

UNITED STATES DISTRICT COURT  
DISTRICT OF MINNESOTA

UNITED STATES OF AMERICA,	)	INDICTMENT	CR 13-203 ADM JJG
	)		
Plaintiff,	)	18 U.S.C. § 1341	
	)	18 U.S.C. § 1343	
v.	)	26 U.S.C. § 7201	
	)	26 U.S.C. § 7206(1)	
JOHN JOSEPH WATERS, JR.,	)		
	)		
Defendant.	)		

The United States Grand Jury charges that:

**INTRODUCTION**

1. This is an embezzlement and tax fraud case in which the defendant embezzled millions of dollars from his long-time employer, then willfully failed to report any of the millions that he embezzled as income on his tax returns.

**BACKGROUND**

At all times relevant to this indictment:

- 2. The defendant, John Joseph Waters, Jr., was a resident of Minnesota.
- 3. Gerard Leon Cafesjian was a resident of Minnesota until about 1996, at which time he relocated to the state of Florida, where he has been a resident since 1996.
- 4. From about 1960 until his retirement in 1996, Cafesjian was employed by West Publishing, then a privately-held, Minnesota-based company.

SCANNED
AUG 06 2013
U.S. DISTRICT COURT ST. PAUL

U.S. v. John Joseph Waters, Jr.

By the time of his retirement, Cafesjian was a senior executive and shareholder of West Publishing.

5. During the last approximately two years in which Cafesjian was an executive at West Publishing, Waters was also a West Publishing employee who worked with and for Cafesjian.

6. Upon his retirement from West Publishing in 1996, Cafesjian hired Waters as the manager of his numerous personal, business, and philanthropic pursuits. Waters worked for Cafesjian from approximately 1996 until March 2009.

7. During the time he worked for Cafesjian, Waters cultivated and earned Cafesjian's trust, and developed significant responsibilities over Cafesjian's numerous personal, business, and philanthropic interests. These responsibilities included oversight and management of Cafesjian's considerable assets, including numerous bank, trust, and investment accounts.

**COUNTS 1-20**  
(Mail and Wire Fraud)

8. The grand jury restates and realleges paragraphs 1 through 7 above as if fully set forth herein.

9. From at least in or about 1999 and continuing until at least March 2012, in the State and District of Minnesota and elsewhere, the defendant,

**JOHN JOSEPH WATERS, JR.,**

U.S. v. John Joseph Waters, Jr.

knowingly and intentionally devised and executed a scheme and artifice to defraud Cafesjian, and to obtain money and property from him, by means of false and fraudulent pretenses, representations, and promises.

### **Purpose of the Fraudulent Scheme**

10. The purpose of Waters's scheme was to embezzle millions of dollars from Cafesjian, which Waters diverted to his own personal use and to fund his personal lifestyle.

### **Nature of the Fraudulent Scheme**

It was part of the scheme that:

11. Waters obtained from Cafesjian signing authority over numerous bank, investment, and other financial accounts relating to Cafesjian's holdings, including accounts that Cafesjian maintained at Northern Trust Corp. in Illinois, Northern Trust Bank of Florida (collectively Northern Trust Corp. and Northern Trust Bank of Florida are hereafter referred to as "Northern Trust"), and US Bank in Minnesota. The funds in these accounts belonged to Cafesjian, and were to be used solely for Cafesjian's purposes and to Cafesjian's benefit.

12. From at least 1999 and continuing until about March 31, 2009, Waters, using the signing authority Cafesjian had given him, transferred millions of dollars, without Cafesjian's knowledge or permission, from Cafesjian's accounts at Northern Trust to accounts that Waters controlled at US Bank.

U.S. v. John Joseph Waters, Jr.

13. Once he transferred Cafesjian's funds to US Bank, Waters used the funds for his own personal purposes instead of Cafesjian's, including by the following means:

a. Waters cashed hundreds of checks, nearly all of which he wrote in amounts less than \$10,000 to evade currency reporting requirements.

b. Waters deposited hundreds of thousands of dollars into an account at US Bank controlled by his then-girlfriend, now wife.

c. Waters deposited more than one million dollars into an account at US Bank that Waters controlled but that was in the name of an Armenian exchange student, from which he moved the funds to his own accounts or accounts in the names of his wife, children, or girlfriend. The student tragically died in February 2007, yet Waters, to facilitate the redistribution of embezzled funds, continued making regular and substantial deposits into the student's account for another two years after her death.

