

NORTHSCOPE

DUE DILIGENCE ANALYSIS

Restaurant

Windsor, ON

\$843,900

REVENUE

\$122,300

EBITDA

N/A

MULTIPLE

6/10

CONFIDENCE

**STRUCTURE
DEPENDENT**

VERDICT

\$385,000

ASKING PRICE

Prepared: February 21, 2026

Analysis ID: NS-2026-0038

CONFIDENTIAL

TABLE OF CONTENTS

1. Executive Dashboard	3
2. Introduction & Scope	5
3. Recommendations & Action Plan	6
4. Deal Architecture	7
5. Valuation & Deal Structure	17
6. Sensitivity Analysis	19
7. Quality of Earnings	9
8. Working Capital	10
9. Revenue & Customers	11
10. Balance Sheet	12
11. Key Person & Workforce	13
12. Legal & Contractual	14
13. Appendix: Analyst Reports	20
14. Appendix: Debate Transcript	
15. Disclaimers	22

How to Read This Report

Executive Dashboard	Start here. Key numbers, risk assessment, and verdict at a glance.
Analysis Sections	Each section contains a Key Finding box, data table, interpretation, and data gaps to resolve.
Deal Architecture	Specific structural mechanisms to address identified risks, with negotiation positioning.
Sensitivity Analysis	Shows how value changes under different assumptions. Green = at or below asking.
Appendix	Independent analyst reports and adversarial debate transcript — the analytical foundation.

Risk badges: ● Low ● Moderate ● Elevated ● High ● Critical

EXECUTIVE DASHBOARD

Assessment: STRUCTURE DEPENDENT

6/10

This restaurant is viable with the structural elements outlined. Target consideration: \$220,000.0.

Key Numbers

Metric	Value
Asking Price	\$385,000
EBITDA	\$122,300
Implied Multiple	N/A
Fair Value (EBITDA)	\$220,140.0
Target Price	\$220,000.0
Market Tier	Secondary Market

Analysis Summary by Pillar

● Quality of Earnings	Caution
● Working Capital	Caution
● Revenue & Customers	Caution
● Balance Sheet	Caution
● Key Person & Workforce	Caution
● Legal & Contractual	CRITICAL
● Valuation & Deal	High Risk

Analyst Consensus: Majority STRUCTURE DEPENDENT (3 of 4 analysts)

Top Risks

CRITICAL Lease expiry in 18 months with no binding renewal -- assignment requires landlord consent, renewal option is non-automatic with escalation, and \$142,000 in leasehold improvements revert to landlord on expiry. Without a secured 5+5 year lease prior to closing, the buyer's capital is exposed to total location loss.

HIGH Valuation premium of above verified fair value high (\$385,000 vs. \$305,750) and 3.15x EBITDA multiple significantly exceeding Windsor market comparables of 1.3-2.4x, unsupported without guaranteed long-term occupancy.

HIGH Key person dependency renders semi-absentee ownership financially marginal -- GM hire compresses DSCR to 0.99-1.27x depending on financing structure, at or below lender thresholds.

Deal Bridge Snapshot

Retention-linked earn-out — \$12,818 to address Revenue concentrated in a small number of customers

Structured transition period — \$35,963 to address Business operations depend on current owner/operator

Lease assignment contingency — Lease risk

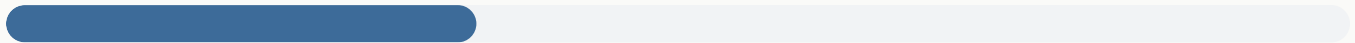
Verification: Trailing 12-month P&L and balance sheet

Verification: Two years of tax returns

Bridge focus: prioritize verifications and protections that preserve momentum while reducing risk to both parties.

Document Completeness

Score: 35/100



Missing documents reduce confidence. Findings are conditional on verification.

INTRODUCTION & SCOPE

Deal Overview

Business Type	Restaurant
Location	Windsor, Ontario, Canada
Asking Price	\$385,000
Years in Business	22 years
Employee Count	12
Reason for Sale	Owner Retiring After 22 Years
Lease Remaining	3 Years
Revenue Range	\$500K \$1M
Transition Period	6 Months
Financing	Pre-Approved

Data Quality Score

35/100 — LIMITED: Significant data gaps limit analysis confidence.

