

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Richmond Division**

HII MISSION TECHNOLOGIES CORP.

Interpleader Plaintiff,

**v.
CYBERLUX CORPORATION, et. al.**

Defendants.

Case No.: 3:25-cv-00483

**MEMORANDUM IN SUPPORT OF CYBERLUX CORPORATION'S
MOTION FOR SUMMARY JUDGMENT REGARDING THE DISPUTED FUNDS**

I. INTRODUCTION

Defendant Cyberlux Corporation (Cyberlux) respectfully submits this memorandum in support of its motion for summary judgment regarding the Disputed Funds. Cyberlux recognizes that it occupies an unusual posture in this proceeding, a debtor moving for summary judgment in an interpleader action. But Cyberlux's position is not unusual when viewed in the proper light. Cyberlux is not merely a passive debtor awaiting distribution. It is the party that invested more than \$4 million of its own capital to perform a government defense contract, the party whose accounts receivable constitute the very res before this Court, and a party with a direct and cognizable entitlement to the Disputed Funds.

Had HII Mission Technologies Corp. (HII) simply paid Cyberlux in the ordinary course upon completion of its contractual obligations, as the Subcontract and Modification No. 4 contemplated, Cyberlux would have managed its creditor obligations itself, paid its secured creditors, satisfied its debts, and continued operating its defense technology business without the intervention of this Court. Instead, HII elected to interplead approximately \$23,736,937.56 into this Court, stripping Cyberlux of its ability to manage its financial obligations and exposing it to

the compounding harm of accumulating interest, fees, and penalties that grow with each passing month.

Cyberlux files this brief to bring before the Court three central propositions. First, the Court should exercise its equitable authority to limit the interest that secured creditors may claim against the Disputed Funds to the amounts accrued as of the filing and service of the interpleader action on or about June 24, 2025. The interpleader froze Cyberlux's ability to pay its debts; the creditors should not be permitted to profit from that freeze through the relentless accumulation of interest against a finite res that Cyberlux can no longer access. Second, because the Disputed Funds originated exclusively from a United States Government defense contract for the manufacture and deployment of unmanned aerial systems, only those creditors whose claims bear a direct nexus to that contract performance should be entitled to participate in the distribution. Claims arising outside the scope of that government contract work should not deplete a res generated by, and intended for, defense manufacturing purposes. Third, Cyberlux is entitled to recover from the Disputed Funds its initial capital investment of at least \$4 million, funds Cyberlux expended in direct performance of the HII Subcontract, and should not be punished because HII chose to interplead rather than pay in the ordinary course.

II. STATEMENT OF UNDISPUTED MATERIAL FACTS

1. HII and Cyberlux entered into Subcontract No. P000043846 in August 2023, subsequently modified by Modification No. 4, effective February 26, 2025 (Mod. 4). Under the Subcontract, Cyberlux was to design, manufacture, and deliver unmanned aerial systems (drones) and related defense technologies to support United States Department of Defense operations.

2. HII received a total of \$25,769,369.03 from the United States Government in connection with the terminated Subcontract.

3. HII interpleaded \$23,736,937.56 into this Court pursuant to 28 U.S.C. § 1335. The interpleader action was filed on or about June 24, 2025.¹

4. Cyberlux invested more than \$4 million of its own capital in direct performance of its obligations under the HII Subcontract, with the expectation that it would be paid in the ordinary course upon completion of its obligations.

5. The following parties have asserted claims against the Disputed Funds, with total secured claims of approximately \$24,280,797.01, which exceeds the available fund:

- **Legalist SPV III, LP:** \$13,650,513.94 total (\$10,996,543.10 principal; \$2,653,970.84 interest), with a priority date of April 1, 2024, and approximately \$1,999,676.16 in fees and interest accrued since the interpleader was filed.
- **WeShield / Roman Investments / MAS USA / Sinensky (collectively, the Assure Global Claimants):** \$5,007,138.41 total (\$3,739,461.10 principal; \$1,267,677.31 interest), with a priority date of October 23, 2025, representing a 43% increase over the original Cyberlux settlement amount.
- **ANPC:** \$3,087,878.86 total (\$2,830,050.00 principal; \$257,828.86 interest), with a priority date of December 30, 2024 (equitable) or September 24, 2025 (lien).
- **TAG (Thin Air Gear):** \$1,385,489.46 total (\$450,000 principal; \$935,489.46 interest), with a priority date of August 29, 2025, based on treble damages agreed to by the Texas Receiver.
- **United States (IRS):** \$1,149,776.34, with priority dates spanning 2011-2024.

