Mo. City Not Liable for Mamtek Bonds

COLUMBIA, Mo. (AP) — A federal judge has ruled that the city of Moberly and its industrial development authority are not responsible for bonds involved in a failed artificial sweetener plant project [1].

Moberly and the agency issued $39 million in bonds in July 2010 to finance construction of a Mamtek plant, which was expected to create 600 jobs. The project never materialized and Mamtek is now in bankruptcy.

U.S. District Judge Nanette Laughrey ruled Monday that the city legally issued the bonds. She said the concept of sovereign immunity, which holds that governments can't be sued for legal official acts, prevents investment company Morgan Keegan from holding the city liable for the losses. Morgan Keegan sold the bonds issued by Moberly, The Columbia Daily Tribune [2] reported.

"Both the Missouri legislature and the Missouri Supreme Court have indicated that this type of bond issue is a governmental function," Laughrey wrote. "The Missouri legislature has expressly stated that bond issues such as the offering in this case serve 'an essential public and governmental purpose.' "

Alabama investor John Cromeans is suing Morgan Keegan and is seeking class-action status to sue on behalf of all bondholders. He claims that the company didn't verify the financial and patent claims made by Mamtek and sold the bonds with assurances that Moberly would repay the debt.

Morgan Keegan in turn sued Moberly and the Moberly Industrial Development Authority. In her ruling, Laughrey wrote that Morgan Keegan had not convinced her that Moberly was legally liable.

Moberly won a similar ruling in a lawsuit filed in a Cole County state court by Shelter Insurance Cos. When Morgan Keegan's attorney, Chuck Hatfield, appealed that ruling, Moberly paid $95,000 to settle the claims. Hatfield said his clients haven't decided whether to appeal the federal court ruling.

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Information from: Columbia Daily Tribune, http://www.columbiatribune.com [3]

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