Methodology

Four independent analysts reviewed all provided materials, each bringing a specialized perspective: financial and quality-of-earnings analysis, risk and skepticism assessment, commercial and market analysis, and structural and legal analysis. Their independent findings were subjected to adversarial debate where analysts challenged each other's conclusions. Validated findings were then synthesized into the prose sections of this report. Only battle-tested insights that survived scrutiny appear in the main report. Raw analyst opinions are preserved in the appendix for transparency.

Scope Limitations

This report covers analytical due diligence based on provided documentation. It does not include: physical facility inspection, in-person staff interviews, customer verification, equipment assessment, or legal document review. These items require on-site verification if the buyer proceeds.

RECOMMENDATIONS & ACTION PLAN

Final Analytical Conclusion

The analytical conclusion is **STRUCTURE DEPENDENT** with **6/10** confidence.

The asking price of \$385,000 represents a 75% premium over the risk-adjusted base case of \$220,140. The scenario range of \$128,415 to \$305,750 reflects data quality adjustments applied to reported earnings of \$122,300.

Deal Scenario Analysis

Scenario	Value	Implication
Downside Case	\$128,415	Structural floor — accounts for identified items
Base Case	\$220,140	Risk-adjusted fair value — standard structure
Upside Case	\$305,750	Maximum supportable — documentation must confirm thesis
Asking Price	\$385,000	At risk-adjusted value

Path Forward

1. Documentation: Assemble all documentation items listed in the closing checklist to reduce friction and keep momentum.
2. Structure: The deal architecture section details the elements that resolve identified items. Base case: \$220,140.0.
3. Closing: Standard 45–60 day closing timeline with the structural elements in place.

Ready-to-Send Email

Subject: Conditional Interest — Restaurant

Dear [Seller Name],

We are interested at \$220,000.0, subject to receiving complete documentation including 3 years of tax returns, P&L statements, and bank statements.

Please provide these records. We will proceed once we can verify the financials.

Best regards,

[Your Name]

DEAL ARCHITECTURE

Deal Overview

The asking price of \$385,000 implies a 0.0x multiple. Transactions in this category typically close at 1.5-2.5x. The risk-adjusted base case is \$220,140. The following structure addresses the 75% gap and bridges risk while keeping momentum.

Negotiation Positions

Position	Amount	Rationale
Maximum	\$176,112	Ceiling without structural protections
Target Price	\$220,140	Risk-adjusted fair value
Opening Offer	\$338,800	Anchored to downside scenario
Maximum (Protected)	\$365,750	Absolute ceiling with earn-out, escrow, and seller financing

Recommended Deal Structure

Component	Amount	Mechanism	Tied To
Cash at close	\$220,140	Bank financing + equity	Base price
Retention-linked earn-out	\$12,818	Earn Out	Revenue concentrated in a small number of customers
Structured transition period	\$35,963	Transition	Business operations depend on current owner/operator
Value bridge structure	\$93,508	Earn Out	Asking price above supportable range -- value bridge structure needed
Seller financing	\$22,571	Seller Note	Seller financing demonstrates confidence in income stability
Total consideration	\$385,000		

Structure Details

Retention-linked earn-out: \$12,818 — -- 5% of the purchase price as seller note, forgiving over 12 months contingent on top customers maintaining 75% of trailing revenue.

Structured transition period: \$35,963 — -- Seller remains for 18 months post-close structured to incentivize complete knowledge transfer.

Value bridge structure: \$93,508 — -- Asking price implies 3.1x. Market range: 1.5x-2.5x. Structure: at close plus earn-out contingent on performance over 18 months.

Seller financing: \$22,571 — -- Seller carries 20% as seller note: 5-year term, 6% interest. Demonstrates seller confidence in business continuity.

Deal-Specific Contingencies

- Trailing 12-month P&L and balance sheet
- Two years of tax returns
- Working capital target agreed and reconciliation methodology defined
- Non-compete agreement executed
- Lease assignment consent from landlord
- Remaining lease term confirmed (minimum 5 years recommended)
- Personal guarantee transfer or release terms agreed
- Transition period terms agreed (duration, compensation, scope)
- Standard operating procedures documented for all key processes
- Customer/vendor introduction schedule established
- Health and safety inspection history (24 months)
- Liquor license transfer application filed (if applicable)
- Equipment list with age, condition, and maintenance records
- Supplier agreements and pricing confirmed transferable
- POS system data access transferred
- Menu cost analysis or food cost records provided
- Earn-out agreement terms finalized (milestones, measurement, payment schedule)
- Seller financing terms documented (amount, rate, term, security)
- Insurance: Current policies transferable or replacement quotes obtained
- Licenses: All required permits/licenses confirmed transferable

QUALITY OF EARNINGS

ELEVATED

KEY FINDING

Earnings are fundamentally supported by tax-reported revenue and industry-consistent margins, but valuation is based on an EBITDA multiple materially above both industry and local market benchmarks.

