

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 95044 / June 6, 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.

**NOTICE OF PROPOSED PLAN OF
DISTRIBUTION AND
OPPORTUNITY FOR COMMENT**

Notice is hereby given, pursuant to Rule 1103 of the United States Securities and Exchange Commission's ("Commission") Rules on Fair Fund and Disgorgement Plans ("Commission's Rules"), 17 C.F.R. § 201.1103, that the Division of Enforcement has submitted to the Commission a proposed plan of distribution (the "Proposed Plan") for the distribution of monies paid by Houston American Energy Corp. ("Houston American"), John F. Terwilliger, Jr. ("Terwilliger"), Undiscovered Equities Inc. ("Undiscovered Equities"), and Kevin T. McKnight ("McKnight") (collectively, the "Respondents") in the above-captioned matter.

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

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).

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.

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, as the fund administrator of the Fair Fund, and set the administrator's bond amount at \$572,500.³

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.

OPPORTUNITY FOR COMMENT

Pursuant to this Notice, all interested persons are advised that they may obtain a copy of the Proposed Plan from the Commission's public website at <http://www.sec.gov/litigation/fairfundlist.htm>. Interested persons may also obtain a written copy of the Proposed Plan by submitting a written request to Adriene Mixon, Esq., Assistant Chief Litigation Counsel, United States Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071. All persons who desire to comment on the Proposed Plan may submit their comments, in writing, no later than thirty (30) days from the date of this Notice:

1. to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090;
2. by using the Commission's Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or
3. by sending an e-mail to rule-comments@sec.gov.

³ Order Establishing a Fair Fund, Appointing a Fund Administrator and Setting Administrator's Bond Amount, Exchange Act Rel. No. 83636 (July 16, 2018).

Comments submitted by email or via the Commission's website should include "Administrative Proceeding File No. 3-16000" in the subject line. Comments received will be publicly available. Persons should submit only information they wish to make publicly available.

THE PROPOSED PLAN

The Net Available Fair Fund⁴ is comprised of the \$572,500.00 in civil money penalties paid by the Respondents, plus interest and income earned thereon, less taxes, fees, and expenses to investors who were harmed by the conduct described in the Orders. 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.

For the Commission, by the Division of Enforcement, pursuant to delegated authority.⁵

Vanessa A. Countryman
Secretary

⁴ All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Proposed Plan.

⁵ 17 C.F.R. § 200.30-4(a)(21)(iii).