BLUE STAR STEEL

BLUE STAR STEEL USA

The Future of Worldwide Midrise Construction

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April 24, 2016

1.1EXECUTIVE SUMMARY

The purpose of this business plan is to raise $7.24M for the development of a light gauge steel production facility, while showcasing the expected financials and operations over the next three years. Blue Star Steel (hereafter “Blue Star”) is a corporation headquartered in Hawaii that will manufacture light gauge steel products to customers in its targeted market in USA and for export markets, like Central and South America.

1.1 The Market

Mid-Rise

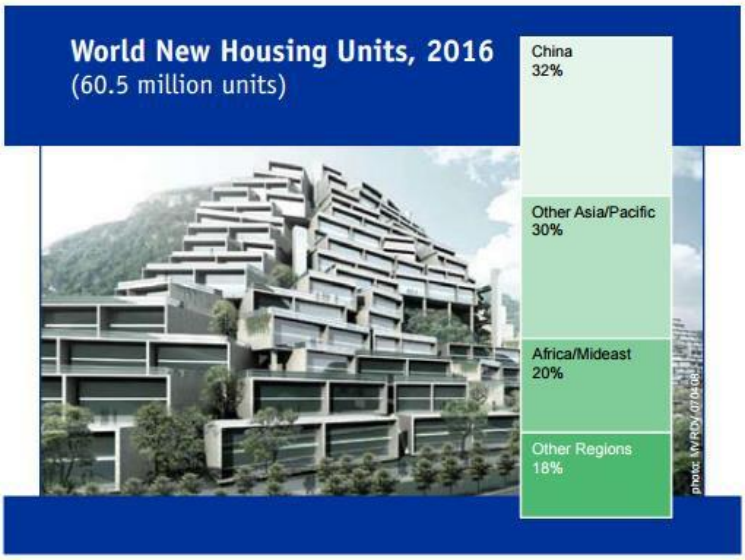
Blue Star will focus on the mid-rise construction market which is typically ten story buildings or less. This product category can encompass; apartments, mixed-use, dormitories, military barracks, hotel, assisted living, hospitals and more. The market potential for mid-rise construction is growing, as it is a perfect solution for housing needs in developing countries and urban growth of developed countries.

As a transitional building form, it can be used to smooth the progression from dense urban core to low-lying agricultural and traditional villages. It can be used in a mixed use setting, in a very attractive way. Public spaces can be organized and harmonized. Construction speed and cost will be a main driver for use of panelized construction. The technology of Blue Star helps bring light gauge steel to a new and marketable level including LEED certification and net zero status.

Blue Star will focus on the mid-rise and residential construction market in USA which is typically ten story buildings and less and will comprise both new construction and renovation. The growth predicted in this form of transitional living spaces will act as replacement and renovation of traditional buildings.

Blue Star is building in Africa, China and the USA. In 2013, China built 4.7 million affordable housing and started construction of 6.3 million units, according to the ministry of housing and urban-rural development statistics. In 2015, China completed the construction of 6.88 million affordable apartments in the first ten months of the year, surpassing its annual target of 4.8 million as the official data showed. China's Rural Housing Official (MOHURD) further increased the affordable housing project for low-income families' construction force. China has been accelerating its affordable housing projects to improve people's living conditions and shore up the economic growth. In the next five years housing projects for low-income families will equal a total building area of more than 2 billion square meters and construction investment capital of 5 trillion RMB.

China has more than 400 million square meters of new construction. According to existing construction management systems, they can't reach the green building standards. In addition, more than 40 billion square meters of buildings need to be retrofitted for energy conservation to meet the new code. The State Council, China's cabinet, announced a plan to build 18 million apartments in urban areas to renovate 10.6 million rural houses, between 2015 and 2017. China earmarked 560 billion Yuan to promote affordable homes during the 2015 planning.



Africa represents 15% of the world's population with the World Bank. Classifying 27 of the 54 countries as either mid- or high-income countries. Sub-Saharan African growth prospects are becoming an increasingly attractive strategy. With a young population expected to double by 2045, the demand for affordable living and high quality financially sustainable housing will substantially surge. Urban populations in Africa are predicted to increase to 56%, making it the most rapidly urbanizing region in the world. Individual countries will allow the combination of high growth countries with less developed ones. Middle-class households across the 11 fastest-growing countries in Africa will have increased to 40 million from today's 15 million households.

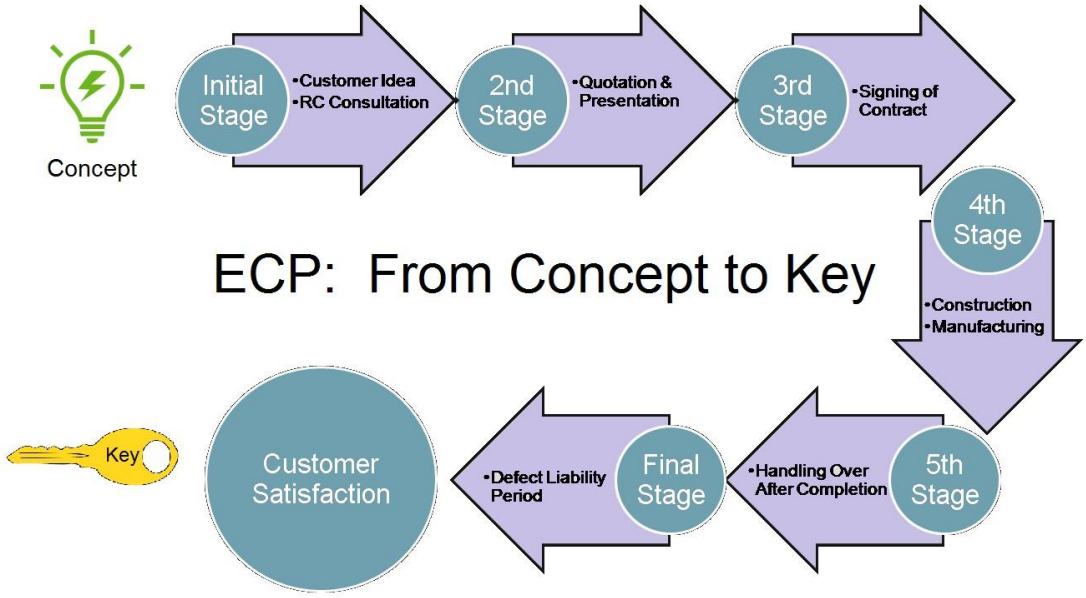
Export

Blue Star will focus on the export market from China supporting the newly developed free trade zones in Guam. Looking at the favorable tax implications and rebates offered to support and even augment the pricing and profitability levels. While China has the market to support, there is a great export market for affordable structures and housing. Blue Star's technology and capabilities enable Blue Star to ship products bundled and ready for construction. This will allow support and growth of in-country labor, without the need for much training or tooling.

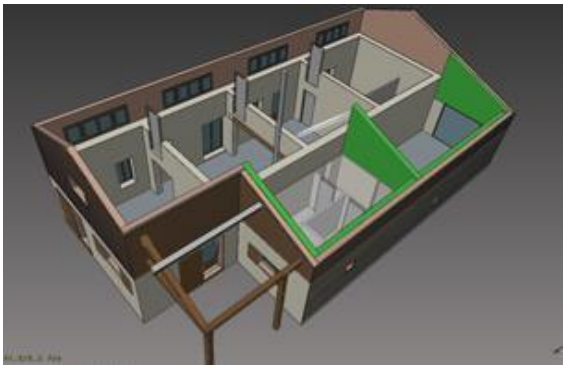
Blue Star is currently supporting several developments in Africa and expects some significant contracts to be there soon. Also maintaining contacts and supporters in Thailand, Philippines, Guam, Brazil, Venezuela, Dominican Republic, Russia, India and the continental United States.

1.2 The Technology

Blue Star Steel brings the experience and the technical know-how to the steel market. With over 35 years of collective direct experience in light steel, light steel roll forming technology and construction project management. Blue Star brings an exciting view to the construction process. With proprietary capabilities from concept to key, Blue Star is there to help you through the entire process.