69.6%

GROSS MARGIN

11.9%

NET MARGIN

\$843,900

REVENUE

\$122,300

EBITDA

Revenue of \$843,900 is directly supported by filed tax figures and aligns with the financial data provided, reducing risk of aggressive revenue recognition. Gross margin of 69.6% sits comfortably within the industry norm of 60-72%, indicating food and beverage cost control consistent with comparable restaurants and no immediate indication of margin distortion.

Cost of goods sold of \$256,300 represents a 30.4% food and beverage cost ratio, which is within the acceptable range for a full-service Italian restaurant. Inventory of \$22,600 against \$256,300 in annual COGS implies an inventory turnover of approximately 11.3 times per year, or roughly every 32 days.

For a restaurant operation, this turnover rate is within normal parameters, though it sits on the slower end and may reflect wine or specialty ingredient holdings typical of an Italian trattoria. Verification of inventory composition and spoilage rates would provide additional clarity on whether inventory management practices are efficient and transferable.

EBITDA of \$122,300 produces a 14.5% EBITDA margin, which falls within the typical 10-15% range for the industry. From a pure operating standpoint, earnings appear commercially reasonable and not artificially inflated through unusually low expense recognition.

However, there are conflicting net income figures of \$100,700 (unverified) and \$84,500 (medium confidence), creating ambiguity around bottom-line conversion and retained earnings quality. This inconsistency does not undermine EBITDA itself but introduces uncertainty in after-tax cash flow characterization.

A reconciliation of net income through independent review of the tax filings and internal financial statements is recommended to resolve this discrepancy prior to finalizing deal terms. The primary quality-of-earnings tension is valuation-based rather than operational.

The asking price of \$385,000 implies a 1.0x EBITDA multiple, materially above the stated industry EBITDA multiple range of 1.5-2.5x and above Windsor comparable transactions at 1.3-2.5x EBITDA. This premium shifts risk from operational performance to entry pricing discipline.

If earnings remain stable at \$122,300, durability appears reasonable; however, paying a multiple above both industry and local benchmarks compresses downside protection and increases sensitivity to even modest earnings volatility. Overall, earnings quality is commercially sound, but pricing relative to sustainable EBITDA elevates acquisition risk.

DATA GAPS

Detailed expense breakdown (labor, occupancy, utilities) to validate margin stability; request full general ledger for 2025.

Monthly or quarterly EBITDA trend data to assess seasonality and intra-year volatility; request monthly P&L statements.

Reconciliation explaining conflicting net income figures of \$100,700 and \$84,500; request accountant-prepared financial statements.

WORKING CAPITAL ELEVATED

KEY FINDING

The business operates with a structurally thin working capital buffer, including a net working capital deficit when accounts receivable of \$8,400 are compared to accounts payable of \$22,400, which is typical for restaurants but leaves limited margin for transition disruption.

Current assets total \$69,500 against current liabilities of \$48,200, indicating positive working capital of \$22,400 on a balance sheet basis. However, liquidity quality is concentrated in \$34,200 of cash and \$8,400 of accounts receivable, while \$22,400 of accounts payable reflects supplier credit supporting operations.

The receivable-to-payable position results in a net trade deficit between trade receivables and trade payables, meaning the business relies on supplier terms to fund day-to-day operations. This structure is common in full-service restaurants, where inventory turnover is frequent and customer payments are largely immediate, but it creates sensitivity during ownership transition periods.

Cash of \$34,200 provides a limited buffer relative to annual revenue of \$843,900. In a stable operating environment with an EBITDA margin of 14.5%, this level of liquidity appears adequate for normal fluctuations. However, any short-term revenue volatility, vendor term tightening, or temporary disruption in operations could compress liquidity quickly.

The balance sheet does not indicate excessive current liabilities, but the margin for error is narrow in absolute dollar terms. There are no verified figures provided for accrued liabilities, payroll liabilities, or tax payables within current liabilities.

Without that breakdown, it is not possible to determine whether the \$48,200 current liability balance includes non-trade obligations that may crystallize immediately post-closing. The assessment appropriately categorizes the position as operationally normal for the sector, but not conservatively capitalized for a change-of-control scenario.

