

NEWS RELEASE



***OFFICE OF THE UNITED STATES ATTORNEY
SOUTHERN DISTRICT OF CALIFORNIA
San Diego, California***

***United States Attorney
Carol C. Lam***

For Further Information, Contact: Assistant U. S. Attorney Eric J. Beste (619) 557-5104

For Immediate Release

NEWS RELEASE SUMMARY - August 8, 2005

United States Attorney Carol C. Lam and United States Department of Justice, Criminal Division, Fraud Section Chief Joshua R. Hochberg jointly announced that SANDRA MILLER CHRISTIE, the former Vice President of Advertising of Advanced Marketing Services, Inc. ("AMS"), pled guilty today in federal court in San Diego to one count of Conspiracy, in violation of Title 18, United States Code, Section 371, and one count of Falsifying the Books, Records and Accounts of AMS, in violation of Title 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5) and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-1. CHRISTIE had been indicted in March 2005 based on her participation in a conspiracy and scheme to defraud AMS's clients of millions of dollars of advertising funds, and to fraudulently inflate AMS's publicly reported net income during the years 1999 through 2003.

Defendant SANDRA MILLER CHRISTIE held the position of officer and vice president of the advertising department at AMS, a publicly-traded corporation that specialized in selling books to membership

warehouse clubs and specialty retailers. In addition to book sales, AMS also sold advertising to book publishers in order to promote the sale of books. Typically, AMS would promise to provide publishers with certain advertising services, such as direct-mail postcards or ads in magazines produced by AMS, in exchange for a fee. AMS's advertising business, operated by defendant CHRISTIE, represented a substantial portion of the company's net income each fiscal quarter.

At today's plea hearing, defendant CHRISTIE admitted that she conspired with several former employees of AMS to engage in a scheme to deceptively increase the profitability of the advertising department through false and fraudulent means. Two of CHRISTIE's co-conspirators, Karyn Ann Larko, the Director of Advertising (Customer Accounts), and Marcy Wilson Roke, the Director of Advertising (Creative Services), have already pled guilty to related charges.

In one variation of the scheme, CHRISTIE and her co-conspirators fraudulently cut the quantity of direct-mail postcards that AMS promised would be printed and mailed, thereby reducing AMS's printing and mailing expenses. In another variation, CHRISTIE and her co-conspirators printed and distributed substantially fewer magazines than had been promised to publishers when selling advertising space in these publications. By fraudulently cutting the quantity and circulation of these advertising vehicles, yet still charging publishers full price, defendant CHRISTIE and her co-conspirators were able to deceptively increase the profitability of the AMS advertising department.

At today's hearing, CHRISTIE also pled guilty to falsifying the books and records of AMS in order to artificially inflate the net income of AMS and her advertising department. Specifically, CHRISTIE admitted that she regularly directed another AMS employee to make false journal entries in order to "reverse" millions of dollars in unclaimed credits owed to AMS's warehouse club customers, resulting in the false appearance that these credits belonged to AMS.

After the commencement of a criminal investigation into the activities at AMS, the company entered into settlement agreements with those publishers and warehouse club customers overcharged during the relevant time period. In those settlements, AMS agreed to pay publishers over \$9 million for reduced print quantities of advertising vehicles, and to pay warehouse club customers over \$2.4 million for credits that been

improperly withheld. In addition, AMS has announced that it intends to restate its previously filed financial statements going back five years from the period ended March 31, 2003, and to reduce its cumulative net income for the five-year period by approximately \$3 to \$9 million.

In announcing of their responsibility to abide by their duty, United States Attorney Carol C. Lam said, “Officers and managers of public corporations have to play by the rules when it comes to financial reporting. The desire to meet Wall Street estimates or to please senior management can never justify deceptive financial practices.”

CHRISTIE is scheduled to be sentenced before the Honorable Larry A. Burns on October 24, 2005, at 9:30 a.m. in San Diego.

The case is the result of an investigation by the Federal Bureau of Investigation, San Diego Division, working cooperatively with a parallel civil investigation being conducted by the United States Securities and Exchange Commission, Division of Enforcement.

DEFENDANT

Sandra Miller Christie

SUMMARY OF CHARGES

Count 1: Conspiracy (18 U.S.C. §§ 371 and 1349): Maximum punishment of 20 years’ imprisonment, a fine of \$250,000, and three years supervised release.

Count 21: Falsification of Books and Records (15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(5), and 78 ff; 17 C.F.R. § 240.13b2-1): Maximum punishment of 10 years’ imprisonment, a fine of \$1,000,000, and three years supervised release.

AGENCIES

Federal Bureau of Investigation, San Diego Division
United States Securities and Exchange Commission, Division of Enforcement