities	Requirement, sponsorship, vehicle, contracting decisions and settlement review.	FAR 1.602-2 and allocated FAR/DFARS duties; 41 U.S.C. §§ 2102–2105; 18 U.S.C. §§ 201 or 208 only upon actor-specific evidence.	Demonstration file, acquisition plan, delegated responsibilities, officer handover, protected information, financial interest and review record.
Intermediaries	Services, fee structure, disclosure, approval, registration and price treatment.	FAR 52.203-5; DFARS 225.7303-4 and 252.225-7027; 41 U.S.C. §§ 8702–8707; 22 U.S.C. § 2778 and 22 C.F.R. Parts 129–130; claims or fraud statutes only upon knowing participation.	Agreements, services, contacts, approval, registration, invoices, payment trail and knowledge.

PARTY	RESPONSIBILITY	POTENTIAL EXPOSURE	WHAT IS STILL MISSING
Charles Watts	Sworn declarations, payment involvement, corporate transactions and legal duties.	18 U.S.C. § 1621; 28 U.S.C. § 1746; N.C. Rules of Professional Conduct 3.3, 4.1 and 8.4; other regimes only where his own conduct connects him to them.	Exact statement, material falsity, knowledge, records reviewed, authority and transaction role.
Thompson Coburn	Filed positions, inquiry, candor, preservation and record custody.	Fed. R. Civ. P. 11; 28 U.S.C. § 1927; applicable professional rules and court authority. No present actor-specific criminal predicate is established.	Lawyer-specific knowledge, client information, inquiry, contrary evidence, correction, custody and any conduct beyond advocacy.
Legalist	Private lending, collateral, underwriting, amendments and creditor claim.	Financing agreement, U.C.C. Article 9 and 11 U.S.C. §§ 362, 502, 506, 547, 548 and 550. Bank-specific statutes do not apply merely because Legalist lent money.	Underwriting, HII communications, contract-state knowledge, perfection, reliance and disbursement rationale.
TowneBank, PNC and Huntington	Deposit accounts, payments, monitoring and legal process.	Account agreements; U.C.C. Article 4A; 31 U.S.C. § 5318 and 31 C.F.R. Part 1020; 11 U.S.C. §§ 542 and 550 where applicable.	Restrictions, alerts, wire authorities, bank benefit and confidential supervisory record.
Atlantic Wave	Settlement creditor and later claimant.	Contract and judgment-enforcement law; 11 U.S.C. §§ 502, 547, 548 and 550. No present basis for a misconduct inference.	Claim reconciliation, payment tracing, value, good faith, source knowledge and defenses.
G2G and acquisition recipients	Receipt of identified payments.	Contract and bankruptcy recovery law; 18 U.S.C. §§ 1343 or 1956 only upon proof of the recipient's own knowledge and conduct.	Agreements, invoices, deliverables, source disclosure, value, beneficial use and knowledge.
Bankruptcy estate and trustee	Property, claims, avoidance, records and creditor treatment.	11 U.S.C. §§ 323, 541, 544, 547, 548, 550 and 704; referral power under 18 U.S.C. § 3057 where reasonable grounds arise.	Complete books, claim adjudication, property reconciliation, transfer analysis and investigative findings.

Responsibility by party

WHAT THE POSSIBLE OUTCOMES ACTUALLY ARE

The same inquiry can end in several places:

- the event is fully explained and no violation is established;
- the matter remains a contract breach or repayment dispute;
- a control failure produces audit findings or corrective action;

- costs are questioned or money and property are recovered;
- a creditor claim is reduced, subordinated or disallowed;
- a transfer is avoided without any finding of criminal conduct;
- a company or individual faces civil or administrative proceedings;
- the evidence warrants referral for further investigation; or
- the missing records establish the act and mental state required for criminal exposure.

Those outcomes should not be collapsed into one another merely because the underlying program was expensive, technically unsuccessful and badly controlled.

THE DOCUMENTS THAT DECIDE THE CASE

The most important missing records are no longer mysterious:

1. the demonstration plan, jammer logs, telemetry and attendee communications;
2. Cyberlux's proposal, warranties and HII responsibility determination;
3. the complete price analysis and intermediary disclosure file;
4. the legal authority, spend plan and account controls for the $38.7006 million payment;
5. native bank and wire records showing authority, endpoints and communications;
6. serial-level configuration, inspection and DD-250 acceptance packages;
7. the stop-work chronology, cure analysis and default decision memorandum;
8. the contracting-officer handover file;
9. HII's termination proposal, audit, negotiation memorandum and Government submission;
10. Modification 4 drafting and review records;

11. Legalist's underwriting, amendments, draw files and communications;

12. Cyberlux's disclosure drafts and management review chain; and

13. the debtor's complete books, property ledger and transfer history.

The record does not convict anyone. It does something more useful at this stage. It identifies who owned each decision, which events created potential exposure and which documents would turn possibility into an answer.

That is where analysis should stop and evidence should begin.

PART FIVE – APPENDICES

What these appendices do

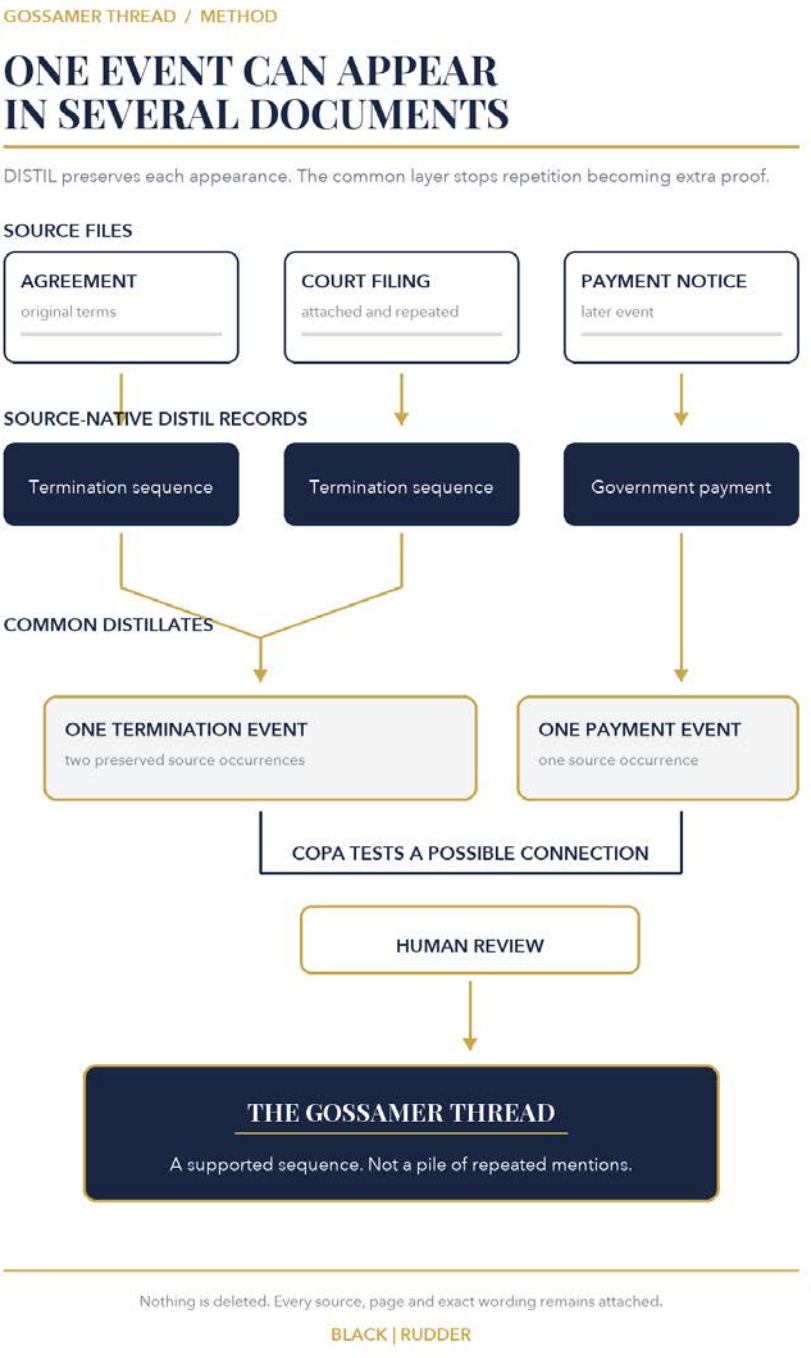
These appendices have three jobs and no others.

First, explain how the case study was built. Second, place the small chain of records that carries the argument in front of the reader. Third, identify the core sources without reproducing the entire governed register.

The full source register and documentary archive still exist. They remain the audit trail. They simply stop occupying the reading copy as though every useful record deserves its own room.

This reading copy does not replace the underlying database, source archive or longer documentary dossier.

APPENDIX A


GOSSAMER THREAD / METHOD
ONE EVENT CAN APPEAR IN SEVERAL DOCUMENTS
DISTIL preserves each appearance. The common layer stops repetition becoming extra proof.
SOURCE FILES
AGREEMENT
original terms
COURT FILING
attached and repeated
PAYMENT NOTICE
later event
SOURCE-NATIVE DISTIL RECORDS
Termination sequence
Termination sequence
Government payment
COMMON DISTILLATES
ONE TERMINATION EVENT
two preserved source occurrences
ONE PAYMENT EVENT
one source occurrence
COPA TESTS A POSSIBLE CONNECTION
HUMAN REVIEW
THE GOSSAMER THREAD
A supported sequence. Not a pile of repeated mentions.
Nothing is deleted. Every source, page and exact wording remains attached.
BLACK | RUDDER

THE CORPUS

THIS BOOK IS BACKED BY TWO SQLITE DATABASES AND A CONTROLLED SOURCE ARCHIVE.

The Master Corpus is the whole evidence stack. At the 29 August 2026 snapshot, its SQLite file occupied 1.62 GB and registered 11,847 source documents, 12,046 preserved versions and 26,304 known file locations. It contains court filings, executed agreements, procurement records, bank material, declarations, emails, financial disclosures, technical analyses, website captures and company publications. It is deliberately larger than this book. Research should not be forced to fit the shape of a manuscript.

Gossamer Thread uses a separate 638 MB case-study projection. It contains 471 selected documents, 472 versions and 834 registered file locations. Material moves from the Master Corpus only through a reviewed, hash-preserving projection. A source can therefore be corrected, superseded or excluded without allowing a clever sentence in the book to rewrite the evidence beneath it.

LAYER	SIZE	REGISTERED CONTENT
MASTER CORPUS	1.62 GB	11,847 documents | 12,046 versions | 26,304 known file locations
BOOK PROJECTION	638 MB	471 documents | 472 versions | 834 file locations
DISTIL / MASTER	8,635 occurrences	Source-native records; original wording and provenance preserved
COMMON DISTILLATES	6,804 objects	1,831 repeats grouped | 292 multi-source objects | 14 conflicts held apart
COPA / MASTER	64,246 candidates	Pending human review | none promoted by this projection
COPA / BOOK	126 governed links	117 active | 9 qualified | all 126 carry a stated basis
PUBLICATION / FACT DESK	33 editions	1,175 publication units | 18,373 Fact Desk entries | 101 mapping runs

The database is not a cupboard full of PDFs. It knows which files are identical, which are later versions, where each file lives, which page supports a record and whether a statement is a term, an allegation, an account or an inference. It also knows when several documents are

talking about the same thing. The publication layer has accumulated 333,643 record-to-publication mapping rows across 101 runs. That is the history of how successive editions used, moved, rejected or qualified the material. It is not 333,643 separate facts.

Source -> source-native record -> common distillate -> reviewed relationship -> prose. Corrections travel forward. A book edit never travels backward and alters the Master evidence record.

DISTIL

DISTIL TURNS A DOCUMENT INTO RECORDS THAT CAN STILL FIND THEIR WAY HOME.

The published case-study projection contains 389 completed and clean DISTIL packages. Together they hold 8,088 records and 8,096 relationships inside those source packages. The larger Master working set now contains 8,635 source-native records. Every source-backed record can retain an exact page and excerpt; the book projection alone contains 8,739 pinpoint references across 7,751 registered source pages.

A DISTIL record is not merely a summary. It carries a type, a label, the source-faithful proposition, its posture, confidence, source page and excerpt. An executed agreement can establish its own terms. A declaration establishes what the declarant swore. A complaint establishes what a party alleged. DISTIL preserves each source on its own terms, even when another document says the same thing later.

RECORD TYPE	COUNT	WHAT THE TYPE HOLDS
Entity	2,247	People, companies, agencies, programs and named objects
Claim	1,680	A proposition stated by, or recorded in, the source
Event	1,363	Something said to have happened, with date precision kept separate
Anchor	694	A controlling number, date, account, identifier or contractual term
Inference	561	Analysis that must remain visibly downstream from the source
Question	555	A record the corpus says still needs an answer
Omission	420	Something materially absent from the available record
Concept	370	A recurring mechanism or analytical pattern
Commitment	166	An express promise, requirement, gate or duty

RECORD TYPE	COUNT	WHAT THE TYPE HOLDS
Other	32	Provenance, hypotheses, admissions, tells and assumptions

Of the 8,088 DISTIL records, 5,522 are active and 2,566 are deferred. Deferred does not mean deleted. It means the record remains preserved but has not been allowed to carry the current analysis.

POSTURE	HOW IT IS HELD
Documented fact	The record itself establishes the event, term, payment or official act.
Party allegation	A filing proves the allegation was made; it does not prove the allegation true.
Attributed account	A named or confidential source supplies a testable account tied to that source.
Analytical inference	Two or more records support a conclusion the records do not state in those words.
Unresolved question	The corpus identifies the document, witness or decision that could answer it.
Legal possibility	The facts may create exposure. Exposure is not a finding of guilt.

One Thing, Mentioned More Than Once

THE CORPUS PRESERVES REPETITION. IT DOES NOT COUNT REPETITION AS PROOF.

Documents echo one another. A settlement is attached to a filing. A later declaration repeats a date. A company publication recites an event already recorded elsewhere. DISTIL must preserve each appearance because every source has its own date, purpose and authority. But three mentions of one event are not three events.

That is the job of the common-distillate layer. It places source-native records beneath the single claim, event, entity or commitment they appear to describe. Nothing is deleted. The original wording, page, excerpt, hash and document remain attached as separate source occurrences. What disappears is the false multiplication.

MEASURE	COUNT	WHY IT MATTERS
Source-native DISTIL records	8,635	Every original occurrence remains preserved
Common distillates	6,804	The distinct intellectual objects those records describe

MEASURE	COUNT	WHY IT MATTERS
Repeated occurrences grouped	1,831	21.204% reduction without deleting source provenance
Multi-occurrence objects	292	2,123 source occurrences sit beneath them
Largest occurrence group	271	One object repeated across many source records
Exact-text conflicts held apart	14	Matching words did not overrule conflicting canonical routes

The result is smaller and more honest. Of the 6,804 common objects, 3,269 follow a reviewed canonical mapping, 55 arise from exact normalized content and 3,480 remain singletons. Fourteen exact-text matches were deliberately kept separate because their existing canonical routes conflicted. Similar words were not allowed to overrule contradictory provenance.

Only then does COPA look outwards. The original queue contained 84,277 possible relationships. Moving it to the common-object layer absorbed 8,878 paths whose two ends had become the same object and collapsed 11,153 duplicate paths. The queue fell to 64,246. Every one of those relationships remains a candidate. None became part of the book merely because software noticed it.

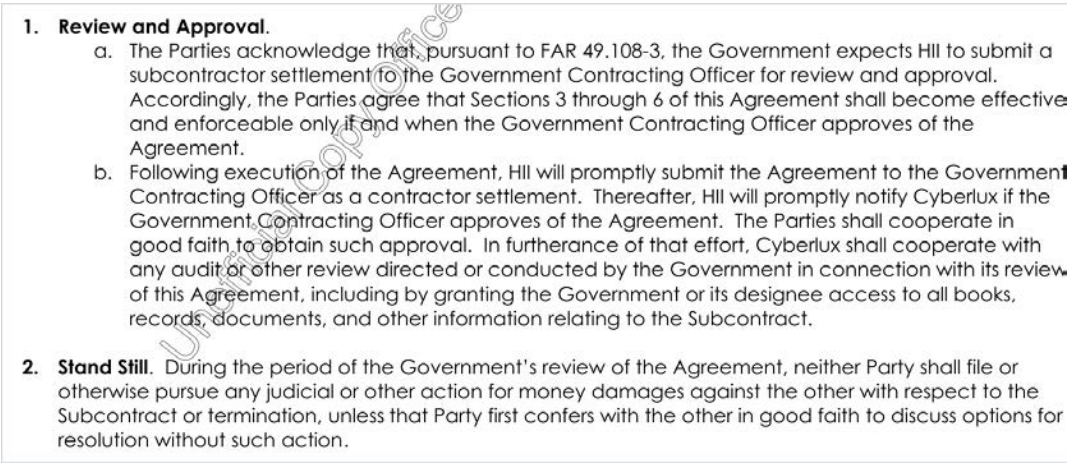
The distinction matters. Repetition can show how a story traveled. Corroboration requires independent support. The database keeps both possibilities visible and makes a human decide which one the record can bear.

TWO DOCUMENTS, DISTILLED

The method is easier to judge when the paper is allowed to speak.

The first source is Modification 4, the executed HII-Cyberlux termination settlement. The filed PDF contains the eight-page agreement and its court-filing wrapper. Its SHA-256 begins b95d18199b126f2e. DISTIL produced 17 records: three entities, three events, five claims and six commitments, each with a page-level source reference.

SOURCE EXCERPT | MODIFICATION 4, PAGE 1 OF THE AGREEMENT



1. **Review and Approval**.
   a. The Parties acknowledge that, pursuant to FAR 49.108-3, the Government expects HII to submit a subcontractor settlement to the Government Contracting Officer for review and approval. Accordingly, the Parties agree that Sections 3 through 6 of this Agreement shall become effective and enforceable only if and when the Government Contracting Officer approves of the Agreement.
   b. Following execution of the Agreement, HII will promptly submit the Agreement to the Government Contracting Officer as a contractor settlement. Thereafter, HII will promptly notify Cyberlux if the Government Contracting Officer approves of the Agreement. The Parties shall cooperate in good faith to obtain such approval. In furtherance of that effort, Cyberlux shall cooperate with any audit or other review directed or conducted by the Government in connection with its review of this Agreement, including by granting the Government or its designee access to all books, records, documents, and other information relating to the Subcontract.
2. **Stand Still**. During the period of the Government's review of the Agreement, neither Party shall file or otherwise pursue any judicial or other action for money damages against the other with respect to the Subcontract or termination, unless that Party first confers with the other in good faith to discuss options for resolution without such action.

Unofficial Copy Office

The extract does three jobs at once. It records the stop-work and convenience-termination sequence; makes Sections 3 through 6 effective only upon Contracting Officer approval; and gives the Government access to Cyberlux's books, records and other subcontract information during review.

DISTIL REPORT A | SUBSTANTIVE RECORDS

TYPE / ID	SOURCE	SOURCE-FAITHFUL OUTPUT
EVENT EV001	p. 2	Modification 4 effective date: Modification 4 states an effective date of 26 February 2025.
EVENT EV002	p. 2	Stop-work sequence: Modification 4 states that the Government issued a stop-work order on 22 December 2023 and HII issued one to Cyberlux in turn.
EVENT EV003	p. 2	Termination sequence: Modification 4 states that the Government terminated the relevant work for convenience on 13 May 2024 and HII exercised the subcontract termination provisions on 17 May 2024.
CLAIM CL001	p. 3	Group A status: The agreement records Cyberlux's statement that 37 kits passed HII-witnessed flight-acceptance testing and awaited Government acceptance and shipment at stop work.
CLAIM CL002	p. 3	Group B status: The agreement records Cyberlux's statement that 745 drones completed quality control and bench testing but had not undergone flight-acceptance testing or kit configuration.

TYPE / ID	SOURCE	SOURCE-FAITHFUL OUTPUT
CLAIM CL003	p. 3	Group C status: The agreement records 526 work-in-progress drones that had not undergone Cyberlux quality control, bench testing, HII-witnessed flight-acceptance testing or kit configuration.
CLAIM CL004	p. 4	Group C post-stop-work subset: The agreement records a 97-drone Group C subset for which Cyberlux supplied documentation indicating assembly began after the stop-work order.
CLAIM CL005	p. 4	Group D status: The agreement records parts and spares associated with 300 unstarted drone builds, based on Cyberlux inventory supplied in September 2024.
COMMITMENT COM001	p. 2	Contracting-officer approval gate: Sections 3 through 6 became effective only if and when the Government Contracting Officer approved the contractor settlement.
COMMITMENT COM002	p. 2	Government audit access: Cyberlux agreed to cooperate with Government-directed review, including access to books, records, documents and other subcontract information.
COMMITMENT COM003	p. 5	Government disposition and inventory: Delivery remained subject to Government disposition instructions, including representative inventory by HII and the Government for Group D.
COMMITMENT COM004	p. 7	HII sole Government contact: Cyberlux agreed that HII would be the sole point of contact with the Navy and GSA regarding performance, termination and Contracting Officer review.
COMMITMENT COM005	p. 7	Approval-triggered mutual release: The parties' mutual release became operative upon notice that the Government Contracting Officer had approved Modification 4.
COMMITMENT COM006	p. 8	Scope of mutual release: The release covered liabilities, obligations, claims, losses, appeals and demands arising from the stop work or termination, while preserving rights under Modification 4.

The three omitted entity rows resolve the names HII Mission Technologies, Cyberlux Corporation and Government. They are omitted here only to keep the worked report readable; they remain in the governed package.

DOCUMENT B | HII PAYMENT NOTIFICATION

The second source is HII's one-page payment notification of 15 July 2025. Its SHA-256 begins ba2ee350d38db9a0. DISTIL produced six records: two entities, one event, two claims and one monetary anchor.

SOURCE EXCERPT | HII PAYMENT NOTIFICATION, 15 JULY 2025

Subject: Payment Notification | Subcontract P000043846, issued under DMATS TDL-023

Dear Ms. Lewis,

On behalf of HII Mission Technologies Corp. ("HII"), I am writing to notify you, in accordance with Section 5(e) of Modification No. 4 to Subcontract P000043846 (the "Subcontract") to Effectuate a Termination Settlement, dated February 26, 2025 (the "Settlement Agreement"), that HII has received a payment of $23,012,114.64 from the Government under the Subcontract. As you know, Cyberlux has failed to comply with the conditions precedent to payment in Section 5(f) of the Settlement Agreement, and we urge Cyberlux to do this without further delay.

HII reserves all rights and remedies.

Please let us know of any questions.

HII says it received $23,012,114.64 from the Government. In the same paragraph, HII says Cyberlux had not complied with the conditions precedent to payment in Section 5(f) and urges it to do so without further delay.

DISTIL REPORT B | SUBSTANTIVE RECORDS

TYPE / ID	SOURCE	SOURCE-FAITHFUL OUTPUT
EVENT EV001	p. 1	HII Government-payment notice: HII notified Cyberlux on 15 July 2025 that HII had received a Government payment under the subcontract.
CLAIM CL001	p. 1	Final-payment amount: HII states that the Government payment received was $23,012,114.64.
CLAIM CL002	p. 1	Conditions-precedent position: HII states that Cyberlux had not complied with the conditions precedent to payment in Modification 4 Section 5(f).
ANCHOR ANC001	p. 1	HII final Government payment: $23,012,114.64

Again, DISTIL does not decide whether Cyberlux's non-compliance was later cured. It records precisely what HII said, when it said it and where the statement appears.

COPA JOINS THE RECORDS

THE USEFUL PART IS NOT THAT BOTH DOCUMENTS MENTION MONEY. IT IS THE CONTRACTUAL CHAIN BETWEEN THEM.

At the Master level, COPA now holds 64,246 candidate relationships between common distillates. They are a review queue, not findings. At the publication level, 126 cross-record links have completed governance: 117 active and nine qualified. Of those, 121 carry a recorded human decision and all 126 carry a written basis. The read-only display makes each end clickable, so the reader can inspect the source record, relationship, confidence, posture and review basis rather than accepting a line drawn by the author.

FROM MODIFICATION 4	LINK	TO HII NOTICE	RECORDED BASIS
Contracting-officer approval gate	PRECEDES	HII Government-payment notice	ACTIVE | 0.95 Modification 4 made its operative settlement sections conditional on Contracting Officer approval before HII's final-payment notice.
Approval-triggered mutual release	PRECEDES	HII Government-payment notice	ACTIVE | 0.92 The approval-triggered release provision predates the final-payment notice. The record does not locate the approval notice itself.

The join is narrow. Modification 4 puts Contracting Officer approval before the operative settlement sections and before the approval-triggered release. The later HII letter says Government money arrived and that Cyberlux still had not met the payment conditions. The public record does not contain the approval notice itself, and the text of Section 5(f) is redacted in the filed copy. COPA therefore records the sequence and preserves the missing paper. It does not invent what the missing paper says.

WHERE THE SYSTEM STOPS

THE DATABASE CAN PRESERVE A CHAIN. IT CANNOT SUPPLY A STATE OF MIND.

A governed corpus makes it harder to lose chronology, count repetition as corroboration or promote an allegation by accident. A hundred copies of the same sentence remain one sentence. The system can show that an agreement required approval, that a later HII letter reported Government payment and that the approval notice is absent from the public file. It cannot conclude from that absence that approval was withheld, bypassed or fabricated.

The same discipline applies throughout the book. A payment can be documented without proving its purpose. A filing can expose a contradiction without resolving it. A pattern can justify a harder question without becoming a criminal finding. The evidence system keeps those boundaries attached to the record even when the prose becomes impatient.

That is the method. Not artificial certainty. A larger memory, fewer false echoes, a visible chain of judgment and a reliable way back to the paper.

The evidence record, not pride of authorship, controls the next edition.

APPENDIX B

The Gossamer Thread

Twenty records. Different institutions. One line running through them.

No single document proves the book's whole argument. That is the point. The case appears when records created for different reasons begin describing the same system from different sides.

The pages that follow are not a second documentary warehouse. They are the shortest credible chain from the originating proof to the unresolved fund.

Read each image beside its boundary. The left-hand box says what the record contributes. The right-hand box says where it stops.

01 / 2022

The proof was thin before the money was large

An electronic-warfare claim became the foundation for a named Ukrainian request.

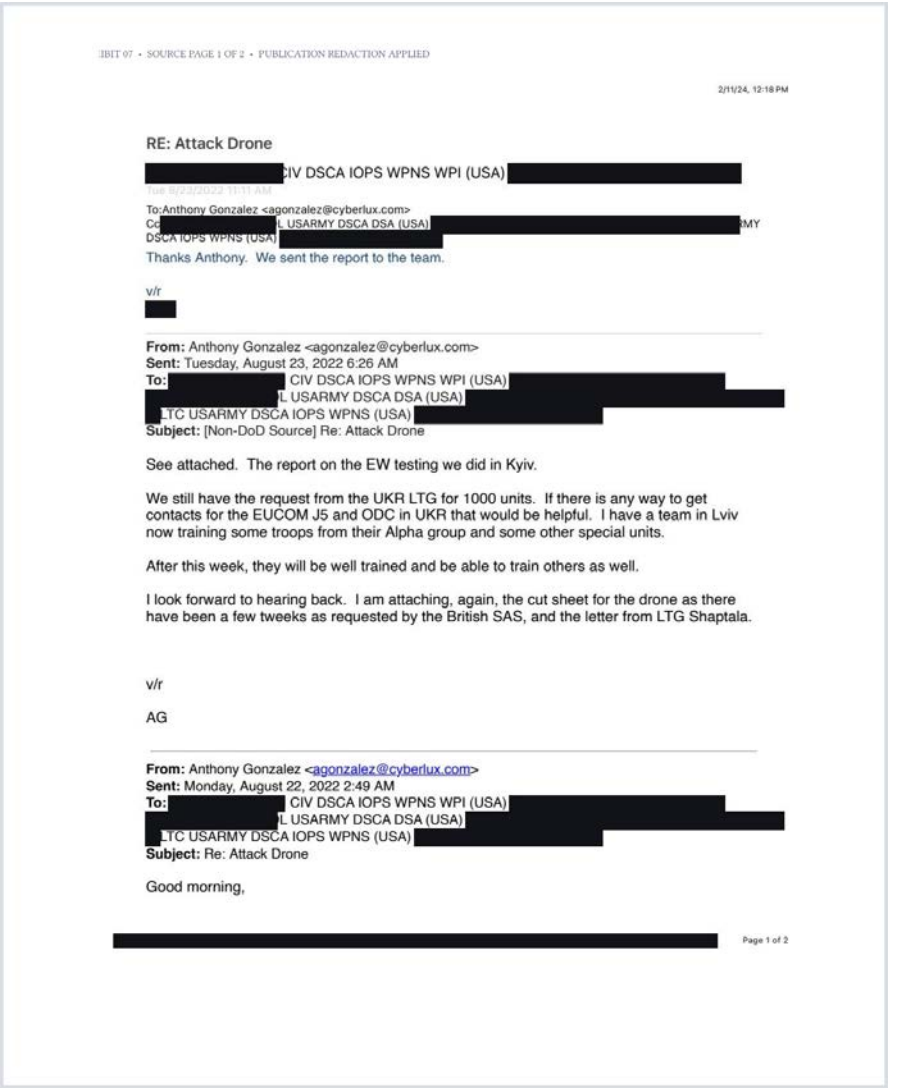


EXHIBIT 07 • SOURCE PAGE 1 OF 2 • PUBLICATION REDACTION APPLIED

2/11/24, 12:18 PM

RE: Attack Drone

[redacted] CIV DSCA IOPS WPNS WPI (USA) [redacted]

Tue 8/23/2022 11:11 AM

To:Anthony Gonzalez <agonzalez@cyberlux.com>
Cc [redacted] L USARMY DSCA DSA (USA) [redacted] RMY DSCA IOPS WPNS (USA) [redacted]

Thanks Anthony. We sent the report to the team.

v/r

[redacted]

From: Anthony Gonzalez <agonzalez@cyberlux.com>
Sent: Tuesday, August 23, 2022 6:26 AM
To: [redacted] CIV DSCA IOPS WPNS WPI (USA) [redacted] L USARMY DSCA DSA (USA) [redacted] LTC USARMY DSCA IOPS WPNS (USA) [redacted]
Subject: [Non-DoD Source] Re: Attack Drone

See attached. The report on the EW testing we did in Kyiv.

We still have the request from the UKR LTG for 1000 units. If there is any way to get contacts for the EUCOM J5 and ODC in UKR that would be helpful. I have a team in Lviv now training some troops from their Alpha group and some other special units.

After this week, they will be well trained and be able to train others as well.

I look forward to hearing back. I am attaching, again, the cut sheet for the drone as there have been a few tweeks as requested by the British SAS, and the letter from LTG Shaptala.

v/r

AG

From: Anthony Gonzalez <agonzalez@cyberlux.com>
Sent: Monday, August 22, 2022 2:49 AM
To: [redacted] CIV DSCA IOPS WPNS WPI (USA) [redacted] L USARMY DSCA DSA (USA) [redacted] LTC USARMY DSCA IOPS WPNS (USA) [redacted]
Subject: Re: Attack Drone

Good morning,

[redacted]

Page 1 of 2

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
A contemporaneous email discussing demonstrations, jamming distance and what the Ukrainian side had been shown.	It does not establish that the production K8 met the same conditions or performance.

SRC-063 / SRC-071

Ukraine asked for Cyberlux by name

The technical story moved into an official request and a sole-source path.

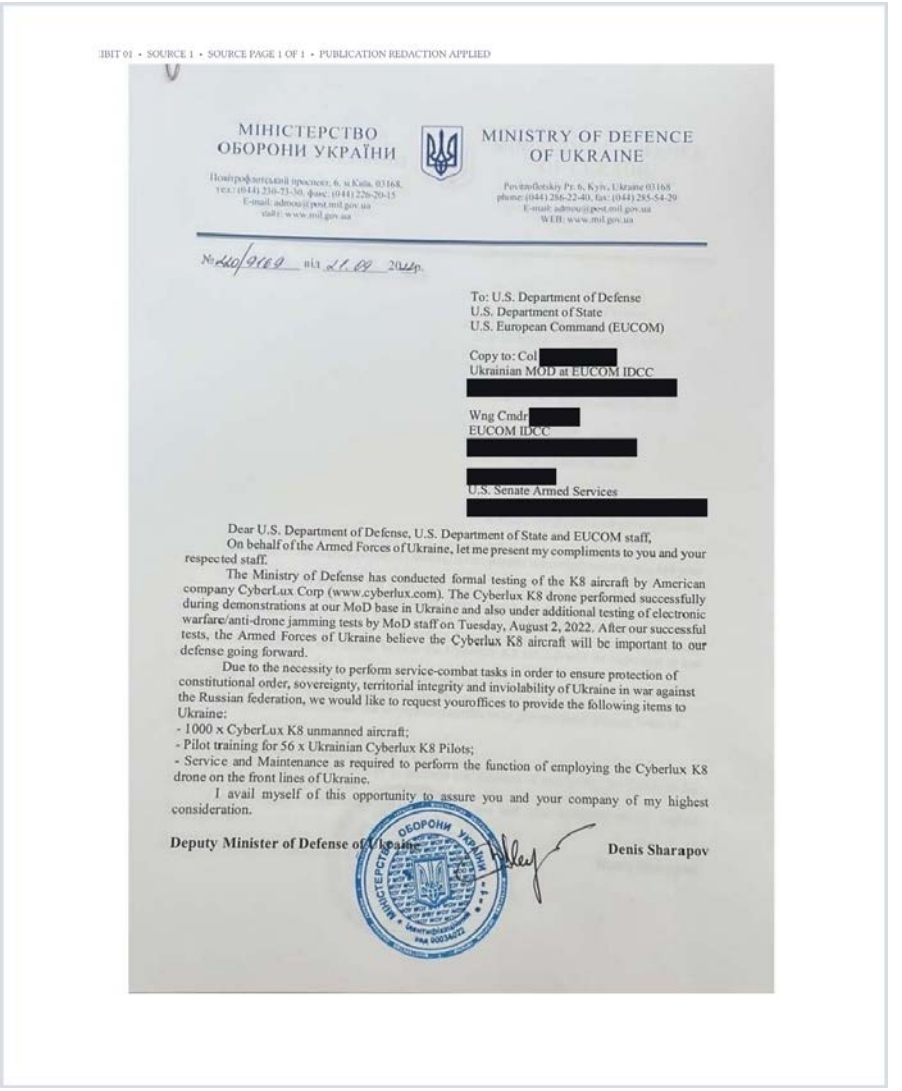


EXHIBIT 01 • SOURCE 1 • SOURCE PAGE 1 OF 1 • PUBLICATION REDACTION APPLIED

МІНІСТЕРСТВО ОБОРОНИ УКРАЇНИ

MINISTRY OF DEFENCE OF UKRAINE

Повітрофлотський проспект, 6, м.Київ, 03168, тел.: (044) 230-73-30, факс: (044) 226-20-15
E-mail: admou@post.mil.gov.ua
сайт: www.mil.gov.ua

Povitroflotskiy Pr. 6, Kyiv, Ukraine 03168
phone: (044) 286-22-40, fax: (044) 285-54-29
E-mail: admou@post.mil.gov.ua
WEB: www.mil.gov.ua

№ 220/9689 від 11.09 2022р.

