

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

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.	:

CORRECTED PLAN OF DISTRIBUTION

I. OVERVIEW

1. The Division of Enforcement submits this plan of distribution (the “Plan”) pursuant to Rule 1101 of the Commission’s Rules on Fair Fund and Disgorgement Plans (the “Commission’s Rules”), 17 C.F.R. § 201.1101. As described in more detail below, the Plan provides for the distribution of funds collected in the above-captioned matter to compensate investors harmed by securities violations of Houston American Energy Corp. (“Houston American”), John F. Terwilliger, Jr. (“Terwilliger”), Undiscovered Equities Inc. (“Undiscovered Equities”), and Kevin T. McKnight (“McKnight”) (collectively, the “Respondents”) as described in the Orders.¹

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 Corp. 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

2. The Plan seeks to compensate investors based on their losses on shares of Houston American common stock purchased between November 10, 2009 and April 18, 2012, due to the misconduct of the Respondents described in the Orders.

3. The Commission's Orders arose out of substantially similar facts and occurred during the same time period as the violations alleged in a related class action ("Class Action").²

4. This Plan provides for a methodology for distributing the Net Available Fair Fund, as defined below, that is substantially similar to the Court-approved methodology used in the Class Action. The Fund Administrator and Commission staff have concluded that distributing funds pursuant to the Plan, including but not limited to its Recognized Loss calculation and *pro-rata* distribution formula, is a fair and reasonable way to compensate investors injured as a result of the Respondents' misconduct.

5. The Plan is approved by the Commission, and the Commission retains jurisdiction over the implementation of the Plan.

II. BACKGROUND

6. On April 23, 2015, the Commission issued the two Orders settling previously instituted cease-and-desist proceedings³ 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

to Undiscovered Equities, Inc. and Kevin T. McKnight, Securities Act Rel. No. 9757 (Apr. 23, 2015) (collectively, the "Orders").

² *In re Houston American Energy Corp. Securities Litigation*, No. 4:12-cv-01332 (S.D. Tex. 2012).

³ *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).

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.

7. 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.

8. The Respondents have paid a total of \$572,500, as ordered.

9. 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 civil money penalties paid could be distributed to investors harmed by the Respondents' conduct described in the Orders (the "Fair Fund"), appointed Heffler Claims Group⁴ as the fund administrator (the "Fund Administrator"), and set the administrator's bond amount at \$572,500.⁵

10. The Commission appointed Miller Kaplan Arase LLP as the tax administrator ("Tax Administrator") of the Fair Fund on February 25, 2019.⁶

⁴ In 2019, Kroll Business Services ("Kroll") acquired Heffler Claims Group. The Fund Administrator's name has changed to Kroll.

⁵ Order Establishing a Fair Fund, Appointing a Fund Administrator, and Setting Administrator's Bond Amount, Exchange Act Rel. No. 83636 (July 16, 2018).

⁶ See Corrected Order Appointing Tax Administrator, Exchange Act Rel. No. 85185 (Feb. 25, 2019).

11. The Fair Fund is comprised of the \$572,500 paid by the Respondents. The Commission has jurisdiction of the Fair Fund and shall retain control of the assets of the Fair Fund. The Fair Fund has been deposited in a Commission designated interest-bearing account at the United States Department of Treasury's Bureau of the Fiscal Service ("BFS"), where it will be held until a disbursement is ordered. It is not anticipated that the Fair Fund will receive additional funds other than accumulated interest and earnings from investment.

III. DEFINITIONS

As used herein, the definitions below shall apply.

12. "Administrative Costs" shall mean any administrative costs and expenses, including without limitation the fees and expenses of the Tax Administrator and the Fund Administrator, tax obligations, bond premium expenses, and investment and banking costs.

13. "Claim Status Notice" shall mean the written notice sent by the Fund Administrator within thirty (30) days of the Claims Bar Date to those Opted-Out Class Action Claimants, who timely responded to the Plan Notice. The Claim Status Notice will set forth the Fund Administrator's determination of the eligibility of the claim (eligible, partially or wholly deficient, or ineligible). The Claim Status Notice will provide to each Opted-Out Class Action Claimants whose claim is deficient, in whole or in part, the reason(s) for the deficiency and in the event the claim is denied, the Claim Status Notice will state the reason(s) for such denial. The Claim Status Notice will also notify the Opted-Out Class Action Claimants of the opportunity to cure any deficiency and provide instructions regarding what is required to do so. All efforts to cure any deficiency identified in the Claim Status Notice must be received within thirty (30) days of the date of the Claim Status Notice.

14. “Claims Bar Date” shall mean the date established in accordance with this Plan by which any information required from a Preliminary Claimant, as described in his, her, or its Plan Notice, must be received in order to participate in the distribution of the Fair Fund. The Claims Bar Date shall be thirty (30) after the initial mailing of the Plan Notice.

15. “Class Action” shall mean the *In re Houston American Energy Corp. Securities Litigation*, No. 4:12-cv-01332 (S.D. Tex. 2012).

16. “Class Action Authorized Claimant” means a Person who filed an approved claim in the Class Action for shares of Houston American Energy Corp. common stock. Such Person is automatically deemed an Eligible Claimant with respect only to those transactions as to which a claim was previously authorized in the Class Action.

