

**ARMORWORKS ENTERPRISES, LLC**  
**PLAN FUNDING TERM SHEET**  
**SEPTEMBER 18, 2014**

This Term Sheet is executed by and among; (i) ArmorWorks Enterprises, LLC ("AWE") and its wholly owned subsidiary, TechFiber, LLC ("TechFiber" and, together with AWE, the "Debtors"); (ii) Mandall Armor Design & Manufacturing, Inc., or nominee ("Mandall"); (iii) ArmorWorks, Inc. ("AWI"); and (iv) William J. Perciballi. This binding Term Sheet sets forth the principal terms under which Mandall will step into the role of "Investor" under the *Fifth Amended Joint Plan of Reorganization* [Dkt. 654] (the "Plan") filed in the Bankruptcy Cases (defined below). Unless otherwise stated, capitalized terms used herein shall have the meanings ascribed to such terms in the Plan.

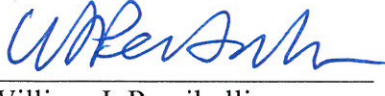
<b><u>BANKRUPTCY CASES:</u></b>	The Debtors commenced voluntary chapter 11 cases (the " <u>Bankruptcy Cases</u> ") in the U.S. Bankruptcy Court for the District of Arizona (the " <u>Bankruptcy Court</u> ") on June 17, 2013 (the " <u>Petition Date</u> ").
<b><u>EXISTING EQUITY OWNERS</u></b>	ArmorWorks, Inc. (" <u>AWI</u> ") (60% membership interest in AWE)  C Squared Capital Partners, LLC (" <u>C Squared</u> ") (40% membership interest in AWE)
<b><u>THE PLAN:</u></b>	The Plan Proponents filed the <i>Fifth Amended Joint Plan of Reorganization</i> [Dkt. 654] and the <i>Fifth Amended Disclosure Statement in Support of Fifth Amended Joint Plan of Reorganization</i> [Dkt. 655] (the " <u>Disclosure Statement</u> ") on June 17, 2014.  On July 24, 2014, the Court approved the Disclosure Statement on a final basis and found that the Plan should be confirmed based on proposed findings of fact and conclusions of law stated on the record.  A confirmation order has not been entered.
<b><u>AWE/TECHFIBER</u></b>	<ul style="list-style-type: none"> <li>• \$3.0 Million Cash initial Equity Contribution by Mandall for 100% equity of AWE.</li> <li>• Mandall has full operational and management decision making authority for companies on and after Effective Date of Plan.</li> <li>• Creditor claims paid pursuant to existing plan terms.</li> <li>• Perciballi waives all claims in bankruptcy proceedings.</li> </ul>
<b><u>AWI/PERCIBALLI</u></b>	<ul style="list-style-type: none"> <li>• On Effective Date Mandall contributes 100% of equity of AWE.</li> <li>• On Effective Date Mandall loans \$1.1 million to AWI.</li> </ul>

	<ul style="list-style-type: none"> <li>• Perciballi contributes Armory real estate and all owned and affiliated IP to AWI (both contributions, and all other contributions by the Parties under this Term Sheet will be structured in a tax neutral manner to the extent possible).</li> <li>• AWI/Perciballi use Mandall loan proceeds to fund Crown settlement.</li> <li>• AWI Outstanding Shares Cancelled and New Stock issued as follows: (i) 51% Mandall, (ii) 39% Perciballi, and (iii) 10% reserved for management. <ul style="list-style-type: none"> <li>○ Quarterly tax distributions paid pro rata;</li> <li>○ Next distributions to Mandall until \$3.0 million equity is returned.</li> <li>○ Next distributions paid (i) 10% to Management, (ii) 45% to Mandall, and (iii) 45% to Perciballi.</li> </ul> </li> <li>• Upon sale of the company, after prorata distribution to non-Mandall/Perciballi shareholders, net sale proceeds will be distributed 50/50 between Mandall and Perciballi</li> <li>• Perciballi retained post-effective date in management role at salary under a new employment agreement to be agreed but Mike Mandall retains full final operational and management decision making authority for AWI and all affiliated companies on and after Effective Date.</li> <li>• Stockholder agreement to include standard minority shareholder protections.</li> </ul>
<b><u>CONDITIONS</u></b>	<ul style="list-style-type: none"> <li>• Entry of a final and non-appealable Confirmation Order in form and substance acceptable to the Parties.</li> <li>• Execution of definitive documentations by Mandall and Perciballi regarding the AWI transactions contemplated under this term sheet in form and substance mutually acceptable to the parties in their sole discretion.</li> </ul>
<b><u>CLOSING</u></b>	<ul style="list-style-type: none"> <li>• Two (2) business days after the satisfaction of all conditions.</li> </ul>
<b><u>JURISDICTION AND VENUE</u></b>	<ul style="list-style-type: none"> <li>• All disputes will be resolved by the Bankruptcy Court; all parties agree to venue and jurisdiction of the Bankruptcy Court.</li> </ul>

[Signature paid to follow].

IN WITNESS WHEREOF, each of the parties has caused this Term Sheet to be executed and delivered as of the last date set forth below.

**ARMORWORKS ENTERPRISES, LLC**, an Arizona limited liability company

By:  9/18/2014  
Name: William J. Perciballi  
Its: Manager


**ARMORWORKS, INC.**

By:  9/18/2014  
Name: William J. Perciballi  
Its: Manager

**WILLIAM J. PERCIBALLI**

By:  9/18/2014  
Name: William J. Perciballi

**MICHAEL CABOT MANDALL**

  
Name: Michael Cabot Mandall  
President  
Mandall Armor Design & MFG. Inc.  
Date: 9-18-14