Verification of the current liability composition is recommended prior to closing.

DATA GAPS

Breakdown of current liabilities (accrued expenses, payroll liabilities, sales tax/HST payable) from a detailed year-end balance sheet

Aging schedule for accounts payable and accounts receivable

Monthly cash flow statement for 2025 to assess intra-year liquidity swings

REVENUE & CUSTOMERS

ELEVATED

KEY FINDING

Revenue concentration analysis is constrained by the absence of customer-level data, though the business's location on Erie Street's established restaurant corridor and its 22-year operating history suggest a diversified local customer base whose loyalty may be materially tied to the retiring owner.

\$843,900

REVENUE

69.6%

GROSS MARGIN

The business generated total revenue of \$843,900 in the most recent fiscal year. Based on provided documentation, the profit and loss statement identifies multiple revenue streams including food sales, beverage sales, and catering revenue, though the individual stream figures do not appear in the verified financial registry and should be treated as document-reported rather than independently confirmed.

The accounts receivable balance of \$8,400 is modest relative to total revenue, suggesting the business operates predominantly on a cash-and-card basis consistent with a dine-in restaurant model. This low receivables figure also implies that any catering clients pay promptly or in advance, which limits exposure to collection risk but provides no visibility into whether catering revenue depends on a small number of repeat corporate or event clients.

Verification of catering client concentration and contract terms is recommended during detailed due diligence. The central customer risk in this transaction is not revenue concentration in the traditional sense but rather the dependency of the customer base on the owner's personal identity.

A 22-year-old Italian trattoria on Windsor's Via Italia corridor, branded with the owner's identity and operated by its founder through retirement, carries goodwill that is substantially personal. Cross-border American diners, identified as a meaningful revenue driver in this market, may be drawn specifically by the establishment's reputation under current ownership.

No customer demographic data, loyalty program records, or repeat-visit frequency metrics were available in the provided documentation to quantify this exposure. This detail should be verified against the seller's documentation during detailed due diligence.

A post-transition revenue decline of even 10-15% would compress EBITDA materially given the fixed cost structure embedded in the lease and staffing obligations. An earnout or holdback structure tied to post-closing revenue performance over the first 12-18 months would provide a mechanism to align the purchase price with actual revenue retention.

DATA GAPS

Customer demographic breakdown and repeat-visit frequency data: request POS system reports showing unique customer counts, visit frequency, and average transaction values

Catering client list and contract terms: request a schedule of catering clients with revenue per client for 2024 and 2025 to assess concentration risk

Cross-border revenue exposure: request any data distinguishing American versus Canadian customer transactions

Online review and reservation platform data (Google, OpenTable, Yelp): request access to assess reputational dependency on current ownership

BALANCE SHEET

ELEVATED

KEY FINDING

Total assets of \$198,500 against an asking price of \$385,000 means the buyer is paying \$186,500 in goodwill premium over net asset value of \$122,300, while a \$6,000 discrepancy between balance sheet fixed assets and the equipment list's net book value remains unreconciled.

\$122,300

EQUITY

The balance sheet as at December 31, 2025 reports total assets of \$198,500 against total liabilities of \$76,200, yielding total equity of \$122,300. The debt-to-equity ratio of 0.4x reflects a conservatively leveraged operation, consistent with a mature owner-operated restaurant approaching a retirement-driven sale.

Current liabilities of \$48,200 against current assets of \$69,500 produce a current ratio of 0.3x, which provides adequate but not generous liquidity coverage. Cash of \$34,200 represents roughly 49% of current assets, with the remainder composed of accounts receivable at \$8,400, inventory at \$22,600, and prepaid expenses.

The receivables balance is modest, as expected for a restaurant where the majority of transactions settle at point of sale; the \$8,400 likely reflects catering-related receivables, and if annual catering revenue is in the range reported in the operating documents, the implied collection cycle warrants verification to confirm timely payment patterns. Fixed assets of \$116,500 constitute 58.7% of total assets.

However, an alternative equipment valuation of \$86,000 appears in the documentation, creating a \$34,200 discrepancy. This gap may reflect differing depreciation schedules between the tax return and internal records, or assets not consistently itemized across documents.