To: U.S. Department of Defense
U.S. Department of State
U.S. European Command (EUCOM)

Copy to: Col [redacted]
Ukrainian MOD at EUCOM IDCC
[redacted]

Wng Cmdr [redacted]
EUCOM IDCC
[redacted]

[redacted]
U.S. Senate Armed Services
[redacted]

Dear U.S. Department of Defense, U.S. Department of State and EUCOM staff,

On behalf of the Armed Forces of Ukraine, let me present my compliments to you and your respected staff.

The Ministry of Defense has conducted formal testing of the K8 aircraft by American company CyberLux Corp (www.cyberlux.com). The Cyberlux K8 drone performed successfully during demonstrations at our MoD base in Ukraine and also under additional testing of electronic warfare/anti-drone jamming tests by MoD staff on Tuesday, August 2, 2022. After our successful tests, the Armed Forces of Ukraine believe the Cyberlux K8 aircraft will be important to our defense going forward.

Due to the necessity to perform service-combat tasks in order to ensure protection of constitutional order, sovereignty, territorial integrity and inviolability of Ukraine in war against the Russian federation, we would like to request youroffices to provide the following items to Ukraine:

- 1000 x CyberLux K8 unmanned aircraft;
- Pilot training for 56 x Ukrainian Cyberlux K8 Pilots;
- Service and Maintenance as required to perform the function of employing the Cyberlux K8 drone on the front lines of Ukraine.

I avail myself of this opportunity to assure you and your company of my highest consideration.

Deputy Minister of Defense of Ukraine **Denis Sharapov**

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
Ukraine's Ministry of Defence requested the K8 by name; the end-user paperwork gave the request institutional form.	The request does not prove that the aircraft was mature, safe or able to perform in electronic warfare.

SRC-059 / SRC-048

03 / 29 August 2023

HII made the request into a contract

A foreign-user request became a firm-fixed-price subcontract backed by a major prime.

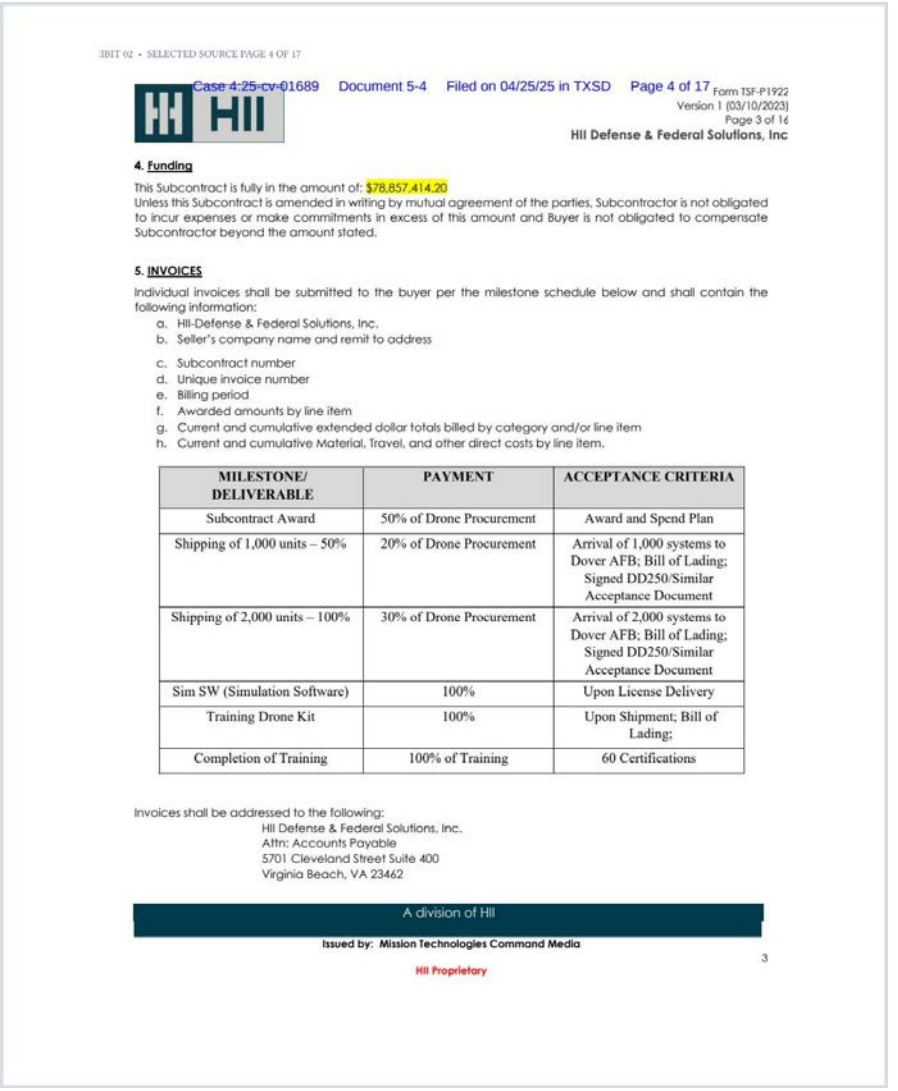


EXHIBIT 02 • SELECTED SOURCE PAGE 4 OF 17

Case 4:25-cv-01689 Document 5-4 Filed on 04/25/25 in TXSD Page 4 of 17

Form TSF-P1922
Version 1 (03/10/2023)
Page 3 of 16

HII Defense & Federal Solutions, Inc

4. Funding

This Subcontract is fully in the amount of: $78,857,414.20
Unless this Subcontract is amended in writing by mutual agreement of the parties, Subcontractor is not obligated to incur expenses or make commitments in excess of this amount and Buyer is not obligated to compensate Subcontractor beyond the amount stated.

5. INVOICES

Individual invoices shall be submitted to the buyer per the milestone schedule below and shall contain the following information:

a. HII-Defense & Federal Solutions, Inc.
b. Seller's company name and remit to address
c. Subcontract number
d. Unique invoice number
e. Billing period
f. Awarded amounts by line item
g. Current and cumulative extended dollar totals billed by category and/or line item
h. Current and cumulative Material, Travel, and other direct costs by line item.

MILESTONE/ DELIVERABLE	PAYMENT	ACCEPTANCE CRITERIA
Subcontract Award	50% of Drone Procurement	Award and Spend Plan
Shipping of 1,000 units – 50%	20% of Drone Procurement	Arrival of 1,000 systems to Dover AFB; Bill of Lading; Signed DD250/Similar Acceptance Document
Shipping of 2,000 units – 100%	30% of Drone Procurement	Arrival of 2,000 systems to Dover AFB; Bill of Lading; Signed DD250/Similar Acceptance Document
Sim SW (Simulation Software)	100%	Upon License Delivery
Training Drone Kit	100%	Upon Shipment; Bill of Lading;
Completion of Training	100% of Training	60 Certifications

Invoices shall be addressed to the following:
HII Defense & Federal Solutions, Inc.
Attn: Accounts Payable
5701 Cleveland Street Suite 400
Virginia Beach, VA 23462

A division of HII

Issued by: Mission Technologies Command Media

3

HII Proprietary

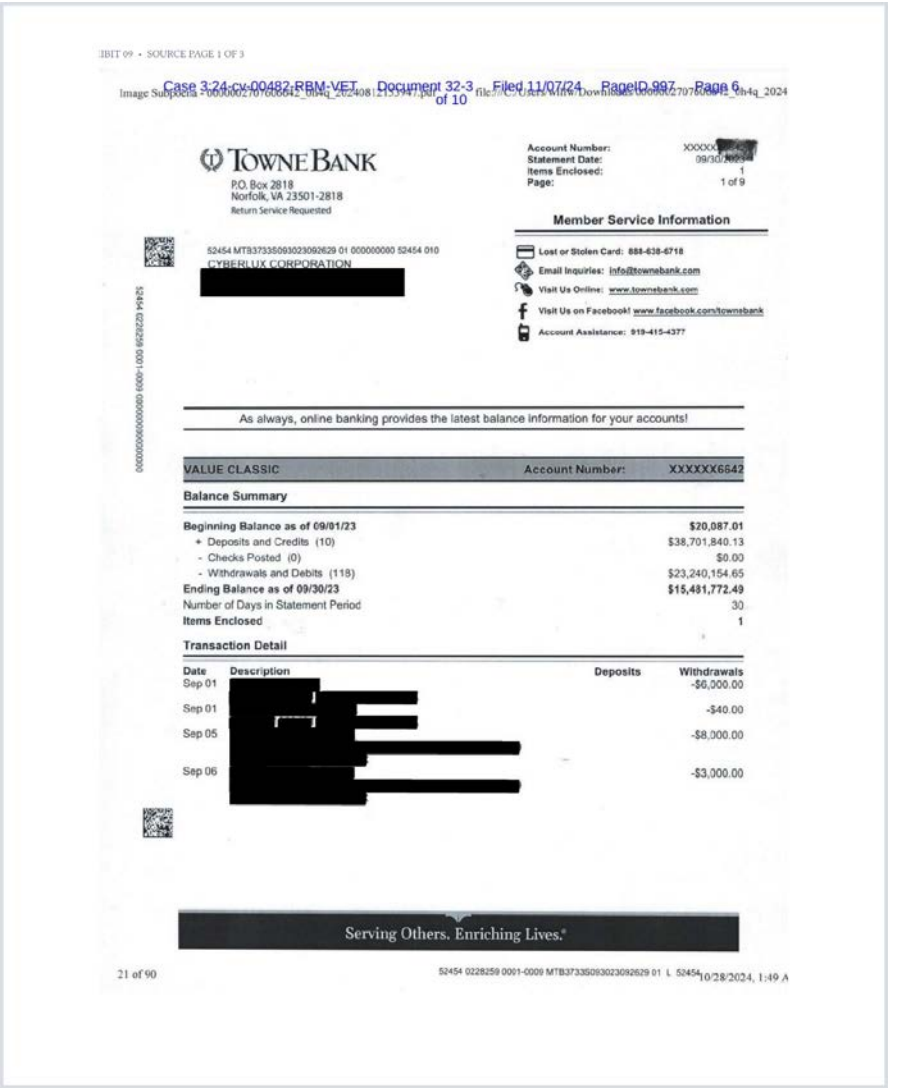
WHAT IT SHOWS	WHAT IT DOES NOT SHOW
The executed subcontract, its fixed-price structure and the unusual advance-payment design.	The signature page does not show what diligence HII performed or what technical evidence it relied upon.

SRC-191

04 / September 2023

The cash arrived immediately

The paper award became spendable money before production performance was established.



IBIT 09 • SOURCE PAGE 1 OF 3

Case 3:24-cv-00482-RBM-VET Document 32-3 Filed 11/07/24 PageID.997 Page 6 of 10

TOWNEBANK
P.O. Box 2818
Norfolk, VA 23501-2818
Return Service Requested

Account Number: XXXXX[redacted]
Statement Date: 09/30/[redacted]
Items Enclosed: 1
Page: 1 of 9

52454 MTB3733509302309262 9 01 000000000 52454 010
CYBERLUX CORPORATION
[redacted]

Member Service Information
Lost or Stolen Card: 888-638-6718
Email Inquiries: info@townebank.com
Visit Us Online: www.townebank.com
Visit Us on Facebook! www.facebook.com/townebank
Account Assistance: 919-415-4377

As always, online banking provides the latest balance information for your accounts!

VALUE CLASSIC Account Number: XXXXXX6642

Balance Summary

Beginning Balance as of 09/01/23	**$20,087.01**
+ Deposits and Credits (10)	$38,701,840.13
- Checks Posted (0)	$0.00
- Withdrawals and Debits (118)	$23,240,154.65
Ending Balance as of 09/30/23	**$15,481,772.49**
Number of Days in Statement Period	30
Items Enclosed	**1**

Transaction Detail

Date	Description	Deposits	Withdrawals
Sep 01	[redacted]		-$6,000.00
Sep 01			-$40.00
Sep 05			-$8,000.00
Sep 06			-$3,000.00

Serving Others. Enriching Lives.®

21 of 90

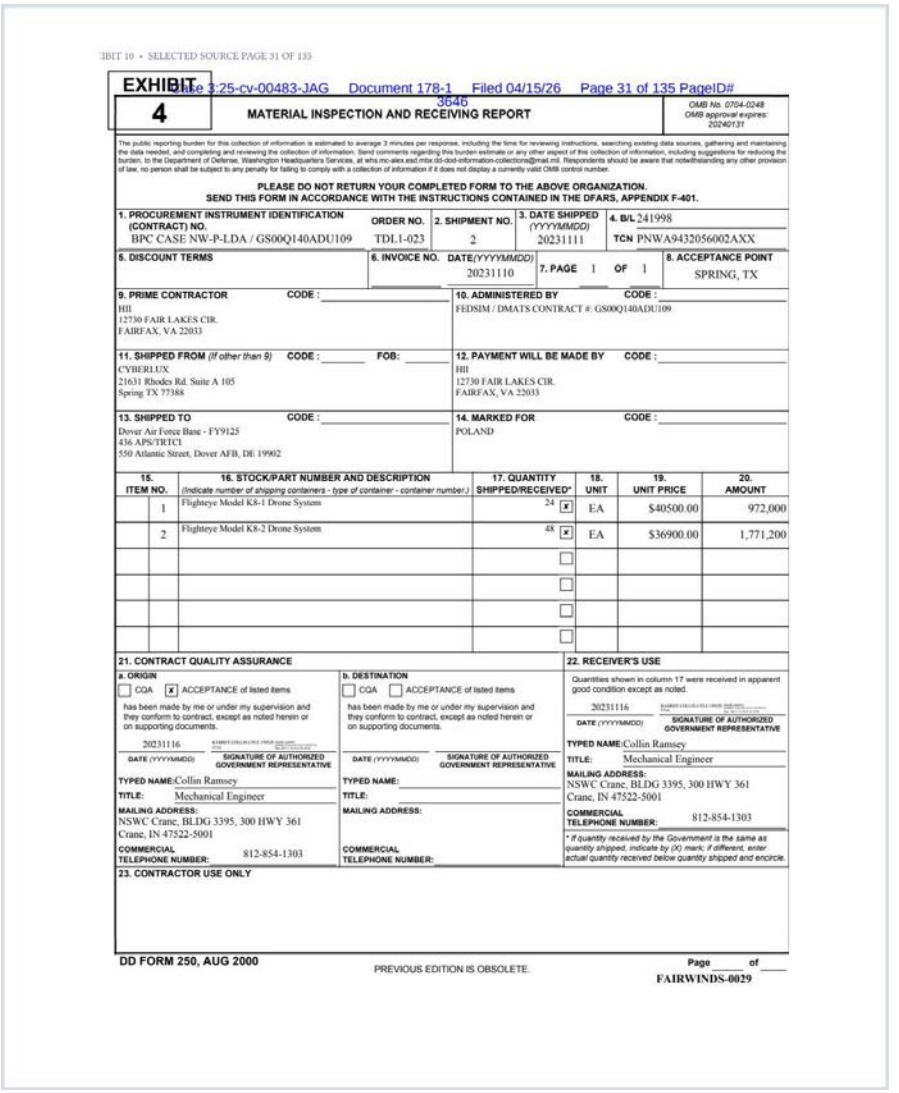
52454 0228259 0001-0009 MTB3733509302309262 9 01 L 52454 10/28/2024, 1:49 A

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
The TowneBank record shows the large incoming credit and the account balance created by it.	A bank statement records movement. It does not, by itself, decide whether every later use was permitted.

SRC-020

Acceptance started before the technical story had settled

DD-250 acceptance ran alongside training, user reaction and attempted radio fixes.



IBIT 10 • SELECTED SOURCE PAGE 31 OF 135

EXHIBIT 4

Case 3:25-cv-00483-JAG Document 178-1 Filed 04/15/26 Page 31 of 135 PageID# 3646

MATERIAL INSPECTION AND RECEIVING REPORT

OMB No. 0704-0248
OMB approval expires: 20240131

The public reporting burden for this collection of information is estimated to average 3 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to the Department of Defense, Washington Headquarters Services, at whs.mc-alex.esd.mbx.dd-dod-information-collections@mail.mil. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE ABOVE ORGANIZATION.
SEND THIS FORM IN ACCORDANCE WITH THE INSTRUCTIONS CONTAINED IN THE DFARS, APPENDIX F-401.

