

FOR DIGITAL BUSINESS BUYERS · PRE-LOI

# The Deal Room **Kit**

A working file for evaluating a digital business before you sign an LOI. The red-flag checklist, the questions to send the seller, what diligence costs at each level, and the data-room request list. Built to be used on a real deal, with a pen.

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## Before the LOI is the cheapest moment you will ever have.

A seller-prepared P&L is a story, not a fact. Sometimes the story is true. Your job before signing an LOI is to find out cheaply whether it could be, because once you sign, you are in exclusivity, you have mentally committed, and you have started paying advisors.

*"For every dollar that you see, you have to think it could be 60 cents, or \$1.40."*

A small-business diligence provider, on SMB financials

This kit is the pre-LOI work, packaged so you can run it yourself. Most of the worst small digital deals fail at least one of these checks in the first week, and every check here uses information you can reasonably get before exclusivity.

### WHAT IS INSIDE

#### **The red-flag checklist.**

18 checks across the five places small digital deals actually go wrong: revenue plausibility, traffic authenticity, platform risk, owner dependence, and add-backs. Mark each one Clear or Flag, then tally.

#### **The seller questions email.**

A copy-ready template with the ten questions worth asking before LOI. How a seller responds is itself a data point.

#### **The price-of-certainty comparison.**

What a \$0 self-check, a \$950 scan, \$5,900 diligence, and a \$20-40K CPA QoE each actually cover, and when each one fits.

#### **The data-room request list.**

The ten things to request once you are under LOI, with the rule that matters: source-system exports only. No dashboards, no screenshots.

### THE RULE THIS KIT IS BUILT ON

Spend a few days and a few hundred dollars finding deal-killers before you spend months and tens of thousands finding them under LOI. Most buyers learn that on their second deal. This kit is how you learn it on your first.

### WHO MADE IT

Troy Johnston evaluated roughly 50 software companies as an M&A advisor at Carbon6, about one a month for four years, and has been the seller in two multi-million dollar exits of his own. Everything in this kit works without buying anything from us. The last page explains what we sell, once, quietly.

## The pre-LOI red-flag checklist

Work through all 18 checks. For each, mark **Clear** when you have verified it with evidence, or **Flag** when you cannot, or when what you find is bad. Unverified is not Clear. Tally on page 5.

### A. REVENUE PLAUSIBILITY

- 1. Listing claims vs. observable footprint.**  CLEAR  FLAG  
 Does claimed revenue line up with what you can see from outside: review velocity, traffic estimates, app-store or best-seller ranks, pricing pages? A \$2M business leaves a footprint. If the footprint says \$400K, stop.
- 2. Live screen-share inside the payment processor.**  CLEAR  FLAG  
 Screenshots are not evidence. Dashboards can be cropped, filtered, or fabricated. Ask for a 15-minute live screen-share inside Stripe, Seller Central, or the processor. A seller who refuses is telling you something.
- 3. Revenue concentration.**  CLEAR  FLAG  
 What share of revenue comes from the top customer, top SKU, or top affiliate? One whale customer or one hero SKU is a discount, not a feature.
- 4. The trend story vs. the last three months.**  CLEAR  FLAG  
 Sellers time their exits. If the listing leads with a great trailing twelve months, look at the most recent quarter. A business sold on TTM that is down 30% in the last quarter is a different deal at a different price.

### B. TRAFFIC AUTHENTICITY

- 5. "Organic" that is actually paid.**  CLEAR  FLAG  
 Does the claimed traffic mix match reality? Paid traffic dressed up as organic collapses the day the ad spend stops, and the ad spend is sometimes sitting in the add-backs.
- 6. Branded vs. non-branded search.**  CLEAR  FLAG  
 If most organic traffic is people searching the brand name, you are buying the founder's audience, which may not transfer. Non-branded rankings are the durable asset.
- 7. Backlink and ranking spikes.**  CLEAR  FLAG  
 Sudden link-velocity spikes before a sale suggest bought links or expired-domain tricks. Those rankings are borrowed, and search engines eventually collect.
- 8. AI-referral exposure.**  CLEAR  FLAG  
 A growing share of informational traffic is being absorbed by AI answer engines. Ask what percentage of revenue depends on traffic an AI answer can replace. Content businesses on thin informational queries are the most exposed.

**C. PLATFORM RISK**

- 9. Single-platform dependence.**  CLEAR  FLAG  
 One Amazon account, one TikTok Shop, one Chrome extension listing, one App Store entry. If a single suspension or policy email takes revenue to zero, price that in or walk.
- 10. Account health and suspension history.**  CLEAR  FLAG  
 Ask directly for the account-health record and any past suspensions, appeals, or policy warnings. Past suspensions predict future ones, and some marks survive transfer.
- 11. Policy and API exposure.**  CLEAR  FLAG  
 Is the business built on an API, scraping technique, or policy interpretation the platform is actively tightening? Amazon's AI agent policy is a current example: automation built on browser scripts instead of official APIs is now a compliance liability, not an asset.
- 12. Transferability.**  CLEAR  FLAG  
 Can the accounts, contracts, and integrations legally move to a new owner at all? Some marketplace accounts, payment processors, and affiliate relationships do not transfer cleanly, and you find out at the worst time.