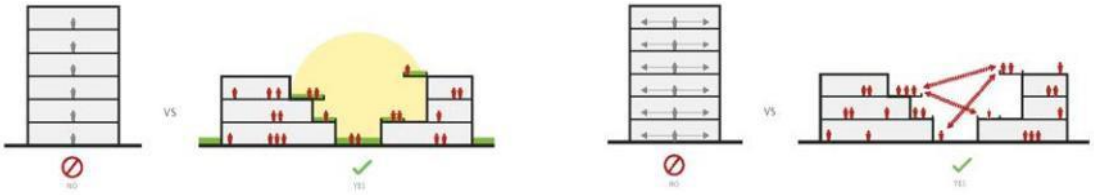
Blue Star Steel operates both proprietary CAD based design, layout software and third party CAD layout tools. Which brings the best breed and game-changing solutions to the table, coupled with the CAD designs. Output to the factory floor which monitors and controls the process down to the roll forming machines, includes all the punches and coping needed for final assembly. This enables Blue Star to create panels and truss assemblies, rapidly and efficiently. Whether shipping assemblies are completed, the pieces are bundled to assemble on-site or in-country for the export markets.



Blue Star Steel also has access to a proprietary cloud-based project management tool. Which assists in all stages of the ECP chain for; collaboration, monitoring, and control. This helps complete the process from concept to key and can be tied into home automation, for long term maintenance and monitoring.

1.3 The Products

Blue Star is a line of light gauge steel framing products and building solutions that are popular among contractors. Blue Star is currently sourcing a number of regional and international contractors that will require inventories of its products. The products with light gauge framing as a basis, will support sustainability and green building concepts. These concepts are supported in new building structures to support work, life and play with environmental consciousness. These new structures will promote interaction, better collaboration, community feel and will focus on the quality of life. With strategic partnerships in passive energy design, solar and advanced sheathings, Blue Star brings to the table and advanced and forward thinking structure.



In regard to the manufacturing process, our next planned production facility will be the first of its kind, with mid-rise construction builds available, up to ten stories. Powerful project management software is available to ensure builds are completed, timely and accurately.

1.4 Financing

Blue Star is seeking to raise $7,240,000 US in equity financing under a partnership agreement. The partnership and distribution agreement is to be further discussed during negotiations. This business plan assumes that we will receive a $7.24M investment with 50% control of the board and 60% ownership in common stock. The financing will be used to fund all startup costs of Blue Star's next steel manufacturing plant.

1.5 Mission Statement

Blue Star Steel is committed to bringing the best technology, engineering, construction and project management. We guarantee exceptional results for all our customers, while operating with uncompromised integrity and passion.

1.6 Management Team

Blue Star has secured commitments from the following team of professionals to ensure successful completion of Blue Star's business and financial objectives:

Kevin Andrews – Founder and CEO

- Blue Star currently owns and operates a successful automated roll-forming facility in Jinzhou, China with a capacity of producing 10,000 square feet of steel per day. To see a gallery of a few of Blue Star's completed and current projects see Appendix A.
- Mr. Andrews has worked in a variety of Hawaii businesses for over 30 years, including heavy machinery sales, diversified agriculture, and product marketing. He also owns Hula Girl Foods and Plant Research Corp. in Waimanalo, Hawaii.
- Mr. Andrews is well-versed in U.S. Construction and State of Hawaii Land Use regulations.

Scott Coulter – Construction Manager

- President and owner of Coulter Construction Hawaii USA. Constructed homes and buildings in Hawaii for over 20 yrs.
- Designs, engineers, and constructs light-gauge steel (LGS) systems and owns and operates a LGS fabricating plant in Honolulu, USA. Mr. Coulter's extensive knowledge of LGS design engineering and building is world class.

Derek McSpadden – CFO and CTO

- Over 25 years of experience with organizations from Fortune 100 to startups across manufacturing, construction, distribution, and logistics.
- Over 14 years of experience in steel and steel construction with Nucor Steel, the US largest steel company as well a venture capital led start-up.
- An active Certified Management Accountant with extensive experience in developing solutions and process engineering to drive profitability and production management. Derek is also well versed in Lean techniques and quality management.

Mike Bloom – CEO of Reflok, Inc.

- Experienced C-Level executive, board member, advisor, financier and change manager.
- Forensic financial evaluation for senior bank loans, venture and private equity funding, investment analysis and tax efficient structures.
- Litigation negotiation, acquisition of companies and assets, restructuring and strategic defense.

Bob Andrews – Management Consultant

- Senior vice president of KTR Capital Partners, an investment, development and operating company focused on the industrial property sector in North America.
- Former regional director for 13 years at RREEF, a real estate investment trust with approximately $48.8 billion in assets under management.
- Over 16 years of experience in asset management, including lease analysis and negotiation, budgeting, forecasting and valuations.

Gordon Ritchie – BOD Advisor

- Over twenty years of experience in commercialization and importation of advanced building materials and methods.
- Experienced in the materials science, manufacture and product development of foam, molding and coating systems for the construction industry.
- Founder of Francines & Dots, a retail chain that grew to 186 stores and over 2,000 employees throughout Canada.

Steve Grimme – BOD Advisor

- Involved in the management of large projects including commercial, retail, hospitality, industrial, and parking garages since 1977.
- Co- founder, partner, and director of US Pacific Builders, Inc. from 1987 through 1997. US Pacific completed over $500M of resort commercial projects ranging from hotels, retail malls, big box, condominiums, and office buildings.
- Founder and President of Smith Equity Builders, Inc., a firm specializing in providing management and process optimization for international real estate developments.

Bryan Nickel – BOD Advisor

- Managed over $2 billion of commercial, industrial, retail and residential construction in California.
- Provided consulting to real estate and construction companies including C.L. Peck Contractor, EQUIDON, Brock Homes, and Snyder Langston.
- Holds a degree in Economics from the University of California at Santa Barbara with post- graduate training in tax, business law, accounting and real estate appraisal.

Michael Lombardi – BOD Advisor

- Involved in the legal administration and technical management of large projects including residential, commercial, public housing, and heavy industrial construction since 1976.
- Former trial attorney, having represented numerous general and specialty contractors in a variety of construction litigation cases.
- Holds a Bachelor of Science degree in Civil Engineering (BSCE) from the Worcester Polytechnic Institute (WPI) in Massachusetts, followed by a stint as a Field Contracts Engineer responsible for the delivery of $100M in nuclear construction subcontract work with the Bechtel Power Corporation.

Chiel Boonstra – LEED Energy Advisor

- Founder and owner of Trecodome, an international consultancy on urban sustainability, passive and low energy buildings and renewable energy.
- Provides world-class consulting on eco-friendly design and practices of Blue Star's projects.

