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CLERK, U.S. DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

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10 UNITED STATES DISTRICT COURT
11 SOUTHERN DISTRICT OF CALIFORNIA

12 '05 CV 0420 JM (JFS)

13 SECURITIES AND EXCHANGE
14 COMMISSION,

Case No.

14 Plaintiff,

COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS

15 vs.

16 SANDRA MILLER CHRISTIE,

17 Defendant.

19 Plaintiff Securities and Exchange Commission ("Commission") alleges as
20 follows:

21 JURISDICTION AND VENUE

22 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
23 20(d)(1), and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C.
24 §§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27 of
25 the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1),
26 78u(d)(3)(A), 78u(e) & 78aa. Defendant has, directly or indirectly, made use of
27 the means or instrumentalities of interstate commerce, of the mails, or of the
28 facilities of a national securities exchange, in connection with the transactions,

CR

1 acts, practices, and courses of business alleged in this Complaint.

2 2. Venue is proper in this district pursuant to Section 22(a) of the
3 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
4 § 78aa, because certain of the transactions, acts, practices, and courses of conduct
5 constituting violations of the federal securities laws occurred within this district.

6 **SUMMARY**

7 3. This is a financial fraud case involving Advanced Marketing Services,
8 Inc. ("AMS"), a San Diego-based wholesaler of general interest books that
9 provides other book-related services, including advertising. From at least 2000 to
10 2003, AMS manipulated its earnings to meet Wall Street analysts' expectations
11 and made misleading disclosures in its periodic reports, through at least two
12 fraudulent schemes related to its advertising services. Defendant Sandra Miller
13 Christie ("Christie"), the former Vice President of AMS's advertising department,
14 was one of the individuals who instigated and participated in the fraudulent
15 schemes.

16 4. In the first fraudulent scheme, AMS improperly manipulated its
17 earnings by producing fewer advertising vehicles than it had contracted with
18 publishers to provide. One advertising service that AMS provides to publishers is
19 to print and mail advertising vehicles -- such as inserts, catalogs, and post-cards --
20 for books the publishers produce. AMS improperly recognized revenue on the full
21 quantity of advertising vehicles that it had agreed to distribute, because it did not in
22 fact produce the number of vehicles that it had contracted to produce.

23 5. In the second fraudulent scheme, AMS improperly increased its
24 reported earnings by reversing certain liabilities when it was not entitled to do so.
25 AMS had accrued a liability for credits that it expected its retail customers to take
26 for certain advertising and promotional services that those customers provided.
27 When the retail customers did not take the credits that were due to them, instead of
28 contacting the retailers and reconciling the amounts of the credits, Christie and

1 others directed advertising and sales personnel to hide the discrepancies from the
2 retailers. Christie then directed accounting personnel to reverse the liability, which
3 in turn reduced expenses, thereby ensuring that the advertising department
4 achieved or exceeded its budget.

5 6. Christie knew that the inflated advertising department numbers had a
6 significant impact on AMS's bottom line and that the numbers would impact
7 AMS's financial statements. Christie profited from the fraudulent schemes
8 through her annual bonuses and through her sales of AMS stock during the
9 relevant period.

10 7. As a result of the defendant's improper actions, from the fourth
11 quarter of fiscal year 2002 through the fourth quarter of fiscal 2003, AMS met or
12 exceeded analysts' earnings estimates every quarter except one.

13 8. As alleged more specifically below, Christie violated the antifraud,
14 record-keeping, and books and records provisions of the federal securities laws,
15 and Christie aided and abetted AMS's violation of the record-keeping and
16 reporting requirements of the federal securities laws. By this complaint, the
17 Commission seeks to enjoin Christie from future violations of the federal securities
18 laws, to obtain disgorgement of all benefits Christie received from her violations,
19 to obtain civil penalties, and to prohibit Christie from serving as an officer or
20 director of a publicly traded company.