14. To conceal the nature of the scheme, Waters caused to be falsely recorded in Cafesjian's books that the checks were for Cafesjian's purposes, not Waters's.

15. To conceal the nature of the scheme, Waters directed Cafesjian's other employees not to open or review the bank statements relating to the US Bank

U.S. v. John Joseph Waters, Jr.

account into which Waters was depositing Cafesjian's funds, but instead to give the statements directly to Waters.

16. After Waters left Cafesjian's employment and his fraudulent scheme was discovered, Waters attempted to discourage Cafesjian from investigating the scheme and reporting it to authorities, by threatening to reveal information about Cafesjian that would be harmful to Cafesjian's personal, business, and philanthropic interests.

17. On or about March 31, 2012, three years after leaving Cafesjian's employment, and only after being confronted by investigators concerning Waters's fraudulent scheme, Waters commenced a civil lawsuit against Cafesjian, falsely alleging that, among other things, the funds he withdrew from Cafesjian's accounts constituted borrowings by Waters against additional "deferred compensation" that Cafesjian owed Waters pursuant to an oral modification of Waters's employment agreement.

**Counts 1-4 (Mail Fraud)**

18. The grand jury restates and realleges paragraphs 1 through 7 and 10 through 17 above as if fully set forth herein.

19. On or about the following dates, in the State and District of Minnesota and elsewhere, the defendant,

**JOHN JOSEPH WATERS, JR.,**

U.S. v. John Joseph Waters, Jr.

for the purpose of executing the above-described scheme and artifice to defraud, knowingly caused to be sent, delivered, and moved by the United States Postal Service and by commercial interstate carriers, according to the directions thereon, various matters, items, and things, as described below:

<b>Count</b>	<b>Date (on or about)</b>	<b>Mailing</b>
1	December 22, 2008	Mailing by US Bank of monthly statement for checking account ending in *7856
2	January 6, 2009	Mailing by Deluxe Corp. of blank checks for US Bank checking account ending in *7856
3	February 24, 2009	Mailing by US Bank of monthly statement for checking account ending in *7856
4	March 20, 2009	Mailing by US Bank of monthly statement for checking account ending in *7856

20. All in violation of Title 18, United States Code, Section 1341.

**Counts 5-20 (Wire Fraud)**

21. The grand jury restates and realleges paragraphs 1 through 7 and 10 through 17 above as if fully set forth herein.

22. On or about the following dates, in the State and District of Minnesota and elsewhere, the defendant;

**JOHN JOSEPH WATERS, JR.,**

for the purpose of executing the above-described scheme and artifice to defraud, knowingly transmitted and caused to be transmitted, by means of wire

U.S. v. John Joseph Waters, Jr.

communications in interstate commerce, certain writings, signs, signals, pictures, and sounds, as described below:

<b>Count</b>	<b>Date (on or about)</b>	<b>Wire</b>
5	September 22, 2008	Facsimile transmission of letter, from Water's office in Minnesota to Northern Trust Corp., Chicago, Illinois, requesting transfer of \$75,000.00 to Cafesjian's account at Northern Trust Bank of Florida
6	September 22, 2008	Wire transfer in the amount of \$75,000.00 from Northern Trust Corp., Chicago, Illinois, to Cafesjian's account at Northern Trust Bank of Florida
7	September 22, 2008	Electronic settlement of check number 13701, in the amount of \$20,000.00, drawn on Cafesjian's account at Northern Trust Bank of Florida and deposited into a US Bank account controlled by Waters in Minnesota
8	November 14, 2008	Facsimile transmission of letter, from Water's office in Minnesota to Northern Trust Corp., Chicago, Illinois, requesting transfer of \$200,000.00 to Cafesjian's account at Northern Trust Bank of Florida
9	November 14, 2008	Wire transfer in the amount of \$200,000.00 from Northern Trust Corp., Chicago, Illinois, to Cafesjian's account at Northern Trust Bank of Florida
10	November 14, 2008	Electronic settlement of check number 13784, in the amount of \$20,000.00, drawn on Cafesjian's account at Northern Trust Bank of Florida and deposited into a US Bank account controlled by Waters in Minnesota
11	November 21, 2008	Facsimile transmission of letter, from Water's office in Minnesota to Northern Trust Corp., Chicago, Illinois, requesting transfer of \$200,000.00 to Cafesjian's account at Northern Trust Bank of Florida

U.S. v. John Joseph Waters, Jr.