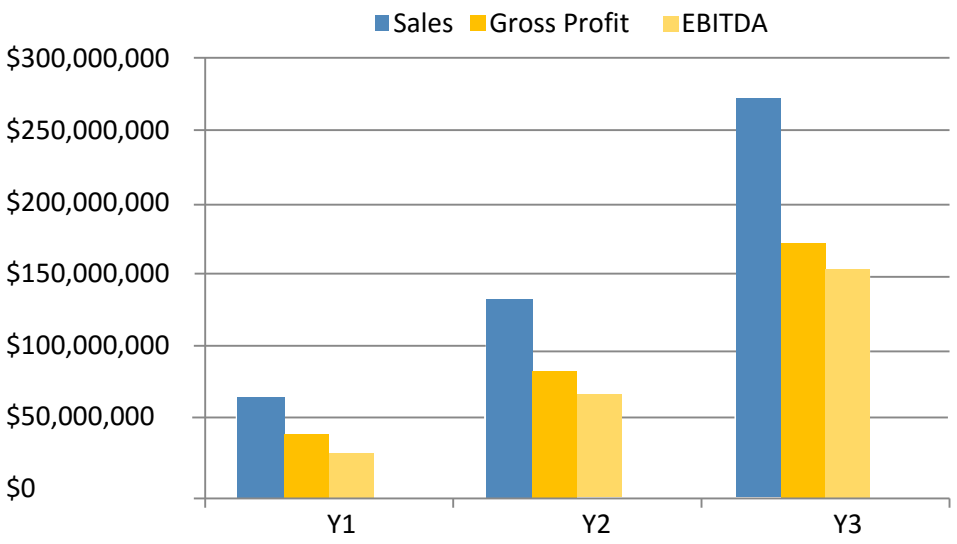
Blue Star Steel Commissioning Timeline

1	**Initial Negotiations**	5/1/16
1.1	Negotiate with JV Partner	5/1/16
1.2	Meeting with Guam Government Officials	5/15/16
1.3	Setup Corporation in Guam	6/1/16
1.4	Open Guam Bank Account	6/1/16
1.5	Negotiate Equipment Suppliers	6/15/16
1.6	Retain Management	6/25/16
1.7	Sales and Engineering Office - Guam	6/25/16
1.8	Select and Hire Sales Team	6/25/16
1.9	Site Selection	7/1/16
2	**Funding**	6/1/16
2.1	Fund Warehouse Selection	7/15/16
2.2	Fund Equipment Deposits	7/15/16
2.3	Fund Software Contracts	7/25/16
2.4	Fund First 5,000 sq. meter PROTO	7/30/16
2.5	Fund Remainder of Equipment	7/30/16
2.6	Purchase Software	7/30/16
3	**Prototype and Supply**	8/1/16
3.1	Design/Engineer Prototype Units	8/15/16
3.2	Order Steel	9/1/16
4	**Commission Factory**	12/1/16
4.1	Test/Accept/Install Equipment	12/1/16
4.2	Commission Factory	12/1/16
4.3	Train Factory Staff	12/15/16
4.4	Finalize Supply Contracts	1/5/17
4.5	Production Commences	1/15/17

1.5 Sales Forecasts

Blue Star expects a strong rate of growth at the start of operations. Sales for year one are projected to be at $67M USD in turnover. With the supply chain and sales contacts already lined up. Blue Star is poised to sell at an average rate of $1.20 per lb. of steel while the cost of steel is modeled at $0.35 per lb. Below are the expected financials over the next three years.

	Y1	Y2	Y3
Sales	$67,812,134	$135,624,268	$271,248,536
Cost of Goods Sold	$24,746,734	$49,023,470	$97,425,436
Gross Profit	$43,065,400	$86,600,798	$173,823,100
Operating Expenses	$13,500,285	$16,792,145	$19,147,623
EBITDA	$30,031,616	$70,275,153	$155,141,978



1.6 EXPANSION PLAN

Blue Star expects to aggressively expand during the first three years of operation. As seen in the business plan, Blue Star will implement marketing campaigns that will effectively target construction contractors within the target markets both in USA and in export markets. Blue Star expects to fund future expansions from the earnings of the initial plant and will continue to expand regionally to fill demand. The business plan model is based on one plant location, expansion to other regions will increase the relative opportunity represented and will be by agreement of the operating partners.

2.0 Company and Financing Summary

2.1 Registered Name and Corporate Structure

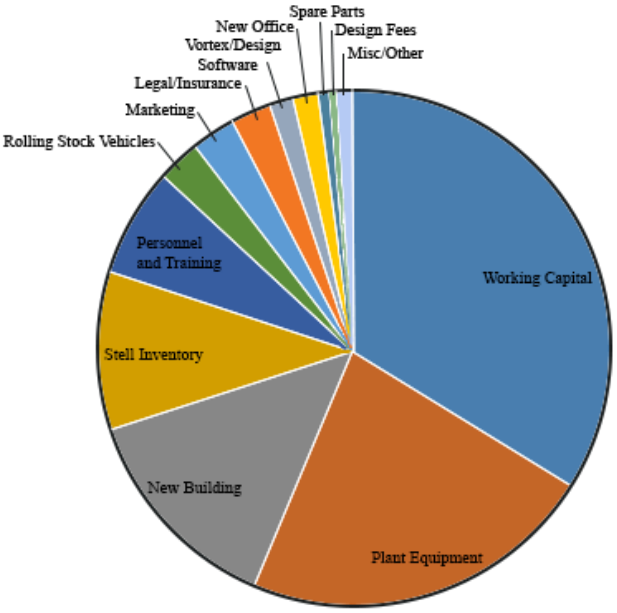
Blue Star Steel Corp. is registered as a C corporation in the State of Hawaii. Other terms and partnership arrangements will be negotiated, by the partners.

2.2 Required Funds

At this time, Blue Star Steel requires $7.24M. Below is a breakdown of how these funds will be allotted:

Usage of Funds

Working capital	$2,000,000.00
Plant Equipment	$1,310,000.00
New Building	$1,000,000.00
Steel Inventory	$1,577,000.000
Personnel and Training	$555,000.00
Rolling stock vehicles	$200,000.00
Marketing	$90,000.00
Legal/Insurance	$170,000.00
Vertex/Design software	$100,000.00
New office	$100,000.00
Spare parts	$50,000.00
Design fees	$30,000.00
Misc./Other	$58,000.00
Total Startup Costs	**$7,240,000.00**



2.3 Equity Structure

Blue Star is seeking an equity investment of $7.24M under a new entity in Guam. Under this new joint venture, Blue Star will share 50% control of the board and 60% ownership of Blue Star Steel common stock. The corporation will have 10 million shares.

2.4 Exit Strategy

Blue Star Steel has plans to expand with this model to other counties and to continue to export opportunities, as they arise. The capacity of each planned location will be to service about 100,000 tons of steel per year, components and building materials which will generate over $250M in US revenues. It is the intent of Blue Star Steel, to payback the initial cash investments with profits. The business plan outlines the payback of the initial funding, starting in year 2. With a complete payback in year 3.

With the growth and expansion plans there will be opportunities for the business to look at several long-term exit strategy options. One such option could be a merger with a larger construction enterprise in Guam, who is looking to leverage Blue Star's expertise. There could also be the opportunity for Blue Star to go public via public offering or to be acquired by a private equity firm interested in the solid profitability platform.

3.0 PRODUCTS AND SERVICES

3.1 Manufacturing and Distribution of Light Gauge Steel Framing Products

The primary revenue source for the business will come from the direct sale of framing products to contractors according to specification. Blue Star will have developed, produced, and marketed its light steel products.

Light gauge steel framing is a builder's choice for lower construction costs. Steel has the highest strength to weight ratio of any construction material, its lighter weight means less concrete or other material needed for foundation. It is consistent in quality and form. It can be shipped in a manner that allows assembly on site or in-country for export product, with little training.

History of Light Gauge Steel Framing

Since 1992 there has been exponential growth in the use of pre-fabricated light gauge steel building components in low-rise commercial and industrial construction. Light gauge roof trusses, wall panels, and joist systems have proven to be an extremely cost-effective, non-combustible alternative to traditional building materials. Light gauge steel can be used on commercial structures up to ten stories high and is now commonly used to build the following:

- Apartments
- Hotels
- Temporary Housing
- Assisted Living/Nursing Homes
- Commercial buildings
- Industrial buildings
- Assisted/Senior Living

It was not until 1999-2000 that a prescriptive method for building with light gauge steel became available and incorporated into residential building codes. This allowed light gauge steel to be built using the same procedures as wood (wood has had prescriptive methods and code acceptance since the 1920s). Building methods, fasteners, and tools had a 75-year head-start with wood. Today product standards and prescriptive building methods are adopted by the International Building Codes[1], have collectively leveled the playing field for steel.

Advantage of Light Gauge Steel

Steel framing poses a series of advantages over concrete and timber alternatives. Among these advantages is the cost of light gauge steel framing products. Put simply, the cost of steel framing today is no more expensive than the alternative choice of concrete, blocks or wood.

Although, the cost of timber was an important motivator for the development of steel framing in the Western World. There were other incentives; termites, mold, climate and extreme weather. For instance, the Formosa Termite thrives unabated in all the Pacific Islands. Humid climates make mold a problem as well. Additionally, steel has a greater resistance against extreme weather conditions like hurricanes, tornados, and earthquakes. Steel framing offers the most promising resistance against all these issues.

