NEXT CHAPTER WEALTH

The 24-Month Pre-Sale Checklist

The 18 line items every owner should complete before the LOI lands. Built around the planning window that closes the moment a buyer is at the table.

A practitioner guide for owners of $5M to $250M businesses

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Why this checklist exists

> *Roughly 50 percent of business-owner exits are unplanned. Of the planned exits, two-thirds of owners report regret about something they did not address before the sale closed. The pattern is consistent: the planning window is wider 24 months out than owners think, and it closes faster than they expect once a buyer is real.*

This checklist exists because the same 18 items appear, in some combination, in every regret story we hear from post-sale owners. None of them are exotic. All of them have to be sequenced. Most of them are dependent on each other and require external advisors who themselves need lead time. A 24-month runway is comfortable. A 12-month runway is workable. A 6-month runway is where the line items start dropping off the back of the truck.

Work this list at quarterly checkpoints. The items are grouped by quarter relative to your expected LOI signing. If you do not have a target date yet, start at "24 months out" and move forward.

24 to 18 months before LOI: foundation

ITEM 1 OF 18

Working estimate of enterprise value

A defensible value range based on a recurring EBITDA, an adjusted EBITDA, and a comparable-transactions multiple. Not a banker pitch number. A planning number. Used to anchor every later decision.

ITEM 2 OF 18

Personal wealth gap analysis

Compare your after-tax sale proceeds at the working value to the cash you need to fund your post-sale life. The gap (positive or negative) shapes every other planning decision. Most owners discover the gap is larger than they assumed.

ITEM 3 OF 18

Estate plan refresh

Update your existing estate documents to reflect the upcoming liquidity event. Pre-sale planning (GRATs, IDGTs, defective grantor trusts, gifting to dynasty trusts) requires that the structure be in place and seasoned before the LOI. This is the longest-lead item on the list.

ITEM 4 OF 18

QSBS qualification check

If your business is a C-corporation, determine whether your stock qualifies for the Section 1202 exclusion. Up to $15M of capital gains can be excluded from federal tax. If qualifying is possible but not yet certain, this is the window to fix it.

ITEM 5 OF 18

Customer concentration cleanup

If any single customer represents more than 15 percent of revenue, the buyer will discount your multiple. Use this window to diversify, restructure contracts, or extend customer term commitments.

18 to 12 months before LOI: structure

ITEM 6 OF 18

Management team depth

A buyer pays a multiple of EBITDA for a business that runs without you. They pay less, or structure the deal with an earn-out, for one that does not. Identify and develop the second-in-command who can be presented to buyers as the post-close operator.

ITEM 7 OF 18

Financial reporting upgrade

Move from cash to accrual accounting if you have not already. Establish monthly close discipline. Produce clean trailing-12-month financial statements. The Quality of Earnings work will be done on these books, and clean books speed the QoE while keeping price defensible.

ITEM 8 OF 18

Sell-side Quality of Earnings (preliminary)

A sell-side QoE done 12 to 18 months out surfaces the issues a buyer-side QoE will find. You fix them on your timeline, not the buyer's. The cost is $40K to $80K and the value protected is often multiples of that.

ITEM 9 OF 18

Charitable structure decisions

If charitable giving is part of your plan, structure the vehicles (donor-advised fund, charitable remainder trust, or private foundation) and contribute appreciated company stock well before the LOI. The LOI cutoff doctrine forecloses this strategy once the sale is contractually committed.

ITEM 10 OF 18

M&A banker conversations begin

Take introductory meetings with three to five investment bankers. Not to engage, but to build relationships, hear how they read the market, and understand who is the right fit when you do engage. Best bankers are won, not hired.

12 to 6 months before LOI: preparation

ITEM 11 OF 18

Legal cleanup

Review and clean up your cap table, equity grant documents, contracts, leases, and IP assignments. Run a corporate housekeeping audit with M&A counsel. Surprises in legal diligence are price-killers.

ITEM 12 OF 18

Tax structure decisions

Asset sale or stock sale? F-reorganization, 338(h)(10) election, installment sale, or other structuring? These choices need to be made before the LOI, in coordination with deal counsel and tax counsel, to align the after-tax outcome to your goals.

ITEM 13 OF 18

Working capital target normalization

The working capital peg at closing is set against a trailing average. The 12 months ending at the LOI are the months that drive the target. Manage AR, AP, and inventory now so the trailing average does not over-state the working capital the buyer will require.

ITEM 14 OF 18

Banker selection and engagement

From the introductory conversations 6 to 12 months earlier, run a real bake-off with two or three finalists. Compare their valuation analysis, buyer list, and process plan. Sign with the firm whose team and approach fit your business, not the firm with the highest pitch number.

6 months to LOI: execution

ITEM 15 OF 18

Confidential Information Memorandum review

The CIM is the single most important document in setting the price ceiling. Review every word. Defend every EBITDA adjustment. Frame the growth thesis. Pre-empt customer concentration questions.

ITEM 16 OF 18

Management presentation rehearsal

Rehearse the management meeting deck with your banker. The questions buyers ask in live meetings move the bid up or down by meaningful percentages. Confidence in your team is the variable buyers cannot price in advance.

ITEM 17 OF 18

Personal readiness check

Independent of the business work, run an honest self-audit on what comes after the sale. Identity, purpose, daily structure, family dynamics, financial mindset. Two-thirds of owners regret not doing this work before the sale.

ITEM 18 OF 18

LOI term sheet preparation

Before the LOI lands, agree internally with your advisors on the structural terms you will accept and the ones you will not. Working capital target, indemnification cap, escrow size, exclusivity duration, earn-out length. These terms are negotiated once, then they hold.

How to use this checklist

Print it. Date the cover. Check items off as they complete. Review quarterly with your advisor team. Re-date the cover every time you advance.

The items that are easiest to skip are the items that drive the largest regret: estate planning early enough, charitable structures before the LOI, personal readiness work, and the sell-side QoE. Owners who complete those four are dramatically more likely to report that the sale matched the outcome they expected.

The four free tools that map to this checklist

The Valuation Calculator gives you a working enterprise value (Item 1). The Personal Readiness Scorecard surfaces the wealth gap and the identity work (Items 2 and 17). The Business Readiness Scorecard pressure-tests Items 6 through 13. The Attractiveness Scorecard tells you what to clean up before the CIM goes out.

Find all four at **nextchapterwealthadvisors.com**.