17. “Class Action Deficient Claimant” means a Person who filed a deficient claim in the Class Action and who failed to cure such deficiency.

18. “Distribution Payment” means a payment from the Fair Fund to a Payee in accordance with the terms of this Plan.

19. “Eligible Claimant” means a Preliminary Claimant who submitted a valid claim, who is determined to have suffered a Recognized Loss, pursuant to the Plan of Allocation, and who is not an Excluded Party.

20. “Excluded Party” shall mean (a) the Respondents; (b) present or former officers or directors of Respondents or any assigns, creditors, heirs, distributees, spouses, parents, dependent children or controlled entities of any of the foregoing Persons or entities; (c) any employee or former employee of the Respondents or any of its affiliates who has been terminated for cause or has otherwise resigned, in connection with the conduct described in the Order; (d) any Person who, as of the Claims Bar Date, has been the subject of criminal charges

related to the conduct described in the Order or any related Commission action; (e) any firm, trust, corporation, officer, or other entity in which Respondents has or had a controlling interest; (f) the Fund Administrator, its employees, and those Persons assisting the Fund Administrator in its role as the Fund Administrator; or (g) any purchaser or assignee of another Person's right to obtain a recovery from the Fair Fund for value; provided, however, that this provision shall not be construed to exclude those Persons who obtained such a right by gift, inheritance or devise.

21. "Final Determination Notice" shall mean the written notice sent by the Fund Administrator in response to any Class Action Deficient Claimant or Late-Filed Class Action Claimants who timely responded to the Plan Notice in an effort to cure a deficiency and to any Opted-Out Class Action Claimants who timely responded to the Claim Status Notice in an effort to cure a deficiency notifying the Preliminary Claimant of its determination. The Fund Administrator will send such Final Determination Notices no later than thirty (30) days following receipt of documentation or information in response to the Plan Notice or Claim Status Notice, as applicable. The Final Determination Notice will constitute the Fund Administrator's final ruling regarding the status of the claim.

22. "Late-Filed Class Action Claimant" means any Person who filed an untimely claim in the Class Action.

23. "Net Available Fair Fund" means the Fair Fund, plus any accumulated interest and earnings, less Administrative Costs.

24. "Opted-Out Class Action Claimant" any Person, or their lawful successors, who filed an exclusion from the class in connection with the class notice portion of the Class Action.

25. "Payee" means an Eligible Claimant who is determined to receive a Distribution Payment, as calculated in accordance with the Plan of Allocation.

26. “Person” means natural individuals as well as legal entities such as corporations, partnerships, or limited liability companies.

27. “Plan Notice” means a written notice from the Fund Administrator sent within forty-five (45) days of the Plan’s approval to Preliminary Claimants informing them of the Commission’s approval of the Plan and how to participate in the distribution of the Fair Fund. For Class Action Authorized Claimants, the Plan Notice will indicate the Class Action Authorized Claimant is automatically deemed an Eligible Claimant and does not need to file a new claim. For Class Action Deficient Claimants, the Plan Notice will include instructions on what is required to cure his, her, or its deficient claim. For Late-Filed Class Action Claimants, the Plan Notice will inform the Late-Filed Class Action Claimant whether his, her, or its claim is eligible, partially or wholly deficient, or ineligible, and if deficient it will include instructions on how to cure the deficiency and what is required to do so. For Opted-Out Class Action Claimants, the Plan Notice will provide instructions as to what is required to participate in the distribution of the Fair Fund. To ensure that the Fair Fund can comply with its reporting and/or withholding obligations, a tax certification solicitation notice may also be included with the Plan Notice, if determined by the Tax Administrator that a solicitation is needed on a particular claim.

28. “Plan of Allocation” shall be the methodology by which an Eligible Claimant’s Recognized Loss is calculated. The Plan of Allocation is attached as Exhibit A and is substantially similar to the plan of allocation in the Class Action.

29. “Preliminary Claimant” means any Class Action Authorized Claimant, Class Action Deficient Claimant, Late-Filed Class Action Claimant, or Opted-Out Class Action Claimant, who purchased, acquired, or were gifted as compensation the Security during the Relevant Period.

30. “Recognized Loss” means the amount of loss calculated for an Eligible Claimant in accordance with the Plan of Allocation.

31. “Relevant Period” shall mean common stock purchases/acquisitions from November 10, 2009, the first trading day after HUSA’s Form 8-K filing with the Commission that contained relevant misstated information, through April 18, 2012.

32. “Security” shall mean Houston American Energy Corp. common stock.

IV. TAX COMPLIANCE

33. The Tax Administrator will be compensated for reasonable fees and expenses from the Fair Fund in accordance with its 2019-2021 Engagement Letter Agreement with the Commission.⁷

34. The Fair Fund constitutes a Qualified Settlement Fund (QSF”) under Section 468B(g) of the Internal Revenue Code of 1986, as amended, 26 U.S.C. § 468B(g), and related regulations, 26 C.F.R. §§ 1.468B-1 through 1.468B-5. The Tax Administrator is the administrator of such QSF, for purposes of Treas. Reg. § 1.468B-2(k)(3)(I), and shall satisfy the tax-related administrative requirements imposed by Treas. Reg. § 1.468B-2, including, but not limited to:

- (a) obtaining a taxpayer identification number;
- (b) requesting funds necessary for the timely payment of all applicable taxes, the payment of taxes for which the Tax Administrator has received funds, and the filing of applicable returns; and
- (c) fulfilling any information reporting or withholding requirements required for distributions from the Fair Fund.