[1] IBC - http://www.iccsafe.org/codes-tech-support/codes/2015-i-codes/iecc/

Light steel is also favored for its energy efficiency. On average 65% is recycled material, making a lighter option thus requiring thinner foundations. The use of light steel can be worth up to 30 LEED points and can be used to comply with the requirements of sustainable design standards such as:

- International Green Construction Code (IgCC)
- ASHRAE Standard 189.1, Standard for the Design of High-Performance Green Buildings except Low-Rise Residential Buildings USGBC's LEED (Leadership in Energy and Environmental Design)
- Green Building Initiative's ANSI/GBI-01, Green Building Assessment Protocol for Commercial Buildings.

Advantages of Panalization and Prefabrication

The advantages of prefabricated wall panels, trusses, and floors are numerous. Among the advantages is the level of quality control afforded by an internally-controlled manufacturing process. A good manufacturing environment, coupled with increased and efficient supervision offers high levels of productivity. Panalization and prefabrication is also strongly beneficial. Scaffolding systems, jobsite clutter, and scrap are eliminated allowing increased project access to other trades.

Perhaps most important, panel fabrication offers substantial advantages in speed and erection of buildings. Thereby reducing customers' requirements for working capital and improving their cash flow. Panels prefabricated offsite in a controlled environment are unaffected by inclement weather and construction proceeds without delay. Additionally, prefabrication occurs while foundation and structural systems are constructed on-site. Construction schedules can be compressed, reflecting in parallel activities and faster return on capital. The onsite erection of prefabricated light steel framed panels, is among the most efficient construction systems in terms of square footage erected, per man. With the proposed production plant, Blue Star will be able to produce all framing requirements for mid-rise buildings up to 5,000 sq. meters per 12-hour shift.

One other significant advantage is, the reduced need for skilled labor. In developed countries, there is a labor shortage of highly skilled laborers. In developing countries, the building technique is new. Because of the simplified nature of light gauge framing and Blue Star's ability to label and plan the project, the skills needed will be, the ability to operate a screw gun and read basic construction plans.

Designing for Sustainability

The green building movement is rapidly increasing. More and more building owners, architects, engineers and contractors are realizing the benefits of sustainable design and construction practices. Improving the longevity of the environment.

Steel is the largest completely recyclable material. Using recycled steel takes the pressure off renewable resources. A 2000-square-foot home built with wood, would require about 40 to 50 trees. Which is about an acre's worth of deforestation. With steel, the equivalent is about six scrapped automobiles for the same size home. In contrast to many other building materials, steel is routinely collected in aggregate quantities from construction and demolition sites to be recycled into new steel products. Thermal barrier insulating materials provide exceptional heat and cooling loss protection. Resulting in less air loss around windows, doors, foundation and roofing connections.

Steel is one of the most sustainable building materials in the world. The industry has embraced the common sense approach that reducing its impact on the environment is the right thing to do and it makes fiscal sense.

- Since the early 1990's, the steel industry has reduced its energy use by 1/3.
- More than 95% of the water used in the steel making process is recycled and returned - often cleaner than when it was taken from the source.
- Steel, when recycled, loses none of its inherent properties.
- Steel is the world's most recycled material. Construction products have a recycling rate of more than 90 percent. Meaning that at the end of a steel building's lifetime, more than 90 percent of that building's steel is recycled into another steel product using significantly less energy than was necessary to create the original product.
- Steel is durable, safe, and strong. It is not susceptible to rot, termites, or mold. Steel used for framing will last hundreds or even thousands of years due to its zinc coating, a natural element. Steel structures require less material (both reduced weight and reduced volume) to carry the same loads as concrete, masonry or wood structures.
- Steel is dimensionally stable: it will not warp, split, or creep. Making it durable and built to last. Minimizing cracking and pops in drywall and other finishes with CFS framing.

4.0 Strategic and Market Analysis

This section of the analysis will detail the economic climate, the fabricated metals manufacturing and steel framing industries, and the customer profile that the business will target as it progresses through its own operations.

4.1 Economic Outlook

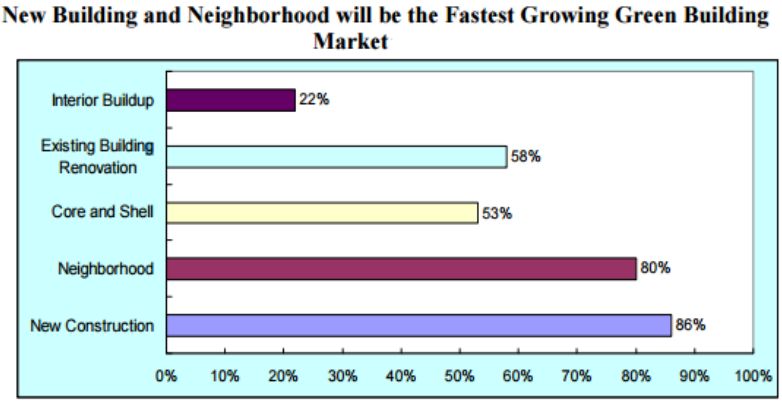
Presently, the economic outlook for fabricated metal manufacturing and steel framing in the worldwide construction market appears promising. This industry is sensitive to the cost of borrowing. Increases in the long-term interest rates on investments in private commercial building projects will decrease construction activity and demand for framing services. However, the steel framing industry is expected to enter a period of sustained growth over the next five years. This projection corresponds with an anticipated stabilization of the global construction commerce. In addition, Blue Star will earn significant gross margins on each sale, despite the current economic climate. Business will be able to maintain profitable and positive cash flow operations.

4.2 Worldwide Industry Analysis

Blue Star operates in a sub-industry of fabricated metal manufacturing known as, custom roll-forming. Firms in the custom roll-forming industry purchase metals, typically in coil form and transform them into intermediate or end-use products. Assembly is managed though forging, stamping, bending, forming, welding, and machining. Custom roll-formers commonly manufacture simple parts, usually with a limited range of products. This is generally due to the purpose-built nature of the production machines involved. In Blue Star's case, it specializes in manufacturing steel trusses, wall panels and floor systems. A tightly integrated system from design, to shop floor, to final erection. Thus the demand for modular construction and panalization products are driven by the level of construction activity.

Demand for steel framing is largely based on the investment in residential and nonresidential building markets. Including; commercial, institutional, and industrial sectors. Demand is also partially dependent on government investment in municipal building construction. As discussed in section 4.3 below, these drivers of demand are creating an abundance of opportunities for construction across the world.

Among the many industry opportunities in steel construction, two are particularly relevant to Blue Star – environmentally friendly construction ('green' building) and the repair and retrofit market. The growing interest in green building practices will increase the demand of steel components in construction. Steel building products help firms qualify their projects as 'green' due to light-gauge steel framing. Light-gauge steel framing contains up to 65% recycled steel.



Blue Star intends to market its products to the retrofitting needs of developing economies. For instance, in China the demand for repair and retrofits has surged in light of new Chinese building codes. Serving the repair and retrofit market lessens Blue Star's dependence on new construction cycles and thus improves its cash flow throughout the year. Moreover, metal components offer advantages in strength and longevity, versus traditional building materials. Making retrofits ideal for commercial buildings. The strength of metal components is especially important for retrofit designs to meet building codes for earthquakes or hurricane protection. In addition, there is a huge potential to add light steel floor levels to existing concrete buildings. Also known as 'topping off'. Buildings with flat roofs are another source of retrofitting demand. Modernizing these buildings with light steel roofs and our truss technology will extend the life of buildings and reduce their energy consumption.

4.3 Customer Profile

The ideal customer will typically be a general contractor or real estate developer for commercial and industrial buildings. In emerging markets such as; Africa, China, India, Guam and Brazil. Expanding populations, in emerging markets are driving growth in the global, structural and architectural metal industries. Global construction output is expected to increase by more than 70% by 2025. Reaching $15 trillion per a report 'Global Construction Perspectives and Oxford Economics'. Of that growth, China, India, and the US will account for nearly 60%. In most of the world, higher-density, multi-family housing is more prevalent. These types of buildings are usually framed with structural and light gauge steel. Making these construction hotspots a target market for Blue Star's line of light-gauge steel products.