21 **THE DEFENDANT**

22 9. Sandra Miller Christie, age 50, resides in Palm Springs, California.
23 Christie began working at AMS in 1986 and was promoted to Vice President of
24 Advertising in October 1997. As Vice President of Advertising, Christie was an
25 officer of the company, and was responsible for the advertising department. AMS
26 terminated Christie in May 2004.

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RELATED ENTITY

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2 10. AMS is a Delaware corporation, headquartered in San Diego,
3 California. AMS is a wholesaler of general interest books to membership
4 warehouse clubs, specialty retailers, e-commerce companies, and traditional book
5 stores. AMS's common stock is registered with the Commission pursuant to
6 Section 12(b) of the Exchange Act and has been listed on the New York Stock
7 Exchange under the ticker symbol "MKT" since November 2000. Before then,
8 AMS's common stock was registered with the Commission pursuant to Section
9 12(g) of the Exchange Act and was traded on the Nasdaq National Market System
10 under the symbol "ADMS."

BACKGROUND

11
12 11. AMS purchases books from a variety of publishers on a returnable,
13 wholesale basis and resells them to retailers, which include book stores and
14 wholesale clubs. In addition to being a wholesale distributor of books, AMS
15 provides other services to its customers, including product-selection advice,
16 merchandising and product development services, distribution services, and
17 advertising and promotion services.

18 12. In AMS's most recently filed periodic report for the fiscal year ended
19 March 31, 2003, AMS reported pre-tax earnings of \$18 million and revenues of
20 \$911 million. From fiscal year 2001 to 2003, AMS's revenues grew from \$713
21 million to \$911 million.

22 13. Although AMS's promotion and advertising services constituted just
23 two to three percent of AMS's revenue, the advertising department accounted for
24 at least 20% of AMS's pre-tax earnings, primarily due to the large profit margins
25 generated by AMS's advertising department.

A. AMS's Reporting Obligations and Public Announcements

26
27 14. As a public company, AMS was required to comply with federal
28 statutes, rules, and regulations to maintain public trading of its stock and to sell its

1 securities to the public.

2 15. These statutes, rules, and regulations required AMS to, among other
3 things: (a) make and keep books, records, and accounts, which, in reasonable
4 detail, accurately and fairly reflected its transactions and dispositions of assets;
5 (b) devise and maintain a system of internal accounting controls sufficient to
6 provide reasonable assurances that the transactions were recorded as necessary to
7 permit preparation of financial statements in conformity with Generally Accepted
8 Accounting Principles ("GAAP") or any other criteria applicable to such
9 statements and to maintain accountability for assets; (c) file with the Commission
10 quarterly reports on the appropriate form (known as a "Form 10-Q") including
11 financial statements containing the company's balance sheets and statements of
12 income and cash flows prepared in conformity with GAAP; (d) file with the
13 Commission annual reports on the appropriate form (known as a "Form 10-K")
14 including financial statements containing the company's balance sheets and
15 statements of income and cash flows prepared in conformity with GAAP; and
16 (e) file with the Commission periodic reports that did not make any untrue
17 statement of material fact or omit to state a material fact necessary in order to make
18 the statements made, in the light of the circumstances under which they were
19 made, not misleading.

20 16. As part of the Management's Discussion and Analysis section of
21 AMS's Forms 10-Q and 10-K, AMS management was required to discuss and
22 analyze the Company's financial condition, changes in its financial condition, and
23 results of operations, with a specific focus on material events and uncertainties
24 known to management that would cause reported financial information not to be
25 necessarily indicative of future operating results or future financial condition.
26 AMS's management was thus required specifically to disclose known trends or
27 uncertainties that have had or that they reasonably expected would have a natural
28 favorable or unfavorable impact on net sales revenues or income from continuing

1 operations.

2 17. Under GAAP and the Commission's rules and regulations, AMS
3 recorded and reported net income for specific periods (i.e., at the end of each
4 quarter and at the end of its fiscal year). AMS's fiscal year began April 1 and
5 ended March 31. In fiscal year 2001, AMS's first quarter ended June 30, 2000; its
6 second quarter ended September 30, 2000; its third quarter ended December 31,
7 2000, and its fiscal year ended March 31, 2001. In AMS's fiscal year 2002, its
8 first quarter ended June 30, 2001; its second quarter ended September 30, 2001; its
9 third quarter ended December 31, 2001, and its fiscal year ended March 31, 2002.
10 For AMS's fiscal year 2003, AMS's first quarter ended June 30, 2002; its second
11 quarter ended September 30, 2002; its third quarter ended December 31, 2002, and
12 its fiscal year ended March 31, 2003.

13 18. In addition to filing quarterly and annual reports with the
14 Commission, AMS also issued earnings press releases and held conference calls
15 with analysts and investors to discuss AMS's financial performance on a periodic
16 basis, usually after the end of a quarter and before AMS made its periodic filings
17 with the Commission.

18 19. Under GAAP and the Commission's rules and regulations, AMS
19 could recognize revenue from the advertising services it provided once AMS
20 substantially completed the advertising services it was supposed to perform in
21 order to be entitled to those revenues.

22 20. Under GAAP and the Commission's rules and regulations, AMS
23 should accrue and record a liability when the underlying obligation to provide an
24 asset or service was deemed probable and reasonably estimable. GAAP also
25 requires that a recognized liability be measured at the amount initially recorded
26 until an event that changes the liability or its amount occurs.

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1 **B. Cooperative Advertising**

2 21. Virtually all of AMS's advertising revenue was generated though
3 cooperative ("coop") advertising programs, pursuant to which publishers make
4 available advertising dollars to promote their books. AMS participates in two
5 types of coop advertising programs: 1) wholesale coop advertising; and 2) retail
6 coop advertising.

7 22. Wholesale coop advertising is a program through which publishers
8 offer a pool of funds directly to AMS to be used to promote the publishers' books
9 to industry insiders, such as store managers and book buyers employed by retailers.
10 The funds that publishers make available to AMS for wholesale coop advertising
11 are generally based on AMS's prior year's net purchases. Before using the funds,
12 AMS is required to obtain publisher approval. Thus, when AMS develops an
13 advertising concept, it sends the publisher an advertising request. Once the
14 publisher approves the advertising request, it becomes a contract between AMS
15 and the publisher. After AMS creates the artwork, prints the vehicle, and directs a
16 mailing house to distribute the advertising vehicle, AMS invoices the publisher for
17 the advertising vehicle and recognizes revenue for that service.

18 23. Retail coop advertising is similar to wholesale coop, except that the
19 funds are made available for use by a retailer (instead of a wholesaler) to advertise
20 books to end-consumers (instead of industry insiders). The amount of retail coop
21 funds that a publisher makes available to a particular retailer usually is based on
22 the retailer's net purchases of that publisher's titles. Similar to wholesale coop,
23 either AMS or the retailer creates an advertising concept. If the retailer and AMS
24 agree on the advertising concept, AMS sends an advertising request to the
25 publisher. Upon receiving the publisher's approval, AMS creates the artwork,
26 prints the advertising vehicle, directs a mailing house to mail the advertisement to
27 the end-customers, and bills the publisher.

28 ///

1 27. Beginning in 2000 and continuing into 2003, in order to meet the
2 advertising budget and respond to pressure from AMS senior executives for greater
3 earnings, the advertising department routinely printed and distributed fewer
4 advertising vehicles than AMS had contracted to provide. This occurred in both
5 the wholesale and the retail coop programs. Initially, Christie decided which
6 advertising vehicles should be cut, and by how much. Christie instructed others in
7 the advertising department to obtain quotes from printers for various print
8 quantities and to provide that information to Christie, so Christie could decide the
9 amount of vehicles to reduce. Christie and others instructed individuals in the
10 advertising department to print fewer advertising vehicles than AMS had
11 contracted with its publishers to print, without changing the quantity or payment
12 terms on the contracts with the publishers.

13 28. For example, in the wholesale coop context, by at least September
14 2000, AMS was informing publishers that its circulation for one of its wholesale
15 advertising vehicles, "Pages" magazine, was 100,000 when it was substantially
16 less. In September 2000, AMS printed only 55,000 copies of "Pages," even though
17 AMS's contracts with publishers and AMS's webpage indicated that the
18 circulation was 100,000. In some months, AMS printed as few as 8,000 copies of
19 "Pages."

20 29. Similarly, in the retail coop context, AMS systematically sent
21 advertising postcards to fewer warehouse club members than it had agreed to
22 provide in AMS's contracts with the publishers. For example, in about March
23 2000, AMS informed publishers that it would send one SAM's Club post card to
24 200,000 of SAM's Club's members, but AMS only printed 50,000 of those cards.

25 30. Reducing quantities became such standard business practice that the
26 advertising department made little attempt to hide the practice. All documentation
27 pertaining to a particular advertising vehicle, including the advertising contracts,
28 the invoices from the printer, and the mailing house invoices, was kept in one

1 promotion folder. As an advertising promotion was processed, the promotion
2 folder was passed from person to person in the advertising department and
3 ultimately provided to Christie's direct subordinate, who approved the vehicles by
4 signing the outside of the folders before they were provided to the accounting
5 department. A signature on the promotion folder indicated to the accounting
6 department that AMS could invoice the publisher for the vehicle.

7 31. The advertising department's deliberate quantity reductions from
8 contracted amounts caused a revenue recognition practice that was improper under
9 GAAP because AMS failed to substantially accomplish its duties under its
10 contracts -- namely to produce the agreed-upon number of advertising vehicles. As
11 a result, AMS overstated its earnings, and its quarterly and annual financial
12 statements did not conform with GAAP.

13 **B. Improper Accrual Reversals**

14 32. AMS inflated its advertising income by improperly reversing accrued
15 liabilities related to retail coop advertising. As previously alleged, when a retailer
16 provided all or part of an advertising service and the advertising cost was "passed
17 through" AMS to the publisher, AMS would invoice the publisher for the cost of
18 the promotion and wait for the retailer to take a credit on its book purchases from
19 AMS. Because the retailer was owed a credit, AMS would record an offsetting
20 liability for the anticipated credit in an accrued liability account called "accrued
21 coop." When a retailer used the credit, AMS credited the retailer and reduced the
22 corresponding "accrued coop" liability.

23 33. Retailers often failed to take credits for their advertising costs. This
24 was largely due to a lack of communication between the retailers' sales personnel,
25 who arranged for the various promotions, and the retailers' accounting group,
26 which invoiced those services. Thus, there often were discrepancies between AMS
27 accruals and retailers deductions.

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1 34. From at least 2000, Christie used the coop accrued liabilities to meet
2 or exceed the advertising budget without reaching settlement with any of the
3 retailers. When the end of a quarter drew near, Christie asked the person in the
4 accounting department who was responsible for coop advertising to provide her
5 with a list of outstanding coop accruals. Christie would identify which accrued
6 liabilities should be removed from the “accrued coop” account, even though AMS
7 had not reached settlements with the retailers regarding those accruals. Then,
8 Christie asked the coop advertising accountant to verify that none of the identified
9 accruals had been taken as the result of a retailer taking a credit. If retailers had
10 taken some of the identified accruals, the coop advertising accountant would
11 communicate that to Christie, who would then identify other accruals that should
12 be reversed to income. In this way, Christie created the false appearance that the
13 advertising department was making or exceeding its budget. Initially, Christie
14 reversed accruals in lump sums at the end of the quarters, but over time, Christie
15 began reversing accruals throughout the quarter. By reversing the accrued liability,
16 AMS reduced the corresponding expense on its income statement, thereby
17 overstating earnings.

