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laundering, and one count of bankruptcy fraud.

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By Stephen Montemayor, Star Tribune (TNS)

A federal grand jury this week indicted a 44-year-old Gustavus Adolphus College professor on a litany of fraud charges for allegedly embezzling more than \$690,000 from a real estate company he helped manage.

The indictment returned Tuesday accused James Anthony Kroger of Cottonwood, Minn. of embezzling money invested by a business partner into a company they set

up to buy Texas properties sold at auctions due to unpaid taxes. According to the

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The indictment was first filed publicly Wednesday morning, but a federal judge has since sealed the document per the request of the U.S. Attorney's Office. Prosecutors asked Wednesday afternoon that the indictment remain sealed until Kroger's first court appearance, which is not yet scheduled.

According to the indictment, Kroger and a business partner identified only as "Individual A" set up a Wyoming-based company called Lone Star Municipal Finance Company LLC in October 2019. The company was to serve as a real estate joint venture between the two to invest in Texas properties that were being sold at public auctions due to unpaid taxes.

Kroger proposed that the joint venture would acquire the tax deeds to the properties and make a profit by selling the property back to the delinquent taxpayer/debtor, renting the properties to tenants or by improving and re-selling the properties.

Kroger managed the day-to-day operations of Lone Star between 2019 and 2021 while Individual A provided all investment capital for the joint venture, according to the charges. In November and December 2019, Individual A funded Lone Star with about \$840,000 to facilitate the purchase of tax deed properties. That person agreed to join the joint venture on account of Kroger's representation that the business opportunity would be a "low-risk" investment with a high upside.

Instead, the charges allege, Kroger carried out a scheme from February 2019 to May 2021 to defraud his partner, embezzle more than \$690,000 that Individual A invested in Lone Star and launder the proceeds.

Kroger used his position as chief executive manager of Lone Star to transfer more than \$480,000 from Lone Star's bank account to his personal bank accounts between November 2019 and February 2020, each with a memo line of "loan" or

“expense reimbursement.” But prosecutors allege that he spent the funds transferred

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receiving his salary as a “loan” from the company would allow him to appear “poor on paper,” and in turn avoid taxes, remain eligible for free, state subsidized health insurance, and get a substantial portion of his student loans forgiven.

After an initial investment of \$640,000 by Individual A in 2019, Kroger convinced him to made additional investments and coordinated the purchase of three properties. At one point, Individual A transferred \$200,000 to the Lone Star account that Kroger said was needed to further fund its real estate investment program but instead went to Kroger’s personal bank account.

After Individual A discovered his scheme, Kroger fraudulently continued to spend Lone Star funds without authorization. In April 2020, he requested that Texas Tax Sales Resource Group wire \$169,735.62 in Lone Star funds held by the group to Intelligent Technology, a company solely controlled by Kroger. Kroger went on to transfer all of these funds to his Wells Fargo personal bank account.

Almost a year after being discovered, he transferred the three Texas properties from Lone Star to Kroger Dynasty Holdings, a separate company solely owned by him, without Individual A’s authorization. He sold one of the properties to an unrelated purchaser that May for nearly \$24,000 and kept the proceeds himself. Individual A eventually recovered the remaining two properties via a civil lawsuit and sold them at fair market values.

Kroger has not made meaningful efforts to repay Lone Star beyond a few hundred dollars, according to the indictment.

Kroger is also being accused of trying to launder his proceeds by making 19 purchases of gold and silver bullion totaling more than \$198,000 from coin dealers between November 2019 and August 2021. Most purchases aligned with transfers of funds that Kroger made from Lone Star’s bank account to his personal checking

account. He went on to resell most of the coins he purchased back to dealers. Kroger

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account balances, gold and silver purchases, gambling losses, or insurance policies.

Kroger, the indictment reads, "failed to account for various sham purchases and lease agreements he had entered into with his mother."

Kroger is being charged with nine counts of wire fraud, three counts of money laundering, and one count of bankruptcy fraud. The government is seeking to forfeit the 2019 Chevrolet Colorado and 1996 Cadillac Fleetwood Kroger bought with allegedly embezzled funds.

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