Action checklist

Buyer's Financing and Due Diligence Checklist: From LOI to Closing

A practical step-by-step checklist guiding small business buyers through the critical financing and due diligence tasks from signing a letter of intent to closing the purchase.

Based on article: From Letter of Intent to Closing: A Buyer's Financing and Due Diligence Timeline
https://nodocmoney.com/

- [ ] **1. Align and sign a detailed Letter of Intent (LOI)**
  Define deal boundaries including purchase type, included assets, liabilities, working capital targets, and accounting methods. Include financing and due diligence contingencies, deposit protections, and explicit access rights to documents and personnel.
  Reference Section: Week 0: Sign an LOI That Preserves Financing and Due Diligence Leverage

- [ ] **2. Assign owners, deadlines, and exit conditions for all LOI contingencies**
  Ensure every financing and diligence condition has a named decision-maker, clear deadline, and written exit path before exclusivity or costs begin.
  Reference Section: Week 0: Sign an LOI That Preserves Financing and Due Diligence Leverage

- [ ] **3. Send a consolidated document request to the seller early**
  Organize requests into folders for financial, legal, operational, and lender-related records. This streamlines responses, tracks outstanding issues, and speeds due diligence.
  Reference Section: Weeks 1–2: Request Seller Records Before the Lender Asks

- [ ] **4. Reconcile financial documents across tax returns, bank activity, and internal statements**
  Investigate any discrepancies in revenue, owner pay, debt, inventory, and cash. Lenders often underwrite based on tax returns, so consistency is crucial.
  Reference Section: Weeks 1–2: Request Seller Records Before the Lender Asks

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- [ ] **5. Validate adjusted cash flow add-backs with supporting invoices and payments**
  Scrutinize personal expenses, nonrecurring costs, and repairs to confirm their legitimacy in cash flow normalization for financing purposes.
  Reference Section: Weeks 1–2: Request Seller Records Before the Lender Asks

- [ ] **6. Verify assets, liens, and obligations to confirm clean transfers**
  Check UCC filings, debt payoffs, leases, equipment ownership, and whether key assets require separate releases from the seller.
  Reference Section: Weeks 1–2: Request Seller Records Before the Lender Asks

- [ ] **7. Cross-check operational details against contracts, payroll, insurance, and compliance records**
  Ensure customers, vendors, employees, licenses, permits, and insurance policies match the seller's disclosures and legal entities.
  Reference Section: Weeks 1–2: Request Seller Records Before the Lender Asks

- [ ] **8. Maintain a shared acquisition due diligence request log**
  Track each requested document's owner, request/receipt dates, reviewer, and resolution status categorized as confirmed, needs explanation, or blocking.
  Reference Section: Weeks 1–2: Request Seller Records Before the Lender Asks

- [ ] **9. Complete lender-ready financial due diligence and prepare financing package by week 4**
  Normalize cash flow, verify assumptions, and create a repayment story that evidences the business can support the proposed debt without draining post-close liquidity.
  Reference Section: Weeks 2–4: Run Financial Due Diligence and Submit the Financing Package

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