<b>Count</b>	<b>Date (on or about)</b>	<b>Wire</b>
12	November 21, 2008	Wire transfer in the amount of \$200,000.00 from Northern Trust Corp., Chicago, Illinois, to Cafesjian's account at Northern Trust Bank of Florida
13	November 21, 2008	Electronic settlement of check number 13799, in the amount of \$20,000.00, drawn Cafesjian's account at Northern Trust Bank of Florida and deposited into a US Bank account controlled by Waters in Minnesota
14	February 26, 2009	Facsimile transmission of letter, from Water's office in Minnesota to Northern Trust Corp., Chicago, Illinois, requesting transfer of \$100,000.00 to Cafesjian's account at Northern Trust Bank of Florida
15	February 26, 2009	Wire transfer in the amount of \$100,000.00 from Northern Trust Corp., Chicago, Illinois, to Cafesjian's account at Northern Trust Bank of Florida
16	February 26, 2009	Electronic settlement of check number 13909, in the amount of \$20,000.00, drawn on Cafesjian's account at Northern Trust Bank of Florida and deposited into a US Bank account controlled by Waters in Minnesota
17	March 9, 2009	Internet banking transfer, in the amount of \$500.00, from a US Bank account in Minnesota to an account at US Bank that Waters controlled in the name of the deceased Armenian exchange student
18	March 23, 2009	Facsimile transmission of letter, from Water's office in Minnesota to Northern Trust Corp., Chicago, Illinois, requesting transfer of \$100,000.00 to Cafesjian's account at Northern Trust Bank of Florida
19	March 23, 2009	Wire transfer in the amount of \$100,000.00 from Northern Trust Corp., Chicago, Illinois, to Cafesjian's account at Northern Trust Bank of Florida



U.S. v. John Joseph Waters, Jr.

Count	Date (on or about)	Wire
20	March 23, 2009	Electronic settlement of check number 13931, in the amount of \$20,000.00, drawn on Cafesjian's account at Northern Trust Bank of Florida and deposited into a US Bank account controlled by Waters in Minnesota

23. All in violation of Title 18, United States Code, Section 1343.

**COUNT 21**

(Income Tax Evasion - 2007)

24. The grand jury restates and realleges paragraphs 1 through 7, 10 through 17, 19, and 22 above as if fully set forth herein.

25. Waters willfully failed to report as income, and evaded the assessment of taxes on, any of the millions of dollars he embezzled from Cafesjian pursuant to the fraudulent scheme set forth above.

26. On or about March 31, 2008, in the State and District of Minnesota, the defendant,

**JOHN JOSEPH WATERS, JR.,**

did willfully attempt to evade and defeat a large part of the income tax due and owing by him to the United States of America for the calendar year 2007, by preparing, signing, and causing to be filed with the Internal Revenue Service, a false and fraudulent U.S. Individual Income Tax Return, Form 1040, for the calendar year 2007 on behalf of himself, and by various other affirmative actions, including those set forth in paragraphs 11 through 17 above. In the return, the

U.S. v. John Joseph Waters, Jr.

defendant stated that his taxable income for the calendar year was \$253,194 and that the amount of tax due and owing thereon was \$68,307. In fact, as the defendant then and there well knew and believed, his taxable income for the calendar year was well in excess of \$253,194, upon which taxable income there was owing to the United States of America income tax well in excess of \$68,307.

27. All in violation of Title 26, United States Code, Section 7201.

**COUNT 22**

(Income Tax Evasion - 2008)

28. The grand jury restates and realleges paragraphs 1 through 7, 10 through 17, 19, 22, and 25 above as if fully set forth herein.

29. On or about March 2, 2009, in the State and District of Minnesota and elsewhere, the defendant,

**JOHN JOSEPH WATERS, JR.,**

did willfully attempt to evade and defeat a large part of the income tax due and owing by him to the United States of America for the calendar year 2008, by preparing, signing, and causing to be filed with the Internal Revenue Service, a false and fraudulent U.S. Individual Income Tax Return, Form 1040, for the calendar year 2008 on behalf of himself, and by various other affirmative actions, including those set forth in paragraphs 11 through 17 above. In the return, the defendant stated that his taxable income for the calendar year was \$111,299 and that the amount of tax due and owing thereon was \$24,190. In fact, as the

U.S. v. John Joseph Waters, Jr.

defendant then and there well knew and believed, his taxable income for the calendar year was well in excess of \$111,299, upon which taxable income there was owing to the United States of America income tax well in excess of \$24,190.

