



592 Sheppard Avenue West, Unit 521, Toronto, Ontario M3H 6A7  
Phone: (416) 736 4800 Fax: (416) 736 6137 email [info@OfekCapital.com](mailto:info@OfekCapital.com)

## SPECIAL AND ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 30, 2005

### MANAGEMENT INFORMATION CIRCULAR

as of April 15, 2005

#### 1. **Solicitation of Proxies**

This Management Information Circular (the "Circular") is furnished in connection with the solicitation by management of Ofek Capital Corp. (the "Corporation") of proxies to be used at the Annual and Special Meeting (the "Meeting") of shareholders of the Corporation to be held at the office of the Corporation's Transfer Agent, Heritage Trust, 4 King Street West, Suite 1320, Toronto, Ontario, M5H 1B6 on May 30, 2005 at the hour of 11 o'clock in the morning (Toronto time) for the purposes set out in the accompanying Notice of Annual Meeting of Shareholders ("Notice of Meeting"). It is expected that the solicitation of proxies will be primarily by mail, but proxies may also be solicited by the directors and/or officers of the Corporation. The cost of such solicitation will be borne by the Corporation. Except as otherwise stated, the information contained herein is given as of April 15, 2005.

By its registrar and transfer agent, Heritage Trust, the Corporation has distributed copies of the Notice of Meeting, this Circular and a form of proxy (collectively, the "Documents") to registered shareholders and to clearing agencies, securities dealers, banks and trust companies, or their nominee ("Intermediaries") for onward distribution to shareholders of the Corporation (the "Beneficial Shareholders") whose shares are held by or in the custody of those Intermediaries. The Intermediaries are required to forward the Documents to the Beneficial Shareholders.

The solicitation of proxies from Beneficial Shareholders will be carried out by Intermediaries or by the Corporation's registrar and transfer agent if the names and addresses of the Beneficial Shareholders are provided by the Intermediaries. The cost of the solicitation will be borne by the Corporation.

Beneficial Shareholders who wish to file proxies should follow the directions of their Intermediary with respect to the procedure to be followed.

## 2. **Appointment and Revocation of Proxies**

A shareholder has the right to appoint a person other than the nominees designated in the enclosed form of proxy to represent the shareholder and to attend and act for the shareholder on its behalf at the Meeting. Such right may be exercised by striking out the nominees designated in the enclosed form and by inserting the name of the shareholder's nominee in the space provided for that purpose or by completing another proper form of proxy. Such other person need not be a shareholder of the Corporation. Properly executed forms of proxy must be deposited at the office of the registrar and transfer agent of the Corporation, Heritage Trust, 4 King Street West, Suite 1320, Toronto, Ontario, M5H 1B6, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the holding of the Meeting or any adjournment thereof. A proxy must be signed and dated by a shareholder or by the shareholders' attorney authorized in writing, or if the shareholder is a corporation, by any officer or attorney duly authorized. This proxy ceases to be valid one year from its date.

The form of proxy affords shareholders an opportunity to specify that the shares registered in a shareholder's name shall be voted or withheld from voting (**or, if no specification is made, voted in favour**) in respect of the election as directors of the persons named in this Circular, the appointment of SF Partnership LLP as auditors of the Corporation and the authorization of the directors to fix the remuneration of the auditors, the approval of the Kaptor Transaction as stated elsewhere in this Circular, the approval of management fee compensation, the approval of stock option plan as stated elsewhere in this Circular, the approval of name change as stated elsewhere in this Circular, the approval of debt conversion as stated elsewhere in this Circular, the approval and confirmation all previous directors and shareholders meetings and the minutes thereof or lack thereof as stated elsewhere in this Circular, as well as any discretionary authority to vote with respect to any amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters as may come before the Meeting .

A proxy given by a shareholder for use at the Meeting may be revoked at any time prior to its use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing, or if the shareholder is a corporation under its corporate seal, or by an officer or attorney thereof, and deposited at the offices of the registrar and transfer agent of the Corporation, Heritage Trust, 4 King Street West, Suite 1320, Toronto, Ontario, M5H 1B6, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof and upon any of such deposits the proxy is revoked.

Management knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to management should properly come before the Meeting, the shares represented by proxies in favour of management nominees will be voted on such matters in accordance with the best judgement of the proxy nominee.

## 3. **Voting Shares and Principal Holders Thereof**

The Corporation is authorized to issue an unlimited number of common shares, of which 56,067,599 are issued and outstanding at the date of this Circular and each such common share carries one vote. Only holders of outstanding common shares of record at the close of business on April 22, 2005 (the "Record Date"), are entitled to vote at the Meeting, except to the extent that a person has transferred any of that person's common shares after that date and the transferee of those shares establishes proper ownership and demands not later than ten (10) days before the Meeting that the transferee's name be included in the list of shareholders for the Meeting, in which case, the transferee is entitled to vote those shares at the Meeting. At the Meeting of the Corporation, upon a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have one vote for each common share of which that shareholder is the registered holder, subject to certain restrictions imposed on the ability of that proxy holder to vote by show of hands where such proxy

holder has conflicting instructions from more than one shareholder. A shareholder present in person or represented by proxy may demand a ballot either before or after any vote by show of hands.