6. Atlantic Wave Holdings, LLC and Secure Community, LLC assert claims of approximately

¹ The First Amended Interpleader Complaint was filed and served on or about August 4, 2025.

\$6,025,000 but have already received or positioned themselves to receive substantial recoveries through a Fairfax County garnishment order (\$1,444,543.11) and a Texas receivership (\$3,083,639.75).

7. Fairwinds Technologies asserts a claim of \$2,348,542 but holds no secured interest in the Disputed Funds.

8. Cyberlux is a U.S.-based defense technology company that designs, manufactures, and deploys mission-critical technologies, including unmanned aerial systems, tactical communications platforms, and advanced defense solutions for the Department of Defense and allied partners. Cyberlux has an order backlog of approximately \$17 million and a pending U.S. CECOM order for \$8.8 million that it cannot fulfill due to the capital restrictions caused by the interpleader.

9. Since the interpleader was filed, Cyberlux has been unable to secure capital through traditional financing, has been forced into predatory payday-loan financing at interest rates approaching 100%, has lost critical government orders, and its share price has declined by approximately 52%.

III. LEGAL STANDARD

Summary judgment is appropriate when there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(a). In the second stage of an interpleader action, the Court adjudicates the competing claims to the interpleaded fund. At this stage, any party with a cognizable interest in the fund, including the debtor whose receivables constitute the res, may move for summary judgment on its entitlement and the relative priority of competing claims. *See generally Commerce Funding Corp. v. Southern Financial Bank*, 80 F.

Supp. 2d 582, (E.D. Va. 1999); *Sun Life Assurance Co. v. Bew*, 530 F. Supp. 2d 773 (E.D. Va. 2007).

Once funds are deposited into the registry of the Court, the Court exercises broad equitable discretion over the distribution of the interpleaded res. *See generally Sanders v. Armour Fertilizer Works*, 292 U.S. 190 (1934). This equitable authority extends to limiting the accrual of interest against the fund, determining priority among competing claimants, and fashioning an appropriate distribution that accounts for the nature and origin of the funds. The Court's equitable power is at its apex in interpleader proceedings, where the very purpose of the action is to prevent inequitable results. *See generally State Farm Fire & Cas. Co. v. Tashire*, 386 U.S. 523 (1967).

IV. ARGUMENT

A. Cyberlux Has a Direct Entitlement to the Disputed Funds

Cyberlux is not a bystander in this proceeding. The Disputed Funds are derived entirely from Cyberlux's performance of a government defense contract. The \$23,736,937.56 interpleaded by HII represents payments HII received from the United States Government for work that Cyberlux performed, specifically, the design, manufacture, and delivery of unmanned aerial systems and related defense technologies. Cyberlux invested more than \$4 million of its own capital in performing this contract, and those funds would have been recovered through ordinary payment had HII not elected to interplead.

Cyberlux's entitlement is therefore not derivative or speculative. It is the primary entitlement: these funds exist because Cyberlux performed. Under the Subcontract and Mod. 4, HII was required to pay Cyberlux upon receipt of payment from the Government. HII concedes it received \$25,769,369.03 from the Government. Cyberlux is the beneficial owner of the funds in every practical and equitable sense, and the creditors asserting claims against the res are, at bottom, asserting claims against money earned by Cyberlux's labor and investment.

The Court should recognize Cyberlux's claim to recover at minimum \$4,786,814.62 representing its direct capital investment in contract performance, reduced by Cyberlux's willingness to compromise to \$2,450,000 in the interest of achieving a global resolution. This recovery is essential not only as a matter of equity but as a matter of practical necessity: Cyberlux requires this capital to execute its existing \$26 million backlog pipeline, which will generate approximately \$17 million in cash flow that Cyberlux can use to satisfy its remaining unsecured creditors in the ordinary course of business.