⁷ See Omnibus Order Directing the Appointment of Tax Administrator in Administrative Proceedings that Establish Distribution Funds, Exchange Act Rel. No. 85174 (Feb. 22, 2019).

35. All taxes will be paid from the Fair Fund as an Administrative Cost, subject to the review and approval of Commission staff.

V. FUND ADMINISTRATOR

36. The Fund Administrator has obtained a bond in the amount of \$572,500.00, as ordered. Pursuant to Rule 1105(a) of the Commission's Rules, 17 C.F.R. § 201.1105(a), the Fund Administrator may be removed at any time by order of the Commission or hearing officer.

37. The Fund Administrator will be responsible for administering the Fair Fund in accordance with this Plan. This will include, among other things, developing a claims database; taking reasonable steps to contact Preliminary Claimants; mailing a Plan Notice to all Preliminary Claimants; making claims determinations, advising Preliminary Claimants of deficiencies in claims, and providing an opportunity to cure any documentary defects; taking anti-fraud measures; advising Preliminary Claimants of final claim determinations; disbursing the Fair Fund, as ordered by the Commission; researching and reconciling errors and reissuing payments, when possible; preparing accountings; and cooperating with the Tax Administrator to ensure compliance with income tax reporting requirements, including but not limited to Foreign Account Tax Compliance Act (FATCA).

38. To carry out the purposes of this Plan, the Fund Administrator is authorized to make and implement immaterial changes to the Plan upon agreement of the Commission staff. If a change is deemed to be material by the Commission staff, Commission approval is required prior to implementation by amending the Plan.

39. The Fund Administrator may extend any procedural deadline contained in the Plan for good cause shown, if agreed upon by the Commission staff.

40. The Fund Administrator is authorized to enter into agreements with third-parties as may be appropriate or necessary in the administration of the Fair Fund, provided such third-parties are not excluded pursuant to other provisions of this Plan. In connection with such agreements, the third-parties shall be deemed to be agents of the Fund Administrator under this Plan.

41. The Fund Administrator will be entitled to payment from the Fair Fund of reasonable fees and expenses, including the bond premium, incurred in the performance of its duties (including any such fees and expenses incurred by agents, consultants or third-parties retained by the Fund Administrator in furtherance of its duties).

VI. ADMINISTRATION OF THE FAIR FUND

Procedures for Locating and Notifying Preliminary Claimants

42. Following the entry by the Commission of its order approving the Plan, the Fund Administrator shall:

- (a) create the Plan Notices which shall be submitted to Commission staff for review and approval;
 - (b) create a claims database of all Preliminary Claimants;
 - (c) run a National Change of Address search to retrieve updated addresses for all records in the database;
 - (d) send the appropriate Plan Notice to each Preliminary Claimant's last known email address (if known) and/or mailing address;
 - (e) establish and maintain a traditional mailing address and an email address, which will be listed on all correspondence from the Fund Administrator;
- and

- (f) establish a toll-free telephone number by which Preliminary Claimants can obtain information about the Fair Fund.

43. The Commission staff retains the right to review and approve any material mailed and any scripts used in connection with any communication with Preliminary Claimants.

44. In all materials that refer to the Claims Bar Date, the Claims Bar Date will be clearly identified with the calendar date, which is thirty (30) days from the date of the initial mailing of the Plan Notices.

45. The Fund Administrator shall attempt to locate anyone whose Plan Notice has been returned by the United States Postal Service (“USPS”) as “undeliverable” and document all such efforts. The Fund Administrator shall use its best efforts to make use of commercially available resources and other reasonably appropriate means to obtain updated addresses in response to “undeliverable” notices, and forward any returned mail for which an updated address is provided or obtained. The Fund Administrator will make available, upon request by the Commission staff, a list of all Preliminary Claimants whose Plan Notices have been returned as “undeliverable” due to incorrect addresses and for which the Fund Administrator has been unable to locate current addresses.

46. The Fund Administrator, with Commission staff approval, may engage a third-party search firm to conduct more rigorous searches for any Preliminary Claimant whose Plan Notice is returned as undeliverable. Additional efforts to identify new addresses for returned undeliverable mail will be conducted as necessary and economically reasonable after consultation with the Commission staff.

Participating in the Distribution of the Fair Fund

47. To avoid being barred from asserting a claim, on or before the Claims Bar Date, each Preliminary Claimant, except for Class Action Authorized Claimants and eligible Late-Filed Class Action Claimants, must respond to the Plan Notice as directed therein. The Fund Administrator will have the right to request, and the Preliminary Claimant will have the burden of providing to the Fund Administrator, any additional information and/or documentation deemed relevant by the Fund Administrator. Without limitation, this information may include third-party documentary evidence of purchases and dispositions of the Security during the Relevant Period, as well as holdings of Security at pertinent dates.

