

OCT 20 1997
ORIGINAL

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

U.S. DISTRICT COURT NORTHERN DISTRICT OF TEXAS	
FILED	
OCT 20 1997	
NANCY DOHERTY, CLERK	
By _____	Deputy

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,

v.

OFFSHORE FINANCIAL CORPORATION, INC.
WILLIAM D. BROSEAU,
KENNETH W. MCKAY, and
CHARLES E. ROSE,

Defendants,

AND

NORTH AMERICAN VENTURES, INC.,
KEN MCKAY INVESTMENT COMPANY, INC.
PRODIGAL INTERNATIONAL, INC., and
TAMARA M. WAGNER,

Relief-Defendants.

CIVIL ACTION NO.

3:96-CV-2655-G

OCT 20 1997 ENTERED ON DOCKET
PURSUANT
TO F.R.C.P. RULES
58 AND 79a

FINAL JUDGMENT AS TO DEFENDANT KENNETH W. MCKAY

This matter came before this Court on the 20 day of October, 1997, upon the motion of plaintiff SECURITIES AND EXCHANGE COMMISSION by consent of defendant KENNETH W. MCKAY, individually and as the designated and authorized representative for KEN MCKAY INVESTMENT COMPANY, INC. and PRODIGAL INTERNATIONAL, INC., for issuance of this Final Judgment in this action solely as to him and these relief-defendants, providing the relief set out herein. MCKAY has provided this Court with a Stipulation and Consent ("Stipulation") in which, inter alia, he 1) acknowledges and admits the in personam jurisdiction of this Court over him, and the subject matter jurisdiction of this Court over the cause of action claimed by the COMMISSION herein; 2) waives entry of

findings of fact and conclusions of law under rule 52, Fed. Rules Civ. Proc., 28 U.S.C.A., with respect to the entry of this Final Judgment; and 3) consents, for purposes of this action only, without admitting or denying any of the allegations of the COMMISSION's Complaint in this matter, except as set forth herein, and without admitting or denying any violation of the federal securities laws, to the entry of this Final Judgment.

It appears this Court has in personam jurisdiction over MCKAY and these relief-defendants, and subject matter jurisdiction over the cause of action claimed by the COMMISSION; it appears that no further notice or hearing is required prior to entry of this Final Judgment and there is no just reason for delay; and it appears the Court has been fully advised of the premises for entry of this Final Judgment.

IT IS THEREFORE ORDERED:

I.

MCKAY, his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of this Order by personal service or otherwise, are hereby restrained and enjoined from, directly or indirectly, in connection with the purchase or sale of securities, in the form of interests in any oil, gas or mineral lease, or any other security, from making use of any means or instrumentality of interstate commerce or of the mails:

(a) to employ any device, scheme or artifice to defraud;

(b) to make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

II.

McKAY, his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of this Order by personal service or otherwise, are hereby restrained and enjoined in the offer or sale of securities, in the form of interests in oil, gas or mineral leases, or any other type of security, from making use of any means or instruments of transportation or communication in interstate commerce, or the mails, directly or indirectly:

(a) to employ any device, scheme or artifice to defraud;

(b) to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) to engage in any transactions, practices or courses of business which operate or would operate as a fraud or deceit upon any person.

III.

McKAY and his agents, servants, employees, attorneys-in-fact, and all persons in active concert or participation with him who receive actual notice of this Order by personal service or otherwise, and each of them, be and hereby are permanently restrained and enjoined from, directly or indirectly:

(a) making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell any securities in the form of interests in oil, gas or mineral leases, or any other security, through the use or medium of any prospectus or otherwise, unless and until a registration statement is in effect with the Commission as to such securities;

(b) carrying securities in the form of interests in oil, gas or mineral leases, or any other security, or causing them to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale, unless and until a registration statement is in effect with the Commission as to such securities; or

(c) making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy, through the use or medium of any prospectus or otherwise, securities in the form of interests in oil, gas or mineral leases, or any other security, unless a registration statement has been filed with

the Commission as to such securities, or while a registration statement filed with the Commission as to such securities is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding of examination under Section 8 of the Securities Act of 1933, as amended [15 U.S.C. § 77h];

provided, however, that nothing in this Part III shall apply to any security or transaction in any security that is exempt from the provisions of Section 5 of the Securities Act [15 U.S.C. § 77e].