B. The Court Should Limit Interest Accrual to the Date of the Interpleader Filing

The single most consequential equitable issue before this Court is whether secured creditors should be permitted to continue accruing interest, fees, and penalties against the Disputed Funds after those funds were interpleaded and removed from Cyberlux's control. Cyberlux respectfully submits that they should not.

1. The Equitable Basis for Limiting Interest.

Once funds are withheld and threatened to be deposited into the registry of the Court through the mechanism of filing an interpleader action, the debtor loses all ability to use, invest, or apply those funds to reduce its obligations. The interpleader, in effect, freezes the debtor's financial position while simultaneously allowing creditors' claims to continue growing. This creates an inherently inequitable dynamic: Cyberlux is deprived of the very funds it needs to pay its creditors, yet those same creditors are permitted to charge ever-increasing interest on debts that Cyberlux cannot satisfy precisely because the funds are being held by HII who petitioned and ultimately succeeded in locking those funds in this Court's registry.

The Court's equitable authority to limit interest in interpleader proceedings is well established. Courts have long recognized that when a fund is interpleaded, the equitable

considerations shift. The debtor has surrendered control of the funds; the creditors' risk of non-payment is substantially mitigated by the existence of the Court-supervised fund; and the continued accrual of interest against a finite reserve only to diminish the pool available for equitable distribution, to the detriment of all parties, including the debtor.

2. The Interest Accumulation Since August 2025 Has Been Staggering.

The record demonstrates the magnitude of the problem. Since the interpleader was filed on or about June 24, 2025, Legalist alone has accrued over \$1,999,676.16 in additional fees and interest. The Assure Global Claimants (WeShield, Roman Investments, MAS USA, and Sinensky) have increased their claimed amount by approximately 43% over the original settlement amount. Thin Air Gear's claimed interest of \$935,489.46 on a \$450,000 principal, more than double the underlying debt, is based on treble damages agreed to by a Texas Receiver whose authority and legitimacy are in serious question. In total, the interest and fees claimed since the interpleader was filed amount to millions of dollars that, if allowed, will consume the fund and leave Cyberlux with nothing.

3. Cyberlux Should Not Be Punished for HII's Decision to Interplead.

Critically, HII's decision to file the interpleader was not Cyberlux's choice. HII chose to interplead rather than pay Cyberlux in the ordinary course. Had HII honored its contractual obligations, Cyberlux would have received payment, satisfied its secured creditors, and managed its remaining obligations through its business operations. Instead, Cyberlux has been deprived of access to its own earnings for approximately twenty months, during which time its creditors' claims have ballooned, its financing options have collapsed, and its business operations have been severely impaired.

The record makes clear what drove HII to interplead rather than pay Cyberlux: the aggressive, multi-jurisdictional collection campaign waged by Atlantic Wave Holdings, LLC. HII's own Complaint details how Atlantic Wave systematically weaponized the courts to seize Cyberlux's receivables before they could be paid in the ordinary course. On March 11, 2025, Atlantic Wave served HII with a Garnishment Summons in the Circuit Court of Fairfax County (Case No. CL25-3413), seeking to garnish any monies owed to Cyberlux based on a June 28, 2023 Richmond Circuit Court judgment. The total balance claimed on the Garnishment Summons was \$1,444,543.11 as of March 7, 2025. On July 18, 2025, the Fairfax Circuit Court held a hearing on the Garnishment Summons and Atlantic Wave's Motion for Entry of an Order of Payment, and on July 22, 2025, the Fairfax Circuit Court entered an order directing HII to interplead \$1,444,543.11 into the Fairfax Circuit Court within 30 days.

But Atlantic Wave was not content with the Virginia garnishment. It simultaneously pursued a second front in Texas, domesticating its judgment in the 129th Judicial District Court for Harris County and commencing Cause No. 2024-48085. On May 22, 2025, the Texas court appointed Robert W. Berleth as a limited Receiver for Cyberlux with authority to collect on the general debt, pursuant to Tex. Prac. & Rem. Code § 31.002. The Receiver came into possession of \$3,083,639.75, which amount was intended to satisfy the same judgment Atlantic Wave was simultaneously seeking to enforce through the Virginia garnishment. Atlantic Wave was thus pursuing the same judgment in two states at the same time, seeking full recovery from each.

