

## Management's Discussion and Analysis

The following discussion and analysis ("MD&A") of the consolidated operations, results and financial position of Ofek Capital Corp. (the "Ofek" or "Company") for the annual period ended October 31, 2004 should be read in conjunction with the Audited Consolidated Financial Statement and accompanying notes. The effective date of this report is March 7, 2005, which financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and also conforms, in all material respects to generally accepted accounting principles in the United States of America.

Additional information relating to Ofek capital Corp. is available online at [www.OfekCapital.com](http://www.OfekCapital.com) and [www.Sedar.com](http://www.Sedar.com)

### Consolidated Business Overview

Ofek was incorporated as 1348109 Ontario Corp. on March 31, 1999, under the laws of the Province of Ontario. It changed its name to Ofek Capital Corp. on April 25, 2000. The registered office address of the Company is 592 Sheppard Avenue West, Unit 521, Toronto, Ontario, Canada M3H 2S1.

Ofek is a Toronto, Ontario based management company, which provides financial services through its various subsidiary companies. The Company currently offers used car leasing in the Toronto, Ontario area, venture capital equity, funding and investments in Canada and the United States, and wishes to offer mortgage banking in various states in the United States. All areas of operations are within the sub prime market, which Ofek has identified as a very lucrative and beneficial niche. Ofek's corporate strategy is to restrict its activities primarily to being a holding company with business activities to be carried by strategically situated operating subsidiaries and entities.

#### OPERATIONAL RESULTS:

During the fiscal period ending October 31, 2003, Ofek changed its accounting policies, pursuant to GAAP requirements, from accounting vehicle lease revenues in its AJM Leasing subsidiary as operating leases, to accounting such revenues as direct financing leases. Ofek further during that prior annual fiscal period adopted newer recommendations with respect to accounting for future income taxes, whereby Ofek follows the liability method of accounting for income taxes. Under this method future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future tax assets or liabilities are expected to be realized or settled. The notional effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

Pursuant to management's evaluation during the last quarter of this annual fiscal period, regarding Ofek's lack of likelihood of collecting on a Judgment in Ofek's favour, management elected to write off US\$182,629, the full value of that Judgment.

Consolidated revenues increased over 29.4% from US\$566,758 in fiscal 2003 to US\$734,786 in fiscal 2004. Management attributes the increase to a continuing internal growth in the operations of AJM Leasing Management expects AJM Leasing to continue to expand revenues at annual rate of approximately 15%.

Consolidated expenses were reduced by over 3.5% from US\$913,012 in fiscal 2003 to US\$885,235 in fiscal 2004. Outside of the one time bad debt write off, the reduction would have amounted to a 27.5% from US\$913,012 to US\$672,606.

Net loss was reduced from US\$2,097,160 in fiscal 2003 to a loss of US\$118,258 in fiscal 2004. The loss in fiscal 2003 was materially impacted by a US\$1,726,989 special one time write down of goodwill.

EBITDA (Earning before Interest, Taxes, Depreciation and Amortization) increased from 60% in fiscal 2003 to 66.5% in fiscal 2004. Ofek considers EBITDA to be primary measure of the financial performance of its current operations as it best reflects the ongoing viability of the Company and its future potential. Historically EBITDA was under 50% and management evaluated such percentage as extremely good. Management attributes the change to the accounting policy changes implemented and management expects that future EBITDA will remain at the level of 50% or higher.

Ofek has a loss carry forward of US\$819,593 which will benefit it to offset tax liabilities as profits are generated in the foreseeable future.

Ofek's currently only operating subsidiary, AJM Leasing, is the 1996 formation of used car leasing business model, developed and refined by the 32 years old Cheltenham Estates Ltd. AJM Leasing is a finance company, which provides used car dealers with leases to their customers, while eliminating inventory maintenance and capital risk. AJM placed itself in an advantageous market position with a network of car dealers by undertaking to provide a speedy credit review and funding decision. This commitment of expeditious response and the quality of its services' delivery and efficiencies has created an overwhelming demand for AJM Leasing services.

Ofek acquired Cheltenham Estates Ltd and AJM Leasing on October 31, 2001. The previous owners and management of AJM Leasing, in recognition of their past, current and continued essential value and their ability to enhance AJM Leasing and Ofek's opportunities, have remained with AJM Leasing in their perspective positions and have entered into long-term employment contracts with the company.