To the knowledge of the directors and officers of the Corporation, after reasonable inquiry, as at April 15, 2005, no person beneficially owns or exercises control or direction over common shares carrying more than 10% of the votes attached to common shares of the Corporation except as stated below:

<b><u>Name and Address of Shareholder</u></b>	<b><u>Number of Common Shares</u></b>	<b><u>Percentage of Common Shares Outstanding</u></b>
Shalom Romm Toronto, Ontario	15,400,000	27.47%
CEDE & Co. New York, New York (1)	11,999,996	21.40%
CDS & Co. Toronto, Ontario (1)	7,351,267	13.11%
Robert Shuster, Barbara Shuster and Momir Dejanovic, jointly and in association direct Toronto, Ontario	15,227,992	27.16%

Notes: (1) The beneficial owners of all of these shares are unknown to the Corporation, but include some shares accounted for by Shalom Romm, Robert Shuster and Barbara Shuster.

#### 4. **Election of Directors**

Each director of the Corporation is elected annually and holds office until the next annual meeting of shareholders or until his successor is duly elected or appointed, unless that person ceases to be a director before then. In the absence of instructions to the contrary, the common shares represented by proxy will be voted for the nominees listed herein.

All directors hold office until the earlier of their retirement or resignation or until the next annual meeting of shareholders at which directors are elected.

The following table sets forth, among other matters, the name of each person proposed to be nominated by management for election as director, the present principal occupation or employment of each such person, the year first elected a director of the Corporation, if applicable, and the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by each such person.

<b><u>Name, Current Office and Position with the Corporation</u></b>	<b><u>Director Since</u></b>	<b><u>Number of Shares Held at Present</u></b>	<b><u>Principal Occupation or Employment</u></b>
Shalom Romm Chairman, CEO and Director	1999	15,400,000	Chairman, CEO and Director of Ofek Capital Corp; President of Finesse Investments Inc., since 1988; and Managing Member Americapital LLC since 1999.
Klara Romm Secretary and Director	1999	NIL	President of In The Line of Health Corp., a health management company, since 1995; Homeopathic Doctor since 1999; Director of the Corporation; and an administrator at a private day school, since 2002.
Robert Shuster Director	NA	5,592,667	President and a Director of Cheltenham Estates Limited (AJM Leasing), an operating subsidiary of the Corporation, since 1972; and practicing attorney in Ontario for over 30 years.
Alon Luxenburg Director	NA	NIL	Co founder and senior partner in Arad Luxenburg and Co. Law Offices since 1996; Counsel and advisor to small and medium size enterprises in Israel, Canada, USA, Europe and Africa.
Tibor Lowy Director	1999	150,000	President and Director of AmeriCan Factoring Corp., a non operating subsidiary of the Corporation, since 2000; Director of the Corporation; and consultant in the financial and real estate arenas;

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE ELECTION OF THE ABOVE NAMED NOMINEES, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF. MANAGEMENT HAS NO REASON TO BELIEVE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR. HOWEVER, IF THAT SHOULD OCCUR FOR ANY REASON PRIOR TO THE MEETING, PROXIES IN FAVOUR OF MANAGEMENT WILL VOTED IN FAVOUR OF THE REMAINING NOMINEES AND MAY BE VOTED FOR A SUBSTITUTE NOMINEE, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF THE DIRECTORS.

## 5. Executive Compensation

The following table sets forth information concerning the compensation of each of the persons (the “Named Executive Officers”) who were at April 15, 2005, the Corporation’s executive officers for services rendered by such persons to the Corporation for the financial years of the Corporation as applicable. The Corporation, although allocated so hereinunder, did not pay or accounted for any such management fee compensation prior to October 31, 2004, but will account for same during the fiscal period ending October 31, 2005.

The approval of the management fee compensation constitutes shareholders approval of future management fee compensation.

Shareholders’ approval may not be required for the management fee compensation but management seeks such approval, in any case, by the majority of votes of non interested shareholders cast at the Meeting. A copy of the resolution approving the debt conversion is attached hereto as Schedule “A”.

The board of directors recommends that shareholders vote FOR the approval of such management fee compensation.

**Summary Compensation Table**

Name	Principal Position	Year	Annual Compensation			Long Term Compensation	All Other
			Salary (\$)	Bonus (\$)	Other (\$)	Stock Options Granted	
Shalom Romm	Chief executive Officer	1999	NIL	NIL	NIL	NIL	NIL
		2000	NIL	NIL	60,000	NIL	NIL
		2001	NIL	NIL	60,000	NIL	NIL
		2002	NIL	NIL	60,000	NIL	NIL
		2003	NIL	NIL	60,000	NIL	NIL
		2004	NIL	NIL	60,000	NIL	NIL

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF SUCH MANAGEMENT FEE COMPENSATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.