48. The Preliminary Claimant has the burden of notifying the Fund Administrator of a change in his, her, or its address and other contact information, and ensuring that such information is properly reflected in the Fund Administrator's records.

New Claims Eligibility Determination

49. The Fund Administrator will review all materials and determine the eligibility of each Opted-Out Class Action Claimant who timely responds to the Plan Notice by reviewing claim data and supporting documentation (or lack thereof) and verifying the claim.

50. The Fund Administrator will provide a Claim Status Notice within thirty (30) days of the Claims Bar Date to each Opted-Out Class Action Claimant who has timely submitted the materials and documentation requested in his, her, or its Plan Notice with the Fund Administrator, setting forth the Fund Administrator's determination of the eligibility of the claim (eligible, partially or wholly deficient, or ineligible). The Claim Status Notice will provide to each Opted-Out Class Action Claimant whose claim is deficient, in whole or in part, the reason(s) for the deficiency (*e.g.*, failure to provide required information or documentation). In

the event the claim is denied, in whole or in part, the Claim Status Notice will state the reason(s) for such denial. The Claim Status Notice will also notify the Opted-Out Class Action Claimant of the opportunity to cure any deficiency and provide instructions regarding what is required to do so.

Deficient Claims

51. Any Preliminary Claimant notified of having a deficient claim shall have thirty (30) days from the date of the Plan Notice or Claim Status Notice, as applicable, to cure any deficiencies identified therein.

Final Claim Determinations

52. The Fund Administrator will send, as appropriate, a Final Determination Notice to any Preliminary Claimant who timely responds to his, her, or its Plan Notice or Claim Status Notice, as applicable, in an effort to cure a deficiency, notifying the Preliminary Claimant of its determination. The Fund Administrator will send such Final Determination Notices no later than thirty (30) days following receipt of documentation or information in response to the Plan Notice or Claim Status Notice, as applicable, or such longer time as the Fund Administrator determines is necessary for a proper determination concerning the claim.

53. The Fund Administrator will have the authority, in its sole discretion, to waive technical claim deficiencies and approve claims on a case-by-case basis, or in groups of claims. All determinations made by the Fund Administrator in accordance with the Plan will be final and not subject to appeal.

Distribution Methodology

54. The Fund Administrator will calculate each Eligible Claimant's Recognized Loss in accordance with the Plan of Allocation. All Eligible Claimants who are determined to receive a Distribution Payment will be deemed a Payee.

Establishment of a Reserve

55. Before determining the amount of funds available for distribution and calculating each Payee's Distribution Payment, the Fund Administrator, in conjunction with the Tax Administrator, will establish a reserve to pay Administrative Costs and to accommodate any unexpected expenditures (the "Reserve").

56. After all disbursements and Administrative Costs are paid, any remaining amounts in the Reserve will become part of the Residual described in paragraph 76 below.

Preparation of the Payment File

57. Within thirty (30) days following the date of the Final Determination Notices described above, paragraph 52, the Fund Administrator will compile and send to the Commission staff the Payee information, including the name, address, calculated Recognized Loss, and the amount of the Distribution Payment for all Payees (the "Payee List"). The Fund Administrator will also provide a Reasonable Assurances Letter to the Commission staff, representing that the Payee List: (a) was compiled in accordance with the approved Plan; (b) is accurate as to Payees' names, addresses, Recognized Losses and amounts of their Distribution Payment; (c) includes the number of Payees compensated; (d) the percentage of the Payee's Recognized Loss being compensated by the disbursement from the Fair Fund, and if applicable, the total percentage to include all prior disbursements; (e) the total amount being distributed; and (g) provides all information necessary to make a payment to each Payee.

The Escrow Account

58. Prior to the disbursement of the Net Available Fair Fund, the Fund Administrator will establish an escrow account (the “Escrow Account”) with a United States commercial bank that is a well-capitalized financial institution as defined by the Federal Reserve Act, Subpart D, 12 C.F.R. § 208.43 and that is not unacceptable to the Commission staff (the “Bank”), pursuant to an escrow agreement (the “Escrow Agreement”) to be provided by Commission staff.

59. The Fund Administrator, pursuant to the Escrow Agreement, shall also establish with the Bank a separate deposit account (e.g. controlled distribution account, managed distribution account, linked checking and investment account) (the “Distribution Account”), insured by the Federal Deposit Insurance Corporation (“FDIC”) up to the guaranteed FDIC pass through limit. The Distribution Account shall be linked with the Escrow Account and shall be named, and records maintained, in accordance with the Escrow Agreement.

60. During the term of the Escrow Agreement, the portions of the Fair Fund transferred to the Escrow Account (the “Escrow Property”), shall be invested and reinvested in short-term U.S. Treasury securities backed by the full faith and credit of the United States Government or an agency thereof. The investment shall be, of a type and term necessary to meet the cash liquidity requirements for payments to Payees, tax obligations, and/or fees of the Tax Administrator and/or Fund Administrator, including investment or reinvestment in a bank account insured by the FDIC up to the guaranteed FDIC limit, or in money market mutual funds registered under the Investment Company Act of 1940 that invest 100% of their assets in direct obligations of the United States Government.

