

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 construction industry. Archives of Farber Facts can be found at:

<http://www.afarber.com/corporate/news.html>

**Farber Facts for February 2006
Canadian Business Bankruptcy Statistics Recap – as of December 31, 2005**

	December '05	November '05	MoM % Change	December '04	YoY % Change	YTD '05	YTD '04	YoY % Change
Bankruptcies	561	581	-3.44%	666	-15.77%	7519	8128	-7.49%
Receiverships	55	64	-14.06%	44	25.00%	747	788	-5.20%
Total	616	645	-4.50%	710	-13.24%	8266	8916	-7.29%

*Proposals are not included as they may include individuals.

In December, Canadian business bankruptcies and receiverships declined compared to November. Year over year, receiverships had a significant jump while total filings were down substantially at over 13%. Year to date, total filings were down just over 7% compared to 2004. The largest filings continue in Ontario and Quebec while the west has enjoyed declines in filings throughout the year. We expect this trend to continue through 2006.

Across the country the construction and retail sectors remain the hardest hit with in excess of 1000 bankruptcies and receiverships over the year. Following closely behind is the accommodation and food services sector with over 900 companies filing for bankruptcy or being placed in receivership. Ontario is clearly mirroring the trends across Canada with each of these three sectors experiencing in excess of 400 bankruptcies and receiverships.

The Construction Sector

The residential construction sector across Canada has been and will continue to perform rather schizophrenically. In the western provinces, they are reporting a depletion of materials, lack of skilled labour, and continued increases in housing prices. In Ontario for 2005, over 500 companies have sought bankruptcy protection or have gone into receivership. For comparison, housing starts in Ontario and Quebec are down close to 7.5% and 13% respectively while in Alberta and British Columbia, they are up over 12% and 5% respectively.

“What we have found is that many of the companies experiencing difficulty are at the mid to small end of the market. They are getting squeezed by the builders and general contractors on the one hand and by raw material suppliers and labour costs on the other,” shares Alan Farber. “This is a treacherous situation for the company unable to finance stringent payment terms from larger suppliers while customers extend payment terms to the max.”

Since many of these companies have less sophisticated accounting systems, keeping track of payment schedules can become a challenge. They can get themselves over their heads very quickly, many without even realizing it. While many contractors stave off business declines through the renovation bonanza, this is a short-term fix. These small to mid size companies should consider merging with or acquiring competitors to gain a stronger foothold in their business sector to help ensure long-term success.

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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