## 6. Stock Options Plan

The Corporation shall hereinafter establish a stock option plan (the “Plan”) for its officers, directors, employees and key consultants, which permits the granting by the board of directors of the Corporation, from time to time, of options to purchase up to and not more than 10% of the issued and outstanding common shares at the date of the grant and an exercise price of no lower than the market price on the date of grant. The maximum number of common shares which may be issued under the Plan to any one person may not exceed 5% of the issued and outstanding common shares at the date of the grant. Options granted under this Plan expire no later than five years after the date of grant. The Option granted shall also contain provisions for adjustment in number of shares in the event of stock split, stock dividend, consolidation of shares, merger or other relevant change in the corporation’s capitalization. The board of directors may from time to time amend or revise the terms of the Plan or may discontinue the Plan at any time.

As at October 31, 2004, the Corporation had the following options outstanding:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
2,000,000	\$0.80	October 31, 2006

The approval of the Plan constitutes shareholders approval of future stock option granted officers, directors, employees and key consultants, provided same are authorized under the Plan. The Plan will not be instituted if its establishment is not confirmed by the majority of votes cast at the Meeting. A copy of the resolution approving the creation of the Plan is attached hereto as Schedule "A".

The board of directors recommends that shareholders vote FOR the approval of the Plan.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE RESOLUTION OF THE STOCK OPTION PLAN, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

## **7. Directors' Compensation**

All directors of the Corporation are reimbursed for out-of-pocket expenses incurred in connection with the performance of their duties as directors. The Corporation paid no compensation to the directors during the periods ending October 31, 2004.

## **8. Indebtedness of Directors and Officers**

There is no indebtedness to the Corporation or to any of its subsidiaries by any directors, senior officers, or proposed management nominees for election as a director of the Corporation during the financial year ended October 31, 2004, which exceeds an aggregated amount of \$5,000 for one person.

## **9. Interests of Management and Others in Material Transactions**

There are no material interests, direct or indirect, of directors, senior officers, any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding voting shares of the Corporation or any known associate or affiliate of such persons, in any transactions since November 1, 2003 or in any proposed transaction which has materially affected or will materially affect the Corporation except as disclosed elsewhere in this Circular, under "Executive Compensation" and the following:

- a. Shalom Romm, a director, officer and holder of 15,400,000 of the outstanding shares of the Corporation, as of October 31, 2004, is owed \$132,745 in advances made by him or through entities controlled by him, to the Corporation or on behalf of the Corporation, which is due and payable on demand and is unsecured.

Shalom Romm will become a senior officer and an employee, as well as become a director, on behalf of the Corporation, of Kaptor Financial Inc., a party to the Kaptor Transaction, as further described elsewhere in this Circular.

- b. Tibor Lowy, a director had, as of October 31, 2004, 765,000 common shares of the Corporation in his control and direction, which he has since hypothecated as guarantee and security for obligations and

undertakings. 565,000 of such common shares have, on February 11, 2005, been transferred and are being held by Robert Shuster a nominee director of the Corporation.

- c. Robert Shuster a nominee director, a senior officer and a director of Cheltenham Estates Limited operating as AJM Leasing, a wholly owned and the only operating subsidiary of the Corporation, and the subject of the Kaptor Transaction, on February 11, 2005, was issued 3,716,666 common shares of the Corporation, pursuant to an agreement the Corporation entered with him and others, as of October 24, 2003. The agreement provided for the issuance of 11,150,000 common shares of the Corporation equally to Robert Shuster, Barbara Shuster and Momir Dejanovic all being the original shareholders, the current directors and senior executive of Cheltenham Estates Limited. The agreement further provided for the irrevocable and final ownership of Cheltenham Estates Limited by the Corporation and the removal of the obligation and undertaking of the Corporation to provide Cheltenham Estates Limited the sum of \$2,000,000 as an interest free loan, including any and all liabilities arising therefrom.

Robert Shuster will become a director, on behalf of the Corporation, of Kaptor Financial Inc., a party to the Kaptor Transaction, as further described elsewhere in this Circular.

- d. Made effective November 15, 2004, the Corporation entered into consulting agreement with Robert Shuster a nominee director, a senior officer and a director of Cheltenham Estates Limited operating as AJM Leasing, a wholly owned and the only operating subsidiary of the Corporation, and the subject of the Kaptor Transaction. The consulting agreement will provide fees payable to Robert Shuster at the rate of \$34,000 by November 15, 2005, \$34,000 by November 15, 2006 and \$32,000 by November 15, 2007.

## 10. **The Kaptor Transaction**

The Corporation, as of February 1, 2005, entered into a Share Exchange Agreement (“Kaptor Transaction” or “Transaction”) with Kaptor Financial Inc, (“Kaptor”) an Ontario privately held corporation wherein the Corporation agreed to exchange 100% of the common shares it owns in Cheltenham Estates Limited operating as AJM Leasing (“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 the Corporation 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 the Corporation 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 the Corporation and Kaptor. The business plan is inclusive of the Corporation 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. .

Kaptor undertook to further underwrite all expenses relating to the Transaction, provided the Transaction closes, otherwise the Corporation shall bear half of such expenses. Kaptor undertook to further provide the Corporation with \$25,000, annually, payable on a quarterly basis to underwrite part of the Corporation’s on going expenses.

An effect of the Transaction is that the Corporation’s financial services activities shall hereinafter 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 the Corporation may consider or agree to enter into. A further effect of the Transaction is that the Corporation 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, in furtherance of the Kaptor transaction, may also either transfer the Corporation's shares in Mortgage Bankers of North America Inc. and AmeriCan Factoring Corp., or cancel their incorporation. Both entities are wholly owned and non operating subsidiaries of the Corporation.

