



### Introduction

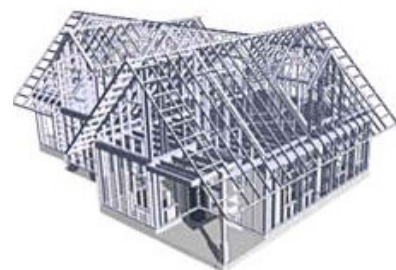
Blue Star Steel is an American company which offers panelized light gauge steel framing. Light gauge steel is significantly faster and greener than other construction methods such as wood, poured concrete, or heavy steel construction, and offers a compelling set of advantages to developers. Termite and mold proof, fireproof, with better seismic capacity, and cost-competitive, light gauge steel (LGS) can be used to make houses, villas, and mid-rise condo and apartment buildings, and offers the following advantages:

**Faster**—on average 16% faster than concrete or CMU construction, leading to lower on-site buildout costs, faster tenanting, and faster cash flow for developers.

**Greener**—more energy efficient than concrete, with a lower carbon footprint, much higher insulation R-values for ongoing efficiency, and with 10-20% less material used overall.

Blue Star's \$2 million dollar, high capacity, automated plant is located in China, the largest construction market in the world (having surpassed the United States in new construction in 2010). New construction in Beijing alone is greater than new construction in the entirety of continental Europe, and 186 million square meters of new residential construction is added each year. Centrally located near Beijing, Blue Star Steel's plant is ideally located to take advantage of China's construction boom, while also enjoying the cost and logistics advantages that China offers.

This is a profitable field, whose business model in its essence is simple: *take raw steel in at around \$.50 a pound, and sell it for around \$1.00 a pound.* With a plant capacity of more than 50 million pounds per year at full production and a \$26 million EBITDA, this is a profitable opportunity. Blue Star is currently seeking new equity partners with connections to real estate development projects and money to invest for working capital, and is raising raise money through private equity sales, with a goal of \$2 million total for a 20% stake in the company.





### Background

Why are we seeking investment? The background behind that need is that we commissioned this plant in Shanghai with another American business partner, with an agreement in place to lease it to them, and to receive fee for services for operational and logistical support. It turns out that this was a mistake: shortly after we got the plant operational, the house of cards that our erstwhile partner's many business ventures were based upon collapsed, and a storm of lawsuits ensued. Our equipment was frozen while the legal status of everything got sorted out, and this dragged out for 3 years. We couldn't make anything with our plant, and we couldn't move it. Finally, the judge ruled that the equipment was ours, we got the legal go ahead, and relocated the plant to Dezhou, where we have just got the 2 most productive of the 4 lines up and running again. In the meantime, we ran out of money. No revenue and significant legal expenses for 3 years has drained us, and we've lost talent, time, and connections due to our prolonged inactivity. We are now seeking new equity partners to help us turn that around, seed us with the capital we need, and get started.

The upside is significant with projected EBITDA hitting \$26 million per year with exaggerated costs, a 90 day receivable window, and a very slow ramp-up that only sees us in full production on both lines in month 25. The real-life financial picture should ramp up noticeably faster, and would have lower operating costs. The risk is quite a bit lower than usual with our startup, being ameliorated by the value of the actual plant and equipment.

### Competitive Advantages



1. Our factory is in China, right on site in the largest real estate and construction market in the world, and a market that has just opened up to Light Gauge Steel production.



2. We use the Rosette crimp instead of screws, 8x stronger and can't rust through and/or shear.

3. Our factory is more automated, allowing us to maintain a high level of production even during holiday times, because we don't need a full complement of workers at all times. It's much easier to find 5 people willing to stay and work rather than 40-50, so it is easier for us to stay in production.



4. We are an American company operating in China. This helps us in two ways, as we have the cost and logistics advantages being in China offers, but also have the cachet of being an international company. Chinese developers and potential partners want to do business with international firms, and other outside international customers are much more comfortable dealing with an American company, as China rightly or wrongly has a perception of being the wild wild west when it comes to business. Being from a shared cultural and linguistic background, along with legal recourse being available outside of China, is a great source of comfort to potential international clients so far.



The Big Picture

This is a high upside business, with most finished steel selling for between \$1 and \$1.20 a pound. Our plant is high capacity as well, with output capacity capable of producing framing for more than 7,000 houses per year, at 160 square meters in size. Alternatively, it can produce around 300 six-story walkups per year. The plant running at full production processes more than 50 million pounds of steel per year.

