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TRUSTEE OF SHREVEPORT CHARITABLE FOUNDATION PLEADS GUILTY TO FRAUD CHARGES RELATED TO HAYNESVILLE SHALE MINERAL RIGHTS

Phillips Foundation Bilked Out of At Least \$1.8 Million

Shreveport, La. . . . Kirby E. Cole, 58, of Shreveport, La., trustee of The Phillips Foundation, a local trust formed over 45 years ago in order to help fund charitable, religious, educational, literary, and scientific organizations, pleaded guilty today to defrauding the foundation out of more than \$1.8 million in Haynesville Shale mineral rights, United States Attorney Donald W. Washington announced. The plea was entered in the United States District Court in Shreveport before U. S. District Judge S. Maurice Hicks, Jr.

According to court testimony, Cole was the sole remaining trustee of the foundation which was formed in 1963 by the Phillips family. In February 2006, Cole sold to himself 37 acres of real estate in Caddo Parish owned by the foundation. Cole never paid the stated purchase price of \$56,607, and in November 2007, he sold the 37 acres to a third party for \$190,000, while reserving the mineral interests for himself. In July 2008, Cole leased these minerals for \$15,000 per acre and

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a 25% royalty on future production. The value of the 25% royalty on gas production is yet to be determined.

Also as part of the scheme, in June 2008 Cole sold to himself the mineral interests in approximately 140 acres of another tract of land in Caddo Parish owned by the foundation. Cole never paid the stated price of “\$10 and other good and valuable consideration,” and in July 2008 he leased these minerals for \$25,000 per acre and a 25% royalty. In July 2008, Cole deposited his total lease bonus of \$1,850,715 into his bank account.

As part of its investigation, the government was able to seize approximately \$700,000 of the funds still remaining in Cole’s bank account.

Cole faces a maximum penalty of 20 years in prison, a \$250,000 fine, or both. Sentencing is scheduled for February 19, 2010 at 11:00 a.m.

The case was investigated by the Federal Bureau of Investigation, and is being prosecuted by Assistant United States Attorney Alexander C. Van Hook.

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