18 35. In order to maximize the pool of “accrued coop” from which Christie
19 drew to meet budget, AMS adopted the practice of intentionally refraining from
20 providing retailers information about the credits due to them. The often-repeated
21 motto among AMS executives was “we are not our customers’ accounting
22 departments.” In other words, if the retailers did not accurately track the credits
23 due to them, AMS was not going to help. As the coop advertising accountant
24 stated in an email: “Our policy has always been . . . WE NEVER ISSUE A
25 CREDIT TO A CUSTOMER UNTIL THEY TAKE IT.” Christie directed
26 individuals in AMS’s advertising and sales departments to withhold from AMS’s
27 retailers information about credits due to them, even when retailers called AMS to
28 ask about outstanding credits. As a result of this conduct, Christie assured that

1 there was no documentation to support the accrual reversals.

2 36. AMS did not have any policies outlining the procedures for the
3 reversal of coop accruals that retailers did not utilize. Christie knowingly caused
4 coop accounting accruals to be reversed to income, by identifying which accruals
5 should be reversed and directing the coop advertising accountant to reverse the
6 accruals, even though she knew that there was no documentation supporting the
7 reversals.

8 37. The advertising department's reversal of coop accruals did not
9 conform to GAAP. Although AMS initially properly recorded the coop accrued
10 liabilities, the advertising department improperly reduced those liabilities and the
11 corresponding expenses without contacting retail customers or attempting to reach
12 settlement with them, in an effort to manipulate the advertising department's
13 earnings, and ultimately AMS's earnings. These reductions in the coop accrued
14 liability account were improper because no corresponding event occurred that
15 changed the amount of the liability. Rather, they were arbitrarily and improperly
16 reversed at the direction of Christie and others in the advertising department. As a
17 result, AMS's quarterly and annual financial statements did not conform with
18 GAAP.

19 **C. Pressure to Meet Budget**

20 38. As an officer of AMS, Christie knew that it was important to AMS's
21 senior executives that AMS meet or exceed earnings-per-share estimates. Christie
22 and other corporate officers attended regular officer meetings, at which AMS's
23 financial performance and anticipated results were discussed. At the officer
24 meetings, a senior officer repeatedly expressed concern that AMS achieve its
25 quarterly earnings-per-share target. The minutes of one such meeting, which
26 Christie attended, state, "We need to do everything we can to bring EPS up to the
27 lower level of what we gave the street: \$.03 - .07." Materials distributed at the
28 officer meetings sometimes showed the forecasted contribution of the advertising

1 department, as compared to AMS's net income and estimated earnings per share.

2 39. As an officer of AMS, Christie presented the advertising department's
3 financial information to the Board of Directors in connection with AMS's strategic
4 planning process. Developing budgets was a key component of the strategic
5 planning process. The various vice presidents, including Christie, were responsible
6 for preparing the initial drafts of the budgets for their departments. Those drafts
7 were then reviewed and revised by upper management and ultimately approved by
8 the Board of Directors. By the end of the budgeting process, the advertising
9 department's budgeted income was increased by about 15% each year, even
10 though the amount of available coop funds remained relatively constant. A senior
11 officer visited Christie's office at the end of each quarter to pressure her to make
12 the ever-increasing advertising department budget.

13 40. In order to keep track of how the advertising department was
14 performing as compared to budget, Christie kept a "crib sheet," which was updated
15 at least weekly. The "crib sheets" tracked AMS's actual profit on individual
16 advertising promotions, by retailer and month, and compared that number to the
17 budgeted monthly profit for each retailer. The spreadsheets also included a line
18 item reflecting coop advertising accrual reversals. Christie provided the crib sheet
19 to a more senior AMS officer on a weekly basis.