AQ	AR	AS	AT
YEAR 1	YEAR 2	YEAR 3	
7,966	267,642	573,519	<b>Truss Production (in lin. Meters)</b>
10,933	228,025	562,253	<b>Wall Panel Production (in lin. Meters)</b>
63,724	2,141,136	4,588,149	Number of Connections Trusses
174,923	3,648,398	8,996,050	Number of Connections Walls
10%	100%	100%	Truss ramp up
20%	100%	100%	Wall Panel Ramp up
1	2	3	Number of Shifts per day
100%	100%	100%	General & Administrative Ramp Up
\$287,466.67	\$9,658,880.00	\$20,697,600.00	<b>Truss Revenue per year</b>
\$717,360.00	\$14,962,080.00	\$36,892,800.00	<b>Wall Panel Revenue per year</b>
\$1,004,826.67	\$24,620,960.00	\$57,590,400.00	<b>Annual Total Income</b>
\$448,928	\$2,187,927	\$4,723,172	Total Operating Expenses
<b>\$29,712.30</b>	<b>\$11,051,260.60</b>	<b>\$26,251,468.00</b>	<b>EBITDA</b>
		<b>-\$631,606.77</b>	<b>Total Working Capital Burned Before Positive</b>

Just one large contract can absorb the entirety of our plant’s output and get us to these full production numbers. Construction is a huge industry, and despite the real estate crisis in America, many places in the world are building and actively looking to expand. We have spoken with developers about projects in China, Iraq, and Saudi Arabia, each one with an average 10,000 villa project. Closing on just one of these potential opportunities would absorb our plant’s output for a year and a half and keep us in full production.





## The Cost and Speed Advantages

### Faster means cheaper

One of the major advantages of constructing buildings with LGS versus poured concrete is that you have similar durability, mold-resistance, wind-resistance, and safety in earthquake conditions, but much faster construction times and shorter lead times. This advantage in speed cannot be overestimated in high-growth, high-demand markets such as China. The faster the building is up, the faster it is tenanted and generating revenue, and the happier the developer and investors are. Not only that, but significant savings also happen when you build with LGS due to the shorter overall cycle time, thereby reducing hard costs, general contractor time, project overhead, and other time-sensitive costs such as generator, crane, forklift, and heavy equipment rental.

#### Case studies<sup>1</sup>

**Park 4200** is a nine story mid-rise apartment building completed in 2009 in Dallas, Texas, built by Galaxy Builders. Galaxy Builders elected to use LGS for the 6 residential floors over 3 floors of concrete garage for this project, and as a result saved \$4.20 per square foot (a savings of \$45.20 per square meter) compared to the costs of an all concrete building, a savings of over \$400,000 for this 99,000 square foot project. *Not only that, but the project was completed in three months less time as a result compared to an all concrete building, leading to an 8-12% reduction in total costs and savings in the “hundreds of thousands.”*

**The Embassy Suites** is a seven story hotel built by Brackett Builders in Columbus, Ohio. For this project, the contractor estimate a savings of LGS versus concrete of at least \$10 per square foot (a savings of more than \$107 per square meter), and an overall savings of around \$1.35 million USD for that project due to the use of LGS. *The framing for the entire 135,000 square feet of floor area framed with LGS was completed in only 96 days.*

**Poly Canyon Village** in California is the most sizeable student housing complex ever undertaken by an American university in a single construction project. Spanning 30 acres, the project consists of 9 four or five story buildings, and is 820,000 square feet, with 11,000 load-bearing wall panels. Originally planned for a 20 month construction schedule, due to the use of light steel construction *the project was successfully completed in only 14 months, shaving 6 months from the original schedule, and qualified for LEED Gold status and one hour fire rating.*

**Radford Terrace** is a development in Oahu, Hawaii. In the development, by using panelized LGS framing and an “even flow” production and assembly method, *the project developer was able to construct 7 homes each week.* The home sizes ranged between 1750 square feet and 2000 square feet (163 sq. m to 186 sq. m). Using this method and LGS framing, the contractor and framer have averaged building 150 homes per year for the past 3 years.

<sup>1</sup> Copies of all case studies available on request



Radford Terrace



Park 4200

Building with the panelized LGS framing system our plant produces is not only significantly faster, but it saves money. Especially in the face of milestone deadlines, investors seeking a fast return, and a desire to begin streaming revenue as fast as possible, a building solution like our panelized light steel framing is highly sought after by developers, investors, and planning officials alike. In addition, the fit, finish, and build-quality of LGS buildings is superior to poured concrete and CMU construction, with tighter corners and angles, superior insulation R-values, greater versatility in interior layout, and much greater remodeling potential after construction due to being able to relocate and change walls for expansion or interior layout changes.



