



## The Oversight Gap Behind a Collapsed Defense Drone Contract

### Description

A federal judge in Virginia now controls \$25 million tied to a defense subcontract that no longer exists.

The money, \$23,736,937.56 to be precise, is the remaining balance from a drone contract that once carried a total value of \$78.8 million. The contract itself was short lived. It was awarded in late August 2023, halted by a Stop Work Order in December of the same year, and ultimately terminated for convenience in May 2024.

What remains is the aftermath.

Multiple parties now claim a right to that pool of money. Vendors. Financiers. Consultants. And among them is a company called Assure Global LLC, doing business as WeShield.

WeShield's claim is straightforward. According to filings in the federal interpleader case, the company says it helped Cyberlux source the contract that ultimately produced the disputed funds. In return, Cyberlux agreed to pay WeShield a commission tied to the value of that contract. The claim now before the court seeks roughly \$2.5 million from the funds currently sitting in the court registry.

On its face, this is the kind of dispute courts resolve every day. Companies make agreements. Contracts collapse. Creditors line up to claim what remains.

But the documents that describe the relationship between WeShield and Cyberlux reveal something more complicated than a typical commercial disagreement.

They reveal a sequence.

A commission agreement.

An End User Certificate.

Demonstrations in Ukraine.

A formal request from Ukraine's Ministry of Defense.

And eventually, a defense subcontract that moved quickly through wartime procurement channels before collapsing less than a year later.

By the time the dispute reached federal court, another document had appeared in the record that raised an additional question. A financing agreement tied to the same dispute carried interest at a rate of 0.3 percent per business day.

Individually, each of these documents describes a contractual relationship between private parties. Together, they outline the anatomy of a deal that moved from private arrangements to a taxpayer funded defense subcontract.

The court will decide who receives the money.

The documents raise a different question.

Where were the oversight mechanisms meant to examine commission arrangements, brokering activity, and high risk financing structures before the contract reached this point?

Defense subcontracting normally operates within several layers of oversight. Export licensing reviews examine transfers of military equipment to foreign partners. Procurement compliance rules require disclosure of contingent commissions and intermediaries involved in sourcing contracts. Financial arrangements tied to government work can also trigger reporting requirements designed to prevent undisclosed financing structures or conflicts of interest.

Public records now show the sequence clearly:

July 12, 2022 – commission agreement with WeShield.

August 2022 – End User Certificate for 1,000 drones.

August 22, 2022 – demonstrations in Ukraine.

September 2022 – formal Letter of Request from Ukraine’s Ministry of Defense.

The timeline begins in the spring of 2022.

Court filings reference April 2022 communications discussing commissions tied to potential sales opportunities. These conversations appear to predate the agreement that would formalize the relationship between Cyberlux and WeShield.

That agreement arrived on July 12, 2022.

According to the complaint filed by WeShield in the interpleader case, Cyberlux entered into a written Letter Agreement under which the company agreed to pay WeShield a commission based on the value of contracts the firm helped source or win. The agreement itself did not create the contract that would later produce the disputed funds. Instead, it established the structure through which commissions would be paid if those contracts materialized.

Shortly after that agreement appeared, another document entered the timeline.

In August 2022, Ukrainian officials signed a Nontransfer and Use Certificate covering one thousand Cyberlux drones with a combined value of more than thirty eight million dollars. The certificate identified the Armed Forces of Ukraine as the end user of the equipment and Cyberlux as the U.S. applicant responsible for the export.

Documents of this kind are part of the formal export control system administered by the U.S. Department of State for defense articles covered by the International Traffic in Arms Regulations.

Within days of the certificate being signed, Cyberlux conducted demonstrations of the drone systems in Ukraine.

Then came the next step.

In September 2022, Ukraine's Deputy Minister of Defense Denis Sharapov sent a formal letter to officials at the U.S. Department of Defense, the U.S. Department of State, and U.S. European Command. The letter described successful testing of the Cyberlux drone platform and requested one thousand aircraft along with pilot training and maintenance support.

With that request, the transaction had moved from private commercial discussions into the formal channels of government procurement and security assistance.

The order of events is notable.

First came the commission structure.

Then export documentation.

Then demonstrations and a formal request from a foreign defense ministry.

More than a year would pass before the contract itself appeared.

On August 29, 2023, HII Mission Technologies awarded Cyberlux a firm fixed price subcontract valued at \$78.8 million for the delivery of two thousand drones.

The contract moved quickly.

