
A MILESTONE CPAs PLAYBOOK

The Business Owner's Exit *Readiness Scorecard.*

25 questions across financial, structural, valuation, and succession readiness. Know your gap before a buyer finds it.

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AN INTRODUCTION

Most owners exit *unprepared.*

The average owner spends 30+ years building the business and 90 days preparing to sell it. The gap between the business you have and the business that's sellable for full value is rarely closed in 90 days. This scorecard tells you where the gap is — so you have the time to close it.

Score yourself honestly. 25 questions across four dimensions: Financial Readiness, Structural Cleanup, Valuation Drivers, and Owner Succession. Each item carries 1 point. The interpretation guide is at the back.

Section A · Financial Readiness

- GAAP-quality financials for the trailing 3 years with monthly granularity.
- A formal close process completed by the 15th of each month.
- Personal expenses cleanly separated from business — no add-backs needed.
- Customer concentration: no single customer >15% of revenue.
- Revenue recognition policies documented and consistent.
- Working capital trend tracked: stable or improving.
- Quality of Earnings ready — or your records would support one.

Section B · Structural Cleanup

- Entity structure optimized for sale (asset vs. stock sale tax considered).
- Clean cap table — no informal share promises, side letters, or undocumented equity.
- Operating Agreement / Bylaws current and reflect actual practice.
- IP and trademarks legally assigned to the entity, not the owner.
- Key contracts assignable to a buyer (no change-of-control walkaways).
- Employee classification reviewed — no W-2 vs. 1099 ambiguity.

Section C · Valuation Drivers

- Recurring revenue clearly identified and growing.
- Customer retention and lifetime value documented.
- Gross margin matches or exceeds industry benchmarks.
- Owner is not the sole rainmaker — sales process runs without you.
- Management team is in place and can run day-to-day without owner.
- Documented processes for key revenue-generating activities.
- Defensible market position (moat, brand, switching costs).

Section D · Owner Succession

- You know what you want post-exit (rest, next venture, philanthropy, board work).
- Personal financial plan supports the exit — modeled at conservative valuations.
- Estate plan updated to reflect post-sale wealth.
- Family expectations and equity allocation discussed openly.
- Tax-efficient sale structure planned (installment, F-reorg, ESOP, QSBS).

INTERPRETATION

How to read your score.

Each item is 1 point. 25 total possible.

Score	Interpretation	Time Horizon to Exit
22-25	Sale-ready. Engage M&A advisor and tax counsel now.	0-12 months
17-21	Strong foundation. Address remaining items, then go to market.	12-24 months
12-16	Material gaps. Closing these adds significant value and reduces deal risk.	24-48 months
7-11	Substantial work ahead. Most owners in this range underestimate the time to fix.	48-60 months
0-6	Not ready. The business may be valuable to you and to a buyer who knows what to fix — but at a steep discount.	60+ months

Three things most owners underestimate:

- 1. The time it takes.** Going from a 15 to a 22 score typically takes 18-30 months of deliberate work — not a quick fixer-upper.
- 2. The cost of cleanup.** Cleaning books, separating personal expenses, documenting processes, and building a management layer is expensive — but each dollar spent typically returns 5-15x at exit through higher multiple.
- 3. The tax bite.** A clean structural tax plan started 3-5 years before exit can save 25-40% of the gross sale price compared to selling unprepared. Installment sales, F-reorgs, QSBS qualification, and ESOP exits each have a window.

NEXT STEP

Let's see if this fits your situation.

A complimentary 30-minute review.

This playbook is general guidance. Your specific situation — entity structure, income mix, family circumstances, and state nexus — determines which moves actually apply and what they're worth. We offer a complimentary 30-minute review where we look at your situation specifically and tell you what we'd do.

Schedule online: milestonecpas.com/contact-cpa-firm-in-pleasanton/

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