



Cyberlux's CTMC Acquisition: The Deal That Led to Caveat Emptor and Paved the Way to a \$78.8 Million Defense Contract

Description

In 2021, Cyberlux Corporation told investors it was entering the drone business.

For a small company trading on the OTC markets, the timing was ideal. The pandemic was winding down, global supply chains were shifting, and military demand for unmanned aerial systems was accelerating quickly. Within months, drones would dominate the battlefield in Ukraine and become one of the defining technologies of modern warfare. Companies positioned in that space suddenly found themselves telling a much bigger story than they had a year earlier.

Cyberlux said it would enter that market through the acquisition of CTMC Drone Solutions, a transaction valued at approximately \$2.275 million in stock and potential cash payments. At the time, the deal appeared to mark the company's first step into a sector that would soon become central to its public narrative.

Within two years, Cyberlux would announce participation in a Foreign Military Sales contract valued at nearly \$80 million with the U.S. Department of Defense. The drone strategy presented to investors in 2021 had quickly become the centerpiece of the company's story.

On paper, the CTMC acquisition was where that strategy began.

Corporate stories, however, often look tidy until someone starts comparing dates.

Cyberlux states that it completed the acquisition of CTMC Drone Solutions on August 31, 2021, presenting the deal as a straightforward purchase of an outside drone business. The company described a structure that included 10 million restricted shares and the possibility of up to \$275,000 in cash earn-out payments tied to performance milestones.

Records from the North Carolina Secretary of State tell a slightly different part of the story. CTMC Drone Solutions, LLC was organized on September 26, 2021, with the formation documents filed the following day.

The organizer listed on those documents was not the alleged seller of the drone business. It was Charles D. Watts Jr., an attorney who at the time was serving as special counsel to Cyberlux.

Corporate transactions can take unusual shapes. Sometimes a buyer acquires assets before a formal corporate entity exists, a structure that is not uncommon in early-stage acquisitions, and sometimes paperwork simply trails the underlying deal. Early-stage technology transactions are rarely neat.

What is notable about this particular moment is what else was happening at the same time. According to a declaration later filed in federal court, [RB Capital Partners submitted a proposed financing term sheet to Cyberlux](#) on or about September 24, 2021, outlining a funding structure involving between \$4.5 million and \$15 million in convertible promissory notes.

The CTMC entity would be organized just two days later.

But this sequence introduces an awkward detail. The company Cyberlux says it purchased appears in state records weeks after the acquisition itself, and it appears there through documents filed by the company's own attorney.

The picture becomes more complicated when the company's share issuances during that same period are examined.

Cyberlux filings show that on October 8, 2021 the company issued 50 million shares to Watts as part of what the company described as a debt settlement. Three days later, on October 11, Cyberlux stock traded at approximately \$0.0542 per share. At that price, the 50 million shares issued to Watts represented roughly \$2.7 million in market value. The CTMC acquisition itself was described as a transaction valued at approximately \$2.275 million.

In practical terms, roughly the same amount of value the company said it spent to enter the drone business appears to have flowed to the attorney involved in forming the entity associated with that business.

Meanwhile, Cyberlux's disclosures identify Larson Isely as the management behind CTMC Drone Solutions and describe a structure involving 10 million restricted shares and potential earnout payments tied to the acquisition. While the filings outline those obligations, they do not clearly document the payment of the remaining cash portion of the acquisition price.

By contrast, the company's filings show tens of millions of shares issued during the same period to Cyberlux's attorney.

The structure of the CTMC deal is not entirely unprecedented in Cyberlux's acquisition history. In a previous transaction involving Albania-based FBD Group, filings similarly raised questions about whether the value described in the deal ultimately reached the party identified as the seller.

Taken individually, none of these details necessarily proves wrongdoing. Small public companies frequently compensate advisors with equity, and acquisitions involving early-stage technology firms can take unconventional forms.

But when the filings are viewed together, the sequence becomes difficult to ignore. Cyberlux announces the purchase of a drone business. Weeks later, the entity associated with that business appears in

state records through documents filed by the company's own lawyer. Shortly afterward, that lawyer receives tens of millions of shares in the company.

The regulatory consequences arrived the following year.

In December 2022, OTC Markets placed Cyberlux under Caveat Emptor status, one of the most serious warning designations in the OTC marketplace. The label signals that investors should exercise extreme caution when trading a company's securities.

Among the issues cited were disclosure concerns surrounding the 50 million share issuance to Watts, which appears inconsistently across earlier disclosures and later filings.

By that point, Cyberlux's drone strategy had already become central to the company's narrative. The same strategy that began with the CTMC acquisition was now linked to the company's announcement of involvement in a \$78.8 million Foreign Military Sales contract.

None of these filings, on their own, provide a definitive explanation for how the CTMC transaction unfolded.

They do, however, leave a straightforward question.

If Cyberlux acquired a drone company in August 2021, why do state records show the entity associated with that company being created weeks later by the company's own lawyer? And why did that same lawyer form his own law firm shortly afterward, after organizing CTMC and receiving 50 million shares from the company?

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Date Created

March 15, 2026

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