On September 8, 2023, Cyberlux received an advance payment of \$38.7 million tied to the subcontract's milestone spending plan. Within weeks, millions of dollars began moving through the company's operating accounts. Transfers were made to acquire a company called Datron. Additional transfers moved to various recipients including entities connected to prior disputes involving Cyberlux.

Some of that money also moved offshore. Court filings show that funds were transferred to G2G Holdings Ltd., a company registered in the United Kingdom. According to the timeline compiled from public records, the entity was formed on September 25, 2023—shortly after Cyberlux received the \$38.7 million advance payment tied to the subcontract—and received a transfer of \$994,460 from Cyberlux's main operating account on October 16, 2023.

The appearance of a newly formed offshore entity receiving funds shortly after the advance payment complicates the financial picture surrounding the contract and the disputes that followed.

The financial activity continued through the fall of 2023.

By December 22 of that year, the subcontract encountered its first major disruption when HII issued a Stop Work Order.

Five months later, on May 17, 2024, the subcontract was terminated for convenience.

The operational life of the contract lasted less than nine months.

The financial consequences would last much longer.

In the months that followed, additional parties emerged claiming rights to commissions tied to the contract. Lawsuits were filed. Financing arrangements were triggered. Creditors asserted security interests in Cyberlux's assets and receivables.

Eventually the competing claims reached a point where the company holding the remaining funds faced a simple problem. Too many parties were asserting rights to the same money.

The solution was an interpleader.

In June 2025, HII Mission Technologies filed an interpleader action in the United States District Court for the Eastern District of Virginia. The company asked the court to take custody of the disputed funds and determine how they should be distributed among the competing claimants.

By early 2026 the court granted HII's motion to deposit the funds and discharged the company from further liability.

The money now sits with the court.

The claimants remain.

Among them is WeShield.

The company maintains that its role in sourcing the opportunity entitles it to a commission tied to the value of the subcontract.

Another document tied to the dispute adds a different layer to the story.

In September 2025, Cyberlux executed a security agreement granting several parties a secured interest in collateral connected to the contract dispute. The obligations listed in the agreement total more than \$3.7 million.

The agreement includes a provision that deserves particular attention: interest accrues at a rate of 0.3 percent per business day — roughly seventy-five percent annually depending on compounding. On a balance of approximately \$3.7 million, that rate can generate more than \$11,000 in interest per day.

Signed by Cyberlux CEO Mark Schmidt on September 24, 2025, the agreement secures the debt with a lien on the proceeds of the government subcontract itself.

That timing matters.

By September 2025 the Cyberlux subcontract had already collapsed. The contract had been awarded in August 2023, halted by a Stop Work Order in December 2023, and terminated for convenience in May 2024.

Litigation surrounding the contract and its finances was already underway.

Which means the financing agreement was executed **after the dispute over the subcontract funds had already begun**, and it was secured by the same pool of money that now sits in the federal court registry awaiting distribution.

Agreements carrying interest rates of that magnitude are not typical of conventional commercial lending. They are more commonly associated with distressed financing arrangements or emergency credit facilities.

The existence of such an arrangement tied directly to the proceeds of a government subcontract adds another dimension to the dispute.

It also raises a natural question.

What sort of contracting environment produces financing terms like that around a defense contract funded by taxpayer dollars?

The documents themselves do not answer that question.

But they do show how many financial interests accumulated around the same contract.

And that brings the story back to the theme running through the timeline.

Oversight mechanisms in defense contracting exist for a reason.

They are designed to surface conflicts of interest, undisclosed intermediaries, and financial arrangements that may affect the integrity of the procurement process.

When those mechanisms work as intended, the questions appear early.

They appear during contract review, licensing, or compliance checks long before millions of dollars tied to a defense project are sitting in a court registry while creditors argue over who gets paid.

When those mechanisms fail, the questions arrive much later.

Often in the form of lawsuits.

And sometimes in the quiet procedural language of an interpleader case where a federal judge must decide how to divide the proceeds of a contract that has already collapsed.

That is where the Cyberlux dispute now stands.

A commission agreement.

An export certificate.

A demonstration.

A letter of request.

A contract.

A stop work order.

A termination.

And now a courtroom where the final financial chapter will be written.

The court will decide who receives the money.

But the timeline behind that decision raises a question that reaches beyond the litigation itself.

When the next defense contract moves through the same channels, will the oversight mechanisms meant to examine these relationships work the way they are supposed to?

Or will the answers once again appear years later in a federal courtroom?

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**Date Created**

March 13, 2026

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