

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 provide our comments on the early warning signs of financial difficulty. Archives of Farber Facts can be found at:  
<http://www.afarber.com/corporate/news.html>

**Farber Facts for January 2006  
Canadian Business Bankruptcy Statistics Recap – as of November 30, 2005**

	November '05	October '05	MoM % Change	November '04	YoY % Change	YTD '05	YTD '04	YoY % Change
Bankruptcies	581	584	-0.51%	680	-14.12%	6958	7461	-6.74%
Receiverships	64	55	16.36%	56	-1.79%	692	740	-6.49%
Total	645	639	0.94%	736	-12.36%	7650	8201	-6.72%

\*Proposals are not included as they may include individuals.

In November, Canadian business bankruptcies and total filings were virtually flat while receiverships experienced significant volume. Year to date, total filings continue to be down over 6% compared to the same period last year while year over year has had a major decline of over 12%. The performance in the western provinces continues to buoy the rest of the country.

Across the country the construction and retail sectors have been the hardest hit with in excess of 1000 bankruptcies and receiverships year to date. In Ontario this trend has continued among these sectors, chalking up the highest numbers, with manufacturing and accommodation/food services close on their heels. For the month, in Canada the construction trade was hardest hit while in Ontario it was the accommodation/food services sector. Given the outlook for 2006, we expect to see these trends continue.

**Early Warning Signs of Financial Crisis**

What many companies fail to realize – often until it’s too late – is that financial crises are frequently the result of unidentified *internal* challenges. For instance, severe management difficulties, ranging from shareholder disputes to incompetence, can seriously hamper a company’s viability, particularly because managers often have difficulty admitting that they may be part of the problem.

It is for these reasons, and more, that companies eager to avoid crippling business events should be aware of the early warning signs of danger, which include:

- Cash flow difficulties;
- The inability to meet payroll or make mandatory government remittances;
- Failure to take a regular draw or salary or earn a reasonable return on investment;
- Extensive pressure from creditors, suppliers, bankers or other external parties relating to non-performance;
- Inadequate accounting controls and lack of timely reporting; or
- A critical event, such as the loss of a key contract.

“While each situation is unique, and every company’s circumstances must be considered individually, it helps to remember that early intervention is key,” states Alan Farber, President and Founder of A. Farber & Partners Inc. “By taking stock of its performance at regular intervals, or hiring external advisors to provide an independent assessment, a company is more likely to be presented with a wider range of options – potentially enabling it to save jobs, retain shareholder value or even salvage itself.”

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](http://www.afarber.com)

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