Upon closing of the Transaction:

- a. the Corporation shall appoint 2 of the 6 directors of Kaptor's board of directors, including the Chairman. Shalom Romm, the Corporation Chairman and CEO shall be appointed the Chairman and director of Kaptor and Robert Shuster, the President and a director of AJM Leasing as well as a nominee as director to the Corporation's board of directors, shall be appointed a director of Kaptor.
- b. the current consulting and employment agreements of Robert Shuster, the President and a director of AJM Leasing, Barbara Shuster, the Secretary Treasurer and a director of AJM Leasing and Momir Dejanovic, the Vice President and a director of AJM Leasing shall remain as is.
- c. Shalom Romm, the Corporation Chairman and CEO shall enter into an employment agreement with Kaptor as its Executive Vice President and Director of Business Development. Kaptor has recognized and agreed to enable Shalom Romm to continue to perform his duties and responsibilities with the Corporation.

This information as recited herein is only highlights of some terms and conditions and summary thereof. It is not detailed or through. A copy of the Share Exchange Agreement shall be available for inspection by shareholders during the Meeting.

Shareholders' approval is required for the Kaptor Transaction. The Transaction will not be closed if not confirmed by the majority of votes cast at the Meeting. If the Transaction is not approved, the Corporation shall be subject to the half of all related and associated costs, as well as suffer material delays or may suffer partial impairment in implementing its business plan. A copy of the resolution approving the Kaptor Transaction is attached hereto as Schedule "A".

The board of directors recommends that shareholders vote FOR the approval of the Kaptor Transaction.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE KAPTOR TRANSACTION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

## **11. Appointment and Remuneration of Auditors**

The 2004 Annual Report, including the financial statements for the year ended October 31, 2004 and the report of the auditors thereon will be submitted to the Meeting. A copy of the consolidated financial statements of the Corporation for the year ended October 31, 2004 is attached hereto as Schedule "A". Management proposes to nominate SF Partnership, LLP, Chartered Accountants, and the Corporation's existing auditors, as auditors of the Corporation to hold office until the next annual meeting of shareholders. Management also proposes that the resolution authorizes the directors to fix the remuneration of the auditors. SF Partnership LLP has been the auditors of the Corporation since 2001.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF APPOINTING SF PARTNERSHIP, LLP, CHARTERED ACCOUNTANTS, AS AUDITORS OF THE

CORPORATION TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF THE SHAREHOLDERS AND THE AUTHORIZATION OF THE DIRECTORS TO THEIR REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.

## 12. **Change of name**

Management anticipates that the Corporation may change or modify its name to more accurately reflect its business activity and focus after the Kaptor Transaction closes. Management has not yet chosen a new name but requests shareholders approval to elect and implement such change, if and when so decided by the board of directors. A copy of the resolution approving name change is attached hereto as Schedule "A".

The board of directors recommends that shareholders vote FOR the approval of a change of name.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF NAME CHANGE, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

## 13. **Debt Conversion**

Management wishes to allow the conversion of some or all of debts, liabilities or advances ("Debt") due to directors, senior officers, any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding voting shares of the Corporation, into common shares of the Corporation, which conversion may materially affect the Corporation.

A conversion as may be permitted by the board of directors of the Corporation, from time to time, shall be fixed at a conversion rate of 110% of market price on the date of conversion, which represent a 10% premium on the Debt being converted.

Shareholders' approval is required for the debt conversion by the majority of votes of non interested shareholders cast at the Meeting. A copy of the resolution approving the debt conversion is attached hereto as Schedule "A".

The board of directors recommends that shareholders vote FOR the approval of debt conversion.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF DEBT CONVERSION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

## 14. **Previous Actions approval**

The directors and the shareholders of the Corporation have not held certain meetings in previous periods, including some annual meetings. Shareholders are asked to approve and confirm all previous actions undertaken or performed by the directors, including but not limited to acceptance and publishing of the Corporation financial statements and the auditor's reports thereon and the lack of general annual meetings of the shareholders. A copy of the resolution approving all previous actions is attached hereto as Schedule "A".

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF PREVIOUS ACTIONS AND LACK OF MEETINGS, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

Management knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting. However, should any other matters properly come before the Meeting; the common shares represented by the proxies solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the common shares represented by the proxies.

The contents and sending of this Circular have been approved by the Board.

**“Shalom Romm”**  
**Shalom Romm**  
**Chairman and Chief Executive Officer**

**EXHIBIT "A"**  
**RESOLUTIONS OF THE SHAREHOLDERS OF**  
**OFEK CAPITAL CORP.**  
**(the "Corporation")**

**1. THE KAPTOR TRANSACTION**

**BE IT RESOLVED** as an ordinary resolution that:

The Corporation is hereby authorized to complete a transaction with Kaptor Financial Inc., pursuant to and in accordance of the Share Exchange Agreement, dated February 1, 2005, which will result in, among other things, the change of the primary business focus and the business of the Corporation;

notwithstanding that this resolution has been duly passed by the shareholders of the Corporation and subject to the rights of any third parties, the directors of the Corporation be and they are hereby authorized and empowered to revoke this resolution and/or postpone or terminate the transaction at any time prior to the completion thereof without further approval of the shareholders of the Corporation; and

any one officer or director of the Corporation be and is hereby authorized to execute and deliver, for and on behalf of the Corporation, all such documents and to do all such other acts and things as he may consider necessary or desirable in order to carry out the transactions contemplated therein and/or to give effect to this resolution.

**2. EXECUTIVE COMPENSATION**

**BE IT RESOLVED** as an ordinary resolution of disinterested shareholders that:

The Corporation is hereby authorized to effect the management fee compensation up to October 31, 2004, as described in the Management Information Circular; to account for and allocate same during the fiscal period ending October 31, 2005, as well as provide management fee compensation in the future, as may be decided by the board of directors, from time to time; and

any officer or director of the Corporation is hereby authorized to do all things and execute documents necessary or desirable in order to give effect to this resolution.

**3. STOCK OPTIONS PLAN**

**BE IT RESOLVED** as an ordinary resolution of disinterested shareholders that:

The Corporation is hereby authorized to establish a stock option plan for its officers, directors, employees and key consultants, which permits the granting by the board of directors of the Corporation, from time to time, of options to purchase up to and not more than 10% of the issued and outstanding common shares at the date of the grant and an exercise price of no lower than the market price on the date of grant.

The maximum number of common shares which may be issued under the Plan to any one person may not exceed 5% of the issued and outstanding common shares at the date of the grant. Options granted under this Plan shall expire no later than five years after the date of grant. The Option granted shall also contain provisions for adjustment in number of shares in the event of stock split, stock dividend, consolidation of shares, merger or other relevant change in the corporation's capitalization. The board of directors may from time to time amend or revise the terms of the Plan or may discontinue the Plan at any time; and

any officer or director of the Corporation is hereby authorized to do all things and execute documents necessary or desirable in order to give effect to this resolution.

#### **4. CHANGE OF NAME**

**BE IT RESOLVED** as a special resolution that:

The Corporation is hereby authorized to change or modify its name to more accurately reflect its business activity and focus if and after the Kaptor Transaction closes. Name shall be fixed and directed by the board of directors, as and when it shall so decide; and

any one officer or director of the Corporation be and is hereby authorized to execute and deliver, for and on behalf of the Corporation, all such documents and to do all such other acts and things as he may consider necessary or desirable in order to give effect to this resolution.

#### **5. DEBT CONVERSION**

**BE IT RESOLVED** as an ordinary resolution of disinterested shareholders that:

The Corporation is hereby authorized to allow the conversion of some or all of debts, liabilities or advances due to directors, senior officers, any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding voting shares of the Corporation, into common shares of the Corporation. A conversion, as may be permitted by the board of directors, from time to time, shall be fixed at a conversion rate of 110% of market price on the date of conversion;

notwithstanding that this resolution has been duly passed by the shareholders of the Corporation and subject to the rights of any third parties, the directors of the Corporation be and they are hereby authorized and empowered to revoke this resolution or postpone same at any time, without further approval of the shareholders of the Corporation; and

any officer or director of the Corporation is hereby authorized to do all things and execute documents necessary or desirable in order to give effect to this resolution.

#### **6. PREVIOUS ACTIONS APPROVAL**

**BE IT RESOLVED** as an ordinary resolution that:

The shareholders of the Corporation hereby approves all actions or lack of actions taken or undertaken by the directors or shareholders of the Corporation, including but not limited to acceptance and publishing of the Corporation financial statements and the auditor's reports thereon out side of general shareholders' meetings, or not holding certain meetings in previous periods, including some general annual meetings.

any one officer or director of the Corporation be and is hereby authorized to execute and deliver, for and on behalf of the Corporation, all such documents and to do all such other acts and things as he may consider necessary or desirable in order to give effect to this resolution.

## **SCHEDULE “B”**

### **OFEK CAPITAL CORP.**

#### **CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED OCTOBER 31, 2004**

#### **CONTENTS**

Auditors' Report	<b>1</b>
Consolidated Balance Sheet	<b>2</b>
Consolidated Statement of Deficit	<b>3</b>
Consolidated Statement of Earnings	<b>4</b>
Consolidated Statement of Cash Flows	<b>5</b>
Notes to Consolidated Financial Statements	<b>6 - 12</b>

## **AUDITORS' REPORT**

To the Shareholders of  
**Ofek Capital Corp.**

We have audited the consolidated balance sheet of **Ofek Capital Corp.** as at October 31, 2004 and the consolidated statements of deficit, earnings and cash flows for the year then ended. The consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at October 31, 2004 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**"SF PARTNERSHIP, LLP"**

**Toronto, Canada**  
March 7, 2005

**CHARTERED ACCOUNTANTS**

**OFEK CAPITAL CORP.**

(Incorporated under the Ontario Business Corporations Act)

Consolidated Balance Sheet

(Stated in United States Dollars)