Common traits among customers will include:

- Strong interest in LEED-compliant, 'green' construction practices
- Will spend $1.20 to $6 per pound or $90.41 per square meter of framing
- Track record of projects in aforementioned emerging markets

4.4 Unique Selling Position

Over the years, with Blue Star's current production facility in China. Management has developed a set of mutually reinforcing strategic themes with low cost structure and operational excellence. Blue Star achieves a competitive cost structure through low overhead, low labor costs and low personnel requirements. Alongside this focus, Blue Star has also concentrated on a flawless execution of its operations, from sales order to delivery. Making Blue Star's operational efficiency and low cost structure the source of its competitive advantage. Blue Star's project portfolio is still maturing. However, management is confident that the target markets will find its products the preferred new construction choice.

Strategic Partnerships

Blue Star will operate with strategic partnerships which are intended to increase; marketability, desirability, and the construction of products.

One such strategic partnership is one with RockOn which manufactures Magnesium Oxide boards. In perfect sync with LGS framing, RockOn is:

- Non-combustible
- Water resistant
- Mold resistant
- Termite resistant
- Impact resistant
- Structurally certified

RockOn has significantly improved the strength of common MgO board to create a product that can be used as a structural sheathing like Plywood or OSB. It is rated as a non-combustible material with 0 flame spread and 0 smoke generation in various assemblies with up to a 2-hour fire rating. RockOn is a hospital grade material approved as underlayment and tile backer board. It has undergone almost three years of rigorous testing that certifies its structural and physical properties in many construction applications. This testing was done according to ASTM standards by the world leading testing services such as Intertek NTA, Inc. and The National Tile Council. No other MgO board in the market can match RockOn's tested performance.

By pairing RockOn and LGS, we are able to offer developers and other builders a premium-quality product. With extremely desirable safety characteristics and some of the fastest construction and leed times in the industry. We offer a product that's safer and faster than anything else. New construction and retrofit markets, in combination with the MgO board and steel framing make the perfect panel for; curtain wall, interior demising walls and other portions of the high-rise market.

Another strategic partnership is that with Trecodome who is wholly focused on the advisement of passive energy building on all scales. Trecodome offers services in the field of low energy design, renewable energy technologies, and low CO2 footprint. Trecodome focuses on energy demand reduction, whilst renewable energy can provide a significant share of the energy needs.

Trecodome helps optimizing projects through advice about energy concepts, process, technology and design for new and existing buildings. The founder of Trecodome, Cheil Boonstra, has developed into becoming an expert in the field of low energy building and the application of passive solar techniques. He is Secretary General of the International Solar Cities Initiative, an international body aiming to build a bridge between research and cities to achieve sustainable greenhouse gas emissions in cities throughout the world and will assist Blue Star and Blue Star clients in achieving the same.

5.0 MARKETING PLAN

Blue Star intends to maintain an extensive marketing campaign that will ensure maximum visibility for the business in its targeted market. Below is an overview of the marketing strategies and objectives of Blue Star.

5.1 Marketing Objectives

- Develop ongoing relationships with local builders, architects, contractors, and engineers throughout the United States, Guam, and in the developing world.

- Develop relationships with government agencies, NGOs, and officials of large commercial, military, oil, gas, and mining operations.

- Build a network of sales offices worldwide through strategic relationships with international real estate developers such as CBRE and others. (4)

- Represent Blue Star at high-traffic trade shows around the world.

5.2 Marketing Strategies

Blue Star intends on using a number of marketing strategies that will allow Blue Star Steel to easily target contractors and builders within the market. Primarily, Blue Star intends to develop an internal sales force that will directly promote and sell Blue Star's framing products to these entities in exchange for a commission. Management anticipates that commissions will range from 5% to 15% depending on the ongoing success of the targeted campaign. Management may also develop territories for all maturing markets led by individual teams of local salespeople.

Blue Star will acquire booths at key trade shows to market Blue Star Steel's products. The booth will contain sample products and marketing brochures. A marketing firm will be retained to assist Blue Star Steel with appropriately branding and marketing its products to the targeted demographics. Blue Star will also recruit marketing talent from his relationships in the steel trade and building industry.

Management intends to develop a highly interactive website that showcases the products produced, how to contact Blue Star for custom quotes and e-commerce functionality among end users that want to purchase standardized products in bulk. Relationships with DIY operations and steel distribution channels will become current.

5.3 Pricing

Blue Star intends to sell its steel framing in the form of wall panels, trusses, and floor systems. **Management anticipates a conservative sales price of $1.20 per pound which translates to $90.41 per square meter of finished framing products.** A model of this pricing assumption is provided below.

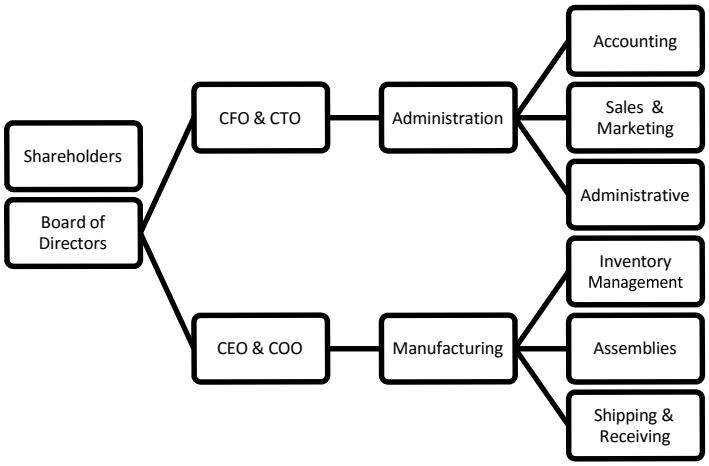
Prototypical Building			**Budgeted Price**
Living Area	4,266.28	Per lb.	$1.20
Gross Area	4,873.60	Per sq. m	$90.41
Common Area	12%	Per Building	
Load Bearing Wall Framing (5.5")	140 mm	Based on lbs.	$385,734.00
Non-Load Bearing Wall Framing (3.5")	90 mm		
Floor Joist (10")	250 mm		

Volume of Steel Framing Per Prototypical Building	
Weight Per sq. m of Living Area	75.35 lbs.
Weight Per sq. m of Gross Area	65.96 lbs.
Weight Per Building	321,445 lbs.

Annual Production Output of Proposed Plant	
25% of Production Capacity	56,510,112 lbs.
50% of Production Capacity	113,020,223 lbs.
100% of Production Capacity	226,040,447 lbs.

6.0 ORGANIZATIONAL PLAN AND PERSONNEL SUMMARY

6.1 Corporate Organization

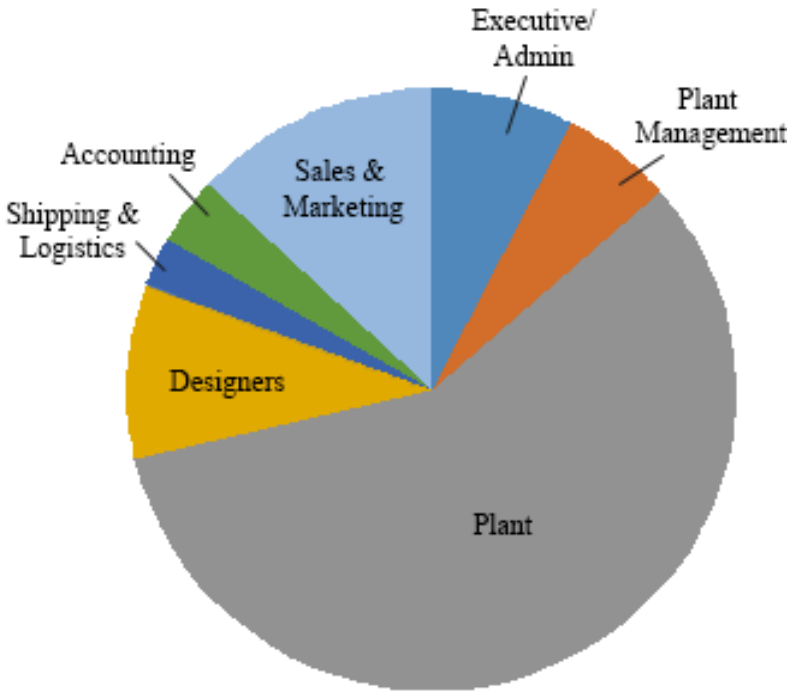


6.2 Organizational Budget Personnel Plan – Yearly

	Y1	Y2	Y3
Executive/Admin	$612,000.00	$612,000.00	$696,000.00
Plant Management	$336,000.00	$424,320.00	$552,000.00
Plant	$1,326,000.00	$2,889,120.00	$5,331,840.00
Designers	$108,000.00	$299,520.00	$864,000.00
Shipping and Logistics	$48,000.00	$144,000.00	$240,000.00
Accounting	$67,200.00	$201,600.00	$336,000.00
Sales & Marketing	$300,000.00	$600,000.00	$1,200,000.00
	$2,797,200.00	**$5,170,560.00**	**$9,219,840.00**