IV.

MCKAY, individually, and on behalf of KEN MCKAY INVESTMENT COMPANY, INC. and PRODIGAL INTERNATIONAL, shall pay disgorgement in the amount of \$1,180,663.74, with prejudgment interest thereon, subject to the following provisos: First, MCKAY shall have credit against this total amount, dollar-for-dollar, for any sums actually paid by him to the United States Trustee in the pending bankruptcy of Offshore Financial Corp. [USBC ND/TX No. Case No. 96-37173 (Ch. 11)]. Second, based upon MCKAY's Sworn Statement of Financial Condition, dated July 3, 1997, which he submitted to the COMMISSION in connection with settlement negotiations herein, the COMMISSION waives collection of the balance of this total amount, contingent upon the accuracy and completeness of his Sworn Statement of Financial Condition, and his bankruptcy schedules.

V.

Based upon MCKAY's Sworn Statement of Financial Condition,

dated July 3, 1997, the Court is not ordering him to pay a civil money penalty pursuant to the provisions of Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

VI.

The Court's determination not to impose a civil penalty is contingent upon the accuracy and completeness of MCKAY's Sworn Statement of Financial Condition, dated July 3, 1997. Similarly, the Court recognizes and adopts the COMMISSION's representation that it waives collection of a portion of the disgorgement amount due from MCKAY, based upon this same sworn statement. If at any time following the entry of this Final Judgment the COMMISSION obtains information indicating that MCKAY's representations to the COMMISSION concerning his assets, income, liabilities, or net worth were fraudulent, misleading, inaccurate or incomplete in any material respect as of the time such representations were made, the COMMISSION may, at its sole discretion and without prior notice to MCKAY, petition this Court for an order requiring him to pay the referenced disgorgement amount, with pre- and post-judgment interest thereon, and a civil penalty. In connection with any such petition, the only issues that need be presented to the Court are whether the financial information he provided was fraudulent, misleading, inaccurate or incomplete in any material respect as of the time such representations were made, and the amount of civil penalty to be imposed. In its petition, the COMMISSION may move this Court to consider all available remedies, including, but not

limited to, ordering MCKAY to pay funds or surrender assets, directing the forfeiture of any assets, or sanctions for contempt of this Final Judgment, and the COMMISSION may also request additional discovery. MCKAY may not, by way of defense to such petition, challenge the validity of his Stipulation and Consent or the Final Judgment, contest the allegations in the Complaint filed by the COMMISSION or the amount of disgorgement and pre- or post-judgment interest, or assert that disgorgement or payment of a civil penalty should not be ordered.

VII.

The Stipulation and Consent of Defendant MCKAY filed herein, be, and the same is, incorporated herein with the same force and effect as if fully set forth herein, and, therefore, a breach of the terms of the Stipulation and Consent will constitute a breach of this Final Judgment.

VII.

This Court shall retain jurisdiction over this action for all purposes, including, for purposes of entertaining any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court, including but not limited to the relief requested by the Commission in its Complaint.

VIII.

This Order of Permanent Injunction and Other Equitable Relief may be served upon MCKAY in person or by mail either by the United States Marshal, the Clerk of the Court, or any member of the staff of the Securities and Exchange Commission.

IX.

There being no just reason for delay, the Clerk of this Court is hereby directed to enter this Final Judgment pursuant to rule 58, Fed. Rules Civ. Proc., 28 U.S.C.A.

IT IS SO ORDERED. SIGNED this 20 day of October, 1997.



UNITED STATES DISTRICT JUDGE