

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 95432 / August 5, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-16000

In the Matter of :

Houston American Energy Corp., :
John F. Terwilliger, Jr., :
Undiscovered Equities Inc., and :
Kevin T. McKnight, :

Respondents. :

**ORDER APPROVING CORRECTED
PLAN OF DISTRIBUTION**

On April 23, 2015, the Commission issued two Orders¹ settling previously instituted cease-and-desist proceedings² against the Respondents stating that, between November 2009 and April 2010, Houston American, Terwilliger and their agents, promoted Houston American’s interest in a Colombian oil and gas production area known as “CPO-4 block.” Houston American and Terwilliger made a series of fraudulent statements and omissions that materially exaggerated CPO-4 block’s value to Houston American and downplayed any associated risks. In doing so, Houston American entered into an agreement with Undiscovered Equities, a marketing firm owned and operated by McKnight that specialized in small-cap stock promotion, to post on its website and distribute to its subscribers a series of promotion articles about Houston American and its investment in CPO-4 block. Undiscovered Equities disclosed that it was compensated by Houston American, but did not disclose the amount of compensation it received. As a result of this conduct, Houston American’s stock price increased from approximately \$4.00 per share to \$20.00 per share, and its market capitalization increased from less than \$150 million to more than \$600 million. As the truth about the CPO-4 block emerged, Houston American’s stock price plummeted.

¹ See Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934 as to Houston American Energy Cop. and John F. Terwilliger, Securities Act Rel. No. 9756 (Apr. 23, 2015) and Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933 as to Undiscovered Equities, Inc. and Kevin T. McKnight, Securities Act Rel. No. 9757 (Apr. 23, 2015) (collectively, the “Orders”).

² See Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and 21C of the Securities Exchange Act of 1934, Securities Act Rel. No. 9621 (Aug. 4, 2014).

In their respective Orders, the Commission ordered Houston American to pay a civil money penalty of \$400,000, Terwilliger to pay a civil money penalty of \$150,000, and McKnight to pay a civil penalty of \$22,500, for a total of \$572,500 to the Commission.

The Respondents have paid a total of \$572,500 to the Commission, as ordered.

On July 16, 2018, the Commission issued an order establishing a Fair Fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the penalties paid could be distributed to investors harmed by the Respondents' conduct described in the Orders (the "Fair Fund"), appointed Heffler Claims Group,³ as the fund administrator of the Fair Fund, and set the administrator's bond amount at \$572,500.⁴

The assets of the Fair Fund are subject to the continuing jurisdiction and control of the Commission. The Fair Fund and has been deposited in an interest-bearing account at the U.S. Department of the Treasury's Bureau of the Fiscal Service, and any interest accrued will be added to the Fair Fund.

On June 6, 2022, the Division of Enforcement, pursuant to delegated authority, published a Notice of Proposed Plan of Distribution and Opportunity for Comment ("Notice"),⁵ pursuant to Rule 1103 of the Commission's Rules on Fair Fund and Disgorgement Plans ("Commission's Rules");⁶ and simultaneously posted the Proposed Plan of Distribution (the "Proposed Plan"). The Notice advised interested persons that they could obtain a copy of the Proposed Plan from the Commission's public website or by submitting a written request to Adriene Mixon, Esq., Assistant Litigation Counsel, United States Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071. The Notice also advised that all persons desiring to comment on the Proposed Plan could submit their comments, in writing, within 30 days of the Notice. The Commission received no comments on the Proposed Plan during the comment period.

The Proposed Plan provides for the distribution of the Net Available Fair Fund to compensate Eligible Claimants based on their losses on shares of the Houston American common stock purchased during the Relevant Period, November 10, 2009 through April 18, 2012, due to the misconduct of the Respondents. The allocation methodology is substantially similar to the Court-approved methodology developed for the Class Action.

The Division of Enforcement now requests that the Commission approve the Proposed Plan.

³ In 2019, Kroll Business Services ("Kroll") acquired Heffler Claims Group. The Fund Administrator's name has changed to Kroll. The Plan has been corrected at footnote 4 to reflect the name change.

⁴ Order Establishing a Fair Fund, Appointing a Fund Administrator and Setting Administrator's Bond Amount, Exchange Act Rel. No. 83636 (July 16, 2018).

⁵ Exchange Act Rel. No. 95044 (June 6, 2022).

⁶ 17 C.F.R. § 201.1103.

Accordingly, it is hereby ORDERED, pursuant to Rule 1104 of the Commission's Rules,⁷ that the Proposed Plan is approved, and the approved Plan of Distribution shall be posted simultaneously with this order on the Commission's website at www.sec.gov.

For the Commission, by the Division of Enforcement, pursuant to delegated authority.⁸

Vanessa A. Countryman
Secretary

⁷ 17 C.F.R. § 201.1104.

⁸ 17 C.F.R. § 200.30-4(a)(21)(iv).