



# Department of Justice

United States Attorney Nicholas A. Klinefeldt  
Southern District of Iowa

FOR IMMEDIATE RELEASE  
Friday, June 17, 2011  
<http://www.justice.gov/usao/ias/>

CONTACT: Kevin VanderSchel  
(515) 473-9300  
[kevin.vanderschel@usdoj.gov](mailto:kevin.vanderschel@usdoj.gov)

## **FEDERAL JURY CONVICTS WEST DES MOINES BUSINESSMAN OF WIRE FRAUD IN CONNECTION WITH \$8 MILLION SCHEME AGAINST DES MOINES-AREA SMALL BUSINESS**

*Defendant Defrauded a Long-Standing Business Partner and Made False Statements  
to Auditors to Conceal His Fraud.*

Des Moines, Iowa – Clarence Allen Rice, the owner of C & J Leasing Corp., was found guilty today of wire fraud in connection with a complex \$8 million scheme against a different Des Moines-area small business, announced United States Attorney Nicholas A. Klinefeldt. The jury returned guilty verdicts on all four counts against Rice.

Trial evidence showed that Rice suffered over \$800,000 in day trading losses in the early 2000s using his company's money. As a result, his company faced severe cash flow problems by early 2003. Rice addressed the cash flow problems by misappropriating millions of dollars from Frontier Leasing Corporation between 2003 and 2006 and using it to pay other debts and engage in additional day trading. He concealed his fraud by making false statements to Frontier and his auditors, including KPMG. His scheme relied heavily on the fraudulent use of the term "security deposit" on his company's books.

Rice's company was in the business of purchasing commercial equipment and leasing it to restaurants, tanning salons, and other small businesses in exchange for a monthly payment. Rice's company entered thousands of lease contracts over the years. He obtained financing for his company, in part, by selling many of those leases to Frontier in exchange for a large payment. Frontier is a Des Moines-area small business that, prior to the fraud, had more than 25 employees.

As a result of the sale of the lease, all lease payments belonged to Frontier. However, as part of the agreements between the two companies, Rice's company continued to service the leases—meaning, his company performed collection work and handled payments as they came in.

His company was required to promptly forward all the payments to Frontier and properly account for them. Frontier compensated Rice for this work by paying a higher price for each lease in the first place.

In late 2002, as his day trading losses mounted, Rice began misappropriating certain lease payments belonging to Frontier. His misappropriation arose out of situations in which a lessee decided to pay off a lease early instead of continuing to make monthly payments through the end of the lease term. This “early payoff” money belonged to Frontier, as the owner of the lease. However, on hundreds of occasions totaling millions of dollars, Rice kept the early payoff money and used it for other purposes.

Rice concealed his misappropriation by having his company make monthly payments to Frontier on the leases in question in the amount that would have been due from the lessee, had the lease remained in existence. Rice reported to Frontier that those payments had come from the lessees, thus giving Frontier the false impression that the leases remained valid and in existence.

Rice also misappropriated Frontier’s money in other situations. For example, in late 2004, he sold a lease to Frontier for nearly \$200,000. However, the lease was later canceled before Rice’s company even purchased any equipment for the lessee. Nonetheless, Rice did not return Frontier’s money. Instead, he reported to Frontier that the lease was valid and in existence.

For bookkeeping purposes, Rice used his company’s “security deposit” account to conceal the fraud. Each time he received early payoff money, he recorded the payment as a customer “security deposit” on his companies’ books. When KPMG and his other auditors asked for an explanation regarding the substantial growth in the security deposit account, he falsely informed them that security deposits had increased due to an increase in business.

As a result of Rice’s fraud, Frontier suffered losses in excess of \$5.5 million. In addition, lessees lost more than \$2 million in security deposits that had been given to Rice’s company.

U.S. Attorney Klinefeldt praised the jury for the time and careful attention given to the often-complicated case. He said he hopes the jury’s verdict will deter other fraudulent conduct and instill confidence among small business owners in Iowa that their interests will be protected and defended. “The vast majority of small business owners in Iowa are hard-working, honest

people who do the right thing, even in difficult situations,” he said. “We want them to know that we’re standing beside them and that we will do everything we can to ensure a business environment that is free from fraud.”

Klinefeldt said the Federal Bureau of Investigation investigated the offenses and provided considerable assistance in the prosecution of the case. “The FBI drives these cases,” he said. “We are lucky to have such talented, dedicated agents here in Iowa.”

###