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### **FOLSOM COUPLE PLEAD GUILTY TO DEFRAUDING CAL WORTHINGTON AND TAX EVASION**

SACRAMENTO -- United States Attorney McGregor W. Scott announced today that SUSAN MICHELLE PRUETT, 38, and KENNETH RICHARD PRUETT, 44, of Folsom, entered guilty pleas today before United States District Judge Lawrence K. Karlton. MICHELLE PRUETT pled guilty to one count of mail fraud and three counts of tax evasion and RICHARD PRUETT pled guilty to three counts of tax evasion. The charges were contained in a superseding information filed today.

This case is the product of an extensive/joint investigation by the Federal Bureau of Investigation and the Internal Revenue Service, Criminal Investigation Division.

In pleading guilty, MICHELLE PRUETT admitted that she embezzled more than \$750,000 from a bank account maintained by Cal Worthington, using her position as a bookkeeper for Folsom Imports and other Worthington businesses. Between May 2002, and February 2006, MICHELLE PRUETT forged two authorized signatures on 54 checks, totaling \$756,139.24, and made them payable to herself or to her business entity, Pruett Professional Services. She made corresponding duplicate, non-negotiable checks - created for bookkeeping purposes - payable to legitimate vendors of Worthington's business to conceal her embezzlement. MICHELLE PRUETT used the mails to deposit 47 of the actual checks into a bank account she and her husband jointly held in Montana, and the remainder were deposited in local bank accounts. The couple used the embezzled money to gamble at various casinos, including Harrah's and Harvey's in South Lake Tahoe, Nevada.

Over time, the PRUETTs qualified as "Seven Star Players" - the highest level membership a gambler can achieve in Harrah's and Harvey's Casino's Total Rewards Member Program. MICHELLE

PRUETT's status as a "Seven Star Player" allowed her to enter Harrah's Video Poker Millionaire Contest, which culminated in a March 21, 2006 video poker tournament at Harrah's Lake Tahoe Hotel & Casino. MICHELLE PRUETT won the \$1,000,000 grand prize. Special Agents from the Internal Revenue Service, Criminal Investigation Division, seized \$497,953.91, representing the majority of the lump sum value of the \$1,000,000 prize. The funds were seized on April 3, 2006, with a federal civil seizure warrant issued that day by U.S. Magistrate Judge Kimberly J. Mueller.

MICHELLE PRUETT has agreed to pay restitution to Cal Worthington of the entire amount of her embezzlement and to forfeit to the government the entire amount of the mail fraud, including nearly \$500,000 that she won in a video poker tournament, which the IRS seized quickly thereafter. The prosecutor has agreed to ask the Department of Justice's Asset Forfeiture Chief to restore the seized funds to Cal Worthington in partial satisfaction of MICHELLE PRUETT's restitution obligation.

Both MICHELLE and KENNETH PRUETT admitted that they failed to report the embezzled funds as income on their joint federal income tax returns for tax years 2002, 2003, and 2004, resulting in the underpayment of federal taxes by \$11,159, \$128,803, and \$39,699, respectively.

Sentencing is scheduled before Judge Karlton on October 16, 2007, at 9:30 a.m. The maximum penalty for the mail fraud charge is 20 years in prison. Each tax evasion charge carries a maximum penalty of 5 years imprisonment. Each charge also carries a maximum fine of \$250,000. However, the actual sentence will be determined at the discretion of the court after consideration of the Federal Sentencing Guidelines, which take into account a number of variables, and any applicable statutory sentencing factors.

According to Scott O'Briant, IRS-CI, Special Agent in Charge, "Today's guilty plea is a reminder that those who intentionally conceal income and evade taxes will be prosecuted. Ms. Pruett misused her position of responsibility for personal gain. The IRS takes its responsibility to investigate fraud schemes such as these very seriously and will continue to work closely with other law enforcement to solve these types of crimes."

FBI Special Agent in Charge Drew S. Parenti said, "In the majority of cases involving embezzlement and gambling, there is

often little or no money recovered and returned to the victim. Due to the tenacious efforts of the agents investigating this case and the effective use of the Federal seizure laws, Mr. Worthington will recoup some of his losses."

"The IRS and FBI are to be commended for their swift and effective investigative work in bringing Susan and Kenneth Pruett to justice," said United States Attorney McGregor W. Scott.

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