1. PROCUREMENT INSTRUMENT IDENTIFICATION (CONTRACT) NO.	ORDER NO.	2. SHIPMENT NO.	3. DATE SHIPPED (YYYYMMDD)	4. B/L
BPC CASE NW-P-LDA / GS00Q140ADU109	TDL1-023	2	20231111	241998 TCN PNWA9432056002AXX

5. DISCOUNT TERMS	6. INVOICE NO.	DATE (YYYYMMDD)	7. PAGE	OF	8. ACCEPTANCE POINT
		20231110	1	1	SPRING, TX

9. PRIME CONTRACTOR	10. ADMINISTERED BY
CODE :	CODE :
HII 12730 FAIR LAKES CIR. FAIRFAX, VA 22033	FEDSIM / DMATS CONTRACT #: GS00Q140ADU109
11. SHIPPED FROM (If other than 9) CODE : FOB:	**12. PAYMENT WILL BE MADE BY** CODE :
CYBERLUX 21631 Rhodes Rd. Suite A 105 Spring TX 77388	HII 12730 FAIR LAKES CIR. FAIRFAX, VA 22033
13. SHIPPED TO CODE :	**14. MARKED FOR** CODE :
Dover Air Force Base - FY9125 436 APS/TRTCI 550 Atlantic Street, Dover AFB, DE 19902	POLAND

15. ITEM NO.	16. STOCK/PART NUMBER AND DESCRIPTION (Indicate number of shipping containers - type of container - container number.)	17. QUANTITY SHIPPED/RECEIVED*	18. UNIT	19. UNIT PRICE	20. AMOUNT
1	Flighteye Model K8-1 Drone System	24 ☒	EA	$40500.00	972,000
2	Flighteye Model K8-2 Drone System	48 ☒	EA	$36900.00	1,771,200
		☐			
		☐			
		☐			
		☐			

21. CONTRACT QUALITY ASSURANCE

a. ORIGIN
☐ CQA ☒ ACCEPTANCE of listed items
has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.
20231116
DATE (YYYYMMDD) — SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE
TYPED NAME: Collin Ramsey
TITLE: Mechanical Engineer
MAILING ADDRESS: NSWC Crane, BLDG 3395, 300 HWY 361 Crane, IN 47522-5001
COMMERCIAL TELEPHONE NUMBER: 812-854-1303

b. DESTINATION
☐ CQA ☐ ACCEPTANCE of listed items
has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.
DATE (YYYYMMDD) — SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE
TYPED NAME:
TITLE:
MAILING ADDRESS:
COMMERCIAL TELEPHONE NUMBER:

22. RECEIVER'S USE
Quantities shown in column 17 were received in apparent good condition except as noted.
20231116
DATE (YYYYMMDD) — SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE
TYPED NAME: Collin Ramsey
TITLE: Mechanical Engineer
MAILING ADDRESS: NSWC Crane, BLDG 3395, 300 HWY 361 Crane, IN 47522-5001
COMMERCIAL TELEPHONE NUMBER: 812-854-1303
* If quantity received by the Government is the same as quantity shipped, indicate by (X) mark; if different, enter actual quantity received below quantity shipped and encircle.

23. CONTRACTOR USE ONLY

DD FORM 250, AUG 2000 — PREVIOUS EDITION IS OBSOLETE. — Page ____ of ____

FAIRWINDS-0029

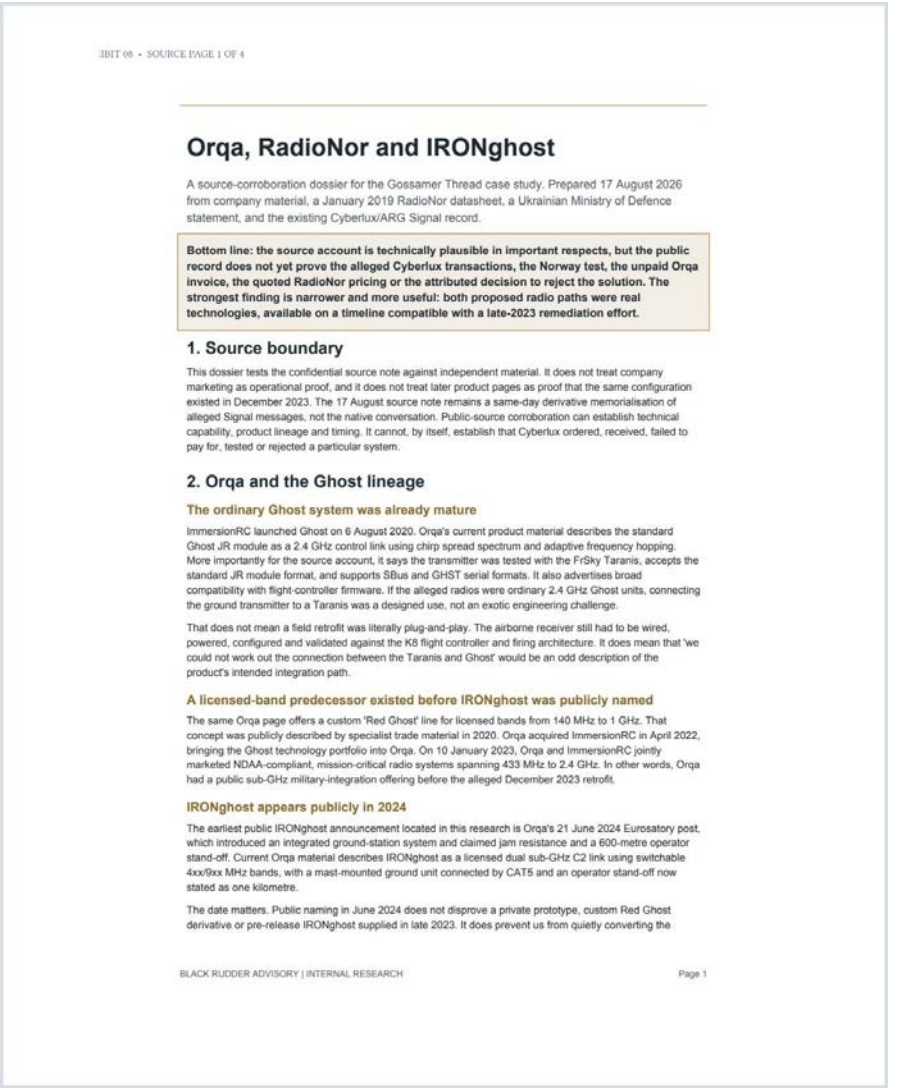
WHAT IT SHOWS	WHAT IT DOES NOT SHOW
The Government form records contractual acceptance of identified lots.	It does not prove that the aircraft worked for the Ukrainian mission or against Russian jamming.

SRC-011

06 / December 2023

The radio problem opened two repair paths

Polish training, ORQA's IRONghost and RadioNor's KX sit after award and during acceptance.



IBIT 08 • SOURCE PAGE 1 OF 4

Orqa, RadioNor and IRONghost

A source-corroboration dossier for the Gossamer Thread case study. Prepared 17 August 2026 from company material, a January 2019 RadioNor datasheet, a Ukrainian Ministry of Defence statement, and the existing Cyberlux/ARG Signal record.

Bottom line: the source account is technically plausible in important respects, but the public record does not yet prove the alleged Cyberlux transactions, the Norway test, the unpaid Orqa invoice, the quoted RadioNor pricing or the attributed decision to reject the solution. The strongest finding is narrower and more useful: both proposed radio paths were real technologies, available on a timeline compatible with a late-2023 remediation effort.

1. Source boundary

This dossier tests the confidential source note against independent material. It does not treat company marketing as operational proof, and it does not treat later product pages as proof that the same configuration existed in December 2023. The 17 August source note remains a same-day derivative memorialisation of alleged Signal messages, not the native conversation. Public-source corroboration can establish technical capability, product lineage and timing. It cannot, by itself, establish that Cyberlux ordered, received, failed to pay for, tested or rejected a particular system.

2. Orqa and the Ghost lineage

The ordinary Ghost system was already mature

ImmersionRC launched Ghost on 6 August 2020. Orqa's current product material describes the standard Ghost JR module as a 2.4 GHz control link using chirp spread spectrum and adaptive frequency hopping. More importantly for the source account, it says the transmitter was tested with the FrSky Taranis, accepts the standard JR module format, and supports SBus and GHST serial formats. It also advertises broad compatibility with flight-controller firmware. If the alleged radios were ordinary 2.4 GHz Ghost units, connecting the ground transmitter to a Taranis was a designed use, not an exotic engineering challenge.

That does not mean a field retrofit was literally plug-and-play. The airborne receiver still had to be wired, powered, configured and validated against the K8 flight controller and firing architecture. It does mean that 'we could not work out the connection between the Taranis and Ghost' would be an odd description of the product's intended integration path.

A licensed-band predecessor existed before IRONghost was publicly named

The same Orqa page offers a custom 'Red Ghost' line for licensed bands from 140 MHz to 1 GHz. That concept was publicly described by specialist trade material in 2020. Orqa acquired ImmersionRC in April 2022, bringing the Ghost technology portfolio into Orqa. On 10 January 2023, Orqa and ImmersionRC jointly marketed NDAA-compliant, mission-critical radio systems spanning 433 MHz to 2.4 GHz. In other words, Orqa had a public sub-GHz military-integration offering before the alleged December 2023 retrofit.

IRONghost appears publicly in 2024

The earliest public IRONghost announcement located in this research is Orqa's 21 June 2024 Eurosatory post, which introduced an integrated ground-station system and claimed jam resistance and a 600-metre operator stand-off. Current Orqa material describes IRONghost as a licensed dual sub-GHz C2 link using switchable 4xx/9xx MHz bands, with a mast-mounted ground unit connected by CAT5 and an operator stand-off now stated as one kilometre.

The date matters. Public naming in June 2024 does not disprove a private prototype, custom Red Ghost derivative or pre-release IRONghost supplied in late 2023. It does prevent us from quietly converting the

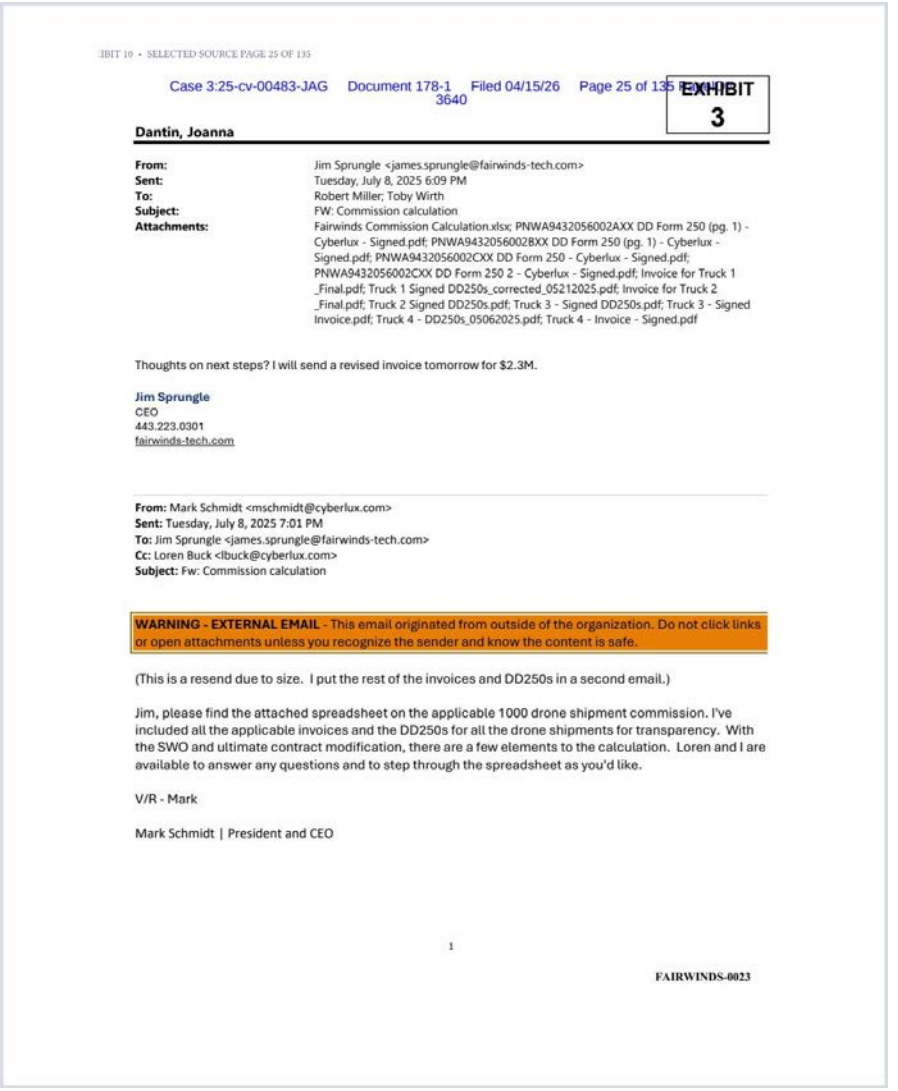
BLACK RUDDER ADVISORY | INTERNAL RESEARCH Page 1

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
The research package identifies companies, dates, technical propositions and records that can test the August 2026 source account.	It does not authenticate the missing native messages, test logs, proposals or decision correspondence.

SRC-182 + corroboration package

Commissions sat beside production economics

Acceptance created claimed commission value while the users were still discovering what they had received.



IBIT 10 • SELECTED SOURCE PAGE 25 OF 135

Case 3:25-cv-00483-JAG Document 178-1 Filed 04/15/26 Page 25 of 135 PageID# 3640

EXHIBIT 3

Dantin, Joanna

From: Jim Sprungle <james.sprungle@fairwinds-tech.com>
Sent: Tuesday, July 8, 2025 6:09 PM
To: Robert Miller; Toby Wirth
Subject: FW: Commission calculation
Attachments: Fairwinds Commission Calculation.xlsx; PNWA9432056002AXX DD Form 250 (pg. 1) - Cyberlux - Signed.pdf; PNWA9432056002BXX DD Form 250 (pg. 1) - Cyberlux - Signed.pdf; PNWA9432056002CXX DD Form 250 - Cyberlux - Signed.pdf; PNWA9432056002CXX DD Form 250 2 - Cyberlux - Signed.pdf; Invoice for Truck 1 _Final.pdf; Truck 1 Signed DD250s_corrected_05212025.pdf; Invoice for Truck 2 _Final.pdf; Truck 2 Signed DD250s.pdf; Truck 3 - Signed DD250s.pdf; Truck 3 - Signed Invoice.pdf; Truck 4 - DD250s_05062025.pdf; Truck 4 - Invoice - Signed.pdf

Thoughts on next steps? I will send a revised invoice tomorrow for $2.3M.

Jim Sprungle
CEO
443.223.0301
fairwinds-tech.com

From: Mark Schmidt <mschmidt@cyberlux.com>
Sent: Tuesday, July 8, 2025 7:01 PM
To: Jim Sprungle <james.sprungle@fairwinds-tech.com>
Cc: Loren Buck <lbuck@cyberlux.com>
Subject: Fw: Commission calculation

WARNING - EXTERNAL EMAIL - This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

(This is a resend due to size. I put the rest of the invoices and DD250s in a second email.)

Jim, please find the attached spreadsheet on the applicable 1000 drone shipment commission. I've included all the applicable invoices and the DD250s for all the drone shipments for transparency. With the SWO and ultimate contract modification, there are a few elements to the calculation. Loren and I are available to answer any questions and to step through the spreadsheet as you'd like.

V/R - Mark

Mark Schmidt | President and CEO

1

FAIRWINDS-0023

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
Fairwinds' filed materials identify its asserted percentage arrangement and commission calculation.	The filing does not decide entitlement or prove that Fairwinds knew the source or status of every dollar.

SRC-073 / SRC-074 / SRC-076

The program stopped

Technical concern crossed into contract administration and ordinary performance halted.

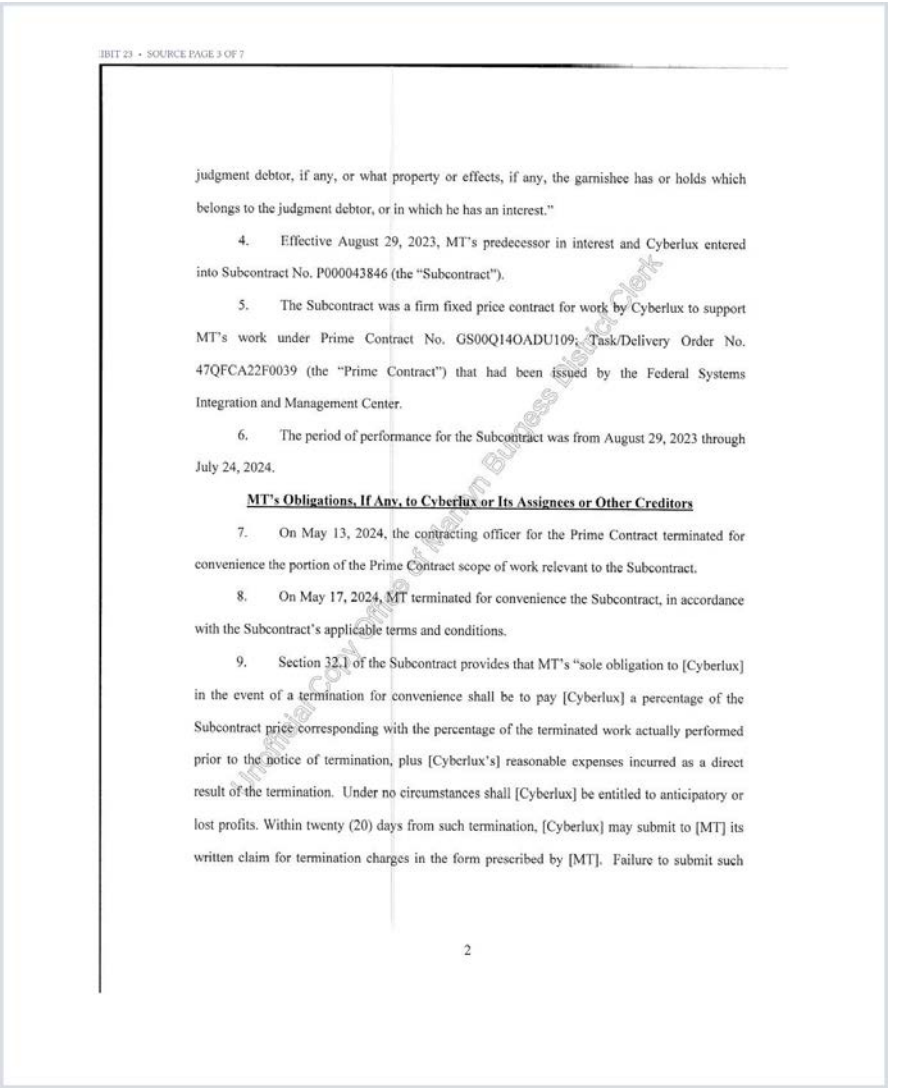


EXHIBIT 23 • SOURCE PAGE 3 OF 7

judgment debtor, if any, or what property or effects, if any, the garnishee has or holds which belongs to the judgment debtor, or in which he has an interest."

