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6 **UNITED STATES DISTRICT COURT**
7 **DISTRICT OF NEVADA**

8 -oOo-

9 UNITED STATES OF AMERICA,) CRIMINAL INDICTMENT
10)
PLAINTIFF,) 2:10-CR- 370
11)
VS.) VIOLATIONS:
12)
ALFRED T. SAPSE,) 18 U.S.C. § 1341 - Mail Fraud
13) 18 U.S.C. § 1343 - Wire Fraud
DEFENDANT.) 18 U.S.C. § 981(a)(1)(C) - Forfeiture

14
15 **THE GRAND JURY CHARGES THAT:**

16 **The Scheme to Defraud**

17 At all times relevant to this Indictment:

18 1. From in or about January 2005, to the present, in the State and Federal District
19 of Nevada, and elsewhere,

20 **ALFRED T. SAPSE,**

21 defendant herein, did devise and intend to devise a scheme and artifice to defraud, and for obtaining
22 money and property by means of false and fraudulent pretenses, representations and promises, which
23 scheme and artifice involved fraudulently obtaining money from patients and investors by claiming
24 to have developed a novel medical procedure involving "stem cells" that would cure or ameliorate
25 severe, incurable diseases such as multiple sclerosis, cerebral palsy, and retinitis pigmentosa. By
26 misrepresenting his credentials, the nature of his treatment, the source of his "stem cells," and the

1 adverse effects suffered by previous patients, defendant **SAPSE** convinced chronically ill patients to
2 undergo experimental implant procedures and convinced investors to pay him large amounts of money
3 without knowing the short- or long- term effects of the implant procedure he was promoting.

4 2. As part of the scheme and artifice, defendant **SAPSE** formed Stem Cell Pharma
5 Inc. ("SCPI"), a Nevada corporation, in May 2005 in order to create the false impression that he
6 operated a legitimate pharmaceutical company.

7 A. Defendant **SAPSE** purports to be a retired foreign physician, but has
8 never been licensed by the State of Nevada, or any other state, to practice medicine.

9 3. As part of the scheme and artifice, defendant **SAPSE** controlled several
10 websites, including alfredtSAPSE.com and stemcellpharmainc.com, and issued dozens of "press
11 releases," which he posted on these websites, in which he promoted a novel "stem cell" procedure that
12 he claimed to have developed.

13 A. According to defendant **SAPSE**, he pioneered a "proprietary technique"
14 to extract stem cells from human placentas (the organ that allows for nutrient uptake, waste
15 elimination and gas exchange between a mother and a developing fetus). He then caused the
16 implantation of portions of the placental tissue into the abdomen of sick patients for the treatment of
17 their diseases.

18 B. Stem cells found in human embryos have the ability to differentiate
19 into a wide variety of different cell types, which could make them useful for the treatment of many
20 types of diseases and injuries. The harvesting of embryonic stem cells is extremely controversial,
21 however, because such cells only can be obtained by destroying the embryo, to which many people
22 object on ethical, moral and religious grounds. As a result, many scientists are searching for
23 alternative sources of stem cells. Despite the efforts of many scientists at legitimate research
24 institutions, defendant **SAPSE** claimed to have found an alternative source of stem cells in placental
25 tissue.
26

1 4. As part of the scheme and artifice, in or about the fall of 2005, defendant
2 **SAPSE** hired a local Las Vegas pediatrician (“Physician C”) with no prior stem cell training to
3 perform his implant procedure on patients. At defendant **SAPSE**’s direction, Physician C performed
4 the implant procedure on approximately thirty-four (34) patients between approximately February
5 2006 and November 2006.

6 5. As part of the scheme and artifice, defendant **SAPSE** targeted extremely sick
7 patients, by claiming that his “proprietary” procedure was especially effective for patients with
8 multiple sclerosis, cerebral palsy and retinitis pigmentosa. Given the severity and irreversible nature
9 of their diseases, patients with these diseases were particularly susceptible to defendant **SAPSE**’s
10 claims that he could cure them or ameliorate their symptoms.

11 6. As part of the scheme and artifice, defendant **SAPSE** failed to obtain any
12 approvals from the Food and Drug Administration, as he knew he was required to do, prior to
13 coordinating the implantation of patients with placental cells.

14 7. As part of the scheme and artifice, in July 2006, defendant **SAPSE** made false
15 representations, and instructed others to make false representations, to regulatory investigators with
16 the FDA regarding his role in and the scope of his scheme.

17 8. As part of the scheme and artifice, in or about February 2007, defendant **SAPSE**
18 relocated his fraudulent scheme to Mexico. Defendant **SAPSE** entered into an arrangement with a
19 Mexican physician (“Physician G”) with an office in Nuevo Progreso, Mexico to perform his implant
20 procedure. At defendant **SAPSE**’s direction, Physician G performed the implant procedure on
21 approximately one hundred (100) patients between approximately February 2007 and May 2010 in
22 Mexico.

