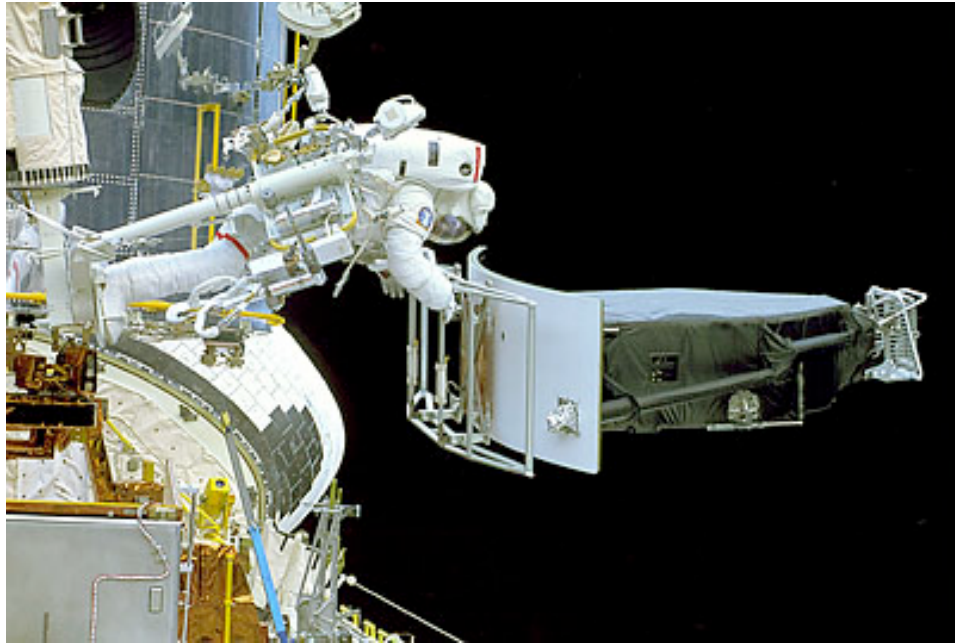


ASTROPRENEURS



BUSINESS PLAN BASICS

FEBRUARY 1, 2008

WHAT IS A BUSINESS PLAN?

A business plan is a selling document used to describe, in detail, what your business is and how you will be successful. The business plan is a result of a planning process. It must be defensible and project your image while retaining the vision.

WHY WRITE A BUSINESS PLAN?

Because you need: money, strategic partnering, to explain business to customers/suppliers, to attract key people. I must understand my business.

People don't Plan to Fail; they Fail to Plan

- Who are your customers?
- Why will they buy your service or product?
- What will they pay?
- How will you make and deliver the service/product
- What resources (people, money, technology) will you need?
- Can you make money/create value?

WHO SHOULD WRITE THE PLAN?

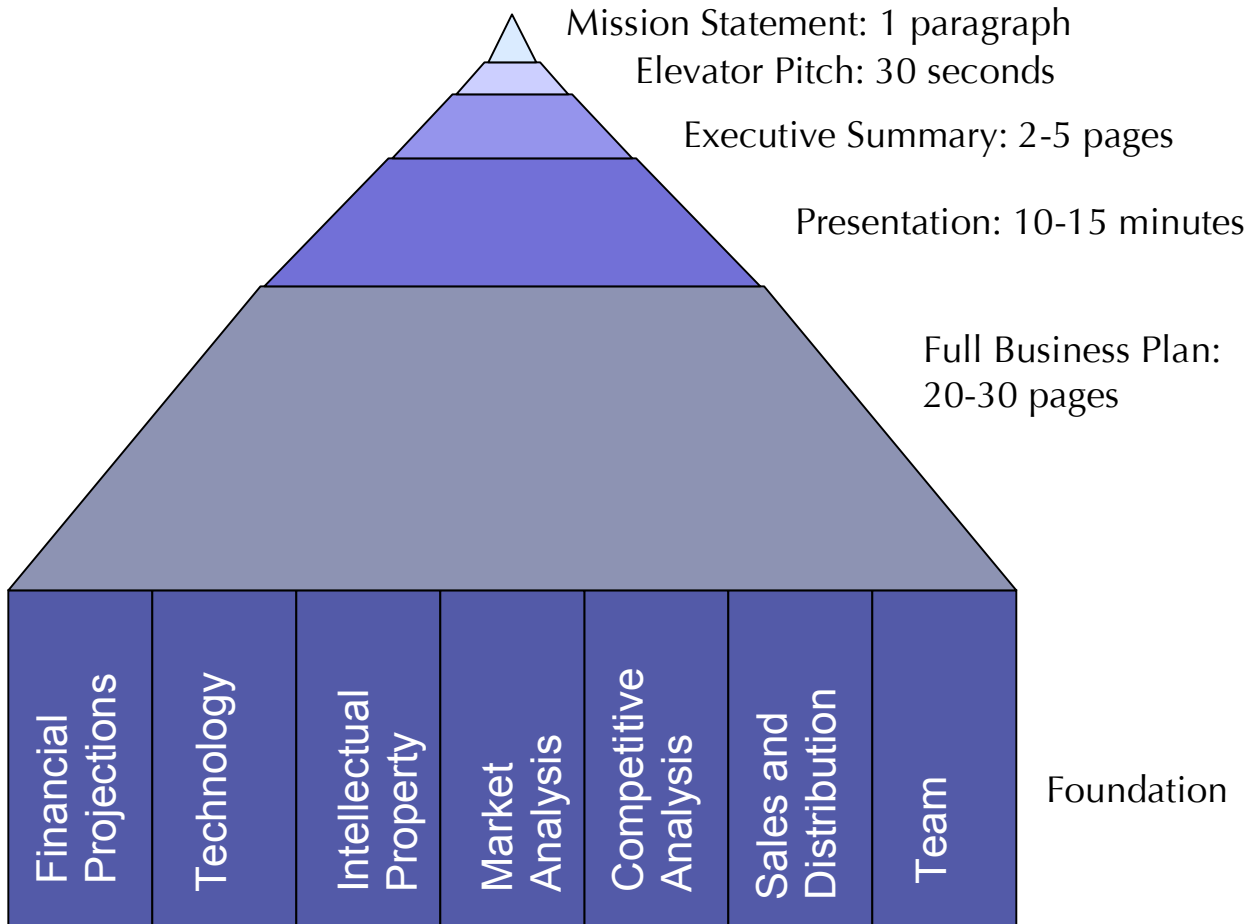
The writing of your plan cannot be outsourced. It must be written by the team who will be starting and running the business. You need to OWN the plan.