4. Effective August 29, 2023, MT's predecessor in interest and Cyberlux entered into Subcontract No. P000043846 (the "Subcontract").

5. The Subcontract was a firm fixed price contract for work by Cyberlux to support MT's work under Prime Contract No. GS00Q14OADU109, Task/Delivery Order No. 47QFCA22F0039 (the "Prime Contract") that had been issued by the Federal Systems Integration and Management Center.

6. The period of performance for the Subcontract was from August 29, 2023 through July 24, 2024.

MT's Obligations, If Any, to Cyberlux or Its Assignees or Other Creditors

7. On May 13, 2024, the contracting officer for the Prime Contract terminated for convenience the portion of the Prime Contract scope of work relevant to the Subcontract.

8. On May 17, 2024, MT terminated for convenience the Subcontract, in accordance with the Subcontract's applicable terms and conditions.

9. Section 32.1 of the Subcontract provides that MT's "sole obligation to [Cyberlux] in the event of a termination for convenience shall be to pay [Cyberlux] a percentage of the Subcontract price corresponding with the percentage of the terminated work actually performed prior to the notice of termination, plus [Cyberlux's] reasonable expenses incurred as a direct result of the termination. Under no circumstances shall [Cyberlux] be entitled to anticipatory or lost profits. Within twenty (20) days from such termination, [Cyberlux] may submit to [MT] its written claim for termination charges in the form prescribed by [MT]. Failure to submit such

2

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
HII's filed chronology places stop work, upstream termination and the unresolved Cyberlux obligation on the record.	It is not the missing contemporaneous decision file explaining why default was not used.

SRC-110 / SRC-190

09 / 27 March 2024

A stopped contract was financed as future value

Legalist lending arrived after stop work and before the final settlement amount was known.

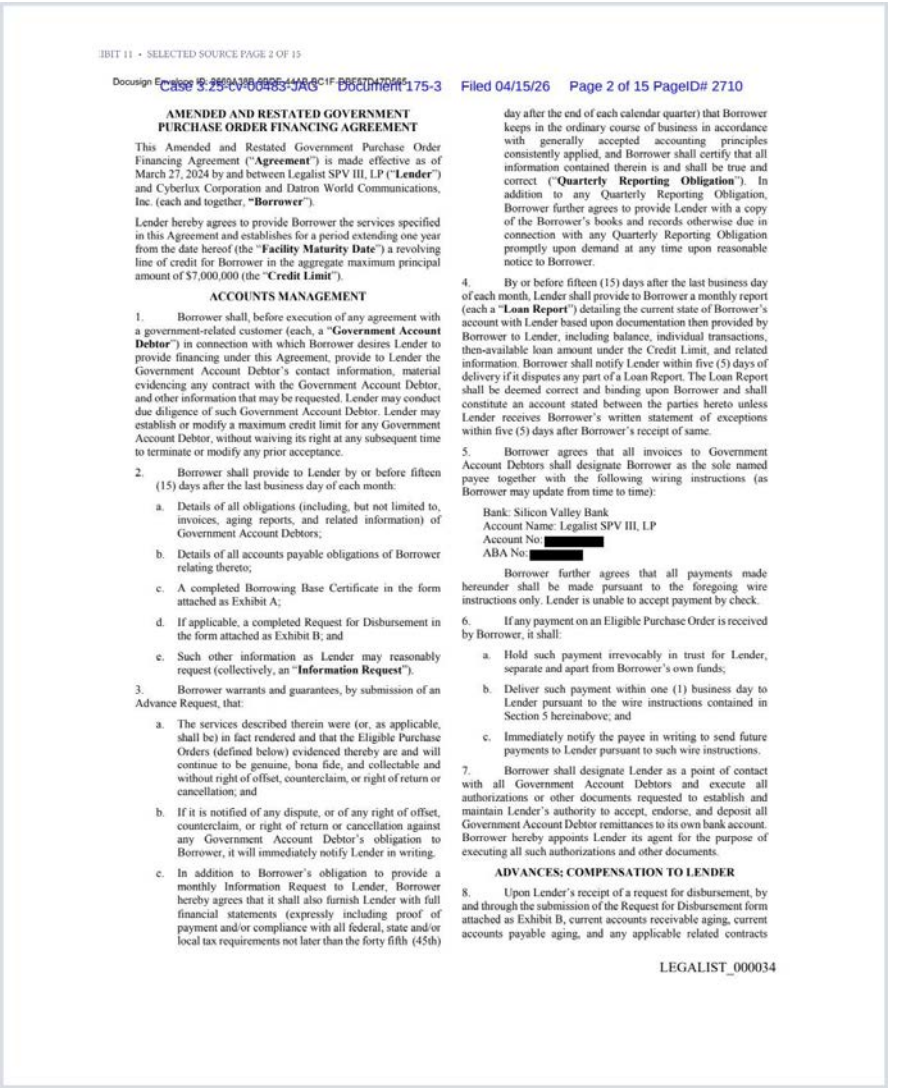


EXHIBIT 11 • SELECTED SOURCE PAGE 2 OF 15

Docusign Envelope ID: 2669A3AB-8BDE-44AB-BC1F-BBE5D47DF6E5 Case 3:25-cv-00483-JAG Document 175-3 Filed 04/15/26 Page 2 of 15 PageID# 2710

AMENDED AND RESTATED GOVERNMENT PURCHASE ORDER FINANCING AGREEMENT

This Amended and Restated Government Purchase Order Financing Agreement ("**Agreement**") is made effective as of March 27, 2024 by and between Legalist SPV III, LP ("**Lender**") and Cyberlux Corporation and Datron World Communications, Inc. (each and together, "**Borrower**").

Lender hereby agrees to provide Borrower the services specified in this Agreement and establishes for a period extending one year from the date hereof (the "**Facility Maturity Date**") a revolving line of credit for Borrower in the aggregate maximum principal amount of $7,000,000 (the "**Credit Limit**").

ACCOUNTS MANAGEMENT

1. Borrower shall, before execution of any agreement with a government-related customer (each, a "**Government Account Debtor**") in connection with which Borrower desires Lender to provide financing under this Agreement, provide to Lender the Government Account Debtor's contact information, material evidencing any contract with the Government Account Debtor, and other information that may be requested. Lender may conduct due diligence of such Government Account Debtor. Lender may establish or modify a maximum credit limit for any Government Account Debtor, without waiving its right at any subsequent time to terminate or modify any prior acceptance.

2. Borrower shall provide to Lender by or before fifteen (15) days after the last business day of each month:

   a. Details of all obligations (including, but not limited to, invoices, aging reports, and related information) of Government Account Debtors;

   b. Details of all accounts payable obligations of Borrower relating thereto;

   c. A completed Borrowing Base Certificate in the form attached as Exhibit A;

   d. If applicable, a completed Request for Disbursement in the form attached as Exhibit B; and

   e. Such other information as Lender may reasonably request (collectively, an "**Information Request**").

3. Borrower warrants and guarantees, by submission of an Advance Request, that:

   a. The services described therein were (or, as applicable, shall be) in fact rendered and that the Eligible Purchase Orders (defined below) evidenced thereby are and will continue to be genuine, bona fide, and collectable and without right of offset, counterclaim, or right of return or cancellation; and

   b. If it is notified of any dispute, or of any right of offset, counterclaim, or right of return or cancellation against any Government Account Debtor's obligation to Borrower, it will immediately notify Lender in writing.

   c. In addition to Borrower's obligation to provide a monthly Information Request to Lender, Borrower hereby agrees that it shall also furnish Lender with full financial statements (expressly including proof of payment and/or compliance with all federal, state and/or local tax requirements not later than the forty fifth (45th) day after the end of each calendar quarter) that Borrower keeps in the ordinary course of business in accordance with generally accepted accounting principles consistently applied, and Borrower shall certify that all information contained therein is and shall be true and correct ("**Quarterly Reporting Obligation**"). In addition to any Quarterly Reporting Obligation, Borrower further agrees to provide Lender with a copy of the Borrower's books and records otherwise due in connection with any Quarterly Reporting Obligation promptly upon demand at any time upon reasonable notice to Borrower.

4. By or before fifteen (15) days after the last business day of each month, Lender shall provide to Borrower a monthly report (each a "**Loan Report**") detailing the current state of Borrower's account with Lender based upon documentation then provided by Borrower to Lender, including balance, individual transactions, then-available loan amount under the Credit Limit, and related information. Borrower shall notify Lender within five (5) days of delivery if it disputes any part of a Loan Report. The Loan Report shall be deemed correct and binding upon Borrower and shall constitute an account stated between the parties hereto unless Lender receives Borrower's written statement of exceptions within five (5) days after Borrower's receipt of same.

5. Borrower agrees that all invoices to Government Account Debtors shall designate Borrower as the sole named payee together with the following wiring instructions (as Borrower may update from time to time):

   Bank: Silicon Valley Bank
   Account Name: Legalist SPV III, LP
   Account No: [redacted]
   ABA No: [redacted]

   Borrower further agrees that all payments made hereunder shall be made pursuant to the foregoing wire instructions only. Lender is unable to accept payment by check.

6. If any payment on an Eligible Purchase Order is received by Borrower, it shall:

   a. Hold such payment irrevocably in trust for Lender, separate and apart from Borrower's own funds;

   b. Deliver such payment within one (1) business day to Lender pursuant to the wire instructions contained in Section 5 hereinabove; and

   c. Immediately notify the payee in writing to send future payments to Lender pursuant to such wire instructions.

7. Borrower shall designate Lender as a point of contact with all Government Account Debtors and execute all authorizations or other documents requested to establish and maintain Lender's authority to accept, endorse, and deposit all Government Account Debtor remittances to its own bank account. Borrower hereby appoints Lender its agent for the purpose of executing all such authorizations and other documents.

ADVANCES; COMPENSATION TO LENDER

8. Upon Lender's receipt of a request for disbursement, by and through the submission of the Request for Disbursement form attached as Exhibit B, current accounts receivable aging, current accounts payable aging, and any applicable related contracts

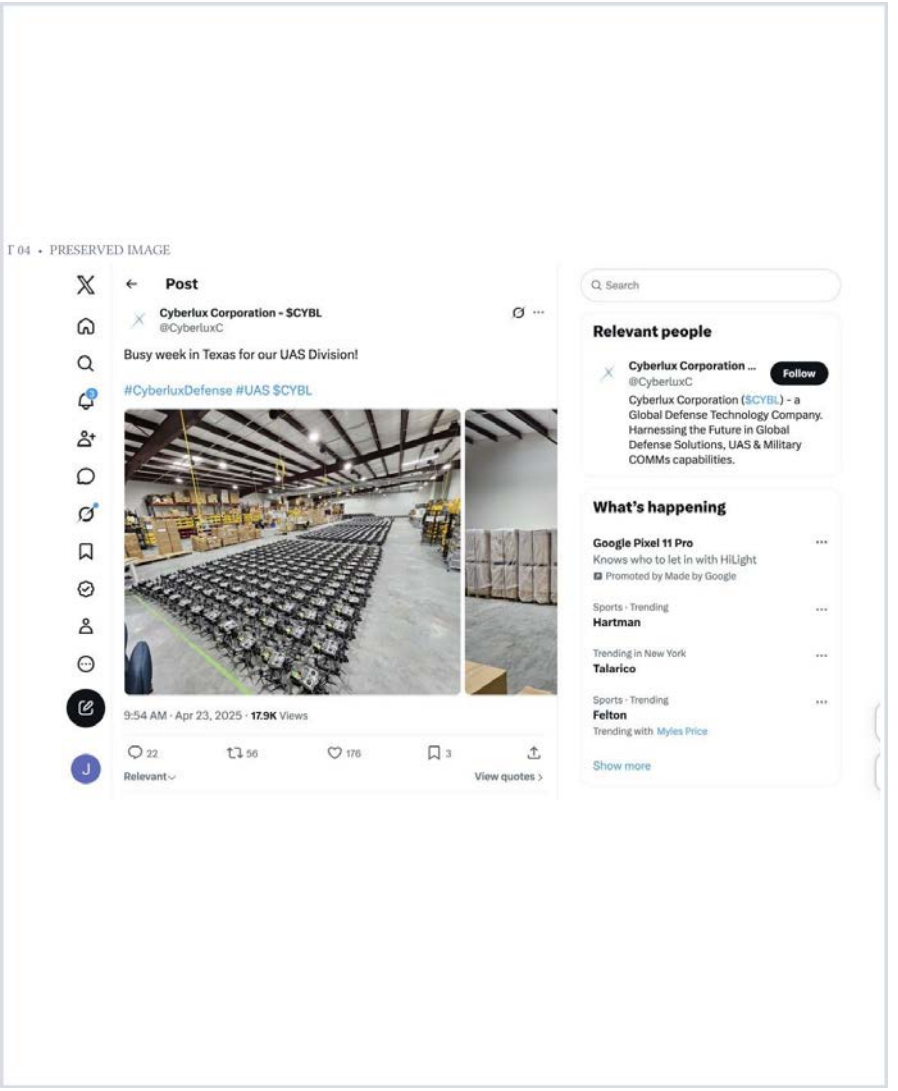
LEGALIST_000034

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
The executed financing agreement describes the claimed receivable, security and payment path.	It does not prove what Legalist was told outside the agreement or whether HII accepted the lender's view of the receivable.

SRC-094 / SRC-092

The public story kept moving

Cyberlux continued to present visible production while the contract's ending and technical problems remained largely out of view.



WHAT IT SHOWS	WHAT IT DOES NOT SHOW
The company displayed a large population of aircraft and transmitters on its production floor.	The image does not show internal components, software, acceptance status or field suitability.

SRC-185 / SRC-186

An older dispute had already described the behavior

Atlantic Wave's public filings put payment, disclosure and claimed misuse allegations in the diligence path before the K8 story ended.

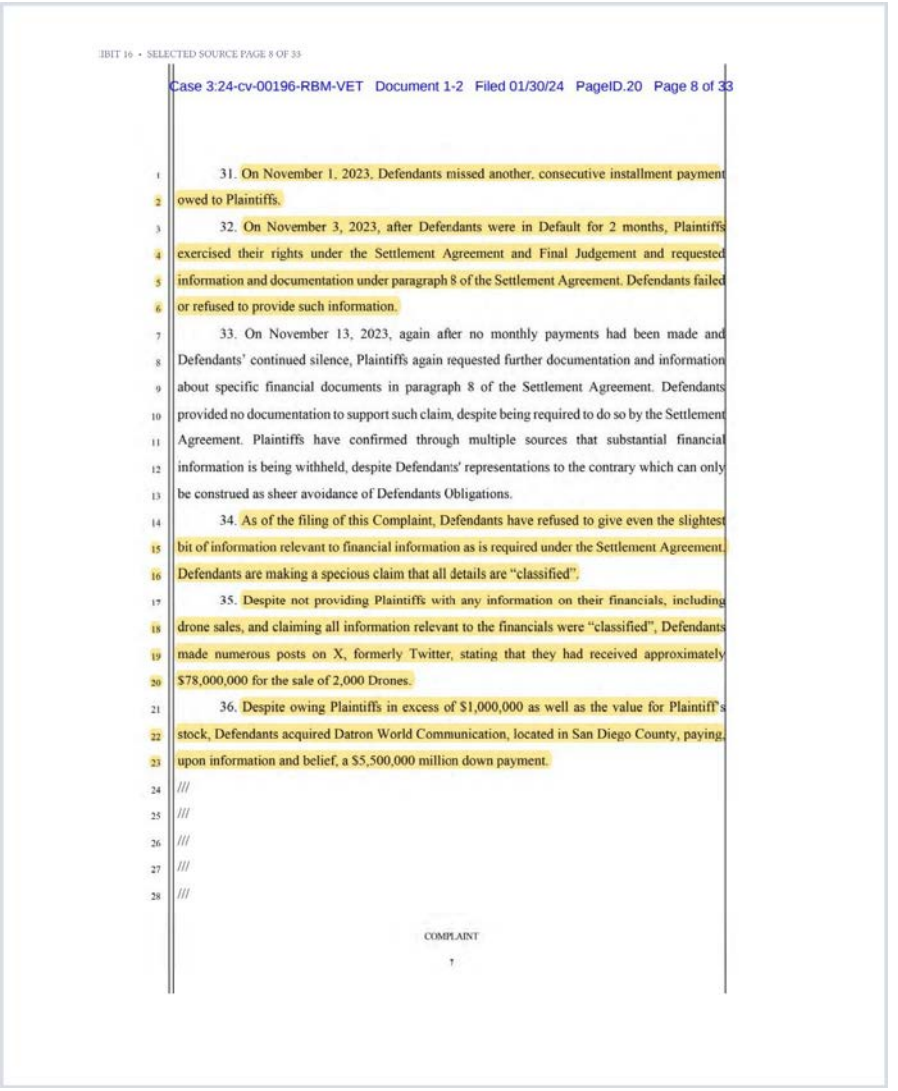


EXHIBIT 16 • SELECTED SOURCE PAGE 8 OF 33

Case 3:24-cv-00196-RBM-VET Document 1-2 Filed 01/30/24 PageID.20 Page 8 of 33

31. On November 1, 2023, Defendants missed another, consecutive installment payment owed to Plaintiffs.

32. On November 3, 2023, after Defendants were in Default for 2 months, Plaintiffs exercised their rights under the Settlement Agreement and Final Judgement and requested information and documentation under paragraph 8 of the Settlement Agreement. Defendants failed or refused to provide such information.