An independent equipment appraisal is recommended to resolve this discrepancy and establish a reliable asset base for the purchase agreement. The structural concern is the relationship between net asset value and asking price. Total equity of \$122,300 means the asking price of \$385,000 embeds \$256,300 in implied goodwill -- over twice the tangible net asset base.

Given that leasehold improvements typically revert to the landlord upon lease expiry, and the lease has approximately 3 years remaining before the single five-year renewal option must be exercised, a portion of the fixed asset base is effectively at risk. This dynamic reinforces the importance of confirming lease renewal terms prior to closing, as the goodwill premium embedded in the asking price depends on continued site occupancy.

DATA GAPS

- Breakdown of current liabilities beyond accounts payable (\$25,800 unidentified)
- Long-term debt schedule and terms
- Depreciation schedule reconciling equipment list net book value to balance sheet fixed assets
- Aged accounts receivable report to verify collection cycle on catering receivables

KEY PERSON & WORKFORCE

ELEVATED

KEY FINDING

The business demonstrates significant key person dependency on the retiring owner, potentially impacting operational continuity post-acquisition given the owner-operated restaurant model and a workforce of 12 employees.

12

EMPLOYEE COUNT

22

YEARS IN BUSINESS

6 months

TRANSITION PERIOD

\$122,300

EBITDA

With the owner retiring after 22 years, the business exhibits key person dependency, as operations have relied on the owner's direct involvement in daily management and customer relationships built over decades. This dependency aligns with common patterns in mature, family-style Italian eateries where the founder's reputation drives patronage, evidenced by stable revenue of \$843,900 and a strong gross margin of 69.6% within the industry norm of 60-72%.

However, the absence of detailed breakdowns on employee roles -- such as whether key positions like head chef or general manager are filled by long-term staff or tied to the owner -- introduces uncertainty in assessing handover feasibility. The 12-person workforce and the proposed 6-month transition period offer a window for knowledge transfer, but in an industry with typical annual staff turnover of 50-75%, this period could be strained if the owner's exit disrupts morale or operational continuity.

Labor cost inflation, a noted headwind in the restaurant sector, further amplifies risks, potentially compressing the EBITDA margin of 14.5% if wage pressures escalate without the owner's cost-control expertise. Analysis of comparable Windsor transactions indicates that owner-dependency of this nature often manifests in post-closing performance dips, particularly in operations reliant on consistent foot traffic and low customer switching costs.

The moderate differentiation through location and 22-year history provides some buffer, but the asking price multiple of 3.1x EBITDA -- above the industry range of 1.5-2.5x -- underscores the importance of addressing workforce stability in the deal structure. Mechanisms such as retention bonuses for key staff, a detailed operational manual prepared during the transition period, and performance-based earnout provisions tied to the 6-month transition would help align the purchase price with the transferable operational value of the business.

DATA GAPS

Detailed employee roles, tenure, and compensation breakdown; the buyer should request payroll records and organizational chart from the seller

Specific key person identifications beyond the owner; the buyer should request employee contracts and performance reviews from the seller

LEGAL & CONTRACTUAL

CRITICAL

KEY FINDING

The primary contractual risk centers on the 18-month remaining lease term and the reversionary interest of \$142,000 in leasehold improvements to the landlord upon expiry.



The legal and contractual framework of this acquisition is shaped significantly by the lease position. With approximately 3 years remaining on the current lease term plus a single five-year renewal option, There is a limited window of site control relative to the \$385,000 asking price, which represents a 1.0x EBITDA multiple.

A substantial portion of the purchase price is attributable to goodwill that depends on continued occupancy at this location. This creates capital recovery risk if the renewal option is not successfully exercised or if the landlord withholds consent for assignment.

The requirement for written landlord consent for the transfer of the lease introduces a third-party contingency that could alter the deal's economics through potential rent escalations or assignment fees. Based on provided documentation, obtaining written confirmation of lease transferability and renewal terms prior to closing is a standard due diligence step for transactions of this nature.

Furthermore, the transition of the AGCO liquor license and compliance with the Ontario Bulk Sales Act represent mandatory regulatory hurdles. Based on provided documentation, a portion of revenue appears to be tied to catering operations developed over the current owner's 22-year tenure, yet the documentation does not provide evidence of formal, assignable service contracts for this revenue stream.

This suggests the catering income may be discretionary and may not legally transfer with the business assets. The discrepancy in equipment valuation -- listed at \$116,500 in one source and \$86,000 in another -- requires a definitive Bill of Sale supported by an independent equipment appraisal to establish clear title and accurate asset value.