61. The Fund Administrator shall provide duplicate original bank and/or investment statements on any accounts established by the Fund Administrator to the Tax Administrator on a

monthly basis and shall assist the Tax Administrator in obtaining mid-cycle statements, as necessary.

62. The Fund Administrator shall deposit or invest funds in the Escrow and Distribution Accounts so as to result in the maximum reasonable net return, taking into account the safety of such deposits or investments. In consultation with Commission staff, the Fund Administrator shall work with the Bank on an ongoing basis to determine an allocation of funds between the Escrow and Distribution Account.

63. All interest, dividends, and/or income earned by the Escrow Property will accrue for the benefit of the Escrow Property. All Administrative Cost associated with the Escrow and Distribution Accounts will be the responsibility of the Fund Administrator, who may be reimbursed for said costs as provided in this Plan. No such Administrative Costs may be paid to the Bank, its agents, and/or its affiliates from the Escrow Property.

Distribution of the Fair Fund

64. The Fund Administrator will seek to distribute the Net Available Fair Fund to all Payees only after all timely submitted responses to the Plan Notice and Claim Status Notice, as applicable, have been processed and all Preliminary Claimants whose claims have been rejected or disallowed, in whole or in part, have been notified and provided the opportunity to cure any deficiency pursuant to the procedures set forth herein.

65. Upon the Commission's staff's receipt, review, and acceptance of the Payee List and Reasonable Assurances Letter from the Fund Administrator, the Commission staff will seek an Order from the Commission pursuant to Rule 1101(b)(6) of the Commission's Rules, 17 C.F.R. § 210.1101(b)(6), to disburse funds to the Bank in accordance with the Payee List for distribution by the Fund Administrator in accordance with the Plan. All disbursements will be

made pursuant to a Commission Order.

66. Upon issuance of an Order to disburse, the Commission staff will direct the transfer of funds in accordance with the Payee List to the Bank. The Fund Administrator will then use its best efforts to commence mailing Distribution Payment checks and/or effect wire transfers within twenty (20) business days of the release of the funds into the Escrow Account. All efforts will be coordinated to limit the time between the Escrow Account's receipt of the funds and the issuance of Distribution Payments.

67. All Distribution Payments will be issued by the Fund Administrator from the Distribution Account. All checks will bear a stale date of one hundred twenty (120) days from the date of issuance. Checks that are not negotiated by the stale date will be voided, and the Bank will be instructed to stop payment on those checks. A Payee's claim will be extinguished if he, she, or it fails to negotiate his, her or its check by the stale date, and the funds will remain in the Fair Fund, except as provided in paragraph 72.

68. All payments will be preceded or accompanied by a communication that includes, as appropriate: (a) a statement characterizing the distribution; (b) a statement that the tax treatment of the distribution is the responsibility of each Payee and that the Payee should consult his, her or its tax advisor for advice regarding the tax treatment of the distribution; (c) a statement that checks will be void and cannot be reissued after one hundred twenty (120) days from the date the original check was issued; and (d) contact information for the Fund Administrator for questions regarding the Distribution Payment. The letter or other mailings to Payees characterizing a Distribution Payment will be submitted to the Tax Administrator and Commission staff for review and approval.

69. All Distribution Payments, either on their face or in the accompanying mailing,

will clearly indicate that the money is being distributed from the Fair Fund established by the Commission to compensate investors for harm as a result of securities law violations.

70. The receipt and acceptance of a Distribution Payment by a Payee is not intended to be a release of Payee's rights and claims against any party.

Post Distribution; Handling of Returned or Uncashed Checks; and Reissues

71. The Fund Administrator shall use its best efforts to make use of commercially available resources and other reasonably appropriate means to locate all Payees whose checks are returned to the Fund Administrator as "undeliverable." If new address information becomes available, the Fund Administrator will repackage the distribution check and send it to the new address. If new address information is not available after a diligent search (and in no event no later than one hundred twenty (120) days after the initial mailing of the original check) or if the distribution check is returned again, the check shall be voided and the Fund Administrator shall instruct the issuing financial institution to stop payment on such check. If the Fund Administrator is unable to find a Payee's correct address, the Fund Administrator, in its discretion, may remove such Payee from the distribution and the allocated Distribution Payment will remain in the Fair Fund for distribution, if feasible, to the remaining Payees.

72. The Fund Administrator will reissue checks to Payees upon the receipt of a valid, written request from the Payee prior to the initial stale date. In cases where a Payee is unable to endorse a Distribution Payment check as written (*e.g.*, name changes, IRA custodian changes, or recipient is deceased) and the Payee or a lawful representative requests the reissuance of a Distribution Payment check in a different name, the Fund Administrator will request, and must receive, documentation to support the requested change. The Fund Administrator will review the documentation to determine the authenticity and propriety of the change request. If, in the

discretion of the Fund Administrator, such change request is properly documented, the Fund Administrator will issue an appropriately redrawn Distribution Payment to the requesting party. Reissued checks will be void at the later of one hundred twenty (120) days from issuance of the original check or thirty (30) days from the reissuance, and in no event will a check be reissued after one hundred twenty (120) days from the date of the original issuance without the approval of Commission staff.