WHO SHOULD READ THE PLAN?

The plan should be so well thought out that any random person could read it and execute on the business. This is why business plans are highly confidential. Don't share the contents with just anyone.

The founding team should know the plan inside and out. Before sending it to investors, you should have an independent reader review the plan such as a retired industry professional, an accountant and a lawyer.

BUSINESS DOCUMENT PYRAMID



WHAT IS A MISSION STATEMENT?

Your Mission Statement is a one-paragraph description of the overall goal of your business. It is your descriptive vision that is clear and concise allowing a reader to know exactly what your business will do in just a few short sentences.

WHAT IS AN ELEVATOR PITCH?

An Elevator Pitch is a 30-second verbal description of what your business does. You must be able to effectively communicate your business concept in 30 seconds or less. Imagine you are on an elevator with your ideal customer. How do you get his attention and make sure you get the follow up call? A good pitch states the problem, your solution and expresses how you are going to achieve that solution. Example: Information about space business is not centrally located or easily accessible by aspiring entrepreneurs. Astropreneurs.org provides the tools necessary for future space professionals to learn about starting a business by centralizing the required resources and documents.

WHAT IS AN EXECUTIVE SUMMARY?

An Executive Summary is the Business Plan in miniature form. It is a Resume for your Full Plan. If it gets the reader's attention, the rest gets read. The goal is to get the Interview and should answer: Why this? Why now? Why this team? Why won't this work or succeed? An Executive Summary is NOT an introduction, a preface, or a random collection of highlights.

The Executive Summary must be: logical, clear, interesting and exciting. It should be two to five pages in length.

The Executive Summary tells

- Who you are
- What your strategy/vision is
- What you are doing and/or propose to do
- What is the market
- How much \$\$\$\$ do you need and what will you do with them
- What your SUSTAINABLE COMPETITIVE ADVANTAGE is

When the reader is finished he or she should be able to tell someone what you are up to.

HOW SHOULD THE BUSINESS BE PRESENTED?

A Business Presentation should last only 10-15 minutes and should cover the major elements of your business including:

- Market need/Problem
- Solution
- Technology Overview
- Market Opportunity
- Management Team
- Financial Projections

BUSINESS PLAN CONTENTS

Do not attempt to make the document stand out. The appearance should be professional and bound by staples or spirals.