October 31, 2004

	2004	2003
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ -	\$ 28,766
Term deposits	125,400	115,016
Accounts receivable	17,976	182,629
Prepaid and sundry	11,864	211,286
Current portion of net investment in lease (note 2)	639,624	413,847
Investment in marketable securities	112,400	112,400
	<u>907,264</u>	1,063,944
<b>Equipment</b> (note 3)	15,540	25,036
<b>Loan Receivable</b> (note 4)	471,917	421,354
<b>Net Investment in Leases</b> (note 2)	669,166	721,609
<b>Future Income Taxes</b> (note 5)	192,693	148,258
<b>Intangible Assets</b> (note 6)	80,000	80,000
	<u>\$ 2,336,580</u>	<u>\$ 2,460,201</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Bank indebtedness (note 7)	\$ 12,946	\$ -
Accounts payable and accrued charges	175,186	179,373
Advances from shareholder (note 8)	101,920	129,899
Income taxes payable	5,896	7,888
Long-term debt - current portion (note 9)	738,900	684,270
	<u>1,034,848</u>	1,001,430
<b>Long-term Debt</b> (note 9)	907,206	846,860
<b>Non-Controlling Interest</b>	(98,636)	(102,007)
	<u>1,843,418</u>	1,746,283
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital Stock</b> (note 10)	2,618,060	2,744,330
<b>Paid in Capital</b>	500,000	500,000
<b>Cumulative Translation Adjustment</b>	(10,222)	(33,994)
<b>Deficit</b>	(2,614,676)	(2,496,418)
	<u>493,162</u>	713,918
<b>Net Shareholders' Equity</b>	<u>\$ 2,336,580</u>	<u>\$ 2,460,201</u>

APPROVED ON BEHALF OF THE BOARD

"Shalom Romm"

Director

Director

(See accompanying Notes to Consolidated Financial Statements)

**OFEK CAPITAL CORP.**  
Consolidated Statement of Deficit  
(Stated in United States Dollars)  
Year Ended October 31, 2004

	<b>2004</b>	2003
<b>Deficit - beginning of year</b>	<b>\$ (2,496,418)</b>	\$ (399,258)
Net loss	<u>(118,258)</u>	<u>(2,097,160)</u>
<b>Deficit - end of year</b>	<b><u>\$ (2,614,676)</u></b>	<b><u>\$ (2,496,418)</u></b>

(See accompanying Notes to Consolidated Financial Statements)

**OFEK CAPITAL CORP.**  
Consolidated Statement of Earnings  
(Stated in United States Dollars)  
Year Ended October 31, 2004

	2004	2003
<b>Revenue</b>		
Direct finance	\$ 627,435	\$ 529,023
Administration fees	<u>107,351</u>	<u>37,735</u>
	<u>734,786</u>	<u>566,758</u>
<b>Expenses</b>		
Interest on long-term debt	232,822	216,477
General and administrative	222,471	156,854
Salaries and employee benefits	220,986	149,919
Professional fees	12,350	376,996
Interest and bank charges	8,311	4,593
Advertising and promotion	1,904	266
Bad debts	182,629	-
Amortization	<u>3,762</u>	<u>7,907</u>
	<u>885,235</u>	<u>913,012</u>
<b>Loss Before the Undernoted</b>	<u>(150,449)</u>	<u>(346,254)</u>
Other revenue	-	182,629
Write down of goodwill	<u>-</u>	<u>(1,726,989)</u>
	<u>-</u>	<u>(1,544,360)</u>
<b>Loss Before Non-Controlling Interest</b>	<u>(150,449)</u>	<u>(1,890,614)</u>
Non-controlling interest	<u>(391)</u>	<u>1,468</u>
<b>Loss Before Income Taxes</b>	<u>(150,840)</u>	<u>(1,889,146)</u>
Future income taxes (recovery)	<u>(32,582)</u>	<u>208,014</u>
<b>Net Loss</b>	<u>\$ (118,258)</u>	<u>\$ (2,097,160)</u>
<b>Net Earnings (Loss) Per Common Share</b>	<u>\$ -</u>	<u>\$ (0.06)</u>

(See accompanying Notes to Consolidated Financial Statements)

**OFEK CAPITAL CORP.**  
Consolidated Statement of Cash Flows  
(Stated in United States Dollars)  
Year Ended October 31, 2004

	2004	2003
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (118,258)	\$ (2,097,160)
Adjustments for:		
Amortization	3,762	7,907
Write down of goodwill	-	1,726,989
	<u>(114,496)</u>	<u>(362,264)</u>
Changes in non-cash working capital		
Term deposits	(10,384)	(29,190)
Accounts receivable	164,653	(182,629)
Prepaid expenses and sundry assets	199,422	320,404
Accounts payable and accrued charges	(4,187)	68,761
Loan receivable	(50,563)	(47,423)
Net investment in leases	(173,334)	(181,970)
Income taxes payable	(1,992)	5,488
Future income taxes	(44,435)	168,890
Non cash transactions		
Additions to goodwill	-	(93,999)
Issuance of capital stock	(182,000)	56,201
Non-controlling interest	3,371	(1,468)
	<u>(213,945)</u>	<u>(279,199)</u>
<b>Cash Flows from Investing Activities</b>		
Disposals (additions) to equipment	5,734	(2,926)
Bank advances	12,946	-
	<u>18,680</u>	<u>(2,926)</u>
<b>Cash Flows from Financing Activities</b>		
Issuance of capital stock	55,730	-
Long-term debt	114,976	209,449
Advances from shareholder	(27,979)	55,435
	<u>142,727</u>	<u>264,884</u>
<b>Increase (Decrease) in the Cumulative Translation Adjustment</b>	<u>23,772</u>	<u>(15,982)</u>
<b>Net Decrease in Cash</b>	<u>(28,766)</u>	<u>(33,223)</u>
<b>Cash - beginning of year</b>	<u>28,766</u>	<u>61,989</u>
<b>Cash - end of year</b>	<u>\$ -</u>	<u>\$ 28,766</u>