On July 17, 2025, the Receiver sent a formal levy demand letter directly to HII, demanding that HII immediately seize and forward to the Receiver's offices any funds held for the benefit of or payable to Cyberlux, even though the Texas Court of Appeals had already stayed the receivership order. Faced with Atlantic Wave's competing garnishment in Virginia, a receiver in

Texas claiming the same funds, a levy demand from the Receiver, and additional creditor claims from Legalist, the IRS, ANPC, and others, HII concluded it could not determine without peril the payee of the Disputed Funds. HII therefore filed this interpleader action. While Cyberlux does not excuse HII's decision to interplead rather than pay in the ordinary course, the record demonstrates that Atlantic Wave's relentless, multi-forum collection efforts were the proximate cause of HII's decision. It was Atlantic Wave's conduct, not Cyberlux's, that created the conflicting claims and competing proceedings that HII cited as the basis for interpleader. Between the execution of Mod. 4 in February 2025 and July 27, 2025, HII incurred \$398,945.21 in attorneys' fees arising from creditor-related proceedings, including the engagement of Virginia counsel to respond to the Fairfax garnishment and the engagement of Texas counsel to address subpoenas from the Receiver.

The equitable implications are significant. Atlantic Wave's aggressive tactics triggered the very interpleader that now freezes Cyberlux's funds and allows all creditors' interest to compound. Atlantic Wave nor the Receiver should be permitted to benefit from the consequences of their own destructive behavior by claiming an ever-growing share of the Disputed Funds. To the contrary, the Court should recognize that Atlantic Wave's conduct and the Receiver's actions beyond the bounds of the Texas Receivership authority, is the kind of vexatious, multi-forum litigation strategy that interpleader is designed to arrest, not reward.

Allowing creditors to continue accruing interest against the Disputed Funds after the interpleader filing would, in effect, reward the creditors for the delay that Atlantic Wave's aggressive collection campaign caused and punish Cyberlux for circumstances entirely beyond its control. Equity does not countenance such a result. The Court should exercise its discretion to fix the interest accrual date at July 24, 2025, the date the interpleader action was filed and served, and limit each creditor's recovery to principal plus interest accrued through that date.

4. Proposed Interest Reductions.

Cyberlux proposes the following interest reductions, which represent a reasonable exercise of the Court's equitable authority:

- **Legalist:** Reduction of \$1,000,000 in post-interpleader interest and fees.
- **Assure Global Claimants (WeShield / Roman / MAS / Sinensky):** Reduction of \$600,000 in post-interpleader interest.
- **TAG (Thin Air Gear):** Reduction of \$600,000, reflecting the elimination of treble damages improperly agreed to by the Texas Receiver.
- **United States (IRS):** Reduction of \$250,000 for purposes of parity with other creditors' interest reductions.

These reductions total \$2,450,000, which Cyberlux requests be returned to Cyberlux as operating capital to fund its existing defense contract backlog and generate the cash flow necessary to satisfy unsecured creditors in the ordinary course of business.

C. The Government Contract Origin of the Funds Requires a Nexus-Based Distribution

The Disputed Funds are not general corporate assets. They are payments derived from a United States Government defense contract, Subcontract No. P000043846, under which Cyberlux manufactured and delivered unmanned aerial systems for Department of Defense operations. This origin matters for purposes of both priority and entitlement.

1. The Nature of Government Contract Funds.

Government contract payments are subject to a distinct regulatory framework, including the Federal Acquisition Regulation (FAR) and the Assignment of Claims Act, 41 U.S.C. § 6305. These provisions reflect a strong federal policy that government contract funds should be used for the purpose for which they were appropriated, in this case, the development and production of

defense technologies. The Assignment of Claims Act narrowly limits the circumstances under which government contract receivables may be assigned, recognizing that the Government has a direct interest in ensuring that contract funds flow to the performing contractor and are used to support ongoing contract performance.

2. Only Claims with Nexus to the Government Contract Should Share the Res.

Because the Disputed Funds were generated by Cyberlux's performance of a government defense contract, equity requires that the distribution prioritize creditors whose claims arise directly from or are connected to that contract performance. Creditors who provided financing, materials, labor, or services in support of Cyberlux's performance of the HII Subcontract have a direct nexus to the res and a legitimate equitable claim to share in the distribution. By contrast, creditors whose claims arise from unrelated transactions, general commercial disputes, unsecured lending arrangements, or judgments having nothing to do with the drone manufacturing program, should not be permitted to deplete a fund that was generated by, and intended for, defense contract purposes.