Cover Page

- Name of Company
- Address
- Telephone/fax/email
- Confidentiality legend
- Securities law legend
- Control numbering of copies

Table of Contents

- Put one in and include page numbers

Executive Summary

- Description of the Business Concept and the Business
- The Opportunity and Strategy
- The Target Market and Projections
- The Competitive Advantages
- The Economics, Profitability and Harvest Potential
- The Team

The Opportunity and the Company and its Services/Products

- What is the Market / Opportunity?
- How big is it now?
- What are the trends- how fast is it or will it grow?
- Why Is This Time The Right Time For Your Product/Service?
- Convergence of Opportunity and Solution
- Business Model – How Will You Make Money?
- Traditional Buying Customers
- Customer Monetization
- Users vs. Payers in Medical/Non-Profit

Market Research/Analysis

- Existing and planned products in marketplace
- Market segments
- Market players/competition
- Competitive Advantages
- Estimated Market Shares
- Current Players
- You

Marketing Plan

- What is your Marketing Strategy?
- Pricing and Distribution
- Pricing and margin erosion
- Distribution must match strategy/pricing
- Sales Tactics
- Who will be the first customer, second customer etc.?
- How will you reach the customer?
- Paying “Customers” vs. “Customer Monetization”
- Advertising and Promotion

Design and Development Plan

- Where is development today- product status
- What development is needed?
- Time and resources needed for development
- Do you have to produce a complete product to get going?
- Difficulty and Risks
- Product Pipeline Plans

Action Plan

- What Will You Do and When?
- Identification of “Credibility Testers”
- Sequencing to build VALUE
- Eliminate or Reduce Dependencies
- Coordination of Schedule, Value Recognition Events and Financing Requirements
- Initial Sales Plan

Management Team

- Founders – Brief Bios
- Management Team – Brief Bios and Job Descriptions
- Key Personnel – Brief Bios and Job Descriptions
- Key Advisors – Brief Bios

Critical Risks, Problems and Assumptions

- State any Obvious Roadblocks and How You Will Overcome Them
- Make Reasonable Assumptions About Strategy

The Financial Plan

- 5-Year P&L Projections

- 5-Year Cash Flow Projections
- Must be Well Thought Out and Realistic

Appendices

- Separately Bound Volume
- Resumes of Principals
- Product Literature
- Trade Press/Business Press
- Patents (front page)
- Testimonials Letters
- Technical Information
- Confidentiality
- Technical person to technical person discussion

WHAT DO INVESTORS LOOK FOR IN A PLAN?

Investors look at many different issues when evaluating executive summaries and business plans, including:

- Is the business opportunity as presented both highly attractive and clearly realistic?
- Is the business defensible from competitors?
- What is the business model?
- What comparisons are there to past success stories that indicate this venture will succeed?
- What is the amount of up-front capital investment required?
- Do the market and financial projections demonstrate that the team understands its business?
- How long will it take from the current stage of development to bring this to market?
- Can this venture achieve a leadership position in its market?
- Has the team gone out to the market already to test its ideas?
- Who will be the first customer(s)?
- Is the team of sufficient breadth, balance and quality to make its ideas

happen?

- Will the ego of the founder(s) get in the way of success?
- Is the team focused on its target market?
- What is the expected time and amount of pay-off to investors?
- Is the reader familiar with and interested in the given market space?
- Is the plan clear and well-written?
- Does the team have the necessary communications skills to present a compelling story?
- What roles will the team members play in the venture?
- Are the team members dedicated to the venture and their roles in the group?
- Does the team have a clear plan for spending the investment money it receives?
- Why is this business going to be around and a real world winner in 5 years?

THE BUSINESS PLAN AS A FINANCING DOCUMENT

A. First Reading: like a resume

Make the cut, so you get an opportunity to tell your story

B. Second Reading: justify the investment

C. Third Reading: commit to a plan you and the investors can live with

If you don't make the FIRST CUT, B and C never happen.

MAKING THE FIRST CUT

- An Idea Too Good To Ignore
- A Financial Promise Too Good To Turn Down
- A Team Good Enough To Believe In
- An Action Plan That's credible and focused
- Details That Give Assurance of Insight, Commitment and Follow Through
- Format and Style That Show
- Passion
- Sanity

WHY PLANS *FAIL* THE FIRST CUT

- Insufficient Market
- Non-Credible Technology
- Too Wild
- Too Blue-Sky (Unproven)
- Action Plan Not Credible
- Too Optimistic
- Not Ambitious Enough
- No Promises At All
- Regulatory Barriers
Insufficiently Addressed
- Not Protectible
- Too Mundane
- Investment Too Large For The Promise
- Failure to Understand The Market
- Naïve About The Hurdles
- Runs Off In All Directions
- Gaps Filled By Hand Waving
- Team Not Credible

COSMETIC REASONS FOR FAILING THE FIRST CUT

- I Can't Understand It.
- Filled With Market Or Technology-Specific Jargon
- i.e., WHAT IS THE BUSINESS?
- Naïve Projections or Writing
- Sloppy: Misspellings, Poor Grammar, Poor Quality Printing
- Too Long
- Ignores The Basics
- "Forget Marketing, My Technology Is Best"

Once you understand the need to have a sound business plan, writing it will be easier, but time consuming. Make sure you are confident in your business plan before presenting it to potential investors and ask yourself: would you put your own money into this business and this team?