73. The Fund Administrator will make reasonable efforts to contact Payees who have failed to negotiate his, her, or its Distribution Payment check and take appropriate action to follow up on the status of uncashed checks at the request of Commission staff. The Fund Administrator may reissue such checks subject to the time limits detailed herein.

Administrative Costs

74. All Administrative Costs will be paid from the Fair Fund in accordance with the Commission's Rules.

Disposition of Undistributed Funds

75. If funds remain following the initial distribution and payment of all Administrative Costs, the Fund Administrator, in consultation with the Commission staff, may seek subsequent distribution of any available remaining funds, pursuant to the Commission's Rules.

76. A residual within the Fair Fund will be established for any amounts remaining after the final disbursement to Payees from the Fair Fund (the "Residual"). The Residual may include funds from, among other things, amounts remaining in the Reserve, distribution checks that have not been cashed, checks or electronic payments that were not delivered or returned to the Commission, tax refunds for overpayment or for waiver of IRS penalties.

77. All funds remaining in the Residual that are infeasible to distribute to investors will be returned to the Commission and transferred to the U.S. Treasury after the final accounting is approved by the Commission.

Filing of Reports and Accountings

78. In accordance with Rule 1105(f) of the Commission's Rules, the Fund Administrator shall provide to the Commission staff a progress report and a quarterly account statement in a format to be provided by Commission staff, within forty-five (45) days of the Commission's approval of the Plan, and shall provide to Commission staff additional reports and quarterly account statements within ten (10) days after the end of every calendar quarter. Such progress reports shall inform the Commission staff of the activities and status of the Fair Fund during the requested reporting period, and shall specify, at a minimum, the location of the account(s) comprising the Fair Fund, including among other things, an interim accounting of all monies in the Fair Fund.

79. When the final distribution is completed, the Fund Administrator shall provide to Commission staff a final report summarizing all tasks undertaken and the outcome of its administrative efforts, which will include the final distribution statistics regarding distributions to individuals and entities, and such other information requested by the Commission staff. The Fund Administrator shall make arrangement for the final payment of taxes and all other outstanding fees and expenses, and submit a final accounting of all monies received, earned, spent, and distributed in connection with the administration of the Plan in a format provided by the Commission staff.

Termination of Fair Fund

80. The Fair Fund shall be eligible for termination, and the Fund Administrator eligible for discharge and cancellation of its bond, after all of the following have occurred: (a) the final accounting has been submitted and approved by the Commission; (b) all Administrative Costs have been paid; and (c) any amount remaining in the Fair Fund has been returned to the Commission for transfer to the United States Treasury. Upon Commission approval of the final accounting, Commission staff will seek an order from the Commission authorizing: (a) the transfer of any amounts remaining in the Fair Fund that is infeasible to return to investors, and any amounts returned to the Fair Fund in the future, that are infeasible to return to investors, to the U.S. Treasury; (b) termination of the Fair Fund; (c) discharge of the Fund Administrator; and (d) cancellation of the Fund Administrator's bond.

81. Once the Fair Fund has been terminated and funds, if any, are transferred to the U.S. Treasury, no further claims will be allowed and no additional payments will be made whatsoever.

Miscellaneous

82. When administering this Plan, the Fund Administrator, and/or each of its designees, agents and assigns, may rely on: all applicable law; orders issued by the Commission, including orders issued by delegated authority; orders issued by an administrative law judge, if any, appointed in this proceeding; and any records, including records containing investor information, provided by Commission staff.

83. Should any additional funds be received pursuant to Commission or Court order, agreement, or otherwise, prior to the Commission's termination of the Fair Fund, such funds will

be added to the Fair Fund and distributed, if feasible, in accordance with the Plan, pursuant to the Commission's Rules.

Wind-down and Document Retention

84. The Fund Administrator will shut down the P.O. Box and customer service telephone line(s) established specifically for the administration of the Fair Fund six (6) months after the transfer of any remaining funds to the Commission, or at such earlier time as the Fund Administrator determines with the concurrence of the Commission staff.

85. The Fund Administrator will retain all materials submitted by Preliminary Claimants in either paper or electronic form for a period of six (6) years from the date of approval of a final fund accounting. Materials maintained in electronic form must be accessible and readable for the duration of retention. Pursuant to the Commission staff's direction, the Fund Administrator will either turn over to the Commission or destroy all materials, including documents in any media, upon expiration of this period.

EXHIBIT A

PLAN OF ALLOCATION

This Plan of Allocation is designed to compensate investors based on their losses on shares of the Houston American common stock (the “Security”) purchased during the Relevant Period, November 10, 2009 through April 18, 2012, due to the misconduct of the Respondents. Investors who are Excluded Parties¹ or who did not purchase shares of the Security during the Relevant Period did not purchase shares at prices inflated by the Respondents’ violative conduct and are ineligible to recover under this Plan.