This is not merely a matter of equity; it is a matter of federal policy. Allowing claimants with no connection to the government contract to strip the Disputed Funds would undermine the very purpose for which those funds were paid, to support the domestic defense industrial base and the production of mission-critical systems for American servicemembers.

3. Cyberlux Should Be Permitted to Manage Non-Nexus Debts in the Ordinary Course.

For claims that do not bear a nexus to the government contract, Cyberlux should be permitted to satisfy those obligations through its ordinary business operations rather than from the Disputed Funds. Cyberlux has an order backlog of approximately \$26 million and a pending pipeline that will generate approximately \$17 million in cash flow. If Cyberlux is permitted to

retain a portion of the Disputed Funds as operating capital, it can execute on this backlog and generate the revenue necessary to pay its non-nexus creditors in an orderly fashion. Draining the res to satisfy every claimant, regardless of the claim's connection to the underlying contract, would destroy Cyberlux's ability to operate, fulfill pending government orders, and satisfy any creditor at all.

D. Analysis of Each Creditor's Claim, Priority, and Entitlement

In accordance with the Court's Order (ECF No. 145), Cyberlux addresses each claimant's position, priority, and entitlement to the Disputed Funds as follows:

1. Legalist SPV III, LP.

Legalist claims a perfected security interest in Cyberlux's accounts receivable from HII pursuant to an Instrument of Assignment and supporting agreements, with a priority date of April 1, 2024. Cyberlux acknowledges that Legalist holds the only facially perfected, secured claim to the specific res. However, Legalist's total claim of \$13,650,513.94 includes \$2,653,970.84 in interest, of which approximately \$1,999,676.16 has accrued since the interpleader was filed. Legalist provided financing to Cyberlux in connection with its operations, and to the extent that financing supported Cyberlux's performance of the HII Subcontract, Legalist's claim bears a nexus to the res. Nevertheless, the post-interpleader interest accrual is excessive and should be limited. Cyberlux proposes that Legalist's recovery be reduced by \$1,000,000 in post-interpleader interest, resulting in an adjusted claim of approximately \$12,650,513.94.

2. WeShield / Roman Investments / MAS USA / Michael Sinensky (the Assure Global Claimants).

The Assure Global Claimants assert a combined claim of \$5,007,138.41, consisting of \$3,739,461.10 in principal and \$1,267,677.31 in interest, with a priority date of October 23, 2025. Notably, this represents a 43% increase over the original settlement amount negotiated with

Cyberlux. The Court should scrutinize whether these claimants' underlying transactions bear a sufficient nexus to the government contract to warrant participation in the distribution. Moreover, the interest claimed is disproportionate to the underlying obligations and has been inflated by the delay caused by the interpleader. Cyberlux proposes a \$600,000 reduction in claimed interest, resulting in an adjusted claim of approximately \$4,407,138.41.

3. ANPC (*Advanced Navigation and Positioning Corporation*).

ANPC asserts a claim of \$3,087,878.86, consisting of \$2,830,050.00 in principal and \$257,828.86 in interest, with a priority date of December 30, 2024 (equitable lien) or September 24, 2025 (perfected lien). ANPC's interest claim consists primarily of attorney's fees. ANPC claims an equitable lien under North Carolina law based on a judgment it domesticated in Virginia. To the extent ANPC's underlying claim arises from services or products related to Cyberlux's defense technology operations, it may bear a nexus to the res. The Court should examine whether ANPC's claimed equitable lien is properly perfected and whether the attorney's fees component is reasonable.

4. TAG (*Thin Air Gear*).

Thin Air Gear's claim presents one of the most troubling examples of interest inflation in this proceeding. TAG asserts a total claim of \$1,385,489.46, of which \$450,000 represents the principal amount and \$935,489.46 represents claimed interest, more than double the underlying debt. This inflated interest figure is based on treble damages that were agreed to by the Texas Receiver, Robert Berleth, whose authority over Cyberlux's assets is contested and whose actions have been subject to appellate review. The treble damages were not the product of arm's-length negotiation by Cyberlux but rather were imposed through a receivership process that Cyberlux disputes. The Court should decline to honor treble damages agreed to by a receiver of questionable

authority and should limit TAG's recovery to its principal amount of \$450,000 plus reasonable, non-trebled interest accrued through the date of the interpleader filing.

