Mamtek CEO Charged with Theft, Securities Fraud

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MOBERLY, Mo. (AP) — The CEO of a failed artificial sweetener company was charged Tuesday with theft and securities fraud in Missouri for allegedly using bond revenues to avoid foreclosure on his Beverly Hills, Calif., home and misleading financiers about the company's troubled operations.

The charges announced by Attorney General Chris Koster cap a yearlong investigation into Bruce Cole, who was chairman and CEO of Mamtek U.S. The federal Securities and Exchange Commission also sued Cole and his wife on Tuesday, seeking financial penalties for the alleged fraud.

Mamtek received $39 million of industrial development bonds from Moberly, Mo., and authorization for up to $17 million of state incentives to build an artificial sweetener factory in the city which Gov. Jay Nixon said would eventually employ more than 600 people. But construction was halted on the partially complete facility after Mamtek missed a bond payment in August 2011.

"The collapse of this $39 million investment in Moberly was a tragedy for this town," Koster said while announcing the criminal charges in front of the chain-locked front gate of the former Mamtek facility.

Beside him, the company's tattered and faded canvass banner dangled from a fence to the ground covered with weeds, with the words "Mamtek U.S." barely visible beneath a coating of dirt.

The charges filed in Randolph County Circuit Court on Tuesday allege that Cole directed a consultant to submit an invoice for more than $4 million to Mamtek for purported engineering-related services by a sham company called Ramwell Industrial Inc. Immediately after Mamtek received the bond revenues in July 2010, Cole instructed the company's bookkeeper to wire $700,000 to his wife's personal bank account, the charges allege. Nanette Cole then used part of the money to make a mortgage payment and avoid an impending foreclosure on their Beverly Hills home.

"Today, we have alleged that Mr. Cole deceived the city and its investors and stole at least $700,000 from the bond fund for his own personal use," Koster said.

The SEC lawsuit, filed in U.S. District Court in California, said the Coles also used that money to pay credit card debt, homeowners and auto insurance and household employees. It said Cole directed a second wire transfer from Mamtek to his wife's account of $204,167 to purportedly cover deferred compensation he was owed. The suit seeks an order forcing the Coles to repay their "ill-gotten gains" with interest, plus additional financial penalties.

The Orange County, Calif., sheriff's department confirmed Tuesday that Cole had been picked up from his current home in Dana Point and was in jail. Missouri court documents show authorities requested a $500,000 bond and the surrender of Cole's passport for fear that he posed a flight risk.

A message left at a home telephone number listed for Cole was not immediately returned Tuesday. It was not clear whether he had an attorney.

In addition to the theft charge, Cole, 65, faces four counts of securities fraud related to the bonds. One count cites a scheme to use Ramwell to defraud Mamtek and the bondholders. The other three counts claim Cole made false statements or failed to disclose important facts about his company. Those include assertions that:

— Mamtek's manufacturing process did not use hazardous materials, when it fact it did;

— Mamtek operated a fully functional sucralose production facility in Fujian Province, China, when in fact the facility was not producing any artificial sweetener at that time and had been shut down by the Chinese government;

— The Moberly facility could be built and operating at full scale within four to six months, when in fact Cole knew it would take longer.

The stealing charge is punishable by up to 15 years in prison. The securities fraud charges are each punishable by up to 10 years in prison and a $1 million fine.

As a result of Mamtek's financial collapse last year, Moberly defaulted on its bonds. The state never paid out any of the incentives it had authorized, because Mamtek failed to meet the necessary benchmarks before it halted construction of the plant.

Frustrations still run high among Moberly residents, some of whom watched Koster's news conference. Norman Wright, a retired construction contractor, said he was glad to hear of the charges against Cole.

But "I think they should have arrested his wife. I think they ought to arrest the City Council, too," Wright said. "They didn't do their homework."

Moberly Mayor Bob Riley said that, in hindsight, Cole "was not as honest as he could have been" with local officials eager to generate jobs for the north-central Missouri town of about 14,000.

"He was a very personable man — and still is, I'm sure — (it was) hard not to join on the bandwagon," Riley said.

Koster said the financial collapse of Mamtek hurt not only bondholders, but also the city government and its residents, and all small communities across Missouri because it has highlighted the risk of their financial investments.

"At various levels I think that there are a lot of victims, and it doesn't stop at the

city limits of Moberly," Koster said.

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