The Fund Administrator will calculate the amount of loss for each share of the Security purchased or acquired during the Relevant Period (“Recognized Loss per Share”) as follows:

For each share of the Security purchased or acquired on or before November 9, 2009, the Recognized Loss per Share is \$0.00.²

For each share of the Security purchased or acquired during the period November 10, 2009 through April 18, 2012, inclusive, and

- A. Sold on or before April 18, 2012, the Recognized Loss per Share is the *lesser of*:
 - 1. The amount of per-share price inflation on the date of purchase/acquisition as appears in Table 1 below, *minus* the amount of per-share price inflation on the date of sale or disposition as appears in Table 1 below; and
 - 2. the purchase/acquisition price *minus* the price at which the stock was sold or disposed of.

- B. Sold on April 19, 2012, the Recognized Loss per Share is the *least of*:
 - 1. the amount of per-share price inflation on the date of purchase/acquisition as appears in Table 1 below, *minus* the amount of per-share price inflation on April 19, 2012 as appears in Table 1 below, which is \$0.33;
 - 2. the purchase/acquisition price *minus* the closing price of the Security on April 19, 2012, which is \$2.25; and
 - 3. the purchase/acquisition price *minus* the price at which the stock was sold or disposed of.

- C. Sold from the opening of trading on April 20, 2012 through the close of trading

¹ All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Plan.

² The first misstatement alleged by the Commission occurred in HUSA’s SEC Form 8-K for the period ending November 9, 2009, filed prior to the opening of the market on November 10, 2009. Accordingly, there is no Recognized Loss for the Security purchased prior to the opening of the market on November 10, 2009.

on July 17, 2012 (the end of the 90-day “Lookback Period”), the Recognized Loss per Share is the *least of*:

1. the amount of artificial inflation per share on the date of purchase/acquisition as appears in Table 1 below;
2. the purchase/acquisition price *minus* the Lookback Period value on the date of sale/disposition provided in Table 2 below; and
3. the purchase/acquisition price *minus* the price at which the stock was sold or disposed of.

D. Held after the close of trading on July 17, 2012, the Recognized Loss per Share is the *lesser of*:

1. the amount of artificial inflation per share on the date of purchase/acquisition as appears in Table 1 below; and
2. the purchase/acquisition price *minus* the average closing price of the Security during the Lookback Period, which is \$1.58.

If the Recognized Loss per Share calculates to a negative number, reflecting a gain, the Recognized Loss per Share on such shares will be \$0.00.

All prices mentioned in the calculations exclude all taxes, fees and commissions. Purchases and sales shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date.

Additional Provisions

FIFO Methodology: The first-in-first-out (“FIFO”) basis will be applied to purchases and sales. Sales will be matched in chronological order, by trade date, first against the securities held as of the close of trading on November 9, 2009 (the last day before the Relevant Period begins) and then against the purchases during the Relevant Period.

Acquisitions: The receipt or grant of the Security to the Eligible Claimant by gift, devise, inheritance, or operation of law during the Relevant Period is not considered an eligible purchase if the original purchase did not occur during the Relevant Period. Such shares will be excluded from the calculation of the Eligible Claimant’s Recognized Loss.

Options and Derivatives: Houston American (“HUSA” or the “Security”) common stock is the only security eligible for recovery under this Plan. Option contracts to purchase or sell the Security are not securities eligible for recovery under the Plan. With respect to the securities purchased or sold through the exercise of an option, the purchase/sale date is the exercise date of the call and the assignment date of the put, and the purchase/sale price is the strike price of the call at the time of exercise and the strike price of the put at the time of assignment. Transactions

in the Security during the Relevant Period that are pursuant to, or in connection with, a swap or another derivative will not be eligible for a recovery.

Short Sales: If the sale date for a share falls before the purchase date, then the share has a Recognized Loss per Share of \$0.00. The date of covering a short sale is deemed to be the date of purchase of the Security and the date of a short sale is deemed to be the date of sale of the Security. The earliest Relevant Period purchases will be matched against any short position existing on the date prior to the start of the Relevant Period, and not be entitled to a recovery, until that short position is fully covered.

Recognized Loss: An Eligible Claimant's Recognized Loss will be calculated by summing the Eligible Claimant's Recognized Loss per Share amounts for all shares of the Security purchased or acquired during the Relevant Period.

Market Loss Limitation: If an Eligible Claimant's actual market loss on shares of the Security purchased during the Relevant Period is less than his, her or its Recognized Loss, then the Eligible Claimant's Recognized Loss shall be limited to the actual market loss amount. If the actual market loss calculates to a gain, then the Eligible Claimant's Recognized Loss will be \$0.00.

The actual market loss will be calculated as (a) the total purchase amount for shares of the Security purchased/acquired during the Relevant Period,³ less (b) the sales proceeds from shares of the Security purchased/acquired during the Relevant Period and sold during the Relevant Period or during the Lookback Period,⁴ and (c) the holding value on the remaining of those shares, which for purposes of this calculation will be \$1.58 per share, the average closing price as of the last day of the Lookback Period as seen in the last row of Table 2.⁵

Allocation of Funds: If the Net Available Fair Fund, as defined in the Plan, is equal to or exceeds the sum of Recognized Losses of all Eligible Claimants, each Eligible Claimant's distribution amount will equal his, her or its Recognized Loss. If the Net Available Fair Fund is less than the sum of the Recognized Losses of all Eligible Claimants, each Eligible Claimant's distribution amount will equal his, her or its "Pro Rata Share" of the Net Available Fair Fund. In either case, the distribution amount will be subject to the "Minimum Distribution Amount."

