

RECEIVED

JUN 23 2010

**CLERK U.S. DISTRICT COURT
SOUTHERN DISTRICT OF IOWA**

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF IOWA

UNITED STATES OF AMERICA,)	
)	CRIMINAL NO. 4:10-cr-079
Plaintiff,)	
)	
v.)	<u>INDICTMENT</u>
)	18 U.S.C. § 1343
CLARENCE ALLEN RICE,)	
)	
Defendant.)	

THE GRAND JURY CHARGES:

INTRODUCTORY ALLEGATIONS

1. Defendant CLARENCE ALLEN RICE (“RICE”) was at all relevant times the President and controlling owner of C & J Leasing Corp., C & J Vantage Leasing Co., C & J Special Purpose Corp., C & J Management Corp., and C & J Holding Co. These entities, although legally distinct, were essentially operated as a single company and will be referred to collectively as “C & J.”

2. C & J was in the business of leasing commercial equipment to small businesses, such as restaurants, gas stations, golf courses, and grocery stores. The leases typically lasted several years, at the conclusion of which the lessee would become the outright owner of the equipment. C & J obtained financing for its business from a variety of sources, including Frontier Leasing Corporation (“Frontier”) and Liberty Bank, N.A. (“Liberty Bank”).

3. Under its financing arrangement with Frontier, C & J would sell leases to Frontier

in exchange for a payment. As a matter of convenience, C & J would remain the named party on the leases and continue to collect payments from lessees. However, the lease payments did not belong to C & J and instead had to be forwarded in accordance with C & J's agreements with Frontier.

4. After purchasing leases from C & J, Frontier would bundle a number of the leases together as a "securitization" and sell them to investors. This was an important part of how Frontier obtained financing for its business. Frontier also obtained financing from banks, including First American Bank of Iowa, using the C & J leases as collateral. First American Bank of Iowa is a federally-insured financial institution.

5. From the time they started doing business together, C & J and Frontier recognized that some of the leases sold by C & J to Frontier might end up going into default. Default would occur when, for example, the lessee stopped making monthly payments. The agreements between Frontier and C & J contained a limit on the percentage of leases that could be in default at any one time. If the percentage of leases in default went above that limit, C & J had to buy back enough defaulted leases to return the percentage below the limit.

6. At some point no later than the end of 2004, C & J began to experience financial problems as a result of, among other things, an unusually high number of leases going into default. These financial problems prompted RICE to begin committing several forms of fraud against Liberty Bank, Frontier, and Frontier's investors and financing sources, including First American Bank of Iowa. The several forms of fraud had a common goal: allowing C & J to maintain possession and use of money that rightfully belonged to someone else.

7. At all relevant times, RICE participated heavily in “day trading;” that is, the buying and selling of publicly-traded stocks and other financial instruments. RICE had an account at Ameritrade, an online brokerage, that he funded using money from C & J’s business accounts. RICE would have the money pass through a personal account controlled by him under the name “C Allen Rice Insurance” prior to being deposited into his Ameritrade account.

**COUNTS 1-4
(Wire Fraud)**

8. The Grand Jury re-alleges paragraphs 1-7 of the Introductory Allegations as if fully set forth herein.

9. Beginning no later than June 1, 2005, defendant RICE devised a scheme to defraud and obtain money by materially false and fraudulent pretenses, representations and promises.

10. It was part of the scheme to defraud that RICE would conceal the existence of defaulted leases from Frontier and Frontier’s financing sources so as to avoid having to buy back leases under the agreements with Frontier. In many instances when a lease went into default because a lessee had stopped making monthly payments, RICE caused C & J to continue making monthly payments to Frontier anyway and represented that those payments had come from the lessee. This gave the appearance to Frontier and its financing sources that the lease was current when, in fact, it was in default.

11. It was part of the scheme to defraud that RICE unlawfully converted money to his own use, and the use of C & J, when lessees paid off their leases early. These “early payoff”

amounts belonged to Frontier and its financing sources because C & J no longer owned the leases. However, RICE would not forward the money as required under C & J's agreements with Frontier. Instead, RICE caused C & J to keep the early payoff money and caused C & J to continue making monthly payments to Frontier for the leases in question, thus giving Frontier and its financing sources the false impression that the lease had not been paid off.

12. It was part of the scheme to defraud that RICE caused C & J to sell certain leases to Frontier that had never become enforceable with the lessee because the lessee had canceled the lease prior to delivery of the equipment. RICE did not notify Frontier that the leases had been canceled and instead caused C & J to continue making monthly payments as if the leases were valid and in effect.

13. It was part of the scheme to defraud that RICE caused C & J to conceal from Frontier and its financing sources that certain leases had been canceled by the lessees shortly after being entered. RICE did not notify Frontier that the leases had been canceled and instead caused C & J to continue making monthly payments as if the leases were valid and in effect.

14. It was part of the scheme to defraud that RICE caused C & J to "double finance" certain pieces of leased equipment by: (A) selling the same lease twice, once to Liberty Bank and once to Frontier; or (B) selling a lease to Frontier, renegotiating the lease with the lessee, and selling the renegotiated lease to Frontier as if it was a new lease for a new piece of equipment.

15. It was part of the scheme to defraud that RICE attempted to recoup C & J's business losses by using funds from the C & J business accounts to engage in online day trading. RICE caused funds to be transferred from C & J bank accounts to a personal bank account

controlled by him, and then from the personal account to an online Ameritrade account controlled by him.

16. In furtherance of, and in an attempt to carry out, some essential step in the fraudulent scheme, RICE did knowingly and wilfully cause to be transmitted by means of wire communication in interstate or foreign commerce, certain signs, signals and sounds; namely, the electronic transfers of funds into a C & J account at Liberty Bank, West Des Moines, Iowa, on or about the following dates from the specified accounts:

Count	Date	Source Account and Location	Amount
1	April 3, 2006	John C. Coble, Jr.; Account No. XXXXXXXXXXX141; First Citizens Bank, North Carolina	\$3,120.78
2	April 6, 2006	Zahnkünstler Oral Studios, Inc.; Account No. XXXXXXXXXXX529; KeyBank National Association, McMinnville, Oregon	\$10,225.70
3	May 15, 2006	R O's Lawn Service; Account No. XXXXXXXXXXX790; Wachovia Bank, Florida	\$5,546.29
4	May 17, 2006	Rose Industries, Inc. T/A Churchland Shell; Account No. XXXXXXXX725; TowneBank; Portsmouth, Virginia	\$3,341.35

Each Count is a violation of Title 18, United States Code, Section 1343.

A TRUE BILL.

/s/
FOREPERSON

Nicholas A. Klinefeldt
United States Attorney

By: /s/ Stephen H. Locher
Stephen H. Locher
Assistant United States Attorney