

Exhibit C-3 – Legalist Intervention

Unofficial Copy Office of Marilyn Burgess District Clerk

CAUSE NO. 2024-48085

**ATLANTIC WAVE HOLDINGS, LLC AND
SECURE COMMUNITY, LLC,**

PLAINTIFFS/JUDGMENT-CREDITORS,

v.

**CYBERLUX CORPORATION AND MARK
SCHMIDT, INDIVIDUALLY,**

DEFENDANTS/JUDGMENT-DEBTORS.

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IN THE DISTRICT COURT OF

129TH JUDICIAL DISTRICT

HARRIS COUNTY, TEXAS

LEGALIST SPV III, LP'S PETITION IN INTERVENTION

Legalist SPV III, LP ("Legalist") hereby files its Petition in Intervention and in support thereof respectfully shows the Court as follows:

I. INTRODUCTION

Atlantic Wave Holdings, LLC and Secure Community, LLC (collectively, "Judgment Creditors") filed an Application for Turnover After Judgment and For Appointment of Receiver against Cyberlux Corporation and Mark Schmidt (collectively, "Judgment Debtors") in this proceeding in connection with a foreign judgment that Judgment Creditors obtained against Judgment Debtors. Importantly for purposes of this intervention, Legalist holds a lien on all assets belonging to Judgment Debtors. Accordingly, Legalist files this Petition in Intervention to protect its interests in the Judgment Debtors' assets and to enforce its right to collect payment before any appointed receiver may collect fees and expenses in connection with administration of the receivership.

II. RELEVANT BACKGROUND AS TO LEGALIST

1. Legalist is an investment firm that specializes in alternative assets in the private credit industry across litigation finance, bankruptcy, and government receivables lending.

2. Cyberlux previously entered into a Loan Agreement with Legalist whereby Cyberlux became indebted to Legalist. Mark Schmidt personally guaranteed Cyberlux's obligations under the Loan Agreement.

3. As the Judgement Creditors acknowledge in their Application for Turnover After Judgment and For Appointment of Receiver ("Application"), Cyberlux completed a notice of assignment to Legalist under a drone contract based on its indebtedness to Legalist, thereby giving Legalist the full right to payments from the drone contract. *See* Application, pp. 2-3.

4. As of January 24, 2025, Judgment Debtors are indebted to Legalist in the amount of \$7,313,627.17 with fees accruing at a daily rate of \$4,364.46 by virtue of their failure to satisfy their obligations under the Loan Agreement. Legalist gave Judgment Debtors notice that they are in default of payment obligations on November 4, 2024.

5. Legalist secured its position with UCC liens that secured all assets of Judgment Debtors as collateral.

6. Legalist's UCC Financing Statement for Cyberlux is attached hereto as **Exhibit A**, and Legalist's UCC Financing Statement for Mark Schmidt is attached hereto as **Exhibit B**.

III. STANDARD FOR INTEVENTION

7. "Any party may intervene [in a case] by filing a pleading, subject to being stricken out by the court for sufficient cause on the motion of any party." TEX. R. CIV. P. 60. An intervenor is not required to secure a court's permission to intervene in a cause of action or establish standing. *Guar. Fed. Sav. Bank v. Horseshoe Operating Co.*, 793 S.W.2d 652, 657 (Tex. 1990). An intervenor need only show a "justiciable interest in a pending suit to intervene in the suit as a matter of right." *In re Union Carbide Corp.*, 273 S.W.3d 152, 154 (Tex. 2008). "A party has a justiciable interest in a lawsuit, and thus a right to intervene, when his interests will be affected by the litigation." *Jabri v. Alsayyed*, 145 S.W.3d 660, 672 (Tex. App.—Houston

[14th Dist.] 2004, no pet.) (citing *Law Offices of Windle Turley v. Ghiasinejad*, 109 S.W.3d 68, 71 (Tex. App.—Fort Worth 2003, no pet.)). “The interest asserted by the intervenor may be legal or equitable.” *Guar. Fed. Sav. Bank*, 793 S.W.2d at 657 (citation omitted). Moreover, it is appropriate for a party to intervene to protect its interest in property that is the subject of a turnover motion. *Breazeale v. Casteel*, 4 S.W.3d 434, 436 (Tex. App.—Austin 1999, pet. Denied).

