Ex-Mamtek CEO Waives Hearing On Fraud Charges

David A. Lieb, Associated Press

MOBERLY, Mo. (AP) — The former CEO of a failed artificial sweetener facility waived a preliminary hearing Thursday at which Missouri prosecutors were to have laid out evidence of theft and fraud charges against him, but he will be back in court next week to face a formal arraignment.

Bruce Cole appeared at a Moberly courthouse looking the role of a dapper businessman in a dark suit and white shirt buttoned up to his neck. Yet he is accused of perpetrating a massive fraud by persuading a rural town to issue $39 million in bonds and the state to authorize up to $17 million of incentives to fund an artificial sweetener facility that collapsed financially before construction ever finished.

Cole, who was chairman and CEO of Mamtek U.S., said nothing in court Thursday as his attorney waived his right to a preliminary hearing and argued unsuccessfully that Cole's $500,000 bond should be reduced. Associate Circuit Judge Mason Gebhardt scheduled Cole's arraignment for Jan. 23.

Cole, 65, faces one theft charge and four counts of securities fraud related to the industrial development bonds issued by Moberly. Among other things, the charges allege that Cole diverted some of the bond revenues to avoid foreclosure on a home in Beverly Hills, Calif.

The Mamtek factory in Moberly once had the support of the state's highest ranking officials but now stands abandoned as a reminder of how the high-stakes competition for businesses among states and cities can go bad.

While seeking government incentives, Mamtek said it had developed proprietary technology and begun manufacturing the artificial sweetener sucralose in China. Former Missouri Gov. Bob Holden, who is chairman of the trade promoting Midwest U.S.-China Association, presented the Mamtek project to 12 states. Gov. Jay Nixon announced in July 2010 that Mamtek had chosen Moberly and could eventually create more than 600 jobs in the north-central Missouri city of about 14,000 people.

But the state never paid any of its incentives because the Mamtek project failed before the company met the criteria needed to trigger the aid.

In addition to criminal charges, Cole faces a civil lawsuit from the federal Securities and Exchange Commission and a bankruptcy suit filed by UMB Bank, the bondholders' trustee.

Public defender Raymond Legg is representing Cole who says he lacks the

resources to hire a private attorney, On Thursday, Legg renewed a request to lower Cole's bond while arguing that his incarceration was hampering his defense of the civil suits.

"It would be beyond the height of foolishness for Mr. Cole to not appear in this case," Legg said.

But Assistant Attorney General Jim Farnsworth said Cole's increasingly dire legal battles provided good reason to keep his bond in place.

"If he ever had an incentive to flee, it is becoming stronger," Farnsworth said.

The judge kept the bond as is and took no action on a separate request by Legg to allow Cole to use a DVD player in jail to meet his continuing education requirements as an attorney in California. Gebhardt encouraged Cole's attorney to simply work out the DVD request with the sheriff.

The criminal charges allege 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 on their home. She is not charged with any wrongdoing.

The fraud charges also claim that 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 in fact it did;

— Mamtek operated a fully functional sucralose production facility in Fujian Province, China. The facility was actually 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.

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