33. On November 13, 2023, again after no monthly payments had been made and Defendants' continued silence, Plaintiffs again requested further documentation and information about specific financial documents in paragraph 8 of the Settlement Agreement. Defendants provided no documentation to support such claim, despite being required to do so by the Settlement Agreement. Plaintiffs have confirmed through multiple sources that substantial financial information is being withheld, despite Defendants' representations to the contrary which can only be construed as sheer avoidance of Defendants Obligations.

34. As of the filing of this Complaint, Defendants have refused to give even the slightest bit of information relevant to financial information as is required under the Settlement Agreement. Defendants are making a specious claim that all details are "classified".

35. Despite not providing Plaintiffs with any information on their financials, including drone sales, and claiming all information relevant to the financials were "classified", Defendants made numerous posts on X, formerly Twitter, stating that they had received approximately $78,000,000 for the sale of 2,000 Drones.

36. Despite owing Plaintiffs in excess of $1,000,000 as well as the value for Plaintiff's stock, Defendants acquired Datron World Communication, located in San Diego County, paying, upon information and belief, a $5,500,000 million down payment.

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COMPLAINT

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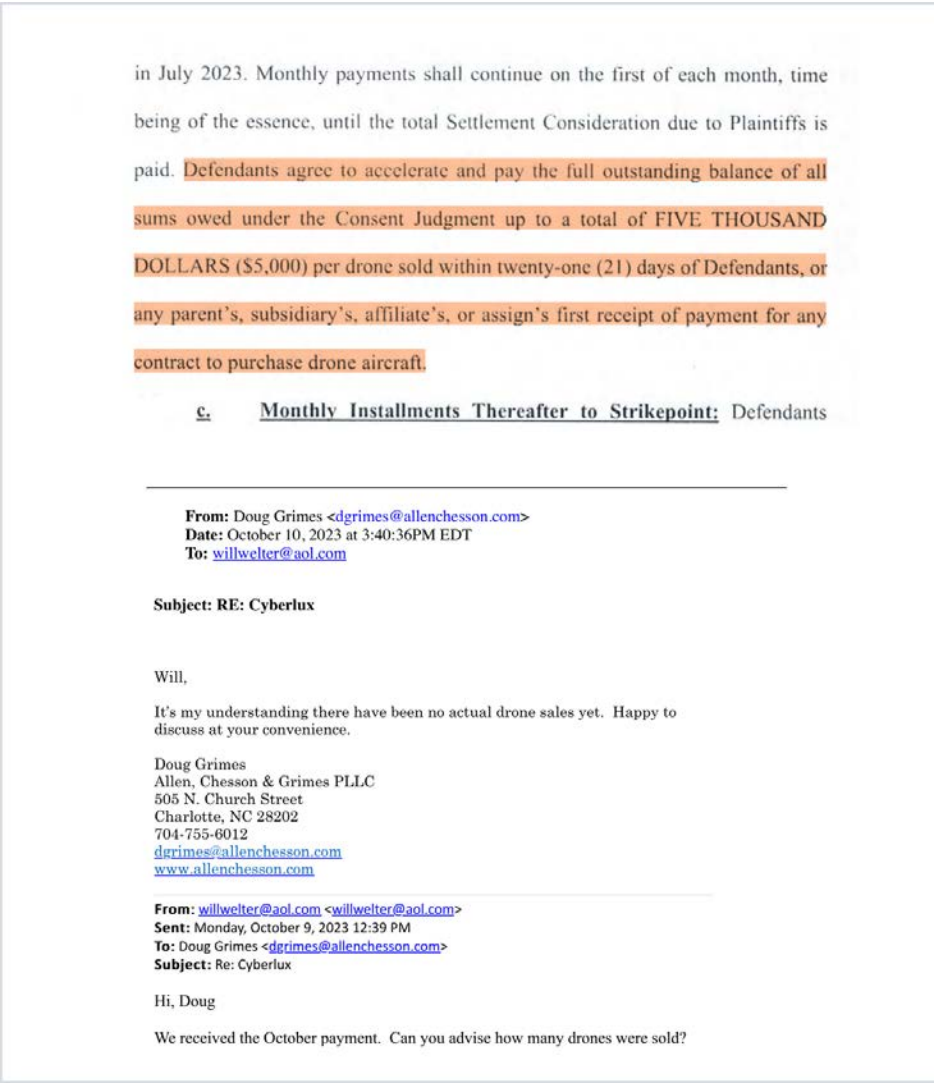
WHAT IT SHOWS	WHAT IT DOES NOT SHOW
The complaint sets out Atlantic Wave's allegations and the settlement history in its own words.	A complaint proves that allegations were filed. It does not prove each allegation true.

SRC-029 / SRC-032

12 / June–October 2023

The private settlement counted the first receipt

The settlement tied acceleration to the first receipt under a drone-purchase contract. After $38.7 million arrived, Cyberlux's lawyer said he understood that there had been no actual drone sales.



in July 2023. Monthly payments shall continue on the first of each month, time being of the essence, until the total Settlement Consideration due to Plaintiffs is paid. Defendants agree to accelerate and pay the full outstanding balance of all sums owed under the Consent Judgment up to a total of FIVE THOUSAND DOLLARS ($5,000) per drone sold within twenty-one (21) days of Defendants, or any parent's, subsidiary's, affiliate's, or assign's first receipt of payment for any contract to purchase drone aircraft.

c. **Monthly Installments Thereafter to Strikepoint:** Defendants

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From: Doug Grimes <dgrimes@allenchesson.com>
Date: October 10, 2023 at 3:40:36PM EDT
To: willwelter@aol.com

Subject: RE: Cyberlux

Will,

It's my understanding there have been no actual drone sales yet. Happy to discuss at your convenience.

Doug Grimes
Allen, Chesson & Grimes PLLC
505 N. Church Street
Charlotte, NC 28202
704-755-6012
dgrimes@allenchesson.com
www.allenchesson.com

From: willwelter@aol.com <willwelter@aol.com>
Sent: Monday, October 9, 2023 12:39 PM
To: Doug Grimes <dgrimes@allenchesson.com>
Subject: Re: Cyberlux

Hi, Doug

We received the October payment. Can you advise how many drones were sold?

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
The executed clause and filed email place the receipt trigger beside the later description of sales.	The email does not tell us what counsel knew about the advance or resolve what the parties meant by 'sold.'

SRC-012 / SRC-020 / HASH | d339b83d62b0

13 / April 2024

A prospective buyer looked harder

An anonymous adviser said a significant defense company had been approached and that its preliminary review raised security, litigation, debt and credibility concerns.

Wednesday, November 6, 2024 at 20:21:37 Pacific Standard Time

Subject: Cyberlux
Date: Friday, April 26, 2024 at 3:37:27 PM Pacific Daylight Time
From: 49121719
To: David M. Keithly, Sara Ross
Attachments: PrimeTransactionsAndSubawards_2024-04-13_H14M34S55768219.zip

CAUTION: This email originated from outside Mortenson Taggart Adams LLP. Exercise caution when opening attachments or clicking links, especially from unknown senders.

I am an advisor to a significant defense company which was recently approached by Cyberlux.

The purpose of the approach was to discuss the potential of partnership (acquisition by, or merging into) with the company I advise.

We therefore conducted preliminary "lite" due diligence on Cyberlux. During the course of that investigation several issues became known to us, including the dual litigation between AWH and Cyberlux. This action is perhaps the most troubling discovery as it damaged Mr Schmidt's credibility (misuse of funds, withholding information).

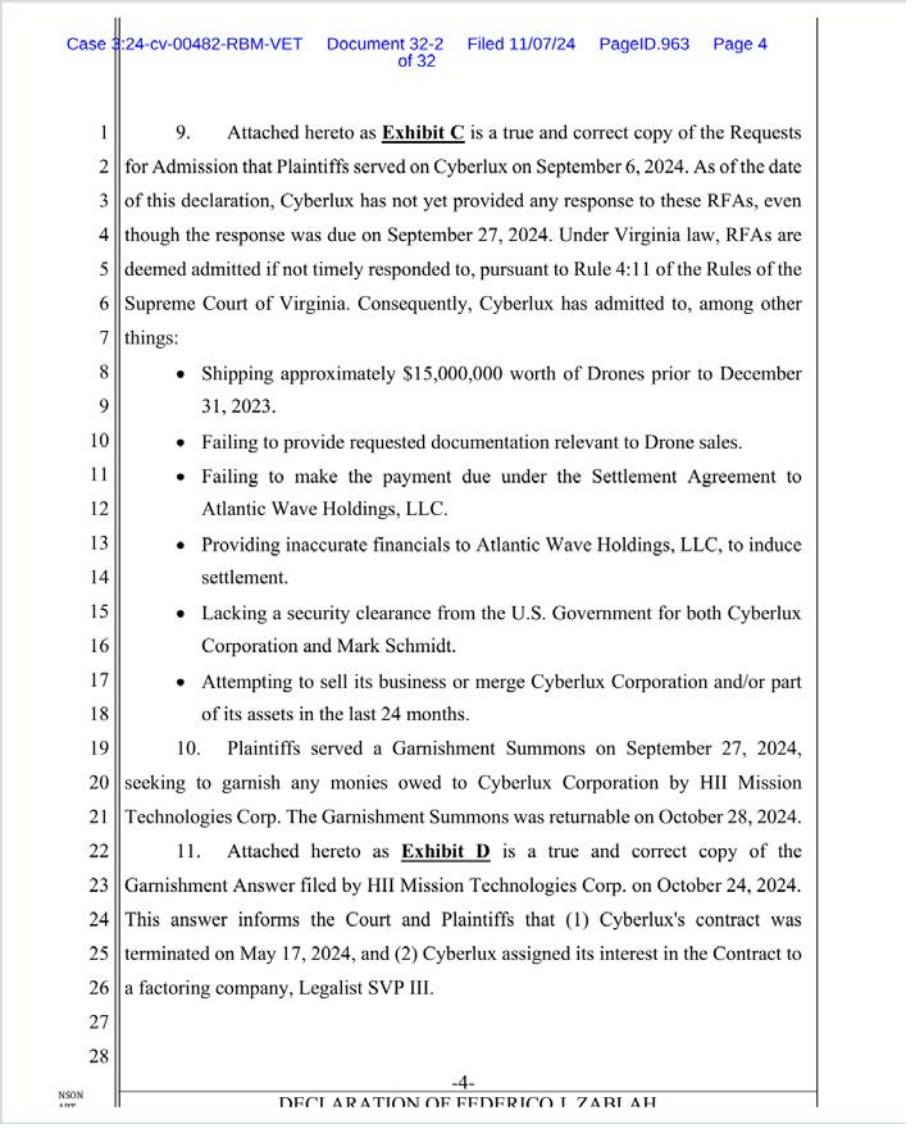
There are elements which I wish to share with you. These elements are verifiable through public records.

1) CYBERLUX is not currently a DIRECT supplier to the US DOD. The alleged "secret" contract for drones can be found through a recipient search at USASPENDING.GOV. The contract is for 2000 K8 drones with a per unit price of $39.4k including training. The contract is in fact a SUBCONTRACT with HII Defense (Huntington Ingall Industries). This is an FMF case for Ukraine.
2) An additional SUB contract was issued to Cyberlux by ADS (Atlantic Diving Supply) for approximately $400k for commercial variants of drones.
3) I have attached a series of files which show the all transactions between the US Government and Cyberlux. you will note that DIRECT contracts with Cyberlux ceased in 2015. The US government is required to make public all DOD contracts within 90 days of award.
4) the GSA contract (contract GS-07F-9409S) which Cyberlux, to this day, advertises on their website was cancelled by the government on 11/2/2020. This can be verified in the files attached. search term "legal contract cancellation"
5) a Dun and Bradstreet credit report revealed significant unpaid debts, judgements, and UCC's including to the IRS, NC Tax Authority and the Texas Tax Authority as well as private lenders (Sep 2023)
6) An address check of the "Special Activities" group (3rd qtr 2023 report) revealed that this address is in fact an address used by a real estate agent in Miami.
7) CMTC LLC is not registered with the US Government (sam.gov) and therefore has never been awarded contracts (verifiable at usaspending.gov)
8) Catalyst Machine Works LLC s not registered with the US Government (sam.gov)

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
Keithly's filed exhibit preserves the approach, the stated purpose and the questions the adviser said the review uncovered.	Keithly authenticates receipt of the email. The sender's identity and each underlying conclusion still require independent support.

Cyberlux left the security questions unanswered

Zablah told the court Cyberlux had not answered requests addressing drone shipments, settlement disclosure, security clearances and an attempted sale or merger.



Case 3:24-cv-00482-RBM-VET Document 32-2 Filed 11/07/24 PageID.963 Page 4 of 32

9. Attached hereto as **Exhibit C** is a true and correct copy of the Requests for Admission that Plaintiffs served on Cyberlux on September 6, 2024. As of the date of this declaration, Cyberlux has not yet provided any response to these RFAs, even though the response was due on September 27, 2024. Under Virginia law, RFAs are deemed admitted if not timely responded to, pursuant to Rule 4:11 of the Rules of the Supreme Court of Virginia. Consequently, Cyberlux has admitted to, among other things:

- Shipping approximately $15,000,000 worth of Drones prior to December 31, 2023.
- Failing to provide requested documentation relevant to Drone sales.
- Failing to make the payment due under the Settlement Agreement to Atlantic Wave Holdings, LLC.
- Providing inaccurate financials to Atlantic Wave Holdings, LLC, to induce settlement.
- Lacking a security clearance from the U.S. Government for both Cyberlux Corporation and Mark Schmidt.
- Attempting to sell its business or merge Cyberlux Corporation and/or part of its assets in the last 24 months.

10. Plaintiffs served a Garnishment Summons on September 27, 2024, seeking to garnish any monies owed to Cyberlux Corporation by HII Mission Technologies Corp. The Garnishment Summons was returnable on October 28, 2024.

11. Attached hereto as **Exhibit D** is a true and correct copy of the Garnishment Answer filed by HII Mission Technologies Corp. on October 24, 2024. This answer informs the Court and Plaintiffs that (1) Cyberlux's contract was terminated on May 17, 2024, and (2) Cyberlux assigned its interest in the Contract to a factoring company, Legalist SVP III.

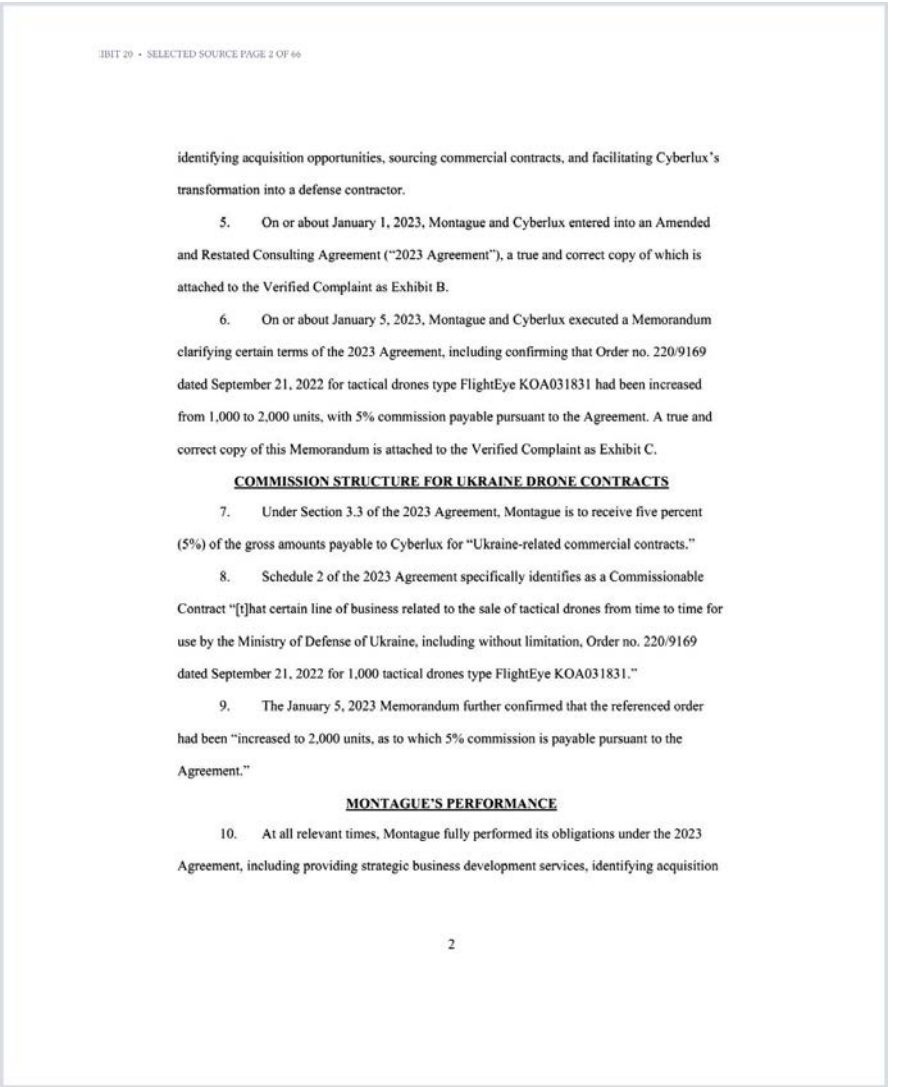
-4-

DECLARATION OF FEDERICO J. ZABLAH

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
The declaration reports that Cyberlux did not answer by the deadline and lists the propositions Zablah said were therefore admitted.	It shows what Cyberlux left unanswered in that case. It does not make every underlying proposition true everywhere.

