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**THREE EXECUTIVES INDICTED IN ALLEGED FRAUD SCHEME INVOLVING
RAPID DIAGNOSTIC TESTS FOR HIV, DIABETES AND MAD COW DISEASE**

CHICAGO – Two former executives and a current employee of a northwest suburban diagnostic testing company were indicted on federal fraud charges for allegedly swindling thousands of investors out of millions of dollars, law enforcement authorities said today. A federal grand jury returned a 50-count indictment late yesterday against the onetime executives of Buffalo Grove-based Efoora, Inc., which with two subsidiaries, purported to be in the business of designing, manufacturing and marketing rapid diagnostic tests for HIV, diabetes, mad cow disease and chronic wasting disease in mules, deer and elk. As part of the alleged fraud scheme, the defendants gave staged tours of Efoora's facilities to potential investors and customers that included stacking, labeling and arranging empty boxes for shipping, using temporary workers, operating machinery that was not ordinarily in use, and assembling and packaging fake test kits in an attempt to show that the company was more productive and successful than it actually was.

Efoora issued and sold more than 100 million shares of stock at prices ranging from 10 cents to \$2.50 per share, raising more than \$30 million from more than 3,000 investors, according to the indictment.

The defendants, **David Grosky**, **Craig Rappin**, and **Melvin Dokich**, were each charged with participating in a fraud scheme to deceive prospective and actual investors between the summer of 1999 and March of this year, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois; Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of investigation; and Kenneth T. Laag, Inspector-in-Charge of the U.S. Postal Inspection Service in Chicago. The U.S. Food and Drug Administration Office of Criminal Investigations and the Securities and Exchange Commission also assisted in the investigation.

Grosky, 44, of Highland Park, formerly chief executive officer and chairman of the board of directors of Efoora from 1998 through March 2005, was charged with three counts of mail fraud, six counts of wire fraud and eight counts of money laundering.

Rappin, 45, of Long Grove, formerly Efoora's chief operating officer and a board member from 1998 through March 2004, was charged with one count of mail fraud. Through his attorney, Rappin authorized the government to disclose that he is cooperating with the government.

Dokich, 58, of Forestview, an account executive responsible for selling Efoora stock and raising money through other investments since October 1999, was charged with three counts of mail fraud, six counts of wire fraud, eight counts of money laundering and 33 counts of illegally structuring cash withdrawals.

All three defendants will be arraigned at a later date in U.S. District Court in Chicago.

The indictment also seeks forfeiture of alleged proceeds of at least \$1.5 million from all three defendants and their residences as substitute assets; it also seeks an additional \$478,548 from Grosky and Dokich; and an additional \$311,000 from Dokich alone.

According to the indictment, Efoora attempted to develop diagnostic tests for commercial distribution in the United States, including a rapid HIV test, a glucose test for diabetes, a test for

mad cow disease, and a test for chronic wasting disease in mules, deer, and elk. The HIV and diabetes tests required approval from the U.S. Food and Drug Administration before they could be sold in the United States. Efoora was not able to obtain FDA approval to market the HIV test commercially and never submitted an application to the FDA for the glucose test. The mad cow disease and the chronic wasting disease tests required approval from the U.S. Department of Agriculture before they could be sold in the United States. Efoora never received USDA approval for the mad cow disease test, and although it did receive USDA approval for the wasting disease test in approximately March 2004, Efoora was not successful in marketing or selling that test.

The defendants allegedly schemed to fraudulently obtain money from prospective and actual investors by making false representations and promises. In connection with the scheme, the defendants each personally obtained financial benefits from Efoora, including receiving millions of shares of Efoora stock. Grosky received more than \$1.5 million from the sale of Efoora shares; Grosky and Rappin each received a salary totaling approximately \$1 million over the course of the scheme; and Dokich placed investor funds in a personal bank account from which he withdrew more than \$500,000 in cash.

To convince individuals to invest in Efoora, the defendants made, and caused others to make, the following materially false representations:

that Efoora was going to become a publicly traded company within a short period of time and the value of the stock would increase significantly – in fact, Efoora could not go public because it had not taken, and Grosky did not intend to take, necessary actions, including obtaining audited financial statements, and refraining from the sale of any stock for six months;

overstating Efoora's manufacturing capabilities, including that it could manufacture millions of tests a year with the equipment it had;

that Efoora was producing millions of HIV tests and shipping them to other countries;

that Efoora had obtained contracts with certain customers in countries around the world;

overstating Efoora's revenues – claiming that it had many millions of dollars of sales;

that Efoora was going to receive FDA approval of its HIV test within a short period of time;

Dokich falsely represented that Efoora's glucose test was ready to be commercially marketed;

Grosky falsely represented that Efoora's mad cow disease test would be on the market in a short period of time;

Grosky falsely represented that there was virtually no risk involved in investing in Efoora stock because the HIV test was going to receive FDA approval and Efoora was going to go public shortly; and

Grosky and Dokich each falsely represented that he was selling stock on behalf of Efoora, – in fact, they were selling that stock in whole or in part for their own benefit, with the proceeds being deposited into personal bank accounts that each controlled.

In addition, the defendants allegedly provided written materials to certain investors and customers, including private placement memoranda, business plans, projected financials, newsletters, executive summaries, information on Efoora's website, and correspondence that they knew contained materially false information. These alleged false representations included that: Efoora would pay brokers 12 percent of the investment as commissions and fees, when, in fact, it paid commissions that were ordinarily 20 to 45 percent of the value of the investment, which drastically depleted the money Efoora needed to develop its products; Efoora's investors were all accredited investors, when, in fact, many were not; and a large accounting firm had provided a valuation of Efoora's technology, showing that it was worth hundreds of millions of dollars, when, in fact, the study was not completed and Efoora had agreed that the information would be used only internally and not publicly disseminated.

The fraud scheme and structuring counts against Dokich allege that in 2001 and 2002, he deposited investors' funds into his personal bank account and made a series of withdrawals – totaling more than \$500,000 – in amounts less than \$10,000 to evade bank currency transaction reporting requirements.

The officials also announced that their agencies have established e-mail and phone communications for potential victims of the alleged fraud scheme: the e-mail address is efoorainvestors@yahoo.com, and the phone number is (866) 364-2621.

The government is being represented by Assistant U.S. Attorney Jacqueline Stern.

If convicted, the mail and wire fraud counts each carry a maximum penalty of 20 years in prison and a \$250,000 fine; some of the money laundering counts carry a maximum penalty of 20 years in prison, while others carry a maximum of 10 years, and a \$250,000 fine; and the structuring counts each carry a maximum of five years in prison and a \$250,000 fine. As an alternative, the Court may impose a maximum fine equal to twice the loss to any victim or twice the gain to any defendant, whichever is greater. Restitution is mandatory and the Court would determine the appropriate sentence to be imposed.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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