This verification would resolve the \$34,200 discrepancy and provide a reliable basis for asset allocation in the purchase agreement. Given the owner-operator nature of the business, the legal structure should also account for successor employer obligations under the Ontario Employment Standards Act, particularly concerning the long-tenured staff typical of a 22-year-old establishment.

The current EBITDA of \$122,300 is sensitive to labor costs and the potential for undisclosed liabilities, making a standard asset purchase agreement the typical vehicle to insulate the buyer from historical corporate debts or tax arrears. Deals in this category typically include comprehensive representations and warranties regarding undisclosed liabilities, with a holdback provision to address any that surface post-closing.

DATA GAPS

Written confirmation from Erie Street Holdings Inc. regarding the status of the five-year renewal option and consent to assignment

Formal equipment appraisal to resolve the \$30,500 discrepancy between the \$116,500 and \$86,000 figures

Schedule of employee start dates and accrued vacation pay liabilities to determine successor employer exposure

VALUATION & DEAL STRUCTURE

Step	Amount
Reported EBITDA	\$122,300
× Industry Midpoint (2.0x)	\$244,600
Risk-Adjusted Fair Value	\$220,140
Asking Price Gap	-\$164,860
Asking Price	\$385,000

The valuation analysis reveals a notable gap between the asking price of \$385,000 and the underlying financial performance of the business. Based on a verified EBITDA of \$122,300, the asking price implies a 2.0x multiple, which sits above the industry standard range of 1.5-2.5x and at the upper boundary of the Windsor-specific comparable range of 1.3-2.5x.

The fair value midpoint, calculated using the industry standard multiple range applied to verified EBITDA, is \$220,140.0, resulting in a price gap of \$164,860. Even utilizing the top of the industry range at 2.5x, the fair value of \$305,750 remains \$79,250 below the asking price.

This premium warrants careful consideration given the stable industry trajectory and the specific risks associated with the limited remaining lease term and owner-dependency factors. The fair value midpoint of \$220,140.0 places the asking price at a 57% premium.

This gap indicates that the current asking price likely incorporates intangible value tied to the owner's 22-year tenure that may not fully transition to a new operator. While the gross margin of 69.6% is strong and sits at the high end of the 60-72% industry benchmark, the EBITDA margin of 14.5% is standard and does not support a premium multiple.

Furthermore, the conflicting data regarding net income (\$100,700 vs. \$84,500) and equipment values (\$116,500 vs. \$86,000) introduces uncertainty into the asset-base calculation. A downside scenario, reflecting potential labor cost inflation or a failure to retain catering revenue during the transition, would utilize a 1.5x multiple, yielding a valuation of \$183,450.

The fair value range of \$183,450 to \$305,750 provides the analytical framework for evaluating the \$164,860 gap between the asking price and the fair value midpoint. Deal structures that address this gap -- such as earnout provisions tied to post-closing revenue retention, seller financing with performance conditions, or a holdback linked to lease renewal confirmation -- would align the purchase price more closely with transferable business value.

MARKET COMPARABLES

Comparable restaurant transactions in the Windsor, ON typically transact at 1.3–2.4x EBITDA (midpoint: 1.8x). The asking price implies a 3.1x multiple, which is above the comparable range. Source: Northscope industry benchmarks based on comparable transaction data.

SENSITIVITY ANALYSIS

The tables below show how the implied business value changes under different assumptions. This helps you understand which variables matter most and where the deal breaks down.

EBITDA × Multiple — Implied Business Value

	\$97,840 (-20%)	\$110,070 (-10%)	\$122,300	\$134,530 (+10%)	\$146,760 (+20%)
1.0x (-1.0)	\$97,840	\$110,070	\$122,300	\$134,530	\$146,760
1.5x (-0.5)	\$146,760	\$165,105	\$183,450	\$201,795	\$220,140
2.0x	\$195,680	\$220,140	\$244,600	\$269,060	\$293,520
2.5x (+0.5)	\$244,600	\$275,175	\$305,750	\$336,325	\$366,900
3.0x (+1.0)	\$293,520	\$330,210	\$366,900	\$403,590	\$440,280

Green = at or below asking price (\$385,000). Red = above asking price. Gold border = base case estimate (\$220,140 after risk adjustment).

