

Bond Case Briefs

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Morgan Keegan Settles Lawsuit Over Failed Missouri Sweetener Plant.

Jan 14 (Reuters) – Morgan Keegan & Co on Wednesday settled a class action lawsuit accusing the brokerage of bilking investors who bought \$39 million of municipal bonds meant to build a Missouri artificial sweetener plant that failed.

Terms were not disclosed. The settlement averted a civil trial set to begin on Wednesday against Morgan Keegan, now a unit of Raymond James Financial Inc.

It also came two months after Bruce Cole, the former chief executive of Mamtek U.S. Inc who oversaw the project, was sentenced to seven years in prison for fraud and theft.

Roughly 133 investors accused Morgan Keegan of securities fraud over its underwriting of bonds issued by the Industrial Development Authority of the City of Moberly, located in north-central Missouri, and sold from July 2010 to September 2011.

These bonds were issued to help fund Mamtek's construction of a plant to produce the low-calorie sweetener sucralose, and create about 600 jobs.

Investors said the bonds became worthless after Mamtek defaulted in August 2011, leaving behind an unfinished factory. They said Morgan Keegan failed to do proper due diligence to ensure that the bond offering documents were accurate.

Jurors had been seated on Tuesday for the trial against Morgan Keegan in the federal court in Jefferson City, Missouri.

Raymond James bought Morgan Keegan from Regions Financial Corp in April 2012.

Regions spokeswoman Evelyn Mitchell declined to comment. Raymond James spokeswoman Katy Barrett declined immediate comment. Rich McLeod, a lawyer representing the investors, said his clients were pleased to settle.

Missouri Attorney General Chris Koster has said Cole pleaded guilty after diverting bond financing for his own use, including to stop the foreclosure of his Beverly Hills, California home, and winning tax credits by falsely promising to create jobs.

The case is Cromeans et al v. Morgan Keegan & Co et al, U.S. District Court, Western District of Missouri, No. 12-04269.

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