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CEO of Livermore startup indicted on new mail, wire fraud charges

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(05-01) 21:43 PDT -- The chief executive of a Livermore startup company has been indicted on new charges of mail and wire fraud in an alleged \$1 million embezzlement scheme that helped finance a Ferrari, Baroni suits and expensive wine, according to authorities and court records.

John Frances Griffin, 43, formerly of Orinda and the head of VaporTech Inc., is accused of lying to investors and employees about loans he purportedly had made to his company, which developed products including a "dirt eater" that can clean toxic soil and a device that uses steam to obtain oil from wells.

Griffin, who now lives in Philadelphia, has waived his appearance at a hearing scheduled for Wednesday before U.S. District Judge Claudia Wilken in Oakland. Griffin suffers from a number of medical issues, his attorneys wrote in court papers. Lawyers in the case will discuss various motions at the hearing, court records show.

In recent years, Griffin's company, which has offices in Livermore and San Ramon, raised more than \$2.5 million in seed money from more than 400 investors, according to an affidavit by FBI Special Agent Marla Klaisle.

From February 2004 to May 2006, Griffin falsely told investors that he had loaned \$275,000 to VaporTech and later \$330,000 in order to entice them to invest in the company, authorities said.

He also falsely told VaporTech employees that he had loaned the company \$1 million to conceal the fact that he had taken money from the company bank account without authorization, authorities said.

A federal grand jury indicted Griffin in May 2006 on three counts of mail fraud. In December, the grand jury returned a new indictment that incorporated the mail-fraud charges and added two charges of tax evasion.

On Thursday, the grand jury returned another indictment, adding 12 counts of mail fraud, two counts of tax evasion and one count of wire fraud.

Federal prosecutors said Griffin evaded paying \$114,491 in income taxes in 2004 and 2005 by not providing his social-security number to the VaporTech chief financial officer.

Griffin also allegedly cashed his salary checks instead of depositing them and failed to keep books and records of his business activities, authorities said.

Former Contra Costa prosecutor Tom O'Connor had joined VaporTech after leaving the district attorney's office and uncovered the alleged embezzlement in April while preparing the company for a merger. Working surreptitiously with other company officers, he determined that roughly \$1 million was missing from the firm's bank account, Klaisle's affidavit states.

According to his associates, Griffin rented a large home in Orinda, which doubled as his office; leased a Ferrari F355 F1 and a Mercedes CLS 500; bought his fiancée a \$60,000 engagement ring; used \$40,000 in company money to buy steroids and human growth hormone; and purchased suits, fine wine, high-end electronics, Super Bowl tickets and a trip to the plush Post Ranch Inn in Big Sur, authorities said.

The indictment seeks forfeiture of a \$30,359 diamond ring with three stones, a \$3,425 gold tennis bracelet, two televisions each worth more than \$3,700, and more than \$17,000 worth of clothing purchased from Neiman Marcus -- all items purchased from company funds, federal prosecutors said.

Griffin allegedly stashed wads of cash in candles and Coke cans, and a former girlfriend told the FBI that he once told her, "Only idiots pay taxes."

Griffin was arrested May 11 at his Orinda home, just a few hundred yards from the pool house where Susan Polk fatally stabbed her husband in October 2002.

O'Connor was the prosecutor who first took the Polk to trial in October 2005 on charges of murdering her 70-year-old husband, Felix Polk, who was once her therapist when she was a troubled teenager. A mistrial was declared when the wife of her then-attorney, Daniel Horowitz, was slain in the couple's Lafayette home.

Polk was convicted last year of second-degree murder, after a different jury and different prosecutor handled the trial. She was sentenced in February to 16 years to life in prison.

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