Numbers of Personnel	Y1	Y2	Y3
CEO & COO	1	1	1
CFO & CTO	1	1	1
General Manager	1	1	1
Assistant Manager	3	4	6
QC Manager	1	3	6
Line Foreman	2	4	6
Materials Handlers	45	90	180
Drivers	2	6	8
Designers	3	8	24
Shipping and Logistics	1	3	5
Accounting	1	3	5
Sales & Marketing	4	8	16
Administrative	1	1	2
	66	**133**	**261**

Personnel Expense Breakdown – Year 3



7.0 PRODUCTION PLANT LOCATION, DESIGNS, & SPECIFICATIONS

This section will address the location, designs, and specifications of the proposed production plant. For visual schematics of the proposed plant, see Appendix B.

7.1 Country selection for production facilities

Blue Star will select Guam as the location of the next production plant for light gauge steel manufacturing. This selection is not only based on Mr. Andrews's current relationships and strategic allies in Hawaii but is based carefully on a review of objective criteria. Criteria to consider, in approximate order of priority, include:

- costs of land acquisition, construction and operation of a production facility;
- proximity to markets;
- availability of a work force that can be trained in the necessary skills;
- risk of natural disasters;
- Acceptance by the surrounding population of this activity.

Each of these points is discussed in below.

Among these criteria is the cost of construction and operation of a facility. Due to the expensive nature of fixed assets such as; sophisticated roll-forming equipment and machinery, are characteristics of firms in the steel manufacturing industry. Thus Blue Star's profits are sensitive to variable costs of inputs, particularly labor. Labor rates in the Guam market vary and is anticipated the OFW from Philippines will used to offset any shortages in supply.

Proximity to markets is important to minimize transport costs. Blue Star's target markets of developing countries include China, India, Vietnam, Saipan, Philippines, and various African and Eastern European nations. In light of this, locating the production site in Guam is strategic for logistical purposes. By positioning its production facilities in Guam, Blue star will be able to serve target customers across the world, while maintaining a competitive cost advantage.

Much of the vast OFW labor market is well accustomed to manufacturing operations in a wide array of industries ranging from, automobile factories to food production. Guam and Saipan have a long-standing history as a preferred location for manufacturing firms' outsourcing operations from a variety of first- world nations. We have complete confidence that there will be more than an adequate supply of workers or highly trainable OFW in light steel manufacturing and construction.

The risk of natural disasters is an important consideration in light of the heavy reliance on fixed assets and expensive machinery. Natural disasters relevant to Guam are primarily earthquakes and tsunamis risk is very high.

The proposed plant will be located in an industrial zone and will have virtually no impact on the natural environment. A prototypical light gauge steel plant produces low noise and no emissions. In addition, a robust monitoring and controls program will ensure minimal waste and that all waste products are properly disposed of and recycled where possible. Thus a light steel manufacturing facility should receive no opposition from the surrounding population on environmental grounds.

7.2 Specific site selection

Guam is home to one of the busiest international ports. This proximity to the ports will grant Blue Star access to a robust range of local and international shipping channels. In addition, industrial districts of Guam have complete road systems, nearby access to airports, good quality water supply, and complete access to affordable and steady supply of electricity. The industrial sites of the Guam also provide close proximity to appropriate work forces. Thus Guam is Management's top choice for the new site of Blue Star's next production plant.

7.3 Plant designs and specifications

The proposed plant will span 120,000 square feet and one story high. It will require a foundation of pre-engineered, 6-inch reinforced concrete slab on-grade with footings. The structure of the plant will be reinforced with red steel as well as light gauge steel framing. Management estimates that it will take approximately 12 months from notice-to-proceed for the plant to be constructed, commissioned, and operational.

For a set of illustrations of the proposed plant's specifications, see Appendix B. Below is a list of the equipment and machinery integral to the plant:

Factory Equipment

	Qty.
3 1/2" Wall Machines	4
5 1/2" Wall Machines	8
Multi-Purpose Line (Hat Channel/Ridge Plate)	2
Multi-Purpose Stud and Track	2
Multi-Purpose Punched Floor Joist	1
Floor Deck Pan Machine	1
2" Truss Machine	2
5.5" Truss Machine (multi)	1
Press Brake	3
Shear	1
Tile Roof Machine	1
Sandwich Panel Press	4
Flip Tables	10
Cladding Stations/Hoists QC Lab	
Forklifts	10

8.1 FINANCIAL PLAN

8.1 Underlying Assumptions

Blue Star has based its pro forma financial statements on the following:

- Blue Star Steel will have an annual revenue growth rate of 100% per year.
- The Owner will acquire $7.24M of equity funds to develop the business.
- The equity financing arrangement will stipulate shareholders' distributions to begin at the end of year two with full repayment of initial equity by the end of year three.

8.2 Sensitivity Analysis

In the event of an economic downturn, the business may have a decline in its revenues. Steel framing and related industries are driven by consumer and government spending. During times of economic recession, the business may see a decline in its top income. However, the business will earn substantial margins from its product sales and the business will remain profitable and cash flow positive despite moderate declines in revenue.

8.3 Source of Funds

Equity Contributions		
Management Investment		$7,240,000
	Total Equity Financing	$7,240,000
Debt Financing		
Long-term notes payable Lines of Credit		$0.00
	Total Debt Financing	$0.00
	Total Financing	$7,240,000

8.4 General Assumptions

Payback Period	**Distributions**	**Net Invested Cash**
Y0	0	$7,240,000
Y1	0	$7,240,000
Y2	$3,620,000	$3,620,000
Y3	**$3,620,000**	**$0**
Cost of galvanized steel coil per lbs.	$0.35	
Selling price per lbs. of finished product	$1.20	
Cash available for owner distribution	100% of cash in excess of WCR + CRR	
Beginning year of distribution	Year 2	
Ceiling on annual owner distribution	50% of principal	
Working capital required (WCR)	25% of year-end cash	
Cash reserve required (CRR)	3 months of total costs	
Personnel taxes, fringe benefits	35% of gross pay	

8.5 Sales, Operating Costs, and Profit Forecast

Summary	Y1	Y2	Y3
Sales	$67,812,134	$135,624,268	$271,248,536
Cost of Goods Sold	$24,746,734	$49,023,470	$97,425,436
Gross Profit	$43,065,400	$86,600,798	$173,823,100
Operating Expenses	$13,500,285	$17,368,548	$20,402,147
EBIT	$30,031,616	$69,698,750	$153,887,453