(See accompanying Notes to Consolidated Financial Statements)

## **OFEK CAPITAL CORP.**

Notes to Consolidated Financial Statements

(Stated in United States Dollars)

October 31, 2004

### **1. Summary of Significant Accounting Policies**

The accounting policies of the company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant:

a) Unit of Measurement

The accompanying financial statements are expressed in United States dollars.

b) Principles of Consolidation

The accompanying financial statements include the accounts of Ofek Capital Corp. and its wholly-owned subsidiaries Cheltenham Estates Limited (o/a AJM Leasing), AmeriCan Factoring Corp. and Mortgage Bankers of North America Inc. In addition, the consolidated financial statements include the accounts of its approximately 84% owned subsidiary, Secondarymarkets.com, Inc. The accounts of Secondarymarkets.com, Inc. include those of its wholly-owned subsidiary, Northern Pacific Funding Group, Inc. All significant intercompany transactions and balances have been eliminated on consolidation.

c) Incorporation and General

The company was incorporated on March 31, 1999 under the Ontario Business Corporations Act. On April 25, 2000, the company changed its name to Ofek Capital Corp.

d) Revenue Recognition

The company accounts for leases as direct finance leases. Under this method, the company recognizes finance income over the term of the lease.

Revenues from administration fees are earned upon signing of contracts with customers and represents fees charged to customers entering into leases in the year.

e) Equipment and Amortization

Equipment is stated at cost. Amortization, based on the estimated useful lives of the assets, is provided using the undernoted annual rates and methods:

Computer software	30%	Declining balance
Furniture and equipment	20%	Declining balance

**OFEK CAPITAL CORP.**

Notes to Consolidated Financial Statements

(Stated in United States Dollars)

October 31, 2004

**1. Summary of Significant Accounting Policies (cont'd)**

f) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the tangible and intangible assets acquired, less liabilities assumed, based on fair values. The Company reviews goodwill on an annual basis or at any other time when events or circumstances have occurred that might indicate an impairment of the carrying values. When the carrying amount of the reporting unit goodwill exceeds the fair value of the goodwill, an impairment loss would be recognized in an amount equal to the excess.

g) Intangible Assets

Patent and Royalty Rights are valued based on management's estimate of the value received for these rights, in exchange for the issuance of common shares in a prior period.

Should it become evident in a future period that there is an impairment in the value of these rights, the asset will be written-down and charged to earnings in the year in which the impairment becomes evident.

h) Investments in Marketable Securities

Investments in marketable securities are valued at the lower of cost and market.

i) Earnings Per Share

Basic earnings (loss) per share is based on the weighted average number of common shares outstanding during the year of 42,704,559 (2003 - 33,524,808).

## **OFEK CAPITAL CORP.**

Notes to Consolidated Financial Statements

(Stated in United States Dollars)

October 31, 2004

### **1. Summary of Significant Accounting Policies (cont'd)**

#### **j) Financial Instruments and Risk Management**

The carrying amounts of term deposits, accounts receivable, prepaid and sundry, investment in marketable securities, loan receivable, bank indebtedness, accounts payable and accrued charges approximates their fair market value due to the relatively short-term maturity of these instruments. The stated value of long-term debt approximates fair value, as the interest rates attached to these instruments are representative of current market rates, for loans with similar terms, conditions and maturities. Advances from shareholder are not subject to fixed terms of repayment or interest and therefore their fair market value cannot be estimated.

The fair value of the net investment in leases has not been disclosed as it cannot be reasonably estimated.

The company is exposed to credit risk on its net investment in leases. This credit risk is considered minimal as the underlying values of the leased assets held as security are generally greater than the outstanding receivables and the company does not have a significant exposure to any individual lessee.

#### **k) Future Income Taxes**

The company 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 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.

#### **l) Use of Estimates**

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **2. Net Investment in Leases**

Net Investment in Leases represent outstanding loans due from various customers for leased vehicles that bear interest at varying rates of interest.

**OFEK CAPITAL CORP.**

Notes to Consolidated Financial Statements

(Stated in United States Dollars)

October 31, 2004

**3. Equipment**

	<b>2004</b>		<b>2003</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Cost</b>	<b>Accumulated Amortization</b>
Computer software	\$ 14,511	\$ 12,816	\$ 17,926	\$ 10,197
Furniture and equipment	<u>65,475</u>	<u>51,630</u>	65,475	48,168
	<u>\$ 79,986</u>	<u>\$ 64,446</u>	\$ 83,401	\$ 58,365
Net carrying amount		<u>\$ 15,540</u>		<u>\$ 25,036</u>

**4. Loan Receivable**

The note receivable is from Lado Holdings Inc., a Delaware Corporation, note bears interest at 12% per annum calculated monthly and is due April 2006.

