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TRUSTEE OF SHREVEPORT CHARITABLE FOUNDATION IS SENTENCED FOR FRAUD CHARGES RELATED TO HAYNESVILLE SHALE MINERAL RIGHTS

Phillips Foundation Bilked Out of More Than \$2 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, was sentenced today to 20 months in prison for defrauding the foundation out of more than \$2 million in Haynesville Shale mineral rights, Acting United States Attorney William J. Flanagan announced. Cole was ordered to pay restitution in the amount of \$2,040,715 and was also sentenced to two years supervised release following the completion of his prison sentence. The sentence was imposed by United States District Judge S. Maurice Hicks, Jr., in Shreveport.

Cole pleaded guilty to one count of mail fraud in November 2009. 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 a 25% royalty on future production. Also as part of the scheme, in June 2008 Cole sold to himself the mineral interests in approximately 85 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. Pursuant to his plea agreement with the government, Cole agreed to forfeit those monies along with all mineral interests and production royalties which he originally acquired from the trust’s property.

Cole has been removed as trustee and the trust is now controlled and managed by the First United Methodist Church and Centenary College of Louisiana.

“Over 45 years ago the Phillips family intended to leave its treasure for the benefit of this community, not for the personal enrichment of one who was given responsibility of managing the charitable trust,” said Acting United States Attorney William J. Flanagan. “This prosecution, and importantly the recovery of trust assets, will help maintain the family’s original vision.”

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

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