**D. OWNER DEPENDENCE**

- 13. Claimed hours vs. evidence.**  CLEAR  FLAG  
 "Four hours a week" is the most common claim in listings and the least often true. Look at the actual activity: support inboxes, commit history, content cadence, supplier emails. The operational fingerprint of the owner is hard to hide.
- 14. Personal-brand entanglement.**  CLEAR  FLAG  
 If the founder's face, name, or social accounts drive customers, you are buying a business that partially leaves with them. Audience-dependent revenue needs a transition plan and an earnout, not a handshake.
- 15. Key relationships held by one person.**  CLEAR  FLAG  
 The supplier deal, the one affiliate driving 40% of sales, the agency contact who keeps the ads profitable. Map which relationships exist only in the owner's phone.

**E. ADD-BACKS AND FINANCIAL HYGIENE**

- 16. Aggressive add-backs.**

CLEAR    FLAG

Every add-back is the seller telling you a cost will not exist under your ownership. Test each one. "Owner salary" is fine; "marketing we did not really need" is not.
- 17. Family payroll and personal expenses.**

CLEAR    FLAG

Main Street financials routinely carry relatives on payroll and personal spend in expenses, in both directions. It inflates or deflates EBITDA depending on which way it cuts.
- 18. Deferred costs hiding in the asset.**

CLEAR    FLAG

Aged inventory approaching long-term storage fees, a codebase one departure from unmaintainable, content not updated in two years. Real costs that do not appear on any P&L until you own them.

**TALLY YOUR FLAGS**

Count your Flag marks: \_\_\_\_\_ of 18. Items you could not verify either way: \_\_\_\_\_

<p><b>0 flags</b></p> <p>Proceed to the seller questions on the next page and start scoping diligence. Clean pre-LOI checks do not mean a clean deal; they mean it deserves real diligence.</p>	<p><b>1-2 flags</b></p> <p>Get each flag resolved in writing before you sign anything. A flag with a documented, verifiable explanation can clear. A flag the seller talks around does not.</p>	<p><b>3+ flags</b></p> <p>Walk, or reprice the deal to reflect what the flags actually mean. Three or more unresolved flags pre-LOI is a pattern, not bad luck.</p>
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This tally is judgment support, not a verdict machine. One catastrophic flag (revenue that does not exist, an account that cannot transfer) outweighs ten clears.

**NOTES ON THIS DEAL**

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## Questions to send the seller before LOI

Copy this, fill in the brackets, send it through the broker or directly. An organized seller answers most of it in one pass. Resistance to these questions, pre-LOI, is information.

**Subject:** Pre-LOI questions on [business name]

Hi [name],

Thanks for the materials so far. Before we move toward an LOI, I have a short list of questions. None of this requires preparing new documents; most of it you will already know.

1. **Screen-share.** Could we do a 15-minute live screen-share inside [Stripe / Seller Central / the payment processor]? Read-only, you drive, I just want to see the revenue where it lives.
2. **Concentration.** What share of trailing-twelve-month revenue comes from the top 5 customers (or SKUs, or affiliates)?
3. **Recent trend.** How do the last three months compare to the trailing twelve? Anything seasonal or one-time in either direction?
4. **Account health.** Any suspensions, policy warnings, or appeals on any platform account, ever? What is the current account-health status?
5. **Traffic mix.** Roughly what split of traffic is paid vs. organic, and of the organic, how much is people searching the brand name?
6. **Your hours.** What do you personally spend time on each week, and roughly how many hours? Who else touches the business (contractors, agencies, family)?
7. **Add-backs.** Could you walk me through each add-back on the schedule and why it goes away under a new owner?
8. **Transfer.** Which accounts, contracts, and integrations transfer cleanly, which need third-party consent, and is there anything that cannot transfer?
9. **Deferred work.** What is the next big thing the business needs that you have been putting off? (Inventory, code, content, anything.)
10. **The reason.** Why are you selling, and what happens to the business if it does not sell?

Happy to get on a call to go through any of these instead. I am trying to get to a serious offer quickly, and these answers are what gets me there.

Thanks,  
[your name]

Reading the response: question 1 is the tell. A seller who agrees to the screen-share immediately removes the single biggest pre-LOI risk for free. A seller who offers more screenshots instead has answered a different question.

## What diligence covers at each price

Four levels of certainty exist for a small digital deal. Each answers a different question. The mistake is not picking the cheap one; it is picking the wrong one for the stage you are at.

