

A. Farber & Partners Inc. is pleased to present Farber Facts. We provide regular updates on statistics made available by the Office of the Superintendent of Bankruptcy as well as related commentary. In addition we may provide highlights of a particular theme. In this issue of Farber Facts we comment on the Canadian auto parts manufacturing industry. Archives of Farber Facts can be found at:
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Farber Facts for November 2005
Canadian Business Bankruptcy Statistics Recap – as of September 30, 2005

	Month over Month			Year over Year			Year over Year	
	Sept. '05	Aug. '05	% Change	Sept. '04	% Change	YTD '05	YTD '04	% Change
Bankruptcies	580	553	4.88%	583	-0.51%	5791	6162	-6.02%
Receiverships	51	67	-23.88%	62	-17.74%	574	621	-7.57%
Total	631	620	1.77%	645	-2.17%	6365	6783	-6.16%

In September, Canadian business bankruptcies and receiverships (“filings”) continued their overall marginal trend upward month over month even though receiverships have declined substantially. Year to date, total filings remain down over 6% compared to the same period last year while year over year has experienced a decline of just 2.17%. This downward trend is the result of the stellar performance in the Albertan economy.

Provinces experiencing the highest numbers of filings continue to be Ontario and Quebec. The Northwest Territories, Yukon and Nunavut remain with the fewest filings. The accommodation and food services sector has experienced the highest level of bankruptcy in Ontario but when bankruptcies and receiverships are combined, the manufacturing sector shows the greatest activity. Compared to a year ago, retail trade was experiencing the greatest contraction. Our opinion remains that Ontario will continue to see restructuring in the manufacturing sector, particularly in the auto industry.

The Canadian Auto Parts Industry

This sector has been going through challenging times over the last 18 to 24 months. The industry continues to be battered by the strengthening foreign auto manufacturers, escalating raw material costs, the strong Canadian dollar, skyrocketing energy costs including the cost of gas “at the pump,” and increased competition from India and China. North American carmakers, struggling with legacy costs, are demanding price concessions from their part suppliers. And these pressures are expected to continue unabated throughout 2006.

Across Canada the manufacturing industry, of which the auto parts industry is a dominant player, ranks second only to the construction industry in filings (for the month of September alone 88 manufacturing businesses became bankrupt or were placed in receivership). We believe this signals a problem in that businesses are not being proactive enough investigating their choices making bankruptcy and receivership their only alternative.

“Bankruptcy and receivership should really be considered as a last resort,” stated Alan Farber, President and Founder of A. Farber & Partners Inc. “There are many other options before a company reaches the point of no return – these include debt restructuring, locating new sources of funding, acquisition or divestment of assets to maximize financial gains, and/or stabilizing operations to address a liquidity crisis. The key is not to ignore the problem.”

These opinions and information have been made available by A. Farber & Partners Inc., a Toronto-based firm that has provided expert advice in the areas of insolvency and restructuring for over 25 years. Other specialty services provided by the Farber Group include forensic accounting, fraud investigations, corporate finance, mergers and acquisitions, turnarounds, and interim CFO services. www.afarber.com

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