



UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

SEC v. JAMES L. DOUGLAS a/k/a JAMES L. COOPER
Civil Action No. C82-29

DOUGLAS DISTRIBUTION PLAN NOTICE

The United States Securities and Exchange Commission
authorized this Distribution Plan Notice ("Notice").
This is not a solicitation from a lawyer.

Dear Investor:

The United States Securities and Exchange Commission ("SEC" or "Commission") established a Distribution Fund as a result of *SEC v. James L. Douglas a/k/a James L. Cooper*. You were identified as an Eligible Recipient¹ due to your payment from the First Distribution (as defined below) and are eligible to receive a *pro rata* share of the Distribution Fund. The Distribution Plan provides that disgorgement paid to the SEC be used to form the Distribution Fund. Approximately \$1,900,000 comprises the Distribution Fund.

Distribution Plan

A copy of the Distribution Plan is available to view and download at www.JamesDouglasDistributionFund.com. In addition, you can request a copy of the Distribution Plan from the Distribution Agent by phone, e-mail, or mail:

Douglas Distribution Fund
c/o KCC
Distribution Agent
P.O. Box 43478
Providence, RI 02940-9813
1-866-680-6121
info@JamesDouglasDistributionFund.com

Your Eligible Payment Amount

The SEC calculated your Eligible Payment Amount based on previous distributions that were made pursuant to Court Orders dated October 18, 1985 and September 26, 1988 (collectively, the "First Distribution"). Your *pro rata* share of the Net Distribution Fund was determined by dividing your First Distribution Payment Amount by the total of all distribution payments made to harmed investors in the First Distribution. Your Eligible Payment Amount for this distribution is your *pro rata* share multiplied by the Net Distribution Fund.

First Distribution Payment Amount	
Pro Rata Share of Net Distribution Fund	
Estimated Eligible Payment Amount²	

If you agree with the First Distribution Payment Amount, then certify it is correct on the Certification Form attached hereto (the "Certification Form") and return it to the address provided. If this amount does not appear to be accurate, then you can dispute the First Distribution Payment Amount ("Dispute") in Part I of the Certification Form by filling out the amount you believe you received as the First Distribution Payment Amount. Please return the signed Certification Form and detail why the calculation is not accurate in two pages or less, double spaced, and attach documentation to support your Dispute.

You must also confirm any changes to the Eligible Recipient's name, and whether any heirs or successors have taken the place of the original Eligible Recipient. You must also provide the address where the Distribution Payment should be sent.

Finally, you must include the Eligible Recipient's (or heir's or successor's) Social Security Number or Tax Identification Number. The Certification must be returned within **45 days** from the postmark date of this Notice. Any Dispute must be returned no later than **30 days** from the postmark date of this Notice.

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed in the Distribution Plan.
² This amount is approximate as the final calculation of the Net Distribution Fund will be determined after calculating any interest amounts, as well as court fees, tax obligations, and fees and expenses of the Distribution Agent and Tax Administrator.

The Distribution Agent will notify you of the resolution of your Dispute within **30 days** of its receipt in the form of a Final Determination Notice.

Background

On January 18, 1982, the Commission filed a complaint against James L. Douglas a/k/a James L. Cooper (the “Defendant”), alleging that he had raised more than \$7.5 million by offering and selling unregistered securities to investors. The securities took the form of interests in multiple oil and gas partnerships. The Defendant made multiple misrepresentations and omitted material information relating to the costs of drilling and refurbishing wells, his financial contributions to the partnerships, the involvement of related parties in transactions, and sharing of revenues with persons who solicited investments.

Simultaneously with the entry of the Complaint, the Court entered a Final Judgment of Permanent Injunction with the Defendant’s consent, leaving open the issue of monetary relief. On August 26, 1983, the Court entered another judgment by consent, directing the Defendant to disgorge \$200,000 under a three-year payment plan. The deadline for the final payment was August 26, 1986.

From 1984 to 1986, the Defendant missed two out of the three installment deadlines and paid only \$121,975.29 of the \$200,000, leaving an unpaid balance of \$78,024.71. On August 8, 1988, this Court found the Defendant in contempt of the three-year disgorgement plan. The amount the Defendant paid, plus \$20,000 frozen in the related lawsuit, SEC v. James R. Crawford, No. C 79-353 (N.D. Ohio), and accrued interest, was placed into a disgorgement fund in a court registry. It was subsequently disbursed to injured investors in two distributions: \$121,535.36 was distributed by Court Order on October 18, 1985, and \$33,792.46 was distributed by Court Order dated September 26, 1988.

On June 2, 2008, the Defendant filed a Third Amended Wrongful Death Damages Complaint in Florida state court against Philip Morris USA, Inc., R.J. Reynolds Tobacco Company, Lorillard Tobacco Company, Vector Group Ltd., and Liggett Group, LLC on his deceased wife’s behalf, claiming damages resulting from his wife’s death from cigarette smoking. In March 2010, the jury awarded \$2.5 million to Defendant.