Competitive Pricing

In addition to advantages in build quality, construction time, and lead times, LGS construction can be offered at competitive prices. With the labor and supplier cost advantages that China offers, we can offer within China, the largest construction market in the world, a fully framed, Magwall-clad, wired, plumbed, and MEP building for around 1400-1800 rmb per sq. meter. This price point offers a significant margin to developers, as seen in the following table of average housing values:

Table 4  
Average per-sq-m prices of primary residential property (April 2011)

City	Urban area (RMB per sq m)	Suburban area (RMB per sq m)	City-wide (RMB per sq m)
Beijing	31,342	13,449	20,686
Shanghai	37,577	19,919	22,738
Guangzhou	23,661	9,783	12,048
Shenzhen	20,103	-	20,103
Tianjin	20,200	8,236	9,878
Chongqing	7,446	5,694	7,257
Chengdu	9,272	5,764	6,779
Hangzhou	29,603	13,901	19,400
Wuhan	9,313	5,615	7,098
Shenyang	6,059	5,356	5,660
<b>Average</b>	<b>19,276</b>	<b>9,426</b>	<b>12,845</b>

Note: The average prices are unadjusted by property attributes.

Simply put, if you are able to offer a product for 1400-1800 rmb per sq. meter that a developer can then turn around and sell for 9,000 – 19,000 rmb per sq. meter, and that product is both faster to construct and of superior build quality, you have a compelling sales pitch. Similar price advantages hold in the US, Australia, and other countries, as the cost of labor in these places is high, and the faster construction time greatly reduces labor costs, contractor overhead, and fixed expenses like crane rental.

Greener



In addition to this, LGS is green, with a lower overall carbon footprint than concrete and heavy steel, higher insulation R-values for ongoing efficiency, uses 10-20% less material overall, and is composed of on average 75% recycled steel. Being green and recyclable is a major bonus, and using LGS in construction when used in an overall green design philosophy can be worth up to 31 LEED points<sup>1</sup>.



Not only that, but due to the lighter weight of the construction, developers can save costs and be greener by using thinner concrete slabs and foundations, as LGS is significantly lighter than concrete or heavy steel, and exerts an average of only 5 psf (.24 kPa) of downward pressure.

1 LEEDing With Steel, CSSBI, report available on request.



### Management Team

**Gordon Ritchie, BOD Advisor** – Gordon Ritchie has over twenty years of experience in commercialization and importation of advanced building materials and methods. He has been intimately involved in the SIP panel industry having overseen the design, installation and start up of several panel plants. He has real world experience in the materials science, manufacture and product development of foam, molding and coating systems for the construction industry. He has been active in product launches and has extensive industry and government contacts and a thorough understanding of product testing programs that will be required for MagBoard's. He also has significant retail and distribution experience. Prior to starting his own companies, Mr. Ritchie was a founder of Francines & Dots, a retail chain that grew to 186 stores and over 2000 employees throughout Canada.

**Tim Faust, BOD Advisor** – Tim Faust is one of the principals of MagBoard Inc., and has been active in marketing, distribution and sales of advanced building materials in the home construction industry since 1995. He was a founding member of a panel manufacturer utilizing advanced composite technologies. Mr. Faust has direct experience in the roll-out of technically advanced construction panels and was responsible for marketing programs that saw his past companies featured in cover articles in several magazines as well as on HGTV and local news stations. He has contacts and long standing relationships with numerous organizations in the construction industry. Prior to MagBoard Inc., Mr. Faust was active in marketing prepackaged building solutions for international markets including Mexico and Panama. Mr. Faust has a Wall Street background having helped launch two successful public companies focusing on international business. He has worked for Bear Stearns, Merrill Lynch and Smith Barney.

**Steve Grimmé, BOD Advisor** – Mr. Grimmé has been involved in the management of large projects including commercial, retail, hospitality, industrial, and parking garages since 1977. He has acted as co-founder, partner, and director of US Pacific Builders, Inc. from 1987 through 1997. US Pacific completed over 500 Million worth of resort commercial projects ranging from hotels, retail malls, big box, condominiums, and office buildings. He currently serves as founder and President of Smith Equity Builders, Inc., a firm specializing in providing management and process optimization for large real estate developments. Smith Equity Builders currently has first line responsibility for the acquisition, entitlement, design and construction of over 1 Billion Dollars worth of Mixed Use developments in 3 states, and 2 Countries.