	\$0 SELF-CHECK this kit	\$950 RED-FLAG SCAN 48 hours	\$5,900 DEAL DILIGENCE 5-7 days, flat	\$20-40K CPA QOE weeks
<b>Stage</b>	First look at any deal	Pre-LOI, before exclusivity	Under LOI or close to it	Under LOI, lender-driven
<b>Who works</b>	You, with this checklist	An experienced third party, with tooling	Same, with seller cooperation and source access	A CPA firm
<b>Core question</b>	Does this deserve more of my time?	Kill or continue?	Is the asset real, and what does it become?	Are the normalized earnings right?
<b>Revenue check</b>	Footprint plausibility, screen-share request	Listing claims vs. every observable data source	Reconciled against source systems: Stripe, Seller Central, billing events	Accounting records and bank statements
<b>MRR / churn</b>	Ask the questions	Plausibility only	Rebuilt from raw subscription data, cohort by cohort	Usually out of scope
<b>Traffic, platform, code</b>	The checks on pages 3-4	Traffic sanity check, platform and seller history	Core scope, including codebase and transfer map	Not covered
<b>Output</b>	Your own tally and notes	Kill-or-continue verdict in writing	Full written report, ending with what the business looks like with a modern ops layer installed	QoE report; required for most SBA-financed deals

### When you need the CPA anyway

If your deal is SBA-financed, your lender will likely require a CPA-prepared QoE; nothing cheaper substitutes for that. You also want one when the deal is large enough that tax structuring, working-capital pegs, and GAAP-level normalization move real money, generally above the \$2M range. On a \$400K content site or an \$800K SaaS, a \$30K QoE does not pencil, which is exactly why sub-\$2M sellers are the least audited sellers in the market. Do not let that fact work against you.

## The data-room request list

Send this to the seller the day you go under LOI (or attach it to the LOI itself). One rule governs everything on it: **source-system exports only**. No dashboards, no screenshots, no seller-prepared summaries. Data rooms contain what the seller chose to prepare; your job is to reconstruct the numbers independently and diff.

**1. Payment processor full export, 24 months.**

Stripe (or equivalent) for SaaS; Seller Central settlement reports for Amazon businesses; order and payout exports for DTC. This is the evidence the P&L gets reconciled against, from the raw transaction level up. The step that most often kills deals.

**2. MRR table by customer by month.**

For subscription businesses. You rebuild MRR independently from this and diff it against the seller's chart. Annual prepaids smeared across months, paused accounts counted active, and founder-friends accounts that never paid all show up here.

**3. Churn and cohort data, or raw subscription events.**

A blended churn number is close to meaningless. What you are buying is the retention curve of recent cohorts, because that is the revenue that will still exist in a year.

**4. Google Search Console export, 16 months.**

Separates durable non-branded rankings from branded search and from traffic exposed to AI answer engines. Ranking history also surfaces link-velocity games run before the sale.

**5. Analytics read access or export (GA4 or equivalent).**

Read access beats exports: you can check the traffic mix, the channel dependence, and whether "organic" is actually organic, without anyone preparing anything.

- 6. Hosting and infrastructure bills, 12 months.**  
The real monthly run cost, compared to what the seller reports. Infrastructure cost surprises are deferred costs you inherit on day one.
- 7. Codebase read access, or an escrow review.**  
For software assets. The question is not "is the code beautiful." It is "what does it cost to operate and change this thing without its author": bus factor, deploy process, deprecated dependencies, security exposure.
- 8. Support inbox metrics.**  
Volume, response pattern, and who actually answers. This is where claimed owner hours meet evidence, and where the real support load you are buying shows up.
- 9. SOPs as they exist, or written confirmation none exist.**  
Either answer is useful. "None exist" is not a deal-killer, but it changes the transition plan and your first-90-days cost.
- 10. The org map.**  
Every contractor, agency, and tool, with monthly costs. This is where family payroll, the agency that actually runs the ads, and the one contractor holding the codebase all become visible.

## RULES FOR USING THE LIST

### Source systems, not summaries.

If a document was prepared for the sale, it is a claim. If it was exported from the system that processes the money, it is evidence. Insist on the second kind.

### Reconstruct, then diff.

The point of items 1-3 is not to read them. It is to rebuild revenue, MRR, and churn yourself from raw events and compare your numbers to the seller's. The gaps are the diligence.

### Slow delivery is a finding.

A seller who takes three weeks to produce a Stripe export either does not have clean access to their own business or is deciding what to show you. Note it either way.

### Track what arrived.

Use the checkboxes on these two pages. Anything still unchecked when your exclusivity clock is half-spent should be escalated in writing.

## Everything in this kit works without us.

Run the checklist, send the questions, demand the data room. If you would rather have an experienced third party do the work, this is what we sell, and the whole ladder is on the site.

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### Red-Flag Scan · \$950 · 48 hours

The page 3-5 checklist executed properly on your specific deal: listing claims vs. observable reality, revenue plausibility, traffic sanity check, platform and transfer risk, seller history. Kill-or-continue verdict in writing, before you sign an LOI.

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### Digital Deal Diligence · \$5,900 flat · 5-7 days

For deals under LOI: financial verification against source systems, MRR and churn rebuilt from raw billing events, traffic authenticity, platform and transfer risk, codebase review. Every report ends with the AI Ops Underwrite: a quantified model of the business with a modern operations layer installed, so you price what it becomes, not just what it is.

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### Not a QoE, on purpose

We are not a CPA firm and this is not an audit. If your lender requires a QoE, get one; our scope covers the digital-asset questions a QoE engagement letter does not touch.

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