The SEC filed a motion for civil contempt on January 23, 2012. After an evidentiary hearing and briefing, the Court found the Defendant in contempt and, on August 20, 2012, ordered the payment of the entire outstanding judgment of \$78,024.71, plus post-judgment interest of approximately \$1.78 million at the statutory rate of 10.74% from the date of the entry of the judgment in 1983. In December 2013, the Defendant transferred \$1,900,000 to the registry of the Court in this matter, in full satisfaction of the outstanding judgment and post-judgment interest. This amount comprises the Distribution Fund.

Distribution Agent

On June 15, 2015, the Court appointed Kurtzman Carson Consultants LLC (“KCC”) as Distribution Agent to assist in overseeing the administration and distribution of the Distribution Fund in coordination with Commission staff, pursuant to the terms of the Distribution Plan.

Distribution Fund

The Distribution Fund is a “Qualified Settlement Fund” (“QSF”) as defined in Section 468B(g) of the Internal Revenue Code, 26 U.S.C. Section 468B(g), as amended. This distribution is intended to compensate you for losses incurred with respect to your investment with the Defendant as a result of the violations described in the SEC’s Complaint. Your distribution also contains an allocable share of post-judgment interest that Defendant was ordered to pay pursuant the Court’s order. Each of these components (hereinafter, “Losses” and “Post-judgment Interest”) has different tax consequences, discussed below.

Tax Consequences of Your Distribution

Losses Component. Generally, the losses component of your distribution is not income to you to the extent of your basis in your investment. However, you must reduce your basis by the amount of the losses component. If the losses components of your distribution exceeds your tax basis in your investment, then the excess is includable in your income as capital gain. Any such capital gain is long-term capital gain, unless you disposed of your investment before holding it for longer than one year. If you do not have reasonable access to records indicating the tax basis of your investment, then you may assume that your tax basis is zero and that the entire losses component of your distribution is includable in your income as capital gain. ***The QSF is not required to – and will not – issue a Form 1099 to you with respect to the losses component of your distribution.***

Post-judgment Interest Component. The post-judgment interest component, which comprises 95.89% of your total distribution, constitutes taxable interest income to you; however, you will only receive a Form 1099-INT if your distribution contains \$600 or more of such interest.

If you held your investment in an individual retirement account (“IRA”), qualified retirement plan (“QRP”), or other tax deferred vehicle, your check will be made payable to the trustee or custodian of your IRA or QRP. You should forward the check to the trustee or custodian of your IRA or QRP for deposit into your IRA or QRP account. **Caution: If the check is cashed or deposited in any account other than an account eligible to receive the check, it may be subject to income tax and a 10% penalty.**

Please note that the Distribution Agent and the Tax Administrator cannot provide tax advice to Eligible Recipients. The information contained herein is being provided for informational purposes only to assist you in determining the United States (“U.S.”) federal income tax consequences of the distribution payment if you are a citizen or resident of the U.S. The tax consequences of the distribution may vary depending on your individual circumstances. The information provided herein may not be applicable if you are a nonresident alien of the U.S. and it does not address the alternative minimum tax provisions of federal tax law, nor state, local and non-U.S. tax rules, nor the effect of possible changes in laws. **THE INFORMATION CONTAINED HEREIN IS NOT AND SHOULD NOT BE RELIED UPON AS TAX ADVICE. CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE DISTRIBUTION TO YOU.**

Eligible Recipient’s Participation Options for this Distribution Fund

In order to receive a payment from the Distribution Fund, if you have no Dispute as to your First Distribution Payment Amount, you must:	Submit the Certification Form within 45 days of the postmark date of this Notice.
To dispute your First Distribution Payment Amount:	Complete the Certification Form and write to the Distribution Agent detailing the reasons for your objection and return it within 30 days of the postmark date of this Notice.

IF YOU DO NOT COMPLETE THE CERTIFICATION FORM AND RETURN IT TO THE DISTRIBUTION AGENT WITHIN THE DEADLINES DESCRIBED ABOVE, YOU WILL NOT RECEIVE A DISTRIBUTION PAYMENT.

Participation

Participation in the Distribution Fund will not result in the release of any rights or potential claims an Eligible Recipient may have against any party (other than with respect to the Distribution Agent), including, but not limited to, any party’s past and present directors, officers, promoters, advisers, agents, Affiliates, nominees, assigns, creditors, or controlled entities.

Questions

If you have any questions about the Distribution Fund, or the calculation of your *pro rata* allocation of payment, you may obtain more information by visiting the Plan website at www.JamesDouglasDistributionFund.com or the SEC’s Information for Harmed Investors webpage at <https://www.sec.gov/divisions/enforce/claims.htm>, by phone at 1-866-680-6121, or by email to info@jamesdouglasdistributionfund.com.

Reminder Checklist

- Complete Parts I and IV and sign the Certification Form.
- Complete Parts II and/or III of the Certification Form if you have any changes to the Eligible Recipient Information, or the Mailing Address.
- Return the Certification Form to the Distribution Agent within 45 days of the postmark date of this Notice, if you are not submitting a Dispute; or
- Return the Certification Form with any Dispute to the Distribution Agent within 30 days of the postmark date of this Notice.

Very truly yours,

KCC
Distribution Agent