The contract carried a five-per-cent commission

Kalenja's sworn account says Montague helped source the HII contract and was owed five percent of the gross amount payable to Cyberlux.



IBIT 20 • SELECTED SOURCE PAGE 2 OF 66

identifying acquisition opportunities, sourcing commercial contracts, and facilitating Cyberlux's transformation into a defense contractor.

5. On or about January 1, 2023, Montague and Cyberlux entered into an Amended and Restated Consulting Agreement ("2023 Agreement"), a true and correct copy of which is attached to the Verified Complaint as Exhibit B.

6. On or about January 5, 2023, Montague and Cyberlux executed a Memorandum clarifying certain terms of the 2023 Agreement, including confirming that Order no. 220/9169 dated September 21, 2022 for tactical drones type FlightEye KOA031831 had been increased from 1,000 to 2,000 units, with 5% commission payable pursuant to the Agreement. A true and correct copy of this Memorandum is attached to the Verified Complaint as Exhibit C.

COMMISSION STRUCTURE FOR UKRAINE DRONE CONTRACTS

7. Under Section 3.3 of the 2023 Agreement, Montague is to receive five percent (5%) of the gross amounts payable to Cyberlux for "Ukraine-related commercial contracts."

8. Schedule 2 of the 2023 Agreement specifically identifies as a Commissionable Contract "[t]hat certain line of business related to the sale of tactical drones from time to time for use by the Ministry of Defense of Ukraine, including without limitation, Order no. 220/9169 dated September 21, 2022 for 1,000 tactical drones type FlightEye KOA031831."

9. The January 5, 2023 Memorandum further confirmed that the referenced order had been "increased to 2,000 units, as to which 5% commission is payable pursuant to the Agreement."

MONTAGUE'S PERFORMANCE

10. At all relevant times, Montague fully performed its obligations under the 2023 Agreement, including providing strategic business development services, identifying acquisition

2

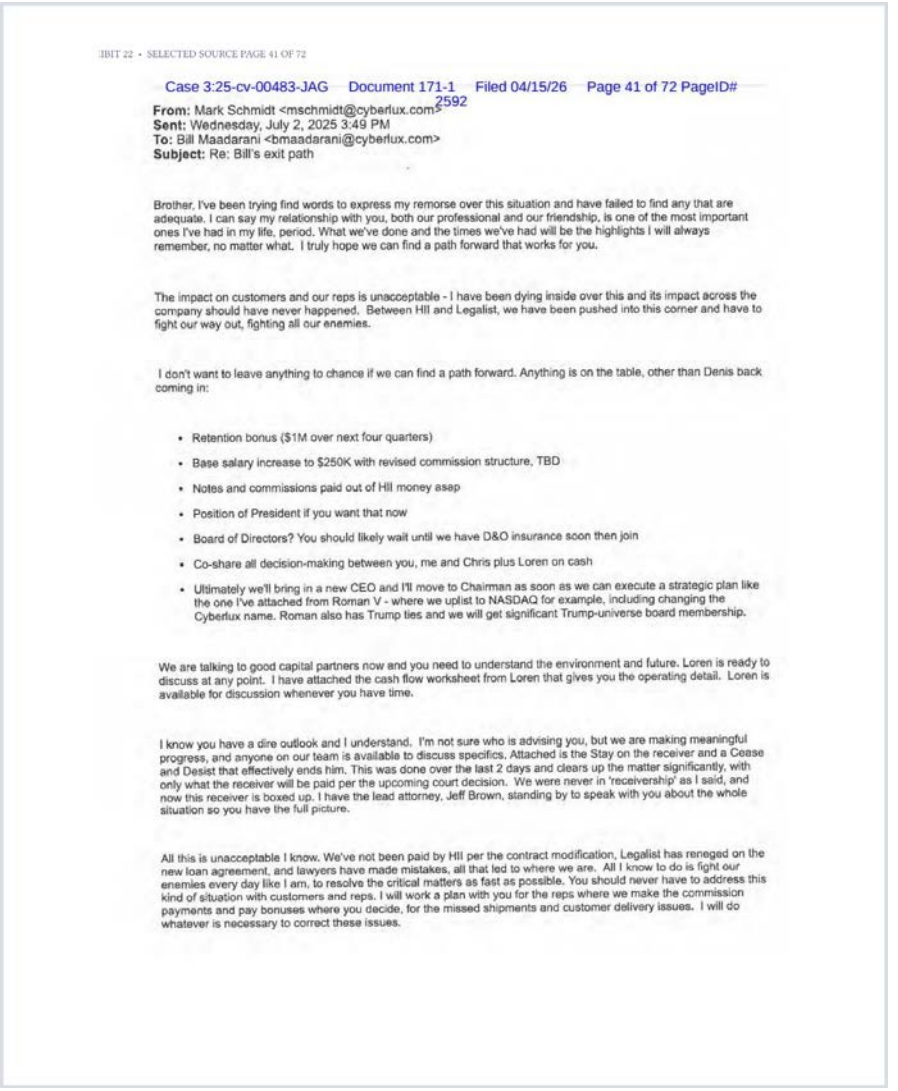
WHAT IT SHOWS	WHAT IT DOES NOT SHOW
Kalenja's sworn account describes Montague's claimed role and the five-per-cent commission written into its agreement with Cyberlux.	The filing does not adjudicate the commission claim or establish what any other party knew about it.

Filed Denis Kalenja affidavit

16 / July 2025

By July 2025, the inside story was coming apart

An internal email about an exit path sits beside the widening litigation and creditor pressure.



IBIT 22 • SELECTED SOURCE PAGE 41 OF 72

Case 3:25-cv-00483-JAG Document 171-1 Filed 04/15/26 Page 41 of 72 PageID# 2592

From: Mark Schmidt <mschmidt@cyberlux.com>
Sent: Wednesday, July 2, 2025 3:49 PM
To: Bill Maadarani <bmaadarani@cyberlux.com>
Subject: Re: Bill's exit path

Brother, I've been trying find words to express my remorse over this situation and have failed to find any that are adequate. I can say my relationship with you, both our professional and our friendship, is one of the most important ones I've had in my life, period. What we've done and the times we've had will be the highlights I will always remember, no matter what. I truly hope we can find a path forward that works for you.

The impact on customers and our reps is unacceptable - I have been dying inside over this and its impact across the company should have never happened. Between HII and Legalist, we have been pushed into this corner and have to fight our way out, fighting all our enemies.

I don't want to leave anything to chance if we can find a path forward. Anything is on the table, other than Denis back coming in:

- Retention bonus ($1M over next four quarters)
- Base salary increase to $250K with revised commission structure, TBD
- Notes and commissions paid out of HII money asap
- Position of President if you want that now
- Board of Directors? You should likely wait until we have D&O insurance soon then join
- Co-share all decision-making between you, me and Chris plus Loren on cash
- Ultimately we'll bring in a new CEO and I'll move to Chairman as soon as we can execute a strategic plan like the one I've attached from Roman V - where we uplist to NASDAQ for example, including changing the Cyberlux name. Roman also has Trump ties and we will get significant Trump-universe board membership.

We are talking to good capital partners now and you need to understand the environment and future. Loren is ready to discuss at any point. I have attached the cash flow worksheet from Loren that gives you the operating detail. Loren is available for discussion whenever you have time.

I know you have a dire outlook and I understand. I'm not sure who is advising you, but we are making meaningful progress, and anyone on our team is available to discuss specifics. Attached is the Stay on the receiver and a Cease and Desist that effectively ends him. This was done over the last 2 days and clears up the matter significantly, with only what the receiver will be paid per the upcoming court decision. We were never in 'receivership' as I said, and now this receiver is boxed up. I have the lead attorney, Jeff Brown, standing by to speak with you about the whole situation so you have the full picture.

All this is unacceptable I know. We've not been paid by HII per the contract modification, Legalist has reneged on the new loan agreement, and lawyers have made mistakes, all that led to where we are. All I know to do is fight our enemies every day like I am, to resolve the critical matters as fast as possible. You should never have to address this kind of situation with customers and reps. I will work a plan with you for the reps where we make the commission payments and pay bonuses where you decide, for the missed shipments and customer delivery issues. I will do whatever is necessary to correct these issues.

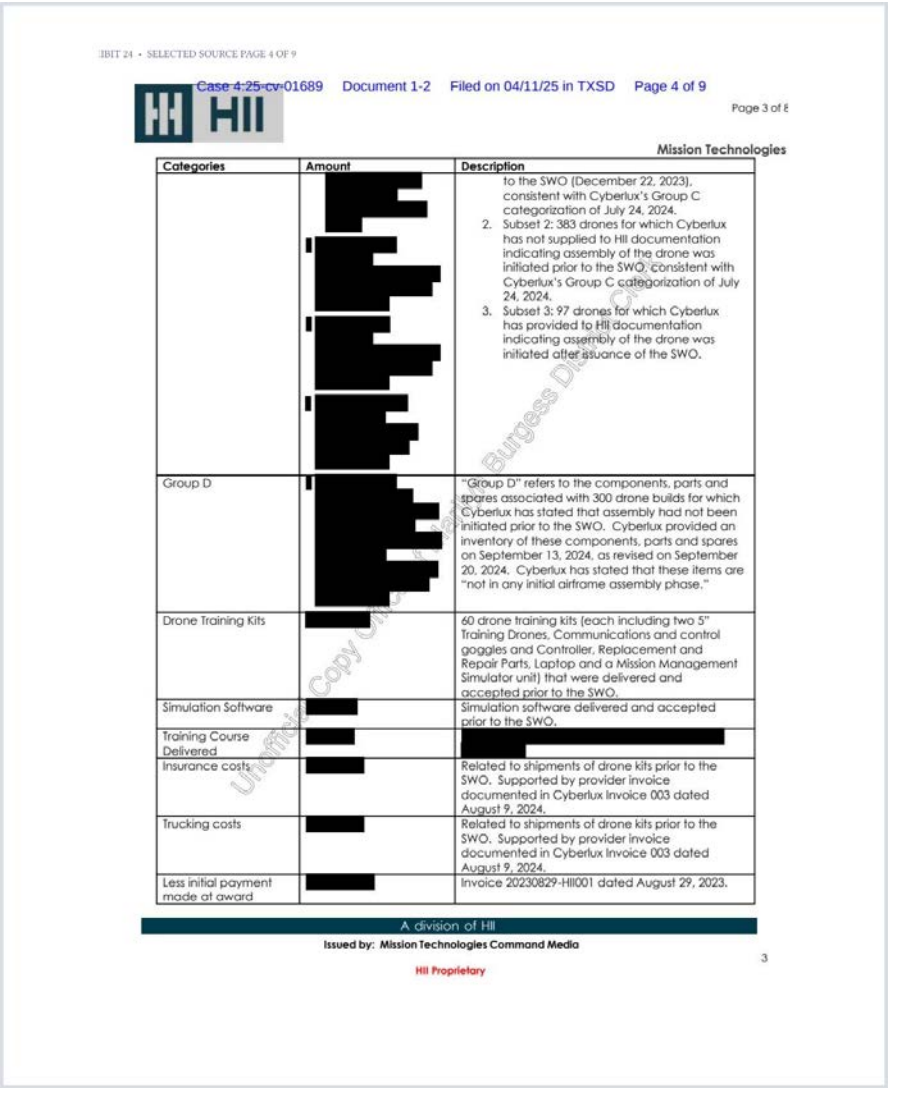
WHAT IT SHOWS	WHAT IT DOES NOT SHOW
The filed exhibit preserves Schmidt's words and the circumstances in which Maadarani placed them before the court.	The email does not prove every broader characterization made by the parties around it.

SRC-086 + filed Maadarani affidavit

17 / March 2025

Modification 4 turned failure into a settlement population

The convenience closeout valued accepted systems, work in process and remaining material after ordinary performance had stopped.



IBIT 24 • SELECTED SOURCE PAGE 4 OF 9

Case 4:25-cv-01689 Document 1-2 Filed on 04/11/25 in TXSD Page 4 of 9

Page 3 of 8

Mission Technologies

Categories	Amount	Description
	[redacted]	to the SWO (December 22, 2023), consistent with Cyberlux's Group C categorization of July 24, 2024. 2. Subset 2: 383 drones for which Cyberlux has not supplied to HII documentation indicating assembly of the drone was initiated prior to the SWO, consistent with Cyberlux's Group C categorization of July 24, 2024. 3. Subset 3: 97 drones for which Cyberlux has provided to HII documentation indicating assembly of the drone was initiated after issuance of the SWO.
Group D	[redacted]	"Group D" refers to the components, parts and spares associated with 300 drone builds for which Cyberlux has stated that assembly had not been initiated prior to the SWO. Cyberlux provided an inventory of these components, parts and spares on September 13, 2024, as revised on September 20, 2024. Cyberlux has stated that these items are "not in any initial airframe assembly phase."
Drone Training Kits	[redacted]	60 drone training kits (each including two 5" Training Drones, Communications and control goggles and Controller, Replacement and Repair Parts, Laptop and a Mission Management Simulator unit) that were delivered and accepted prior to the SWO.
Simulation Software	[redacted]	Simulation software delivered and accepted prior to the SWO.
Training Course Delivered	[redacted]	[redacted]
Insurance costs	[redacted]	Related to shipments of drone kits prior to the SWO. Supported by provider invoice documented in Cyberlux Invoice 003 dated August 9, 2024.
Trucking costs	[redacted]	Related to shipments of drone kits prior to the SWO. Supported by provider invoice documented in Cyberlux Invoice 003 dated August 9, 2024.
Less initial payment made at award	[redacted]	Invoice 20230829-HII001 dated August 29, 2023.

A division of HII

Issued by: Mission Technologies Command Media

3

HII Proprietary

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
The executed modification records the agreed settlement structure and the inventory categories used to support it.	It does not show the missing technical, property and valuation work that made those categories reliable.

The ending became a pool of money

The remaining subcontract value moved from program administration into interpleader.



EXHIBIT 25 • SELECTED SOURCE PAGE 1 OF 19

Case 3:25-cv-00483-JAG Document 144 Filed 02/03/26 Page 1 of 19 PageID# 1412

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Richmond Division

HII MISSION TECHNOLOGIES CORP.,

Interpleader Plaintiff,

v. **Civil Action No.: 3:25-cv-483**

CYBERLUX CORPORATION, *et al.*,

Interpleader Defendants/Claimants.

MEMORANDUM IN SUPPORT OF HII'S MOTION FOR RELIEF IN INTERPLEADER

HII Mission Technologies Corp. ("HII"), by counsel, states as follows in support of its Motion for Relief in Interpleader:

I. INTRODUCTION

This is an interpleader action concerning amounts otherwise payable to Cyberlux Corporation ("Cyberlux") by HII pursuant to Cyberlux and HII's Subcontract (defined below), but subject to the claims of multiple Cyberlux creditors. HII seeks entry of an order: (i) directing HII to deposit $23,736,937.56 (the "Disputed Funds") into the Court's registry, (ii) discharging HII from any and all liability related to the Received Funds (defined below), (iii) enjoining prosecution of any claims or actions against HII related thereto, and (iv) dismissing HII from this action with prejudice.

II. BACKGROUND

HII incorporates by reference its previously filed First Amended Complaint for Interpleader ("First Amended Complaint" or "FAC") (ECF No. 41), and all exhibits submitted therewith, as if set forth full herein.

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
HII asked to deposit $23,736,937.56 and be discharged while competing claimants argued over entitlement.	A deposit request does not decide who owns the fund or validate every claim against it.

SRC-119

The creditor queue became a bankruptcy case

Former workers and later joining creditors brought the collapse into an involuntary Chapter 7 case.



EXHIBIT 26 • SOURCE PAGE 1 OF 6

Case 26-50721-hlb Doc 1 Entered 07/17/26 14:12:05 Page 1 of 6

RECEIVED
AND FILED
JUL 17 2026 DLS
U.S. BANKRUPTCY COURT
DANIEL S. OWENS, CLERK

Fill in this information to identify the case:
United States Bankruptcy Court for the:
District of Nevada (State)
Case number (if known): Chapter 7

☐ Check if this is an amended filing

Official Form 205

Involuntary Petition Against a Non-Individual 12/15

Use this form to begin a bankruptcy case against a non-individual you allege to be a debtor subject to an involuntary case. If you want to begin a case against an individual, use the *Involuntary Petition Against an Individual* (Official Form 105). Be as complete and accurate as possible. If more space is needed, attach any additional sheets to this form. On the top of any additional pages, write debtor's name and case number (if known).

Part 1: Identify the Chapter of the Bankruptcy Code Under Which Petition Is Filed

1. Chapter of the Bankruptcy Code — Check one:
☒ Chapter 7
☐ Chapter 11

Part 2: Identify the Debtor

2. Debtor's name: Cyberlux Corporation

3. Other names you know the debtor has used in the last 8 years: None known
Include any assumed names, trade names, or doing business as names.