Ofek, effective February 1, 2005, entered into a Share Exchange Agreement ("Transaction") with Kaptor Financial Inc, ("Kaptor") an Ontario privately held corporation wherein Ofek agreed to exchange 100% of the common shares it owns in AJM Leasing, it's wholly owned and it's only operating subsidiary for 1,500,000 common shares in the capital stock of Kaptor, it being 25% of Kaptor and valued, on closing, at \$1,500,000.

Under the Transaction Ofek has a further warrant exercisable over a period of 5 years, enabling it to acquire up to additional 1,500,000 common shares of Kaptor, for varied predetermined values at predetermined future intervals, bringing Ofek's total holding, if exercised, to 33% equity in Kaptor, on its currently foreseeable fully diluted basis.

Pursuant to the Transaction, on closing Kaptor shall have sufficient shareholders' net worth and senior credit facility to enable the implementation of the business plan as developed between Ofek and Kaptor. The business plan is inclusive of Ofek's business plan as was suggested by management in the last fiscal period, including but not limited to the retirement of AJM Leasing's high interest rates debt and the expansion of its core business.

Kaptor, subject to closing of the Transaction, undertook to underwrite all expenses relating to the Transaction. Kaptor undertook to further provide the Corporation with \$25,000, annually, to underwrite part of the Corporation's on going expenses.

An effect of the Transaction is that Ofek's financial services activities shall after closing, be exclusively operating and existing under the Kaptor business structure. It is also agreed that Kaptor shall hereinafter have a first right of refusal to all business opportunities Ofek may consider or agree to enter into. A further effect of the Transaction is that Ofek will change its business focus and will actively look for acquisition of operating entities or developing businesses, outside of the financial services arena and without competing with Kaptor, to enhance the Corporation's balance sheet and its shareholders benefit.

Management expect Kaptor to significantly expand its financial services reach through its merchant banking, bridge and short term financing, sub prime financing activities and through AJM Leasing's own material reduction in its borrowing costs as well as increase in its leased fleet.

Ofek will now look for acquisition opportunities in business arenas outside of the financial services, utilizing the new strong partnership and association it will have with Kaptor.

Ofek also anticipates the development of a proprietary, patent pending, automated submission and lending approval software system. It will be state-of-the-art and capable of generating immediate loan approval from multiple loan providers and will be run and operated, when it is completed, under its SecondaryMarkets.com, Inc. controlled subsidiary.

Ofek is also committed to pursue a reporting status with the Securities and Exchange Commission and an ability to trade on the OTC Bulletin Board. Management is unable to provide any time table relating the obtaining of such status and ability.

It is the further intention of management to pursue listings on other more senior trading exchanges at the earliest possible and favorable opportunity.

## **LEGAL**

In the process of recovery, remedy and redress in the normal course of business, AJM Leasing has initiated number of litigations in small claim courts. AJM Leasing will continue this policy.

AJM Leasing has also initiated, in early 2001, 2 claims in the Ontario Superior Courts of Justice against the Province of Ontario and its Ministry of Transportation and others, claiming damages and losses to AJM Leasing arising out of operational negligence by the Province and its Ministry. The matters are still pending and legal counsels are unable to determine the likelihood of the outcome at this time.

Ofek, during this fiscal period and in the course of its business, has initiated 3 claims in the Ontario Superior Courts of Justice against entities and individuals, wherein Ofek is seeking to recover damages as well as the recovery of shares in the capital stock of Ofek issued to such entities and individuals. These matters are still pending and legal counsel is unable to determine the likelihood of the outcome at this time.

Management holds the opinion that in the best interest of Ofek and its shareholders, it should diligently and vigorously pursue such damages and recoveries and management will continue doing so as it sees fit.

## **Forward Looking Statements**

Certain of the statements set forth in this MD&A, such as statements regarding planned activity and sales levels, gross margins, working capital, and the availability of capital resources to fund capital expenditures and working capital are forward-looking statements. Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that expected results will be achieved. There are numerous risks and uncertainties that can affect the outcome and timing of events, including many factors beyond the control of the Company.

Ofek undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or otherwise. Readers are cautioned not to put undue reliance on forward-looking statements. Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, the Company's actual results and plans for 2005 and 2006 could differ materially from those expressed in this document.