Pro forma Profit and Loss - Yearly				**Operating Capacity**			
			25%		50%		100%
			Y1		**Y2**		**Y3**
Revenues			$67,812,134		$135,624,268		$271,248,536
	LBS.		**56,510,112**		**113,020,223**		**226,040,447**
Cost of Goods							
	Materials, Steel	32.083%	$21,756,393	32.083%	$43,512,786	32.083%	$87,025,572
	Production Staff, Gross Pay	2.982%	$2,022,000	2.664%	$3,612,960	2.488%	$6,747,840
	Production Staff, Taxes & Fringe Benefits	0.895%	$606,600	0.799%	$1,083,888	0.746%	$2,024,352
	Fees for Connectors	0.133%	$90,177	0.266%	$360,708	0.266%	$721,416
	Energy Costs	0.080%	$54,000	0.013%	$18,000	0.013%	$36,000
	Other Direct Costs	0.321%	$217,564	0.321%	$435,128	0.321%	$870,256
	Total Cost of Goods	36.493%	**$24,746,734**	36.147%	**$49,023,470**	35.917%	**$97,425,436**
Gross Profit			**$43,065,400**		**$86,600,798**		**$173,823,100**
Gross Margin			**63.51%**		**63.85%**		**64.08%**
Expenses							
	Salaries, Nonproduction Wages	1.515%	$1,027,200	1.148%	$1,557,600	0.911%	$2,472,000
	Non-production Staff, Taxes, Fringe Benefits	0.530%	$359,520	0.402%	$545,160	0.319%	$865,200
	Building, Factory, Office - Lease Payments	0.814%	$552,000	0.407%	$552,000	0.204%	$552,000
	Advertising	3.000%	$2,034,364	2.000%	$2,712,485	1.000%	$2,712,485
	Commissions on Sales	10.000%	$6,781,213	6.000%	$8,137,456	3.000%	$8,137,456
	Trade Shows, Associations	0.350%	$237,342	0.175%	$237,342	0.088%	$237,342
	Printed Literature	0.200%	$135,624	0.100%	$135,624	0.050%	$135,624
	Web Site Development, Programming, Maintenance	0.664%	$450,000	0.415%	$562,500	0.259%	$703,125
	Computers, Software Maintenance	0.029%	$20,000	0.015%	$20,000	0.007%	$20,000
	Liability Insurance	0.044%	$30,000	0.022%	$30,000	0.011%	$30,000
	Property Insurance	0.017%	$11,302	0.017%	$22,604	0.017%	$45,208
	Keyman Insurance	0.014%	$9,600	0.007%	$9,600	0.004%	$9,600
	Office Supplies	0.100%	$67,812	0.100%	$135,624	0.100%	$271,249
	Permits, Fees	0.250%	$169,530	0.250%	$339,061	0.250%	$678,121
	Professional Services - Legal	0.081%	$55,000	0.051%	$68,750	0.032%	$85,938
	Professional Services - P.E. Engineering	1.000%	$678,121	0.750%	$1,017,182	0.500%	$1,356,243
	Phone, Internet	0.022%	$15,000	0.014%	$18,750	0.009%	$23,438
	Travel, Accommodation, Mileage	0.350%	$237,342	0.350%	$474,685	0.350%	$949,370
	Plant Maintenance, Spare Parts	0.100%	$67,812	0.100%	$135,624	0.100%	$271,249
	Vehicles (Lease)	0.074%	$50,000	0.074%	$100,000	0.074%	$200,000
	Fuel, Maintenance	0.066%	$45,000	0.066%	$90,000	0.066%	$180,000
	Depreciation, Amortization	0.688%	$466,500	0.344%	$466,500	0.172%	$466,500
	Total Operating Costs	19.908%	**$13,500,285**	12.806%	**$17,368,548**	7.522%	**$20,402,147**
	Operating Profit (EBIT)		**$29,565,116**		**$69,232,250**		**$153,420,953**

8.6 Cash Flow Analysis

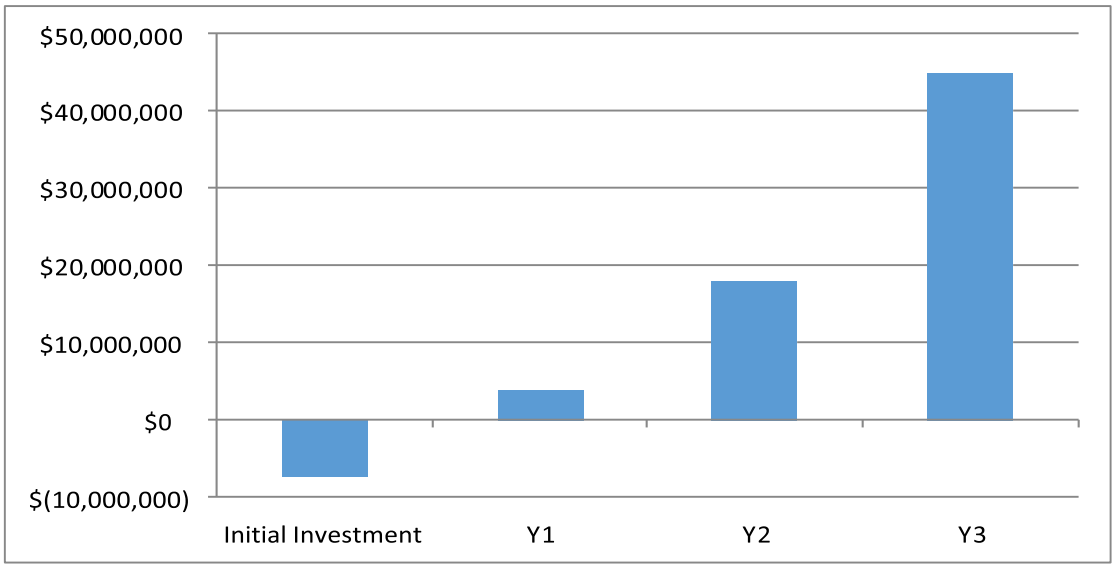
Pro forma Cash Flow - Yearly

Operations	**Y0**	**Y1**	**Y2**	**Y3**
Net Income (loss)		$11,540,392	$26,824,152	$59,480,591
Adjustment for Cash Effect				
Depreciation, Amortization		$466,500	$466,500	$466,500
Change in Current Assets				
Accounts Receivable		($6,502,533)	($6,502,533)	($13,005,067)
Inventory		($1,788,197)	($1,788,197)	($3,576,393)
Change in Current Liabilities				
Accounts Payable		$2,953,204	$2,571,404	$4,980,565
Accrued Liabilities		$200,774	$85,690	$101,831
Cash Flow from Operations		**$6,870,140**	**$21,657,017**	$48,448,027
Investment Activities				
Plant Facility		($1,875,000)	-	-
Building, Improvements (Including land)		($1,100,000)	-	-
Cash from Investments		**($2,975,000)**	-	-
Financing Activities				
Receipts from Equity Investors	$7,240,000	-	-	-
Receipts from Loans		-	-	-
Distributions		-	($3,620,000)	($3,620,000)
Cash from Financing	**$7,240,000**	**-**	**($3,620,000)**	**($3,620,000)**
Change in Cash	$7,240,000	$3,895,140	$18,037,017	$44,828,027
Beginning Cash	-	$7,240,000	$11,135,140	$29,172,157
Ending Cash	**$7,240,000**	**$11,135,140**	**$29,172,157**	**$74,000,184**

Distributions [100% of Cash – (25% reserve + 3 months' expenses)]

Total Planned Distributions	-	$3,620,000	$3,620,000
Cash Held in Reserve for Continuing Operations	$2,716,860	$7,264,476	$18,466,102

Cash Flow Waterfall Analysis



8.7 Balance Sheet

	Y0	Y1	Y2	Y3
Current Assets				
Cash, Equivalents	$7,240,000	$11,135,140	$29,172,157	$74,000,184
Accounts Receivable	-	$6,502,533	$13,005,067	$26,010,134
Inventory, Materials	-	$1,788,197	$3,576,393	$7,152,787
Totals	**$7,240,000**	**$19,425,870**	**$45,753,617**	**$107,163,104**
Fixed Assets				
Plant, Equipment	-	$2,975,000	$2,975,000	$2,975,000
Office Furniture, Fixtures	-	-	-	-
Computers	-	-	-	-
Other Equipment	-	-	-	-
Start-Up Expenses	-	-	-	-
Depreciation, Amortization	-	($466,500)	($933,000)	($1,399,500)
Net Fixed Assets	**-**	**$2,508,500**	**$2,042,000**	**$1,575,500**
Other Assets	-	-	-	-
Total Assets	**$7,240,000**	**$21,934,370**	**$47,795,617**	**$108,738,604**
Liabilities				
Current Liabilities				
Accounts Payable	-	$2,953,204	$5,524,608	$10,505,174
Accrued Payroll	-	$183,696	$255,222	$332,880
Accrued Payroll Taxes	-	$17,078	$31,242	$55,416
Accrued Income Taxes	-	-	-	-
Current Liabilities Total	**-**	**$3,153,978**	**$5,811,073**	**$10,893,469**
Notes Payable	-	-	-	-
Total Liabilities	**-**	**$3,153,978**	**$5,811,073**	**$10,893,469**