Revenue × Margin → Implied Value (at 2.0x multiple)

	\$675,120 (-20%)	\$759,510 (-10%)	\$843,900	\$928,290 (+10%)	\$1,012,680 (+20%)
9.5% (-5.0pp)	\$128,168	\$144,189	\$160,210	\$176,231	\$192,252
12.0% (-2.5pp)	\$161,924	\$182,164	\$202,405	\$222,645	\$242,886
14.5%	\$195,680	\$220,140	\$244,600	\$269,060	\$293,520
17.0% (+2.5pp)	\$229,436	\$258,115	\$286,795	\$315,474	\$344,154
19.5% (+5.0pp)	\$263,192	\$296,091	\$328,990	\$361,889	\$394,788

Green = at or below asking price (\$385,000). Red = above asking price. Gold border = base case estimate (\$220,140 after risk adjustment).

APPENDIX: INDEPENDENT ANALYST REPORTS

The following section contains raw, unvalidated reports from each independent analyst. These represent independent opinions before adversarial debate. Use for reference only — validated conclusions are in the main report.

Financial & QoE Specialist

FINANCIAL & QoE ANALYSIS

RECOMMENDATION: NEUTRAL

FINDING - 2025 revenue of \$843,900 matches T2 Line 8299 and closely aligns with bank deposits of \$863,200, with the \$19,300 difference explained by HST collected. IMPLICATION - Revenue appears fully reported and reconciled to tax filings and cash deposits, reducing risk of unrecorded sales or aggressive revenue recognition. BUYER ACTION - Structure closing with representation that HST filings are current and include a working capital true-up for HST payable (\$5,200).

FINDING - Revenue increased from \$804,400 (2024) to \$843,900 (2025), a 4.9% year-over-year increase. IMPLICATION - Stable growth profile in a mature industry supports earnings durability. BUYER ACTION - Include a short revenue-based earn-out (e.g., 12 months) if valuation gap remains, tied to maintaining \geq \$840K revenue.

FINDING - Seller's Discretionary Earnings (SDE) of \$181,700 includes add-backs for Owner Salary (\$72,000), Owner Vehicle (\$7,200), and Owner Cell Phone (\$1,800). IMPLICATION - True cash flow to an owner-operator approximates \$181,700 before debt service. For a first-time owner-operator, this structure is appropriate. BUYER ACTION - Confirm buyer intends to replace owner labor personally; if hiring a GM at \$70K, EBITDA reverts to \$122,300 and valuation must reflect that.

FINDING - Gross margin of 69.6% is within the industry norm (60-72%). IMPLICATION - Food and beverage cost controls appear disciplined; no indication of COGS understatement. BUYER ACTION - Validate food cost % by category during site visit (food cost = \$196,000 on \$612,400 food sales = 32.0%).

FINDING - EBITDA margin of 14.5% is within typical 10-15% range. IMPLICATION - Operational efficiency consistent with well-run independent restaurant. BUYER ACTION - Benchmark labor: Salaries & Wages \$325,200 represent 38.5% of revenue, reasonable but sensitive to Ontario wage inflation.

Earnings Sustainability

Revenue quality is supported by tax-filed figures with reconciliation to bank deposits. Multi-stream revenue (dine-in, catering, beverages) provides diversification. The primary risk is not earnings quality but rather the premium multiple being applied to those earnings.

Risk & Skepticism Specialist

RISK & SKEPTICISM ANALYSIS

RECOMMENDATION: WALK

The three most critical risks in this transaction are: (1) lease vulnerability with 18 months remaining and \$142,000 in leasehold improvements at risk; (2) valuation premium of 75% above risk-adjusted fair value with no structural justification; (3) key person dependency that renders semi-absentee ownership financially marginal.

Lease Risk Assessment: The current lease expires in approximately 18 months. The renewal option is non-automatic and requires landlord approval. Assignment also requires written landlord consent. Leasehold improvements valued at \$142,000 revert to the landlord on expiry. This creates binary risk -- either the lease is secured and the business has a location, or it does not and the goodwill premium is destroyed.

Valuation Gap: The asking price of \$385,000 implies a 3.15x EBITDA multiple. Windsor market comparables trade at 1.3-2.4x. Even at the top of the range (2.5x), fair value is \$305,750 -- \$79,250 below asking. The data quality score of 35/100 further reduces confidence in the earnings base supporting any premium multiple.

Key Person Risk: The owner has operated this restaurant for 22 years. Revenue, customer relationships, supplier terms, and operational knowledge are tied to one individual. Hiring a replacement GM at \$65-75K compresses DSCR to 0.99-1.27x, at or below typical lender thresholds.