**Kevin Andrews, President and CEO** – Kevin Andrews is the President and founder of Blue Star Steel. Blue Star Steel is an automated roll-forming facility located in Dezhou, China. The factory has a capacity of producing 15,000 square feet of steel per day. Mr. Andrews is headquartered in Honolulu, Hawaii and has been working in various aspects of Hawaii business for over 30 years. His experience includes heavy machinery sales, diversified agriculture, as well as product marketing. He is well versed in U.S. construction land use and has extensive construction equipment expertise. Mr. Andrews also owns Hula Girl Foods and Plant Research Corp.

**Cameron Olson, COO** – Cameron Olson is the founder of Sandaloha Surf Slippers. The inventor of a new type of slipper, founder of a company while still a student, with 4 years of international business experience in China and the Philippines, and with a diverse technical background encompassing years of IT and consulting work, a degree in Mathematics, and an emphasis and several years of research in the fields of both Microbiology and Physics culminating in co-authorship on various papers, Mr. Olson brings a unique fusion of business, analytical, and technological skills and capabilities to the table.

The \$2 million USD will be used as follows:



Raw steel coil, 100 tons	\$100,000
Equipment repair, spare parts stock, upgrades	\$50,000
Recruitment and Hiring	\$50,000
Working Capital	\$800,000.00
Prototype Walkup	\$915,000.00
Professional, Closing Costs, and Fees	\$85,000.00



## Walkup



One of the primary uses of funds is **producing and constructing a show-case 6-story prototype walkup** tangibly demonstrating the technologies and fit and finish that we can offer. Extensively documented and videoed from slab to finished construction, this building will serve as our showcase and chief marketing tool, and marketing material, design and engineering IP, in-person tours, and web-enabled tours and videos of the construction with walkthroughs of the building will all feature prominently in our marketing efforts. Better, **the cost will be recouped by sale or lease of the building upon completion, with a projected sales price of \$2.5 million USD.** This 30 unit walkup featuring our light gauge steel framing, Magwall cladding, solar hot water heating, PV electric generation, and engineering by McLaren Engineering—a well-established and prominent engineering firm with an excellent reputation and experience in designing 9+ story LGS buildings—will be a powerful sales tool, as light gauge steel’s clear advantages in speed and price make it the future of mid-rise construction all over the world.

## Backup plan

If the overall goal of \$2 million USD raised is not reachable, our fallback uses of funds are:

\$1 million USD raised: lower steel purchased to 50 tons of steel purchased for \$50k, lower professional and closing costs to \$40k, cut 6-story walkup from prototype budget, prototypes now 1 villa and one module prototype allocated \$110k, working capital reduced to \$700k with focus on marketing the villa and module.

\$250,000 USD raised: lower steel purchased to 25 tons and \$25k spent, \$100k spread across equipment, parts, closing costs, and working capital. \$75k allocated to build two oil and mining labor camp module prototypes, spend \$50k on marketing efforts to oil and mining companies directly and to camp-providing companies.



### Investment Terms

We are seeking an overall investment of \$2 million USD from investors for a 20% overall stake in Blue Star Steel. This will be used for working capital, steel and equipment purchases, recruitment and hiring, and prototypes. This will be incentivized with a 12% annual return to investors until total payback from dividends or profit disbursements, **and the investment is backed by more than \$2 million USD worth of equipment and facilities**, and which offers a final equity stake (proportional to amount invested) in the Dezhou LGS plant even after complete payback of the initial investment capital. This significant upside of 12% APY until payback and an ongoing equity stake in a \$26 million EBITDA per year plant, secured by equipment and facilities, is a compelling picture. We hope to find investors who will be active partners, involved in facilitating sales and connections to large real-estate projects as well as helping to recruit and build the right team members to make Blue Star Steel a success.

### Corporate Data

Entity Type	Hawaii C-Corp
Common Shares Authorized	10,000,000
Preferred Shares Authorized	2,000,000
Common Shares Outstanding	4,000,000
Preferred Shares Outstanding	0
Total Shares Outstanding	4,000,000
Asking Price	\$1
Market Cap (pre-funding)	\$4,000,000



For business plan, proforma financials, case studies, or more info, contact:

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