20 **D. Scienter**

21 41. Christie had the requisite scienter. Christie devised and helped carry
22 out the two fraudulent schemes for the sole purpose of manipulating the
23 advertising department's results, so it would appear that the advertising department
24 was making or exceeding budgeted income. The decision to instigate the fraud
25 was primarily the result of pressure from AMS executives for additional
26 advertising income.

27 42. As an officer of AMS, Christie knew that the advertising department's
28 financial performance impacted AMS's financial statements, and that the financial

1 information was shared with the public. Christie also knew that her fraudulent
2 conduct caused AMS's quarterly and annual reports to contain false and
3 misleading information. When AMS issued its earnings press releases, Christie
4 and others discussed the fact that the press releases said nothing about the
5 advertising department's contribution to AMS's bottom line.

6 **E. Materiality**

7 43. Christie's fraudulent conduct had a material impact on AMS's
8 financial statements. By producing fewer advertising vehicles than contracted, and
9 by improperly reversing coop advertising accruals, Christie caused AMS to
10 improperly inflate its earnings. Because the advertising department accounted for
11 nearly 20% of AMS's pre-tax earnings, the impact was sizeable. The estimated
12 overstatement of pre-tax earnings was 9% in fiscal year 2001, 10% in fiscal year
13 2002, and 19% in fiscal year 2003.

14 **F. Christie Profited During the Fraud**

15 44. Christie profited from her participation in the schemes. During the
16 relevant period, Christie received annual bonuses, and exercised options and sold
17 shares of AMS stock.

18 45. As a corporate officer, Christie's bonus was based on AMS's net
19 income as compared to budget. The bonus was set up on a sliding scale, so the
20 better AMS's actual results as compared to budget, the larger Christie's bonus.
21 Because of the high profit margins in the advertising department, the department's
22 performance had a significant impact on net income, and consequently on
23 Christie's bonus. In fiscal year 2001, AMS achieved 107% of its budgeted net
24 income, and Christie received a \$42,120 bonus. In fiscal year 2002, AMS
25 achieved 94% of its budgeted net income, and Christie received a \$25,000 bonus.
26 Christie did not receive a bonus in 2003.

27 46. During her perpetration of the fraud, Christie executed and sold stock
28 options through her brokerage account. On February 6, 2001, she exercised 1,575

1 options at \$4.96, which she then sold at \$20.43 per share for a total profit of
2 \$24,365. On January 29, 2002, Christie exercised 213 options at \$3.31, which she
3 sold at \$23.00 per share for a total profit of \$4,193. Christie's total profit during
4 the relevant period was \$28,558. At the time Christie exercised these options and
5 sold these shares, the price of AMS stock was inflated due to AMS's overstated
6 earnings, which was caused in part by Christie's misconduct.

7 47. When Christie sold her AMS stock, she knew that AMS's publicly
8 available earnings were materially overstated.

9 **FIRST CLAIM FOR RELIEF**

10 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

11 **Violations of Section 17(a) of the Securities Act**

12 48. The Commission realleges and incorporates by reference ¶¶ 1 through
13 47 above.

14 49. Defendant Christie, by engaging in the conduct described above,
15 directly or indirectly, in the offer or sale of securities by the use of means or
16 instruments of transportation or communication in interstate commerce or by use
17 of the mails:

18 a. with scienter, employed devices, schemes, or artifices to
19 defraud;

20 b. obtained money or property by means of untrue statements of a
21 material fact or by omitting to state a material fact necessary in order
22 to make the statements made, in light of the circumstances under
23 which they were made, not misleading; or

24 c. engaged in transactions, practices, or courses of business which
25 operated or would operate as a fraud or deceit upon the purchaser.

26 50. By engaging in the conduct described above, defendant Christie
27 violated, and unless restrained and enjoined will continue to violate, Section 17(a)
28 of the Securities Act, 15 U.S.C. § 77q(a).