Equity

	Y0	Y1	Y2	Y3
Original Investment	$7,240,000	$7,240,000	$7,240,000	$7,240,000
Accumulated Earnings	-	$11,540,392	$38,364,544	$97,845,135
Distributions	-	-	($3,620,000)	($7,240,000)
Net Equity	**$7,240,000**	**$21,934,370**	**$47,795,617**	**$108,738,604**
Total Equity and Liabilities	**$7,240,000**	**$21,934,370**	**$47,795,617**	**$108,738,604**

8.8 Breakeven Analysis

Breakeven Analysis – Yearly

		Y1		Y2		Y3
Monthly Revenue		$5,651,011		$11,302,022		$22,604,045
Yearly Revenue	100%	$67,812,134	100%	$135,624,268	100%	$271,248,536
Monthly Fixed Costs		$299,052		$388,791		$543,675
Yearly Fixed Costs	5.29%	$3,588,619		$4,665,491		$6,524,096
Variable Costs						
Materials	32.08%	$2,306,983	32.08%	$2,306,983	32.08%	$2,306,983
Production	3.39%	$243,991	3.46%	$249,020	3.23%	$232,544
Sales, Marketing	14.21%	$1,022,043	8.69%	$624,845	4.40%	$316,150
Other	0.40%	$28,961	0.25%	$18,092	0.26%	$18,490
Equipment	50.09%	$3,601,978	44.49%	$3,198,940	39.97%	$2,874,168
Breakeven Revenue		**$7,190,597**		**$8,404,447**		**$10,868,277**

8.9 Business Ratios – Yearly

Financial Ratios

	Y1	Y2	Y3
Sales			
Sales Growth		100%	100%
Gross Margin	64.04%	63.85%	64.08%
Financials			
Profit Margin	17.02%	19.78%	21.93%
Assets to Liabilities	0.14%	0.12%	0.10%
Equity to Liabilities	0.17%	0.14%	0.11%
Assets to Equity	0.86%	0.88%	0.90%
Liquidity			
Acid Test	5.59%	7.26%	9.18%
Cash Ratio	3.53%	5.02%	6.79%

9.1 SAMPLE TERM SHEET

Memorandum of Understanding

(4/22/16)

At Blue Star Steel, we are committed to providing international owners, developers and architects with the most efficient, intelligent, construction solutions possible. Through the use of Cold-Formed Steel (CFS), we provide mid-rise steel framing solutions for building projects up to ten stories for a variety of end uses. Blue Star Steel serves our clients by integrating engineering, material supply and installation in a manner so effective and so efficient, it is revolutionary.

1. **FACTORY REQUIRMENT**:

15,000m2 building/ with capacity to deliver 5,000m2 light steel building every 12 hours with state of the art facility.

2. **MUTUAL PARTIES RESPONSIBILITY:**

- **BLUESTAR:**

Design, organize, build, manage, market, export, deliver /access royalty free IT-IP platform including QC/QA and training.

- **JV PARTNER**:

Supply local government and national support; building, infrastructure, all start-up costs, including: equipment, inventory, salaries, supply chain management in Guam and all government registration and compliance and benefits. Agree to contribute or pledge financing for minimum of $6M US and up to $8M US in working capital and equipment according to needed cash flow
and agrees to obtain favorable land rights and factory.

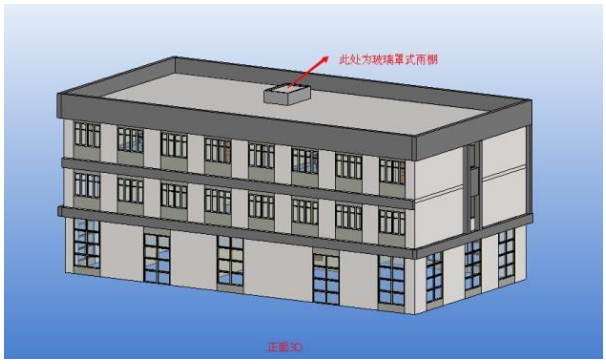
3. **BASIS OF JOINT VENTURE AGREEMENT**:

Share control of the company 50-50 by operating agreement for 10 years. We share profits 50-50 for 10 years, we agree not to compete and not to disclose (NDA). We need to agree and follow
business plan and JV agreement.

APPENDIX A – PROJECTS

Hot Springs Hotel, Fuxin, China

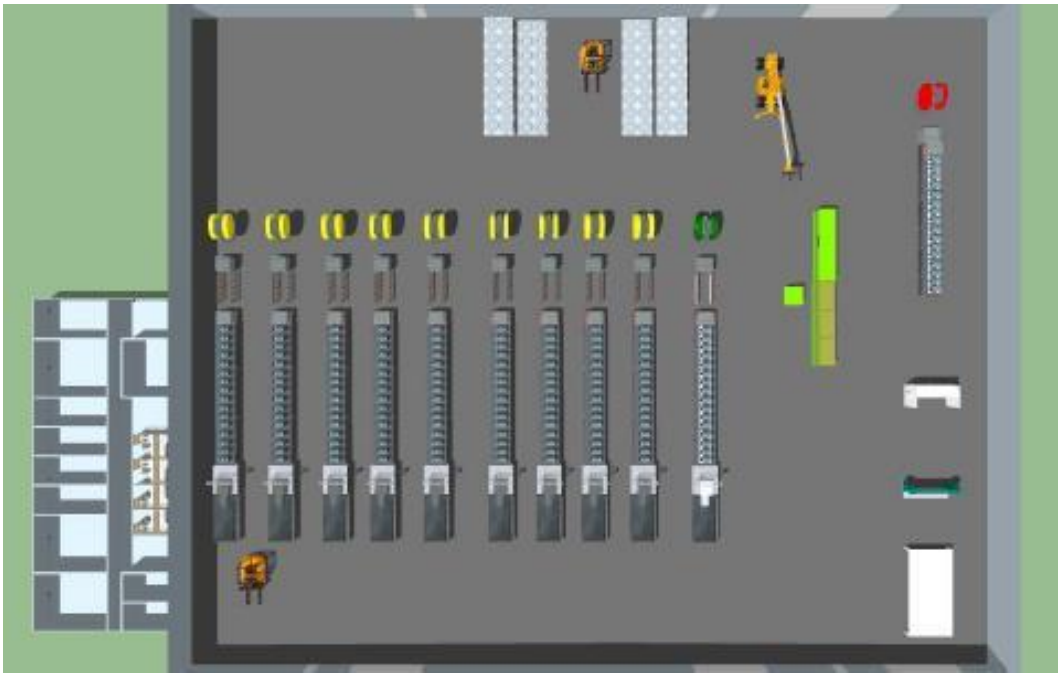
Dormitories, Abuya, Nigeria



Jinzhou Military Base, China

APPENDIX B – PRODUCTION PLANT DESIGNS & SPECIFICATIONS

Top Floor View



Plant and Equipment

	QTY.	Extended Cost
Building and Offices		$1,000,000
3 ½" Wall Machines	4	$233,800
5 ½" Wall Machines	8	$527,600
Multi-Purpose Line (Hat Channel/Ridge Plate)	2	$45,000
Multi-Purpose Stud and Track	2	$170,000
Multi-Purpose Punched Floor Joist	1	$75,050
Floor Deck Pan Machine	1	$30,000
2" Truss Machine	2	$75,900
5.5" Truss Machine (Multi)	1	$90,000
Press Brake	3	$30,000
Shear	1	$20,000
Tile Roof Machine	1	$30,000
Sandwich Panel Press	4	$60,000
Flip Tables	10	$50,000
Cladding Stations/Hoists		$76,700
QC Lab		$10,000
Spare Parts		$50,000
Vertex – Design Software		$100,000
Forklifts	10	$200,000
	Total	**$2,975,000**

Engineering Schematics – Side Views