23 9. As part of the scheme and artifice, defendant **SAPSE** made the following
24 misrepresentations to prospective patients and investors, among others:

25 A. Defendant **SAPSE** falsely claimed that he studied at the Filatov Institute
26 of Eye Diseases and Tissue Therapy (“Filatov Institute”), a prestigious ophthalmological and tissue
therapy clinic located in Odessa, Ukraine, where he purportedly learned about and performed placental

1 implants. This was false, as defendant SAPSE well knew, as he had never studied at, attended, or
2 maintained any relationship with the Filatov Institute.

3 B. Defendant SAPSE falsely claimed that the placental tissue he caused
4 to be implanted in patients was obtained only from Caesarian section births, so as to reduce the risk
5 of passing infection, or otherwise to prevent “damage” to the placenta when it passed through the birth
6 canal during natural childbirth. This was false, as defendant SAPSE well knew. Defendant SAPSE
7 paid a local Las Vegas midwife (“Midwife O”), who was not licensed to and did not otherwise
8 perform Caesarian section births, for placentas that were used on his patients. Defendant SAPSE also
9 paid Physician C to obtain placentas from a local Las Vegas hospital (“Hospital S”), but gave no
10 direction, and did not know, whether those placentas resulted from natural childbirth or Caesarian
11 section.

12 C. Defendant SAPSE falsely claimed that he had achieved “considerable
13 success” with a procedure that was going to “revolutionize medicine as it is known today” (both of
14 which appeared on his website) and that wheelchair bound patients would “definitely walk again”
15 (directly to patients). These representations, and others regarding the efficacy of his implant
16 procedure, were false, as defendant SAPSE well knew, as he had done no laboratory testing of his
17 procedure prior to making these representations and lacked the money, facilities and expertise to
18 conduct research to support the claims he made.

19 D. Defendant SAPSE falsely claimed that he subjected the placental tissue
20 he obtained to a “proprietary process,” such that the stem cells in that tissue would express a special
21 enzyme that would cause the stem cells to replicate indefinitely. This was false, as defendant SAPSE
22 well knew, as he did nothing to the placental cells that would ensure that they would replicate.

23 10. As part of the scheme and artifice, defendant SAPSE conducted no follow-up
24 with his patients after inducing them to undergo his implant procedure, undertook no systematic effort
25 to track their progress (or lack thereof) after implantation and collected no data, despite creating the
26 impression that he was engaged in legitimate medical research.

1 11. As part of the scheme and artifice, defendant SAPSE concealed from
2 prospective patients and investors the adverse effects suffered by previous patients, including infection
3 and worsening of their symptoms.

4 12. As part of the scheme and artifice, defendant SAPSE received approximately
5 \$1 million dollars from patients and investors, approximately \$700,000 of which he spent on personal
6 expenditures and for gambling at local casinos. Defendant SAPSE did not use any of the money for
7 laboratory research, animal studies or human clinical studies relating to the short- and long- term
8 effects of the implant procedure he was promoting.

9 **COUNTS ONE THROUGH SEVEN**
 Mail Fraud; Aiding and Abetting

10 13. The Grand Jury incorporates Paragraphs One through Twelve as though fully
11 set forth herein.

12 14. For the purpose of executing the aforesaid scheme and artifice to defraud, and
13 attempting to do so, on or about the dates set forth below,

14 **ALFRED T. SAPSE,**

15 defendant herein, did knowingly place in an authorized depository for mail matter any matter and thing
16 to be sent and delivered by the Postal Service, did knowingly cause to be delivered by mail and by any
17 private and commercial interstate carrier any matter and thing, according to the direction thereon,
18 and did knowingly deposit and caused to be deposited any matter and thing to be sent and delivered
19 by any private and commercial interstate carrier, the items described below, with each use of the mails
20 constituting a separate violation of Title 18, United States Code, Sections 1341 and 2:

Count	Victim	Date of Mailing	Method of Mailing	Location of Mailing	Item Mailed
1	D.A.	July 26, 2006	Federal Express	From Las Vegas, Nevada to Staten Island, New York	Stock certificate
2	P.C.	August 24, 2006	U.S. Postal Service	From Las Vegas, Nevada to McDaniel, Maryland	Invoice

3	P.S.	October 30, 2006	U.S. Postal Service	From Pittsford, New York to Las Vegas, NV	Check
4	T.D.	October 30, 2006	U.S. Postal Service	From Cuba, Missouri to Las Vegas, Nevada	Check
5	B.O.	November 10, 2006	United Parcel Service	From Stryker, Ohio to Las Vegas, Nevada	Check
6	J.W.	March 6, 2007	U.S. Postal Service	From Howell, Michigan to Las Vegas, Nevada	Check
7	K.A.	February 19, 2009	Federal Express	From Las Vegas to Aliquippa, Pennsylvania	Invoice