SECOND CLAIM FOR RELIEF

**FRAUD IN CONNECTION WITH THE PURCHASE OR
SALE OF SECURITIES**

**Violations of Section 10(b) of the Exchange Act
and Rule 10b-5 thereunder**

51. The Commission realleges and incorporates by reference ¶¶ 1 through 47 above.

52. Defendant Christie, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, with scienter:

- a. employed devices, schemes, or artifices to defraud;
- b. made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

53. By engaging in the conduct described above, defendant Christie violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

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THIRD CLAIM FOR RELIEF

VIOLATIONS OF COMMISSION PERIODIC

REPORTING REQUIREMENTS

**Aiding and Abetting Violations of Section 13(a) of the Exchange Act,
and Rules 12b-20, 13a-1 and 13a-13 thereunder**

54. The Commission realleges and incorporates by reference ¶¶ 1 through 47 above.

55. AMS violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder, by filing with the Commission materially false and misleading quarterly and annual reports on Form 10-Q and Form 10-K for the first through third quarters of 2001, 2002, and 2003, and for year-end 2001, 2002, and 2003.

56. Defendant Christie knowingly provided substantial assistance to AMS's violation of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder.

57. By engaging in the conduct described above and pursuant to Section 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), defendant Christie aided and abetted AMS's violations, and unless restrained and enjoined will continue to aid and abet violations, of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1 and 13a-13 thereunder, 17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-13.

FOURTH CLAIM FOR RELIEF

RECORD-KEEPING VIOLATIONS

**Aiding and Abetting Violations of Section 13(b)(2)(A) of the Exchange Act
and Violations of Rule 13b2-1 thereunder**

58. The Commission realleges and incorporates by reference ¶¶ 1 through 47 above.

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1 59. AMS violated Section 13(b)(2)(A) of the Exchange Act and Rule
2 13b2-1, thereunder, by failing to make or keep books, records, and accounts in
3 reasonable detail that accurately and fairly reflected its transactions and disposition
4 of its assets and by falsifying or causing to be falsified AMS's books, records, and
5 accounts subject to Section 13(b)(2)(A) of the Exchange Act.

6 60. Defendant Christie knowingly provided substantial assistance to
7 AMS's violation of Section 13(b)(2)(A) of the Exchange Act.

8 61. By engaging in the conduct described above and pursuant to Section
9 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), defendant Christie aided and
10 abetted AMS's violations, and unless restrained and enjoined will continue to aid
11 and abet violations, of Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C.
12 § 78m(b)(2)(A).

13 62. By engaging in the conduct described above, defendant Christie
14 violated Exchange Act Rule 13b2-1 by, directly or indirectly, falsifying or causing
15 to be falsified AMS's books, records, and accounts subject to Section 13(b)(2)(A)
16 of the Exchange Act. Unless restrained and enjoined, defendant Christie will
17 continue to violate Rule 13b2-1, 17 C.F.R. § 240.13b2-1.

18 **FIFTH CLAIM FOR RELIEF**

19 **BOOKS AND RECORDS VIOLATIONS**

20 **Violations of Section 13(b)(5) of the Exchange Act**

21 63. The Commission realleges and incorporates by reference ¶¶ 1 through
22 47 above.

23 64. By engaging in the conduct described above, defendant Christie
24 violated Section 13(b)(5) of the Exchange Act, by circumventing or failing to
25 implement a system of internal accounting controls, or by knowingly falsifying any
26 book, record or account described in Section 13(b)(2) of the Exchange Act. Unless
27 restrained and enjoined, defendant Christie will continue to violate Section
28 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5).

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that defendant Christie committed the alleged violations.

II.

Issue judgments, in a form consistent with Fed. R. Civ. P. 65(d), permanently enjoining defendant Christie and her officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from violating Section 17(a) of the Securities Act, Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(5) of the Exchange Act, and Rules 10b-5, 12b-20, 13a-1, 13a-13, and 13b2-1 thereunder.

III.

Order defendant Christie to disgorge all ill-gotten gains from her illegal conduct, together with prejudgment interest thereon.

IV.