IV. LEGALIST’S INTEREST

8. Legalist has a justiciable interest in this lawsuit, and thus a right to intervene, because it has a lien interest in the Judgment Debtors’ assets that may be subject to turnover. *See Jabri*, 145 S.W.3d at 672; *Breazeale*, 4 S.W.3d at 436.

9. Texas law holds that “a receivership is always subject to vested rights and a lienholder’s interest in property held in receivership has priority over costs and expenses incurred in the administration of the receivership.” *Citi Mortgage, Inc. v. Hubener*, 345 S.W.3d 193, 197 (Tex. App.—Dallas 2011, no pet.) (internal quotations omitted).

10. The only exceptions to the foregoing rule are (1) when the receivership is formed at the instigation of the lienholder, or the lienholder acquiesces to the receivership and seeks its benefits, and (2) when the lienholder knows of and consents to the receivership and fees, expenses, and debts are incurred from the receiver's operation of a business affected with a public interest. *Id.*

11. Here, Legalist has neither requested the appointment of the receiver nor acquiesced to the receivership and sought its benefits. Further, the receiver’s fees and expenses in this case would not be incurred from the receiver’s operation of a business with a public interest.

12. Therefore, Legalist’s liens on Judgement Debtors’ assets take priority over the receiver’s fees and expenses incurred in the administration of the receivership. *Id.*

V. RELIEF REQUESTED

13. Based on the foregoing, Legalist requests that any Order Appointing Receiver or similar Order issued by this Court make clear that Legalist's liens on Judgment Debtors' assets take priority over the receiver's fees and expenses, and that Legalist is entitled to payment in full from Judgment Debtors' assets before the receiver is entitled to any fees and expenses incurred in the administration of the receivership.

Respectfully submitted,

VARTABEDIAN HESTER & HAYNES LLP

/s/ Austin N. Priddy

Austin N. Priddy
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Fort Worth, Texas 76102
Telephone: 817.214.4985

ATTORNEYS FOR LEGALIST, INC.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing instrument was served by the court's efile system on all counsel of record in accordance with the Texas Rules of Civil Procedure on February 7, 2025.

/s/ Austin N. Priddy

Austin N. Priddy

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional) Corporation Service Company
B. E-MAIL CONTACT AT FILER (optional) SPRFiling@cscglobal.com
C. SEND ACKNOWLEDGMENT TO: (Name and Address) Corporation Service Company 801 Adlai Stevenson Drive Springfield, IL 62703

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME CYBERLUX CORPORATION				
OR	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
1c. MAILING ADDRESS 800 Park Offices Dr., Ste. 3209	CITY Research Triangle	STATE NC	POSTAL CODE 27709	COUNTRY USA

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR (SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME Legalist SPV III, LP				
OR	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
3c. MAILING ADDRESS 58 West Portal Ave. #747	CITY San Francisco	STATE CA	POSTAL CODE 94127	COUNTRY USA

4. COLLATERAL: This financing statement covers the following collateral:

All assets

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:

☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:

☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:

2797 73186

EXHIBIT B

File Number: 20240084460A
Date Filed: 7/15/2024 8:27:00 AM
Elaine F. Marshall
NC Secretary of State

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional) Corporation Service Company
B. E-MAIL CONTACT AT FILER (optional) SPRFiling@cscglobal.com
C. SEND ACKNOWLEDGMENT TO: (Name and Address) Corporation Service Company 801 Adlai Stevenson Drive Springfield, IL 62703

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

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1a. ORGANIZATION'S NAME				
OR				
1b. INDIVIDUAL'S SURNAME SCHMIDT	FIRST PERSONAL NAME MARK	ADDITIONAL NAME(S)/INITIAL(S) D.		SUFFIX
1c. MAILING ADDRESS 1134 Fearrington Post	CITY Pittsboro	STATE NC	POSTAL CODE 27312	COUNTRY USA

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR				
2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR (SECURED PARTY): Provide only one Secured Party name (3a or 3b)

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8. OPTIONAL FILER REFERENCE DATA:

2879 27331