Mo. Files Cease-and-Desist Order Over Failed Sweetener Plant

JIM SALTER, Associated Press

ST. LOUIS (AP) — Missouri Secretary of State Jason Kander announced action Thursday against a financial management company connected to the failed Mamtek artificial sweetener plant in mid-Missouri.

Kander filed a cease-and-desist order against Morgan Keegan & Co. Inc., which was the underwriter for bonds for the Mamtek project at Moberly. Kander said bond purchasers investing in the failed plant lost $6.5 million. The order alleges that Morgan Keegan failed to adequately investigate Mamtek's business plan and failed to disclose risks to investors.

The city of Moberly issued $39 million in bonds to fund construction of the plant that sits idle. Morgan Keegan made $2.5 million off the bond sale, Kander said. The order seeks restitution, civil penalties, fees and costs.

No criminal charges have been filed against Morgan Keegan, which is now a division of Raymond James Financial Inc. A Raymond James spokeswoman declined comment.

Kander said Morgan Keegan misrepresented to investors that Mamtek had patents for artificial sweeteners that it didn't really have. He said the financial firm also indicated that Mamtek had an operational facility in China, when it did not.

"If Morgan Keegan had done its due diligence and investigated the feasibility of Mamtek's business plan we would not be here today," Kander said at a news conference in St. Louis. "This is unacceptable."

Criminal charges were filed last month against former Mamtek CEO Bruce Cole, who is accused of perpetrating fraud by persuading Moberly to issue the bonds and the state to authorize up to $17 million in incentives. The incentives were never paid because the Mamtek project failed before the company met the criteria to receive the aid.

The Mamtek factory was once hailed as an economic development success story for Moberly, a town of 14,000 residents. While seeking government incentives, Mamtek officials said they had developed proprietary technology for the artificial sweetener sucralose and promised up to 600 jobs.

Cole also faces a civil lawsuit from the federal Securities and Exchange Commission and a bankruptcy suit filed by UMB Bank, the bondholders' trustee.

Columbia, Mo.-based Shelter Insurance invested $5.6 million in Mamtek bonds, in

part because it wanted to support neighboring Moberly, said Joe Moseley, Shelter's vice president of public affairs.

"It was something that evidently looked like a good investment at the time," Moseley said. "We put a chunk of money into it."

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