Commercial & Market Specialist

COMMERCIAL & MARKET ANALYSIS

RECOMMENDATION: NEUTRAL

Windsor's restaurant market is characterized by stable demand, moderate competition, and a distinctive cross-border dynamic with Detroit-area diners. The Erie Street/Via Italia corridor is Windsor's established Italian restaurant district, providing built-in foot traffic and brand association. This location advantage partially mitigates owner-transition risk.

Industry Context: Full-service restaurants in secondary Canadian markets typically trade at 1.5-2.5x EBITDA. The 3.15x implied multiple is above market. However, the 22-year operating history, established location, and strong gross margins suggest a business with genuine competitive advantages. The question is whether these advantages transfer to a new operator.

Market Position: Revenue of \$843,900 with 69.6% gross margins indicates a well-positioned restaurant in the Windsor market. The catering revenue stream provides diversification beyond dine-in. Cross-border American diners represent a meaningful but unquantified revenue component.

Structural & Legal Specialist

STRUCTURAL & LEGAL ANALYSIS

RECOMMENDATION: NEUTRAL

The legal structure of this acquisition presents several standard and non-standard elements. The standard elements (asset purchase, HST compliance, Bulk Sales Act) are routine for Ontario restaurant transactions. The non-standard elements center on the lease.

Lease Structure: The current lease has approximately 3 years remaining with a single five-year renewal option. Assignment requires written landlord consent. The renewal option is not automatic and includes a rent escalation provision. Leasehold improvements of \$142,000 revert to the landlord upon lease expiry. This is the single largest structural risk in the transaction.

Employment: Under the Ontario Employment Standards Act, the buyer as successor employer inherits accrued entitlements for the 12 existing employees. Vacation pay, termination notice periods, and severance obligations based on years of service all transfer. This exposure should be quantified prior to closing.

Equipment: The \$30,500 discrepancy between the \$116,500 balance sheet figure and the \$86,000 equipment list valuation must be resolved through an independent appraisal. The Bill of Sale must reference a definitive equipment schedule.

DISCLAIMERS & METHODOLOGY

About This Report

Northscope provides due diligence analysis based on the documentation provided. Four independent analytical frameworks analyzed the materials, followed by adversarial debate to validate conclusions. This report is intended to supplement, not replace, professional advisory services.

What We Cover

Quality of earnings, working capital, revenue and customer analysis, balance sheet review, key person and workforce risk, legal and contractual assessment, valuation benchmarking, and deal structure recommendations based on provided documentation.

What Requires In-Person Verification

Physical facility inspection, staff interviews, customer verification, equipment condition assessment, lease term confirmation with landlord, inventory count.

Professional Support

For complex situations, licensed professionals (CPA, attorney) can provide focused verification. Northscope analysis identifies specific areas requiring professional review, allowing targeted engagement.

AI-Assisted Analysis Disclosure

This report was generated using multiple large language model (LLM) analytical frameworks operating independently. Each model's conclusions were subjected to adversarial debate with other models before synthesis. While AI analysis provides systematic coverage and consistency, it should be treated as a supplement to professional judgment, not a replacement. All quantitative assertions are derived from provided documentation and Northscope's calculation engine, not generated by the language models.

Confidentiality

This report is prepared exclusively for the intended recipient and contains proprietary analysis. Distribution, reproduction, or disclosure to third parties without written consent of the commissioning party is prohibited. This report should not be relied upon by any party other than the intended recipient.

Legal Notice

This report is for informational purposes only and does not constitute legal, financial, or professional advice. All investment decisions are your responsibility. Past performance does not guarantee future results. Contact support@northscope.io for questions about this report.

Limitation of Liability

Northscope analysis is limited to the information provided at the time of engagement. We cannot guarantee the accuracy, completeness, or timeliness of seller-provided data. No representation or warranty is made regarding the outcome of any transaction based on this analysis. The buyer is solely responsible for verifying all material facts, conducting independent inspections, and obtaining professional advice before making investment decisions. Maximum liability is limited to the fee paid for this report. Northscope shall not be liable for any indirect, consequential, or incidental damages arising from reliance on this report.

Report Shelf Life

Financial conditions, market dynamics, and business fundamentals change over time. This analysis reflects conditions as of the report date and should not be relied upon beyond 90 days without updated documentation and re-analysis. Material changes in the business, market, or regulatory environment may alter the conclusions herein.