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News Release

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Forest Lake man sentenced for his role in \$30 million investment scheme

A 55-year-old Forest Lake man was sentenced today in federal court for his role in defrauding 519 people nationwide out of approximately \$30 million in a Ponzi scheme operated under the name of the Joshua Tree Group.

On Feb. 24 in Minneapolis, United States District Chief Judge Michael Davis sentenced Jerry Lynn Watkins to 24 months in prison, three years of supervised release, and restitution of \$1.65 million on four counts of mail fraud and one count of wire fraud. Watkins was indicted on Dec. 12, 2006, and pleaded guilty on Jan. 9, 2007.

The primary defendant in the scheme, Neulan Midkiff, 66, Forest Lake, was sentenced in October 2008 to 180 months in prison and was also ordered to pay \$18.9 million in restitution. Midkiff was convicted in August on eight counts of mail fraud, eight counts of wire fraud, one count of conspiracy to commit mail fraud and four counts of failure to file tax returns.

A third defendant named in the indictment, Georgia resident Travis Correll, pleaded guilty in Georgia in connection with his participation in the scheme.

According to Watkins' plea agreement, he and Midkiff began to solicit investors in 2004 by promising a return on their investment of 6 to 8 percent per month. Under the business name of Central Financial Services of MN, Midkiff and Watkins collected more than \$1.1 million from 15 investors.

In the spring of 2004, Midkiff and Watkins began soliciting investors using the business name "Central Financial Services of Minnesota," and promised a return on their investment of 6-8 percent per month. In May 2004, Central Financial Services entered into an agreement to invest money Midkiff and Watkins had collected from the investors with West Wing Financial. The agreement called for Midkiff and Watkins to provide West Wing \$1 million, and in exchange, West Wing promised to pay a minimum of 8 percent interest per month for 14 months.

In May 2004, Midkiff and Watkins wired more than \$1 million to West Wing.

Prior to the agreement with West Wing, from 2002 through the spring of 2004 Midkiff worked as an “intermediary” on behalf of Correll, and recruited investors to send money to Correll purportedly for investment with a business operated by Correll called Horizon Establishment. Midkiff directed the investors to send the money to Correll and each investor received a “contract” from Horizon, along with an oral promise of a return on the investment of 5 percent or more per month.

In the summer of 2004, Midkiff and Watkins learned that most of the \$1 million they had sent to West Wing had been stolen by West Wing. Midkiff and Watkins did not tell this to the investors, but instead said the money had been “transferred” to Horizon. To conceal the theft, Midkiff entered into an agreement with Correll whereby the West Wing investment falsely appeared to have been transferred to Horizon. Horizon then began paying monthly “interest” payments to Midkiff, which were then used to pay the investors whose money had been stolen by West Wing as if nothing had happened to their principal.

Midkiff directed that all the Horizon payments be paid to “Joshua Tree Group,” a Nevada-based corporation that Midkiff formed in September 2004, using a Nevada bank account held in the name of Joshua Tree. After September 2004, Midkiff conducted all business through Joshua Tree, and the arrangement between Midkiff and Correll to pay West Wing investors was characterized as a “loan” from Horizon to Joshua Tree.

From August 2004 to October 2004, Midkiff and Watkins solicited investors for more than \$1 million, which was sent to Correll at Horizon. Initially, Correll paid Midkiff and Watkins under the terms of the agreement on a monthly basis, and these payments were used to fund monthly interest payments to Joshua Tree investors, after Midkiff and Watkins had taken their “commission.”

In the fall of 2004, Midkiff advised Watkins that he did not want Watkins to continue soliciting investors for Joshua Tree. Watkins was paid approximately \$1.65 million out of the funds provided by investors to Central Financial, Joshua Tree and other related entities.

This case was the result of an investigation by the U.S. Postal Inspection Service, the Internal Revenue Service-Criminal Investigation Division and the Federal Bureau of Investigation. It was prosecuted by Assistant U.S. Attorneys Tracy L. Perzel and Tim Rank.