**5. Income Taxes**

The company has non-capital tax losses of approximately \$819,593 available to offset future taxable income. The tax losses expire as follows:

2007	\$ 65,900
2008	185,650
2009	212,000
2010	192,250
2014	<u>229,693</u>
	<u>\$ 819,593</u>

The components of future income taxes are as follows:

	<b>2004</b>	<b>2003</b>
Future income tax assets		
Net investment in leases	\$ 152,227	\$ 118,309
Non-capital tax loss carry forward	<u>40,466</u>	<u>29,949</u>
Future income taxes	<u>\$ 192,693</u>	<u>\$ 148,258</u>

**OFEK CAPITAL CORP.**

Notes to Consolidated Financial Statements

(Stated in United States Dollars)

October 31, 2004

**6. Intangible Assets**

Secondarymarkets.com, a subsidiary of the company, has a patent pending for a proprietary mortgage lending software technology system.

**7. Bank Indebtedness**

The Company's banking agreement provides for a maximum overdraft lending facility of \$102,500, due on demand and bearing interest at prime. The indebtedness is secured by a general security agreement providing a first charge over all assets and a term deposit for \$125,400.

**8. Advances from Shareholder**

These advances are unsecured, non-interest bearing and are due on demand.

**9. Long-term Debt**

	<b>Current</b>	<b>Long-term</b>	<b>2004 Total</b>	<b>2003 Total</b>
Jack Kurin in trust	<b>\$ 738,900</b>	<b>\$ 907,206</b>	<b>\$ 1,646,106</b>	<b>\$ 1,531,130</b>

The loan payable to Jack Kurin in trust bears interest at 16% per annum and is unsecured. Principal repayments are based on leases outstanding at that time, with average monthly payments of \$61,575.

The following is a summary of the company's principal repayments due in future fiscal years:

2005	\$ 738,900
2006	738,900
2007	<u>168,306</u>
	<u>\$ 1,646,106</u>

## OFEK CAPITAL CORP.

Notes to Consolidated Financial Statements

(Stated in United States Dollars)

October 31, 2004

### 10. Capital Stock

Authorized

Unlimited number of common shares

Issued

43,602,600 (2003 - 39,317,600) common shares

2004

2003

\$ 2,618,060    \$ 2,744,330

During the twelve month period ended October 31, 2004 the Company issued 4,285,000 common shares for total consideration of \$112,730.

The details of these transactions are as follows:

- a) The Company issued out of treasury an aggregate of 785,000 common shares, for consulting services, for total consideration of \$19,500.
- b) During 2003 the Company rescinded 500,000 common shares having a total value of \$120,000 for non-performance of various service agreements. In 2004 the remaining 500,000 shares relating to service agreements were rescinded.
- c) The Company issued out of treasury an aggregate of 2,500,000 common shares, for cash consideration of \$55,730.
- d) The Company issued out of treasury an aggregate of 1,500,000 common shares towards prepaid consulting services for total consideration of \$37,500 pursuant to an agreement.
- e) The Company had previously issued shares for services for a total consideration of \$239,000. The contracts for these services expired during the year resulting in an adjustment to share capital, prepaids and sundry. The Company is attempting to recover these previously issued shares.

### 11. Stock Options

Pursuant to an agreement with the company and the original shareholders of Cheltenham Estates Limited, the original shareholders of Cheltenham Estates Limited have an option to purchase two million common shares at a rate of \$0.80 per common share until October 30, 2006.

**OFEK CAPITAL CORP.**

Notes to Consolidated Financial Statements

(Stated in United States Dollars)

October 31, 2004

**12. Income Taxes - Future**

The provision for future income taxes has been computed as follows:

Tax effect of the significant components of temporary differences giving rise to the company's future income taxes are as follows:

	2004	2003
Differences between amortization and capital cost allowance	\$ (23,370)	\$ 214,511
Amounts related to tax losses carried forward	(9,212)	(6,497)
	<hr/>	<hr/>
Future income taxes (recovery)	\$ (32,582)	\$ 208,014

**13. Subsequent Events**

Subsequent to the year end, the company entered into an agreement to sell Cheltenham Estates Limited, its wholly owned and only currently operating subsidiary to Kaptor Financial Inc. 100% of the shares in Cheltenham Estates Limited will be exchanged for a 25% interest in Kaptor.

**14. Contingent Liabilities**

The company has been named defendant in lawsuits involving various automobile insurance claims. In the opinion of management, which is supported by legal counsel, the occurrence of the confirming events are not determinable and an estimate of the potential liability cannot be made. However, the company has adequate insurance to cover any potential future loss. Consequently no provision has been made for any loss in these financial statements.

**15. United States Generally Accepted Accounting Principles**

Although these financial statements have been prepared in accordance with Canadian generally accepted accounting principles, these financial statements also conform, in all material respects with generally accepted accounting principles in the United States of America.