30. All in violation of Title 26, United States Code, Section 7201.

**COUNT 23**  
(Income Tax Evasion - 2009)

31. The grand jury restates and realleges paragraphs 1 through 7, 10 through 17, 19, 22, and 25 above as if fully set forth herein.

32. On or about March 1, 2010, in the State and District of Minnesota, the defendant,

**JOHN JOSEPH WATERS, JR.,**

did willfully attempt to evade and defeat a large part of the income tax due and owing by him to the United States of America for the calendar year 2009, by preparing, signing, and causing to be filed with the Internal Revenue Service, a false and fraudulent U.S. Individual Income Tax Return, Form 1040, for the calendar year 2009 on behalf of himself, and by various other affirmative actions, including those set forth in paragraphs 11 through 17 above. In the return, the defendant stated that his taxable income for the calendar year was \$0 and that the amount of tax due and owing thereon was \$0. In fact, as the defendant then and there well knew and believed, his taxable income for the calendar year was well in

U.S. v. John Joseph Waters, Jr.

excess of \$0, upon which taxable income there was owing to the United States of America income tax well in excess of \$0.

33. All in violation of Title 26, United States Code, Section 7201.

**COUNT 24**

(False Income Tax Return - 2007)

34. The grand jury restates and realleges paragraphs 1 through 7, 10 through 17, 19, 22, and 25 above as if fully set forth herein.

35. On or about March 31, 2008, in the State and District of Minnesota, the defendant,

**JOHN JOSEPH WATERS, JR.,**

did willfully make and subscribe a U.S. Individual Income Tax Return, Form 1040, which was verified by a written declaration that it was made under the penalties of perjury and which he did not believe to be true and correct as to every material matter. That Form 1040, which the defendant filed with the Internal Revenue Service, stated that the defendant's total income, Line 22, was \$313,976, whereas, as the defendant then and there knew, his total income was substantially more than \$313,976.

36. All in violation of Title 26, United States Code, Section 7206(1).

U.S. v. John Joseph Waters, Jr.

**COUNT 25**

(False Income Tax Return - 2008)

37. The grand jury restates and realleges paragraphs 1 through 7, 10 through 17, 19, 22, and 25 above as if fully set forth herein.

38. On or about March 2, 2009, in the State and District of Minnesota, the defendant,

**JOHN JOSEPH WATERS, JR.,**

did willfully make and subscribe a U.S. Individual Income Tax Return, Form 1040, which was verified by a written declaration that it was made under the penalties of perjury and which he did not believe to be true and correct as to every material matter. That Form 1040, which the defendant filed with the Internal Revenue Service, stated that the defendant's total income, Line 22, was \$281,013, whereas, as the defendant then and there knew, his total income was substantially more than \$281,013.

39. All in violation of Title 26, United States Code, Section 7206(1).

**COUNT 26**

(False Income Tax Return - 2009)

40. The grand jury restates and realleges paragraphs 1 through 7, 10 through 17, 19, 22, and 25 above as if fully set forth herein.

41. On or about March 1, 2010, in the State and District of Minnesota, the defendant,

U.S. v. John Joseph Waters, Jr.

**JOHN JOSEPH WATERS, JR.,**

did willfully make and subscribe a U.S. Individual Income Tax Return, Form 1040, which was verified by a written declaration that it was made under the penalties of perjury and which he did not believe to be true and correct as to every material matter. That Form 1040, which the defendant filed with the Internal Revenue Service, stated that the defendant's total income, Line 22, was \$90,869, whereas, as the defendant then and there knew, his total income was substantially more than \$90,869.

42. All in violation of Title 26, United States Code, Section 7206(1).

**FORFEITURE ALLEGATIONS**

Counts 1-20 of this Indictment are realleged and incorporated by reference for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

As the result of the offenses alleged in Counts 1-20 of this Indictment, the defendant,

**JOHN JOSEPH WATERS, JR.,**

shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the violations of Title 18, United States Code, Sections 1341 and 1343.

U.S. v. John Joseph Waters, Jr.

If any of the above-described forfeitable property is unavailable for forfeiture, the United States intends to seek the forfeiture of substitute property as provided for in Title 21, United States Code, Section 853(p) as incorporated by Title 28, United States Code, Section 2461(c).

A TRUE BILL

---

UNITED STATES ATTORNEY

---

FOREPERSON