5. *United States (Internal Revenue Service).*

The IRS asserts federal tax lien claims totaling \$1,149,776.34 based on three tax lien notices filed in North Carolina spanning 2011-2024. Federal tax liens attach to all property and rights to property of the taxpayer under 26 U.S.C. § 6321. While Cyberlux acknowledges the priority that federal tax liens may enjoy under the Federal Tax Lien Act, the IRS liens at issue are blanket liens against Cyberlux's property generally and were not specifically perfected against the HII receivables. The IRS claim does not bear a direct nexus to the government contract work. Nevertheless, in the interest of achieving parity among creditors, Cyberlux proposes a modest \$250,000 interest reduction.

6. *Atlantic Wave Holdings, LLC and Secure Community, LLC.*

Atlantic Wave and Secure Community should be excluded entirely from any distribution of the Disputed Funds.

Atlantic Wave's asserted claim of approximately \$6,025,000 is, in reality, an attempt at double or triple recovery on the same underlying judgment. Atlantic Wave has already received or positioned itself to receive substantial payments: \$1,444,543.11 through a Fairfax County garnishment order, and \$3,083,639.75 through a Texas receivership. The combined recoveries already exceed the original judgment amount. Allowing Atlantic Wave to recover again from the Disputed Funds would constitute precisely the kind of duplicative, inequitable windfall that the interpleader process is designed to prevent.

Moreover, Atlantic Wave's claim to the \$6 million judgment is presently being adjudicated in the Virginia Court of Appeals, and Cyberlux disputes that Atlantic Wave is entitled to any

amount from the Disputed Funds. Atlantic Wave's claim bears no nexus to the government contract, it arises from a separate commercial dispute entirely unrelated to Cyberlux's drone manufacturing program. Its inclusion in the distribution would artificially inflate the deficit, prejudice legitimate creditors, and distort the equitable allocation.

Secure Community's claim is derivative of Atlantic Wave's position and fails for the same reasons. Secure Community has no independent, perfected claim to the Disputed Funds.

7. *Fairwinds Technologies.*

Fairwinds Technologies asserts a claim of \$2,348,542, but holds no secured interest in the Disputed Funds. As an unsecured creditor, Fairwinds should not share in the distribution of the res. Cyberlux proposes to address Fairwinds' claim through a payment plan in the ordinary course of business, outside the scope of this interpleader proceeding.

8. *ARG (Intervenor).*

ARG filed a motion to intervene but does not have an adjudicated claim against Cyberlux. Without an adjudicated, secured interest in the specific res, ARG should not participate in the distribution. As with other unsecured or unadjudicated claims, Cyberlux should be permitted to address ARG's claim, if any, in the ordinary course.

E. Proposed Order of Priority

Based on the foregoing analysis, Cyberlux respectfully submits that the Court should establish the following order of priority for distribution of the Disputed Funds:

First Priority: Cyberlux Corporation, recovery of \$2,450,000 representing its direct capital investment in contract performance and the aggregate interest reductions from other creditors' claims, to be used as operating capital to execute its defense contract backlog and generate cash flow for payment of unsecured creditors.

Second Priority: Legalist SPV III, LP, as the only creditor with a facially perfected, secured interest in the specific res, with an adjusted claim of approximately \$12,650,513.94 (after \$1,000,000 interest reduction).

Third Priority: Assure Global Claimants (WeShield / Roman / MAS / Sinensky), with an adjusted claim of approximately \$4,407,138.41 (after \$600,000 interest reduction).

Fourth Priority: ANPC, \$3,087,878.86, subject to verification of the claimed equitable lien.

Fifth Priority: TAG (Thin Air Gear), limited to principal plus reasonable interest accrued through August 4, 2025, with treble damages disallowed, resulting in a significantly reduced claim (estimated adjusted claim of approximately \$785,489.46 after \$600,000 reduction).

Sixth Priority: United States (IRS), \$899,776.34 (after \$250,000 reduction).

Excluded: Atlantic Wave Holdings, LLC; Secure Community, LLC; Fairwinds Technologies; ARG; and the Texas Receiver, Robert Berleth.