Order defendant Christie to pay civil penalties under Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

V.

Enter an order, pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e), and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2), prohibiting defendant Christie from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 781, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

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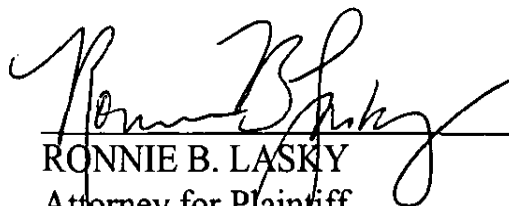
VI.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VII.

Grant such other and further relief as this Court may determine to be just and necessary.

DATED: March 2, 2005



RONNIE B. LASKY
Attorney for Plaintiff
Securities and Exchange Commission

ORIGINAL

JS44

(Rev. 07/89)

CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE SECOND PAGE OF THIS FORM.)

I (a) PLAINTIFFS

SECURITIES AND EXCHANGE COMMISSION

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF (EXCEPT IN U.S. PLAINTIFF CASES)

DEFENDANTS

SANDRA MILLER CHRISTIE

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT (IN U.S. PLAINTIFF CASES ONLY)

05 MAR -2 AM 10:31

CLERK, U.S. DISTRICT COURT SOUTHERN DISTRICT OF CALIFORNIA RIVERSIDE COUNTY

DEPUTY

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED

(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)

Ronnie B. Lasky 323-965-3998 SEC/Pacific Regional Office 5670 Wilshire Blvd., 11th Floor Los Angeles, CA 90036-3648

ATTORNEYS (IF KNOWN)

Marc R. Greenberg 562-436-2000 Keesal, Young & Logan 400 Oceangate, P.O. Box 1730 Long Beach, CA 90801-1730

05 CV 0420 JM (JFS)

II. BASIS OF JURISDICTION (PLACE AN X IN ONE BOX ONLY)

- U.S. Government Plaintiff Federal Question (U.S. Government Not a Party) U.S. Government Defendant Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (PLACE AN X IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT) (For Diversity Cases Only)

- Citizen of This State Citizen of Another State Citizen or Subject of a Foreign Country Incorporated or Principal Place of Business in This State Incorporated and Principal Place of Business in Another State Foreign Nation

IV. CAUSE OF ACTION (CITE THE US CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE. DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY) The Complaint alleges violations of the federal securities laws. (15 U.S.C. § 77q(a); 15 U.S.C. § 78j(b) & 17 C.F.R. § 240.10b-5 thereunder; 15 U.S.C. § 78m(a) & 17 C.F.R. §§ 240.12b-20, 240.13a-1, & 240.13a-13; aiding & abetting violations of 15 U.S.C. § 78m(b)(2)(A) & 17 C.F.R. § 240.12b-21; 15 U.S.C. § 78m(b)(5).

V. NATURE OF SUIT (PLACE AN X IN ONE BOX ONLY)

Table with columns: CONTRACT, REAL PROPERTY, TORTS, CIVIL RIGHTS, PRISONER PETITIONS, FORFEITURE/PENALTY, LABOR, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES. Includes various legal categories and checkboxes.

VI. ORIGIN (PLACE AN X IN ONE BOX ONLY)

- Original Proceeding Removal from State Court Remanded from Appellate Court Reinstated or Reopened Transferred from another district (specify) Multidistrict Litigation Appeal to District Judge from Magistrate Judgment

VII. REQUESTED IN COMPLAINT: CHECK IF THIS IS A CLASS ACTION UNDER f.r.e.p. 23 DEMAND \$ JURY DEMAND: YES NO

VIII. RELATED CASE(S) IF ANY (See Instructions): JUDGE Marilyn L. Huff Docket Number 04 CV 1966 H (POR)

DATE 3/2/05 SIGNATURE OF ATTORNEY OF RECORD [Signature]

Handwritten note: CR for 11599-00 3/2/05 #11599-10 Voided Receipt VA