4. Debtor's federal Employer Identification Number (EIN): ☐ Unknown
91-2048978
EIN

5. Debtor's address

Principal place of business:
800 Park Offices Drive, Suite 3209
Number Street
Durham NC 27709
City State ZIP Code
Durham County
County

Mailing address, if different:
c/o CT Corporation System
Number Street
701 S. Carson St., Ste. 200
P.O. Box
Carson City NV 89701
City State ZIP Code

Location of principal assets, if different from principal place of business:
U.S. Dist. Ct. Registry, E.D. Va., 3:25-
Number Street
Richmond VA 23219
City State ZIP Code

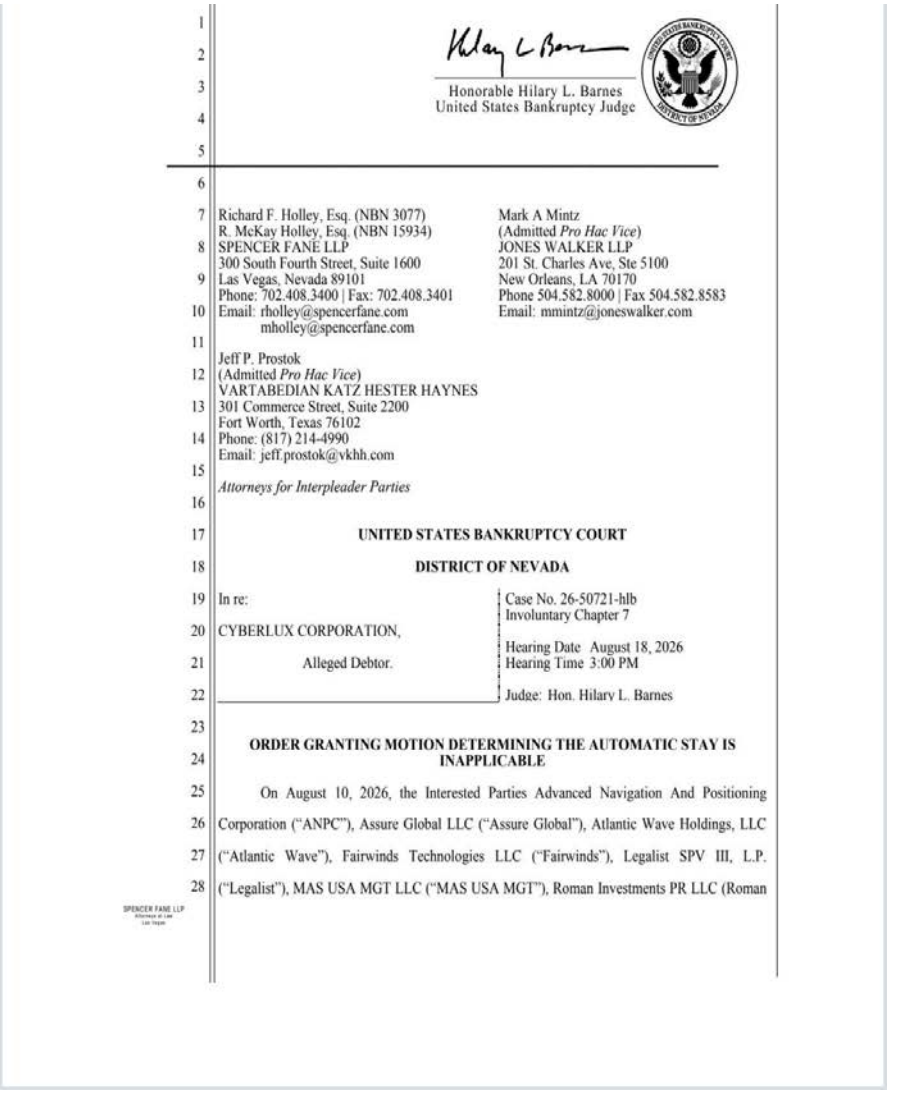
Official Form 205 Involuntary Petition Against a Non-Individual page 1

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
The petition identifies the original petitioners, the debts they asserted and the relief they requested.	Filing the petition did not itself enter an order for relief, appoint a trustee or allow the claims.

SRC-120

The case could move; the destination of the money was still unknown

The bankruptcy court removed the stay obstacle and the parties asked the Virginia court to act.



Honorable Hilary L. Barnes
United States Bankruptcy Judge

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Attorneys for Interpleader Parties

UNITED STATES BANKRUPTCY COURT

DISTRICT OF NEVADA

In re:

CYBERLUX CORPORATION,

Alleged Debtor.

Case No. 26-50721-hlb
Involuntary Chapter 7

Hearing Date August 18, 2026
Hearing Time 3:00 PM

Judge: Hon. Hilary L. Barnes

ORDER GRANTING MOTION DETERMINING THE AUTOMATIC STAY IS INAPPLICABLE

On August 10, 2026, the Interested Parties Advanced Navigation And Positioning Corporation ("ANPC"), Assure Global LLC ("Assure Global"), Atlantic Wave Holdings, LLC ("Atlantic Wave"), Fairwinds Technologies LLC ("Fairwinds"), Legalist SPV III, L.P. ("Legalist"), MAS USA MGT LLC ("MAS USA MGT"), Roman Investments PR LLC (Roman

SPENCER FANE LLP

WHAT IT SHOWS	WHAT IT DOES NOT SHOW
The Nevada order says the interpleader may proceed despite the bankruptcy stay.	It does not decide entitlement or tell us where the registry fund ultimately went.

SRC-196 / SRC-197

APPENDIX C

Core Sources

The records needed to test the case. Selected, not exhaustive.

The governed source register contains more material than belongs in a reading copy. This list keeps the sources that carry the central chronology, technical account, money trail, closeout and collapse.

Source IDs remain stable where assigned. When a later-added exhibit has no reader-facing ID, its source hash supplies the fixed address. Either route can move a challenge from the manuscript to the registered record; versions, page-level extracts and the full chain of custody remain in the evidence system.

A source's inclusion here does not make every statement inside it true. The description says what evidentiary job the source performs.

1 ORIGIN, REQUEST AND AWARD

SRC-063	**Anthony Gonzalez email record**	Contemporaneous discussion of the demonstration and claimed EW distances.
SRC-071	**Email concerning electronic-warfare testing**	What was said about the test conditions and what the Ukrainian side had been shown.
SRC-059	**Ukraine Ministry of Defence Letter of Request 220/9169**	The named Ukrainian request that drove the sole-source route.
SRC-048	**DSP-83 End-User Certificate**	End-user identity, intended use and official certification path.
SRC-087	**Schmidt SOCOM email and Ukrainian request package**	The transmission path into the American system.
SRC-191	**Commercial Subcontract Agreement FFP – P000043846**	Executed terms, price, fixed-price allocation and advance-payment structure.
SRC-166	**Final conformed legacy OASIS solicitation**	The parent vehicle and the services framework beneath the task order.
SRC-167	**USAspending award record for task order 47QFCA22F0039**	Award purpose, service code, industry code and pricing structure.

2 PRODUCT, ACCEPTANCE AND USER EXPERIENCE

SRC-050	**FlightEye Model K8 quotation to Global Ordnance**	Early product description and price.
SRC-011	**DD-250 acceptance record filed at ECF 178-1**	Contractual acceptance of identified lots; not proof of mission suitability.
SRC-054	**Schmidt text-message record**	Contemporaneous statements during production and stop work.
SRC-157	**K8: Not Fit for Purpose**	Analytical technical assessment; useful analysis, not independent proof.
SRC-182	**Contemporaneous Note — Confidential Source Signal Messages**	Same-day memorialization of testable product and procurement allegations; not native Signal evidence.
SRC-185	**Cyberlux X production-floor image, 23 April 2025**	What the company chose to show after the program had stopped.
SRC-186	**Full browser capture of the 23 April 2025 X post**	The surrounding company narrative and preserved visual context.

SRC-154	**U.S. Patent No. 12,365,458 B2**	The system Cyberlux described in its patent publication; patent text does not prove field performance.

3 CASH, COMMISSIONS AND FINANCING

SRC-020 **Cyberlux TowneBank statement, September 2023**
The advance arriving and the account movement that followed.

SRC-073 **Fairwinds agreement filed in the HII interpleader**
Executed compensation terms.

SRC-074 **Fairwinds commission calculation**
Cyberlux-generated commission arithmetic.

SRC-076 **Fairwinds summary-judgment filing**
The commission claim as filed; entitlement not adjudicated by the filing.

SRC-069 **Cyberlux–ARG Distribution Business Partner Agreement**
Unsigned copy of claimed percentage economics; assent alleged elsewhere.

SRC-065 **ARG Signal chat**
Contemporaneous price construction and relationship context.

SRC-094 **Cyberlux–Legalist financing agreement, 27 March 2024**
The first executed post-stop-work financing structure.

SRC-092 **Amended Legalist financing agreement, July 2024**
The later receivable, security and payment-route terms.

4 STOP WORK, TERMINATION AND SETTLEMENT

SRC-110 **HII interpleader filing, ECF 176**
HII's filed stop-work chronology.

SRC-190 **HII garnishment / non-joinder response**
HII's filed position on termination dates and the unresolved obligation.

SRC-168 **USAspending transaction history**
The 2 April 2024 contracting-officer change.

SRC-009 **HII–Cyberlux Modification 4 termination settlement**
Executed settlement amount and release structure.

SRC-010 **HII–Cyberlux subcontract Modification 4**
Accepted, incomplete and material populations used in closeout.

SRC-119 **HII request to deposit $23.7 million**
The fund moving into interpleader and HII's requested discharge.

SRC-196 **Nevada order on the bankruptcy stay**
The interpleader may proceed; ownership and distribution remain undecided.

SRC-197 **EDVA joint status report, 21 August 2026**
The parties asked the court to rule and disburse; a request is not an order.

5 PRIOR PATTERN, PUBLIC STORY AND COLLAPSE

SRC-029 **Atlantic Wave 2022 Richmond complaint**
Pre-award public allegations concerning payment, control and use of funds.

SRC-012 **Atlantic Wave settlement agreement, 15 June 2023**
The negotiated exit Cyberlux and Schmidt agreed to perform.

SRC-032 **Atlantic Wave 2023 California complaint**
Alleged breach, non-disclosure and renewed dispute after settlement.

SRC-132 **$6 million Atlantic Wave consent judgment**
A judicially entered consent judgment; not a finding on every earlier allegation.

SRC-103 **Schmidt declaration opposing Montague**
Schmidt's sworn account of the Catalyst transaction and breakdown.

SRC-086 **Schmidt email, 'Bill's exit path'**
A July 2025 email preserved as a filed exhibit.

HASH | 6172b2a22d7b **Cyberlux Q3 2023 quarterly report**
Cyberlux's stated defense-security pivot, its Top Secret and SCIF language, and the separation of its foreign businesses.

HASH | d339b83d62b0 **Atlantic Wave ECF 32-3**
The filed TowneBank material and October 2023 email describing counsel's understanding that no actual drone sales had occurred.

HASH | 154912720f7d

Keithly declaration and anonymous source email

The prospective-company approach and the preliminary diligence questions as received by Atlantic Wave's counsel; receipt is authenticated, conclusions are not.

HASH

760624e1e265 / Federico J. Zablah declaration and unanswered requests for admission

Filed declaration and formal admissions record; the exact procedural effect remains a court-record question.

SRC-049

Denis Kalenja affidavit and supporting records

Montague's sworn account of its role and claimed commission; the claim remains unadjudicated.

SRC-178

Aerotek default judgment

The official judgment and amount; not a negotiated settlement.

SRC-180

ANPC complaint and supporting purchase records

Filed allegations and attached records; filing is not adjudication.

6 BANKRUPTCY, DISCLOSURE AND INSTITUTIONAL RECORD

SRC-120	**Involuntary Chapter 7 petition**	The original petitioners, asserted debts and requested relief.
SRC-172	**Cyberlux Q2 2026 quarterly report**	Company-reported cash, liabilities, loss, default and going-concern position.
SRC-173	**Bankruptcy ECF 43**	The ten-creditor posture and opposition to releasing the Virginia fund.
SRC-003	**HII 2025 annual report**	HII's public institutional and financial context.
SRC-013	**Wall Street Journal, 15 March 2023**	Independent reporting on the award story and the ‘virus’ narrative.
SRC-014–019	**Cyberlux annual reports, 2020–2025**	The company's public financial and contract narrative over time.
SRC-192	**HII Mission Technologies CFO role description**	The finance function's stated remit; not proof of personal knowledge.
SRC-195	**HII appointment of new Mission Technologies chief counsel**	The later legal-function anchor; not proof the appointment involved Cyberlux.

APPENDIX D

The Confidential Source Account and Its Limits

Source note and evidentiary boundaries

In August 2026, a confidential source provided an account connecting several technical questions already present in the record: the jammer condition, the production radio configuration, attempted ORQA and RadioNor remediation, electrical safety and the users' reaction.

The source is known to the author, but parts of the account were secondhand. The exchange identifies records, witnesses and events to investigate. It does not, by itself, establish the underlying conduct.

Public material confirms the identities and relevant capabilities of ORQA and RadioNor. It does not independently establish the alleged Cyberlux transactions, the Norway test, the quoted price path, the reason a solution was rejected or the motives attributed to named individuals.

The source material has been preserved in the governed archive. It is not reproduced verbatim here because unverified accusations are evidence leads, not findings. Where the narrative uses the account, the attribution and evidentiary limit remain attached. Two additional people independently corroborated elements of the account. Their information supports parts of the technical and supplier sequence; it does not independently establish every alleged act, statement or motive.

Closing note

The archive remains larger than the book

These appendices are selective by design. They show the method, the documents that carry the thread and the core sources needed to test the case.

The full governed register, source hashes, page-level extracts and supporting archive remain preserved outside the reading copy. They are searchable and available when a real question requires them.

That is not less evidence. It is evidence given a job.

GOSSAMER THREAD

THE SYSTEM DID NOT FAIL IN ONE PLACE.

Cyberlux had ambition. HII had scale. Ukraine had urgency. The acquisition system had money and a path. Each party saw enough of what it wanted to keep moving.

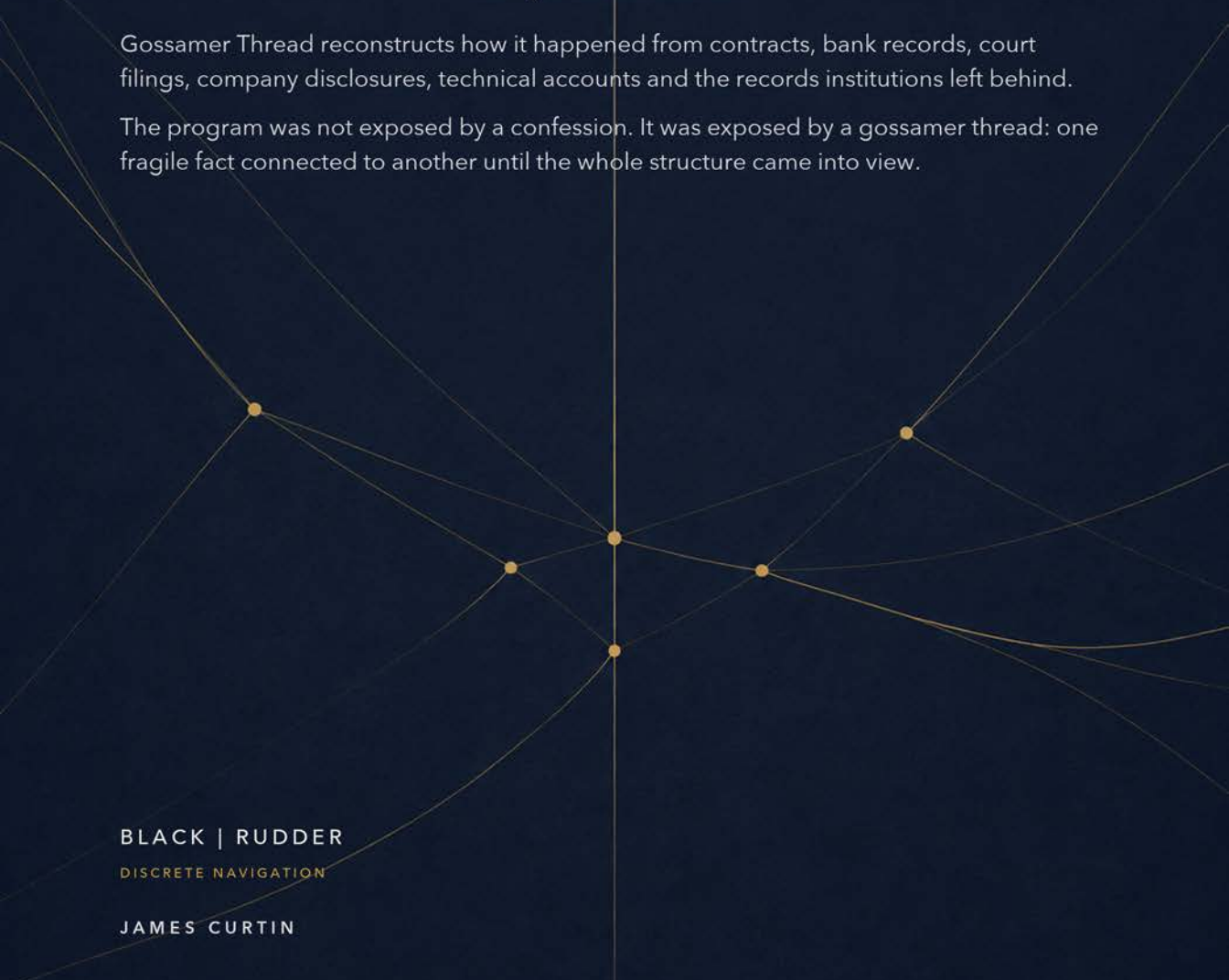
Then the aircraft reached their users.

Behind the public story of wartime innovation sat a $78 million fixed-price subcontract, nearly $39 million paid in advance, and 2,000 drones ordered before the first production aircraft had been tested against the mission that justified the purchase. By the time the technical problems surfaced, the factory had run ahead and the money had begun leaving the operating account.

The contract ended for convenience.
The questions did not.

Gossamer Thread reconstructs how it happened from contracts, bank records, court filings, company disclosures, technical accounts and the records institutions left behind.

The program was not exposed by a confession. It was exposed by a gossamer thread: one fragile fact connected to another until the whole structure came into view.



BLACK | RUDDER
DISCRETE NAVIGATION

JAMES CURTIN