COUNTS EIGHT THROUGH TWENTY
Wire Fraud; Aiding and Abetting

15. The Grand Jury incorporates Paragraphs One through Twelve as though fully set forth herein.

16. For the purpose of executing the aforesaid scheme and artifice to defraud, and attempting to do so, on or about the dates set forth below,

ALFRED T. SAPSE,

defendant herein, did knowingly transmit and cause to be transmitted by means of wire communication in interstate commerce certain writings, signs, singals, and pictures, that is, on the dates set forth below, defendant **SAPSE** sent and received the following communications described below, from the individuals and locations described below, with each wire transmission constituting a separate violation of Title 18, United States Code, Sections 1343 and 2:

Count	Victim	Date	Description
8	M.A.	August 3, 2005	\$2,500 fund transfer from Florida to Nevada for cost of implant procedure.
9	J.B	August 19, 2005	Wire transfer of \$2,500 from Maryland to Nevada for cost of implant procedure.

10	I.S.	January 5, 2006	International wire transfer of \$7,475 to Alfred Sapse for cost of implant procedure.
11	E.L.	April 3, 2006	Wire transfer of \$2,500 from New York to Nevada for cost of implant procedure.
12	A.D.	May 5, 2006	International wire transfer of \$2,485 to Alfred Sapse for cost of implant procedure.
13	M.B.	August 7, 2006	Wire transfer of \$2,500 from Pennsylvania to Nevada for cost of implant procedure.
14	L.B.	November 24, 2006	International wire transfer of \$1,983 to Alfred Sapse for cost of implant procedure.
15	R.M.	December 4, 2006	Wire transfer of \$2,500 from Pennsylvania to Nevada for cost of implant procedure.
16	T.D.	December 28, 2007	Electronic mail message from Nevada to New York attaching "patient instructions" and invoice for implant procedure.
17	R.B.	January 4, 2007	Wire transfer of \$ 2,500 from Michigan to Nevada for cost of implant procedure.
18	D.H.	April 2, 2007	Electronic mail message from Nevada to California attaching "patient instructions" and invoice for implant procedure.
19	C.Z.	April 4, 2007	Wire transfer of \$3000 from Michigan to Nevada for cost of implant procedure.
20	B.H.	October 2, 2007	Electronic mail message from Nevada to Illinois attaching "patient instructions" and invoice for implant procedure.

FORFEITURE ALLEGATION
Mail Fraud and Wire Fraud

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2
3 17. The allegations of Counts One through Twenty of this Criminal Indictment are
4 hereby realleged and incorporated herein by reference for the purpose of alleging forfeiture pursuant
5 to the provisions of Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States
6 Code, Section 2461(c).

7 18. Upon a conviction of the felony offenses charged in Counts One through
8 Twenty of this Criminal Indictment,

ALFRED T. SAPSE,

9 defendant herein, shall forfeit to the United States of America, any property which constitutes or is
10 derived from proceeds traceable to violations of Title 18, United States Code, Sections 1341 and 1343,
11 specified unlawful activities as defined in Title 18, United States Code, Sections 1956(c)(7)(A) and
12 1961(1)(B), or a conspiracy to commit such offense, an *in personam* criminal forfeiture money
13 judgment up to \$913,748.00 in United States Currency including: \$6,608.66 in United States
14 Currency.

15 19. If any property being subject to forfeiture pursuant to Title 18, United States
16 Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), as a result of any act
17 or omission of the defendant –

- 18 a. cannot be located upon the exercise of due diligence;
19 b. has been transferred or sold to, or deposited with, a third party;
20 c. has been placed beyond the jurisdiction of the court;
21 d. has been substantially diminished in value; or
22 e. has been commingled with other property that cannot be divided without
23 difficulty;

24 it is the intent of the United States of America, pursuant to Title 21, United States Code, Section
25 853(p), to seek forfeiture of any properties of the defendant for an *in personam* criminal forfeiture
26 money judgment up to \$913,748.00 in United States Currency.

1 All pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United
2 States Code, Section 2461(c); Title 18, United States Code, Sections 1341 and 1343, specified
3 unlawful activities as defined in Title 18, United States Code, Sections 1956(c)(7) and 1961(1)(B);
4 and Title 21, United States Code, Section 853(p).

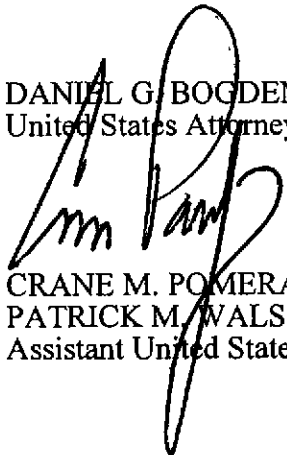
5 DATED: this 14th day of July, 2010

6 A TRUE BILL:

7 /s/

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FOREPERSON OF THE GRAND JURY

9 DANIEL G. BOGDEN
United States Attorney

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11 
12 CRANE M. POMERANTZ
13 PATRICK M. WALSH
Assistant United States Attorney