Pro Rata Share: A Pro Rata Share computation is intended to measure Eligible Claimants' Recognized Losses against one another. The Fund Administrator shall determine each Eligible Claimant's Pro Rata Share as the ratio of his, her, or its Recognized Loss to the sum of Recognized Losses of all Eligible Claimants.

³ Purchases during the Relevant Period to cover short positions will be included in the calculation of actual market loss if the purchase is matched to a short sale during the Relevant Period. Purchases/acquisitions that are not eligible for recovery will not be considered for purposes of calculating the actual market loss.

⁴ Sales of the Security during the Relevant Period will be matched first against the opening position and the proceeds of such sales will not be considered for purposes of calculating the actual market loss. Short sales will be considered for purposes of calculating the actual market loss.

⁵ Any open short positions at the end of the Lookback Period will be ignored for purposes of calculating the actual market loss.

Minimum Distribution Amount: The Minimum Distribution Amount will be \$10.00. If an Eligible Claimant's distribution amount is less than the Minimum Distribution Amount, that Eligible Claimant will be deemed ineligible to receive a Distribution Payment and his, her, or its distribution amount will be reallocated on a *pro-rata* basis to Eligible Claimants whose distribution amounts are greater than or equal to the Minimum Distribution Amount.

Payee: An Eligible Claimant whose distribution amount equals or exceeds the Minimum Distribution Amount will be deemed a Payee and receive a Distribution Payment for their distribution amount. In no event will a Payee receive from the Fair Fund more than his, her, or its Recognized Loss.

Prior Recovery: To avoid payment of a windfall, the Distribution Payment will be no larger than the Payee's Recognized Loss minus the amount of any compensation for the loss that resulted from the conduct described in the Order that was received from another source (e.g., class action settlement), to the extent known by the Fund Administrator.

Table 1
Artificial Inflation in HUSA Stock

From	To	Price Inflation (Not to Exceed Purchase Price*)
11/10/2009	4/6/2010	\$11.15
4/7/2010	6/27/2010	\$5.44
6/28/2010	8/15/2010	\$3.96
8/16/2010	2/29/2012	\$5.31
3/1/2012	3/7/2012	\$1.37
3/8/2012	3/15/2012	\$0.86
3/16/2012	3/18/2012	\$2.31
3/19/2012	4/18/2012	\$1.57
4/19/2012	4/19/2012	\$0.33
4/20/2012	and thereafter	\$0.00

* If the price inflation reflected in Table 1 exceeds the purchase price paid for the shares of HUSA Stock, then price inflation shall be equal to the purchase price paid for the shares of HUSA Stock.

Table 2

Rolling Average Price during 90-day back Period

Sale or Disposition Date	Rolling Average Price during 90-day Lookback Period as of the Sale or Disposition Date	Sale or Disposition Date	Rolling Average Price during 90-day Lookback Period as of the Sale or Disposition Date	Sale or Disposition Date	Rolling Average Price during 90-day Lookback Period as of the Sale or Disposition Date
4/20/2012	\$2.08	5/21/2012	\$1.87	6/20/2012	\$1.73
4/23/2012	\$1.98	5/22/2012	\$1.86	6/21/2012	\$1.72
4/24/2012	\$1.90	5/23/2012	\$1.84	6/22/2012	\$1.72
4/25/2012	\$1.88	5/24/2012	\$1.84	6/25/2012	\$1.71
4/26/2012	\$1.97	5/25/2012	\$1.83	6/26/2012	\$1.70
4/27/2012	\$2.06	5/29/2012	\$1.83	6/27/2012	\$1.69
4/30/2012	\$2.09	5/30/2012	\$1.82	6/28/2012	\$1.68
5/1/2012	\$2.12	5/31/2012	\$1.81	6/29/2012	\$1.67
5/2/2012	\$2.14	6/1/2012	\$1.80	7/2/2012	\$1.66
5/3/2012	\$2.12	6/4/2012	\$1.79	7/3/2012	\$1.66
5/4/2012	\$2.09	6/5/2012	\$1.78	7/5/2012	\$1.65
5/7/2012	\$2.07	6/6/2012	\$1.78	7/6/2012	\$1.64
5/8/2012	\$2.04	6/7/2012	\$1.77	7/9/2012	\$1.63
5/9/2012	\$2.01	6/8/2012	\$1.77	7/10/2012	\$1.62
5/10/2012	\$2.00	6/11/2012	\$1.77	7/11/2012	\$1.61
5/11/2012	\$1.98	6/12/2012	\$1.76	7/12/2012	\$1.60
5/14/2012	\$1.95	6/13/2012	\$1.76	7/13/2012	\$1.59
5/15/2012	\$1.93	6/14/2012	\$1.75	7/16/2012	\$1.58
5/16/2012	\$1.92	6/15/2012	\$1.75	7/17/2012	\$1.58
5/17/2012	\$1.90	6/18/2012	\$1.74		
5/18/2012	\$1.88	6/19/2012	\$1.73		