F. The Effect of Government Contracting Statutes and Regulations

The Court's Order directs the parties to address the effect of government contracting statutes or regulations on priority, entitlement, or payment due. This issue is central to Cyberlux's position.

The Disputed Funds originated from a government defense contract under which Cyberlux manufactured unmanned aerial systems for the United States Department of Defense. The Assignment of Claims Act, 41 U.S.C. § 6305, strictly limits the assignment of claims against the United States and reflects a strong federal policy that government contract funds should flow to the performing contractor. While the Assignment of Claims Act permits certain assignments to

financing institutions under specific conditions, it does not contemplate or authorize the wholesale seizure of government contract funds by parties unrelated to the contract performance.

Furthermore, Cyberlux holds rated orders under the Defense Priorities and Allocations System (DPAS), including DX-rated and DO-rated orders from General Dynamics Mission Systems, BAE Systems, and allied foreign customers. The DPAS program, established under the Defense Production Act of 1950, 50 U.S.C. § 4501 *et seq.*, imposes obligations on contractors to fulfill rated orders as the highest manufacturing priority. A distribution of the Disputed Funds that leaves Cyberlux without the resources to fulfill these rated orders would directly contravene federal defense procurement policy and undermine national security interests.

The Court should give significant weight to the government contract origin of these funds and the federal policies that attach to them. This weighs in favor of both limiting the claims of creditors whose debts are unrelated to the government contract and ensuring that Cyberlux retains sufficient capital to continue performing its defense obligations.

V. CONCLUSION

This interpleader proceeding was not of Cyberlux's making. HII chose to interplead funds that Cyberlux earned through its performance of a government defense contract, and that decision has had cascading consequences, accumulating interest, lost contracts, collapsed financing, and severe operational impairment. Cyberlux should not be made to bear the full cost of HII's unilateral decision.

The Court should exercise its broad equitable discretion to: (1) limit all creditors' interest accrual to the date the interpleader action was filed and served, on or about June 24, 2025 or no later than August 4, 2025; (2) exclude from distribution those claimants whose claims bear no nexus to the government contract or who are seeking duplicative recovery; (3) disallow the treble

damages imposed by the Texas Receiver on the Thin Air Gear claim; (4) grant Cyberlux recovery of \$2,450,000 from the Disputed Funds to fund its defense contract backlog and enable it to satisfy unsecured creditors in the ordinary course; and (5) establish a priority of distribution that reflects the equitable realities of this case and the federal policies governing government contract funds.

An outcome that strips Cyberlux of all remaining resources will not create more value, it will simply redistribute loss while increasing costs and delay. It will impair a functioning defense technology company, jeopardize pending government orders, and ultimately reduce recoveries for all creditors. By contrast, a measured, equitable distribution allows Cyberlux to meet its obligations in part now, while preserving its ability to meet additional obligations in the future and to continue supporting national defense priorities.

WHEREFORE, Defendant Cyberlux Corporation respectfully requests that this Court grant its Motion for Summary Judgment and enter an Order: (a) limiting interest accrual on all claims to the date of the interpleader filing; (b) excluding Atlantic Wave, Secure Community, Fairwinds Technologies, ARG, and the Texas Receiver from the distribution of the Disputed Funds; (c) recognizing Cyberlux's entitlement to recover \$2,450,000 from the Disputed Funds; (d) establishing the priority of distribution set forth herein; and (e) granting such other and further relief as the Court deems just and equitable.

CERTIFICATION OF COUNSEL REGARDING VERIFICATION OF CITATIONS

Pursuant to the Court's Order, the undersigned counsel, Jimmy F. Robinson, Jr., Esq., hereby certifies that he has personally verified every citation to authority contained in this submission, including every quotation attributed to authority, and that all such citations and quotations are accurate and correctly stated.

Dated: April 15, 2026

Respectfully submitted,

CYBERLUX CORPORATION

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CERTIFICATE OF SERVICE

I certify that on this 15th day of April 2026, a true and correct copy of the foregoing has been filed with the Clerk of Court using the Court's CM/ECF filing system, which will then send notification of such filing (NEF) to all counsel of record.

/s/ Jimmy F. Robinson, Jr.
Jimmy F. Robinson, Jr.