

Forest Lake man charged in fraud scheme

Neulan Midkiff, founder of Feast of Tabernacles Ministries, delivered on promises of high investment returns, but he's alleged to have bilked investors out of millions of dollars.

By [Dan Browning](#), Star Tribune

Last update: June 22, 2007 – 12:22 AM

Forest Lake residents knew Neulan Midkiff as the founder of Feast of Tabernacles Ministries and an "apostle" at Shiloh Family Church. Wealthy acquaintances knew him as a shrewd investor who delivered on his promises to pay high monthly returns on offshore investments.

But federal authorities believe that Midkiff is just a crook in a suit who allegedly helped promote a nationwide pyramid scheme that bilked investors out of millions of dollars.

Midkiff, 65, appeared in U.S. District Court in Minneapolis on Thursday and pleaded not guilty to charges that he was part of a Ponzi scheme that defrauded more than 1,300 individuals or investment groups, including at least 238 in Minnesota.

Midkiff was charged this month in a 27-count superseding indictment, together with the alleged creator of the "high-yield investment" scheme, Travis Correll, a 30-year-old basketball referee and entrepreneur from Atlanta.

Their trial is set for Nov. 5.

According to court records, Correll and his cohorts told investors they would deposit their money in offshore accounts and pay them monthly returns of up to 20 percent. They allegedly made large monthly payments to the early investors from the principal they collected from new eager investors. But the scheme blew up in 2005, when Correll couldn't keep up with the \$14 million monthly interest payments required to keep it going, records show.

Midkiff and Correll are both charged with conspiracy to commit mail fraud and conspiracy to commit money laundering. Midkiff also faces eight counts of mail fraud, seven counts of wire fraud, six counts of promotion money laundering, and four counts of failure to file tax returns from 2002 through 2005 on income exceeding \$2.4 million.

In addition, Jerry Watkins, 54, of Forest Lake, has pleaded guilty to four counts of mail fraud and one count of wire fraud in the original indictment, which was issued under seal last December.

The alleged scheme came to light in late 2005, when the Securities and Exchange Commission filed a civil enforcement action in Texas against Correll and several "facilitators" who helped raise cash from investors, including Midkiff and Joshua Tree Group LLC, a Nevada partnership started by Midkiff and his wife.

The court appointed S. Gregory Hays, who runs an Atlanta-based forensic accounting firm, to find, collect and distribute the investment assets. Hays has received claims totaling \$153 million from about 1,300 investors, according to a report he filed in December.

"It's a big, national case," Hays said in a telephone interview Thursday. "It's a major fraud."

More than 100 subpoenas have been served on banks and financial institutions in the case, and investigators have reviewed more than 55,000 transactions. Hays has recovered about \$4 million so far, he said.

Court records show that the government froze \$2 million in Midkiff's bank accounts. Hays cut a deal to sell Midkiff's \$1.3 million Forest Lake home to recapture some of his estimated \$375,000 in equity. He also went after Midkiff's church in Forest Lake. Records show Joshua Tree Group paid \$400,000 toward the church, which is in the 21000 block of Harrow Av.

Investigators were surprised

Correll surprised investigators in October when he confirmed that he ran a Ponzi scheme, according to Hays' report. Correll said he began researching "wealth creation opportunities" on the Internet in 2001, and became convinced that overseas bank trading programs would produce high profits. He said he got involved with a New Zealand man named Grant Cardno who offered monthly returns up to 30 percent. Correll said he raised \$200,000 from friends and family, and sent half to Cardno.

"As it turned out, the \$100,000 wired to Cardno was the only money that Correll actually sent overseas to be invested in bank trading program," Hays' report says.

But Correll said he believed Cardno would come through, and he kept soliciting investors and used their principal to pay out the promised monthly returns. Eventually, he sought help from "facilitators" to raise money from groups of investors, the report says. Correll paid the facilitators the "interest," and they would pay individual investors a portion and keep the rest.

According to the indictment, Midkiff worked as an intermediary for Correll from 2002 through the spring of 2004, collecting at least \$560,000 in fees. In 2004, Midkiff and Watkins allegedly began soliciting investors for a separate venture by promising monthly returns of 4 to 8 percent under the business name of Central Financial Services of MN LLC.

The indictment says they raised \$1.1 million from 15 investors this way. They allegedly sent more than \$1 million to another entity called West Wing Financial Inc., but that money was eventually lost, the government says.

Correll promised Midkiff and Watkins higher returns on block investments exceeding \$1 million, the indictment says. Using the name Padanaram Trust, it says, they sent Correll money they collected from 21 investors.

In the summer of 2004, the indictment says, Midkiff and Watkins told investors that the money they had invested in West Wing was transferred to an account run by Correll, who allegedly

covered for them by making payments to Joshua Tree so that Midkiff could keep paying his investors.

Watkins and Midkiff parted in the fall of 2004, the indictment says, but Midkiff/Joshua Tree kept raising money through December 2005, collecting more than \$20 million from 14 blocks of investors.

Correll and his company stopped making payments to Joshua Tree in January 2005, but Midkiff kept paying his investors their monthly interest payments from the money he was raising from additional investors, the indictment says.

Midkiff or his "intermediaries" solicited at least a dozen blocks of investors in 2005, collecting \$18 million, the indictment says.

"Midkiff and Watkins paid themselves in excess of \$3.5 million out of the funds provided by investors," the indictment says.

Dan Browning • 612-673-4493 • dbrowning@startribune.com

© 2007 Star Tribune. All rights reserved.