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FOR IMMEDIATE RELEASE

May 6, 2010

ALLENTOWN ATTORNEY SENTENCED FOR FILING FALSE TAX RETURNS

PHILADELPHIA – John P. Karoly, Jr., 60, was sentenced today to 78 months in prison for three counts of willingly filing false federal income tax returns under-reporting his income by approximately \$4.175 million, announced United States Attorney Michael L. Levy. Karoly was also ordered to cease practicing law and surrender his law license. He pleaded guilty to the charges in July of 2009, admitting he failed to report substantial amounts of taxable income on his federal income tax returns for calendar years 2002, 2004, and 2005.

A superseding indictment alleged that in 2004 Karoly made a \$500,000 donation to the Lehigh Valley Community Foundation (LVCF), a non-profit organization in Allentown, Pennsylvania, and then had the money returned to him in an effort to defraud the the Lehigh Valley Community Foundation and the Dubbs UCC church of Allentown. He was convicted of mail fraud and money laundering charges in a non jury trial before U.S. District Court Judge Lawrence F. Stengel in November 2009.

In addition to the prison term, Judge Stengel ordered Karoly to pay a fine in the amount of \$12,500, pay a \$1,200 special assessment, and complete three years of supervised release at the conclusion of his prison sentence. Judge Stengel also ordered Karoly put on home confinement and electronic monitoring until his reporting date of July 6, 2010. Restitution will be ordered at a future date.

The case was investigated by the Federal Bureau of Investigation (Allentown Resident Agency) and the Internal Revenue Service, Criminal Investigation Division (Bethlehem Office). It is being prosecuted by Assistant United States Attorneys Seth Weber and Kevin Brenner.

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