

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9757 / April 23, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16000

In the Matter of

HOUSTON AMERICAN ENERGY
CORP., JOHN F. TERWILLIGER,
UNDISCOVERED EQUITIES, INC.,
AND KEVIN T. McKNIGHT

Respondents.

**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**

I.

On August 4, 2014, the Securities and Exchange Commission (“Commission”) instituted cease-and-desist proceedings pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) against Undiscovered Equities, Inc. (“Undiscovered Equities”) and Kevin T. McKnight (“McKnight,” and collectively with Undiscovered Equities, “Respondents”).

II.

Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondents admit (i) the Commission’s jurisdiction over them and the subject matter of these proceedings and (ii) the facts set forth in Section VI.A-C of the Offer and incorporated by reference herein. Based on the foregoing, Respondents consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offer, the Commission finds¹ that:

A. RESPONDENTS

1. Undiscovered Equities is a Florida corporation based in Boca Raton, Florida. It provides public relations and other promotional services to small-cap publicly-traded companies.

2. McKnight resides in Boca Raton, Florida. McKnight is the President and owner of Undiscovered Equities.

B. OTHER RELEVANT PERSONS AND ENTITIES

3. Respondent Houston American Energy Corp. ("Houston American") is a Delaware corporation headquartered in Houston, Texas.

4. Respondent John F. Terwilliger ("Terwilliger") was Houston American's President and Chief Executive Officer at all relevant times.

5. The entity described herein as the "Operator" is a division of a South Korean conglomerate based in Seoul, South Korea.

C. THE RELEVANT CONDUCT

6. In November 2009, Houston American entered into a consulting agreement with Undiscovered Equities (the "Agreement").

7. The Agreement provided that Undiscovered Equities would assist in "the implementation and maintenance of an ongoing program to increase the investment community's awareness" of Houston American. In exchange, Houston American agreed to pay Undiscovered Equities \$20,000 per month for at least six months.

8. Beginning in November 2009, Undiscovered Equities posted to its website and distributed to its subscribers a series of promotional articles about Houston American and Houston American's investment in the CPO-4 block, an oil and gas exploration and production area in Colombia's Llanos Basin. On December 31, 2009, Undiscovered Equities posted its list of "Top Picks for 2010," which included Houston American. The posting stated that "[*the*

¹ The findings herein are made pursuant to Respondents' Offer and are not binding on any other person or entity in this or any other proceeding.

Operator] believes the CPO 4 Block has over 100 viable drilling locations with estimated recoverable reserves of 1-4 billion barrels” (emphasis added).

9. Undiscovered Equities repeated these claims about the Operator’s “belief” in a series of posts over the course of the next three months. Undiscovered Equities also posted anonymous messages to internet message boards for Houston American that directed potential investors back to the articles about Houston American on Undiscovered Equities’ website.

10. On its website, and in the promotional articles, in the form distributed to the subscribers, Undiscovered Equities and McKnight disclosed that Undiscovered Equities was compensated by Houston American but did not disclose the amount of compensation it received. The anonymous posts to internet message boards did not disclose any information about the fact or amount of compensation that Undiscovered Equities received from Houston American.

11. As a result of the conduct described above, Respondents violated Section 17(b) of the Securities Act.

UNDERTAKING

For a period of five (5) years from the date of this Order, McKnight shall forgo receiving or agreeing to receive any form of compensation or consideration, directly or indirectly, from any issuer, underwriter, or dealer, for directly or indirectly publishing, giving publicity to, or circulating any notice, circular, advertisement, newspaper, article, letter, investment service, or communication which, though not purporting to offer a security for sale, describes such security. This undertaking includes, but is not limited to, doing any of the above-proscribed activities through any entity owned or controlled by McKnight.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents’ Offer.

Accordingly, pursuant to Section 8A of the Securities Act, it is hereby **ORDERED** that:

A. Respondents cease and desist from committing or causing any violations and any future violations of Section 17(b) of the Securities Act.

B. McKnight shall comply with the undertaking set forth in Section III above.

C. McKnight shall pay a civil penalty of \$22,500 to the Securities and Exchange Commission. Payment shall be made in the following installments: (i) \$7500 shall be paid within ten (10) days of the date of this Order and (ii) the remaining \$15,000 shall be paid within one (1) year of the date of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance, plus any additional interest accrued pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application.

Payment must be made in one of the following ways:

- (1) Respondents may make direct payments from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (2) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying the payee as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Gerald Hodgkins, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-6010.

D. The Commission will hold funds paid in this proceeding in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, in accordance with Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund ("Fair Fund distribution") pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended. Regardless of whether a Fair Fund is created, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further **ORDERED** that for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S. C. §523, the findings in the Order are true and admitted by McKnight, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by McKnight under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by McKnight of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary