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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

17 IRA GAINES, on behalf of himself and all) Case No.
18 others similarly situated,)
19)
20 Plaintiff(s),) COMPLAINT
21)
22 vs.)
23)
24 PEREGRINE SYSTEMS, INC., STEPHEN)
25 P. GARDNER and MATTEW C. GLESS,)
26)
27 Defendant(s).)
28

1. This is a class action seeking to pursue remedies under the Securities Exchange Act of 1934 (the Exchange Act) on behalf of all persons who purchased or otherwise acquired the securities of Peregrine Systems, Inc. (APeregrine@ or the ACompany@) between July 19, 2000 and May 3, 2002, inclusive (the AClass Period@) and who were damaged thereby.

JURISDICTION AND VENUE

2. Plaintiff brings this action pursuant to the Exchange Act as amended (15 U.S.C. ' 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder (17 C.F.R. ' 240.10b-5).

3. This Court has jurisdiction over the subject matter of this action pursuant to ' 27 of the Exchange Act (15 U.S.C. ' 78aa) and 28 U.S.C. ' 1331.

4. Venue is proper in this District pursuant to ' 27 of the Exchange Act, 15 U.S.C. ' 78aa and 28 U.S.C. ' 1391(b). Many of the acts and transactions giving rise to the violations of law complained of herein, including the preparation and dissemination to the investing public of false and misleading information, occurred in this District.

5. In connection with the acts, conduct and other wrongs complained of herein, Defendants used the means and instrumentalities of interstate commerce.

THE PARTIES

1 Peregrine's corporate releases detailed herein as a group-published information and is therefore
2 liable for the representations contained therein.

3 16. Each of the Defendants is liable as a primary violator in making false and
4 misleading statements, and for participating in a fraudulent scheme and course of business that
5 operated as a fraud or deceit on purchasers of Peregrine stock during the Class Period. All of the
6 Defendants had motives to pursue a fraudulent scheme in furtherance of their common goal, i.e.,
7 inflating the reported profits of Peregrine and the trading price of Peregrine stock by making false
8 and misleading statements and concealing material adverse information. The fraudulent scheme
9 and course of business was designed to and did: (i) deceive the investing public, including
10 Plaintiff and other Class members; (ii) artificially inflate the price of Peregrine stock during the
11 Class Period; (iii) cause Plaintiff and other members of the Class to purchase Peregrine stock at
12 inflated prices; (iv) allow Peregrine to use its common stock at artificially inflated prices while
13 privy to material, adverse information regarding the Company's soon to be reported financial
14 status to acquire other companies and (v) conceal the true financial condition of Peregrine.

15 **CLASS ACTION ALLEGATIONS**

16 17. Plaintiff brings this action as a class action pursuant to Rule 23(a) and (b)(3) of the
17 Federal Rules of Civil Procedure on behalf of the members of the Class who purchased Peregrine
18 securities during the Class Period. Excluded from the Class are Defendants herein, members of
19 each Individual Defendant's immediate family, any entity in which any Defendant has a
20 controlling interest, and the legal affiliates, representatives, heirs, controlling persons, successors,
21 and predecessors in interest or assigns of any such excluded party.

22 18. Because Peregrine has millions of shares of securities outstanding, and because the
23 Company's securities were actively traded, members of the Class are so numerous that joinder of
24 all members is impracticable. As of December 31, 2001, Peregrine had over 192 million shares
25 outstanding. While the exact number of Class members can only be determined by appropriate
26 discovery, Plaintiff believes that Class members number at least in the thousands and that they are
27 geographically dispersed.

28 19. Plaintiff's claims are typical of the claims of the members of the Class, because
Plaintiff and all of the Class members sustained damages arising out of Defendants' wrongful
conduct complained of herein.

20 20. Plaintiff will fairly and adequately protect the interests of the Class members and
has retained counsel who are experienced and competent in class and securities litigation. Plaintiff
has no interests that are contrary to or in conflict with the members of the Class Plaintiff seeks to
represent.

21 21. A class action is superior to all other available methods for the fair and efficient
22 adjudication of this controversy, because joinder of all members is impracticable. Furthermore,
23 the damages suffered by individual members of the Class may be relatively small, and the expense
24 and burden of individual litigation make it impossible for the members of the Class individually to
25 redress the wrongs done to them. There will be no difficulty in the management of this action as a
26 class action.

27 22. Questions of law and fact common to the members of the Class predominate over
any questions that may affect only individual members, in that Defendants have acted on grounds
generally applicable to the entire Class. Among the questions of law and fact common to the
Class are:

- 28 a. whether Defendants violated the federal securities laws as alleged herein;

1 b. whether the Company's publicly disseminated releases and statements
2 during the Class Period omitted and/or misrepresented material facts and whether
3 Defendants breached any duty to convey material facts or to correct material facts
4 previously disseminated;

5 c. whether Defendants participated in and pursued the fraudulent scheme or
6 course of business complained of;

7 d. whether Defendants acted willfully or recklessly in omitting and/or
8 misrepresenting material facts;

9 e. whether the market prices of Peregrine securities during the Class Period
10 were artificially inflated due to the material nondisclosures and/or misrepresentations
11 complained of herein; and
12

13 f. whether the members of the Class have sustained damages and, if so, what
14 is the appropriate measure of damages.
15

16 23. Peregrine purports to offer software products, services and technologies that permit
17 businesses to eliminate points of frictions in their business processes and to improve their return
18 on capital and investment in their infrastructure assets and electronic business investments.

19 24. Peregrine expanded rapidly before and during the Class Period through the
20 acquisition of other companies. Peregrine purported to make these acquisitions to, inter alia,
21 expand the products and range of services it could offer to its customers.

22 25. During the Class Period, Peregrine also entered into and expanded relationships
23 and alliances with managed service providers ("MSP"). These MSPs purported to purchase
24 Peregrine software and to resell it to end users.

25 26. To this end, Peregrine boasted of its successes throughout the Class Period,
26 reporting revenue that met or exceeded analyst expectation for 17 consecutive quarters, through
27 the first quarter of fiscal 2002. Based on defendants' statements, the reported revenue, and the
28 success of its dealings with MSPs, Peregrine appeared to be better positioned than its competitors.

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FALSE AND MISLEADING STATEMENTS DURING THE CLASS PERIOD

27. The Class Period commences on July 19, 2000. On that date, defendants issued a press release announcing “record” revenues for the first quarter. Peregrine announced revenues had increased 83% to 94.3 million, and net income on a pro rata basis of \$12.1 million.

28. Defendants’ financial results were repeated in the company’s quarterly report on Form 10-Q, filed on August 14, 2000, signed by defendant Gless. The report states:

These financial statements, in our opinion, include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial position, results of operations, and cash flows for all periods presented.

29. On October 24, 2000, defendants issued a press release announcing “record” second quarter results. Peregrine announced revenues had increased 147% to \$142.7 million, with net income on a pro forma basis of \$18.3 million.

30. Commenting on these results, defendant Gardner stated, “[w]e had a remarkable quarter of growth... a most successful quarter. . .”

31. Defendants’ financial results were repeated in a quarterly report on Form 10-Q filed on November 14, 2000, signed by defendant Gless. The report states:

These financial statements, in our opinion, include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial position, results of operations, and cash flows for all periods presented.

32. On November 14, 2000, Peregrine sold \$250,000,000 of convertible subordinated notes in a private placement. The notes mature on November 15, 2007, and are convertible into Peregrine common stock at \$25 per share, subject to adjustment.

33. On January 24, 2001, Defendants issued a press release announcing “record” third quarter results. Peregrine announced revenues had increased 132% to \$156.6 million, with net income on a pro forma basis of \$22.6 million.

34. Commenting on these results, defendant Gardner stated, “...we exceeded our objectives for the December quarter”... “This was a very important quarter for Peregrine.”

35. Defendants’ financial results were repeated in a quarterly report on Form 10-Q filed on February 14, 2001, signed by defendant Gless. The report states:

These financial statements, in our opinion, include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial position, results of operations, and cash flows for all periods presented.

36. On April 26, 2001, Defendants issued a press release announcing “record” fourth quarter and annual results. Peregrine announced revenues for the fourth quarter increased 124% to \$171 million, and revenues for the year increased 123% to \$564.7 million. On a pro forma basis,

1 Peregrine announced fourth quarter net income of \$24.8 million, and annual net income of \$77.8
2 million.

3 37. Commenting on these results, defendant Gardner stated, “[i]n the past year,
4 Peregrine has clearly established itself as the leading global provider of integrated infrastructure
5 management and e-market solutions Our results this quarter in the face of challenging
6 economic conditions demonstrates the value of our solution We are particularly pleased with
7 the strength of our sales through managed service providers [MSP] and our professional services
8 partners.”

9 38. The Company’s financial results were repeated in an annual report on Form 10-K,
10 filed on June 29, 2001, signed by defendants Gardner and Gless. It also set forth Peregrine’s
11 revenue recognition policy for software licenses:

12 Revenues from direct and indirect license agreements are
13 recognized, provided that all of the following conditions are met: a
14 noncancelable license agreement has been signed; the product has
15 been delivered; there are no material uncertainties regarding
16 customer acceptance; collection of resulting receivable is deemed
17 probable; risk of concession is deemed remote; and no other
18 significant vendor obligations exist.

19 39. On July 24, 2001, Defendants issued a press release announcing “record” first
20 quarter results. Peregrine announced revenues had increased 82% to \$172.0 million, with net
21 income on a pro forma basis of \$12.1 million.

22 40. Commenting on these results, defendant Gardner stated, “[w]e were pleased to post
23 significant top-line growth in this challenging economic environment. . . . Our customers are seeking
24 ways to improve their productivity and achieve a rapid return on their investments. Our results
25 this quarter reflect our ability to deliver on these objectives.”

26 41. Defendants financial results were repeated in a quarterly report on Form 10-Q filed
27 on August 13, 2001, signed by defendant Gless. The report states:

28 These financial statements, in our opinion, include all adjustments
(consisting only of normal recurring accruals) necessary for a fair
presentation of the financial position, results of operations, and cash
flows for all periods presented.

42. On October 24, 2001, Defendants issued a press release announcing “record”
second quarter results. Peregrine announced revenues of \$175 million, with net income on a pro
forma basis of \$8.4 million.

43. Commenting on these results, defendant Gardner stated, “Peregrine is well
positioned to succeed in this environment. Our products offer significant return on investment,
and the breadth and modularity of our offerings allow us to tailor our solutions to meet specific
customer requirements and rollout schedules.”

44. Defendants’ financial results were repeated in a quarterly report on Form 10-Q filed
on November 13, 2001, signed by defendant Gless. The report states:

These financial statements, in our opinion, include all adjustments
(consisting only of normal recurring accruals) necessary for a fair
presentation of the financial position, results of operations, and cash
flows for all periods presented.

1 45. During a conference call with analysts on or about October 24, 2001, defendants
2 Gardner and Gless, gave guidance that Peregrine's revenues would be \$220 to \$230 million in the
3 third quarter, and that there was progress on sales to MSPs.

4 46. In a press release dated January 2, 2002, Peregrine announced preliminary third
5 quarter results. Peregrine announced revenues of \$175 million, with a net loss, on a pro forma
6 basis, of \$.07 to \$.08 per share.

7 47. Commenting on these results, defendant Gardner stated "[t]here were really three
8 primary areas of contribution to the shortfall in revenue: Europe, our managed-services providers
9 customer segment, and the direct sales of our business relationship management
10 products...Europe was by far the biggest issues of the December quarter, accounting for over
11 almost 75 percent of the shortfall." Gardner attributed much of the problem to the loss of the
12 European sales manager during the third quarter.

13 48. On April 8, 2002, the Company filed a Form 8-K with the SEC announcing that on
14 April 2, 2002, Arthur Andersen LLP was terminated and KPMG LLP was appointed as principal
15 accountants for Peregrine. The decision to change accountants was approved by the audit
16 committee and the full Board of Directors of the Company. At the same time, Peregrine
17 announced that it would announce its fourth quarter and year-end results after the close of business
18 on May 2, 2002.

19 49. On April 24, 2002, Peregrine announced it had entered into a strategy alliance
20 agreement with IBM to jointly deliver infrastructure resource management. On April 24, 2002,
21 Peregrine stock closed at \$8.31.

22 50. During the Class Period, the above statements were false and misleading for the
23 following reasons:

24 (a) during fiscal 2001 and 2002, the Company improperly recognized approximately
25 \$100,000,000 in revenue from sales through indirect channels, when, in fact, those revenues were
26 not properly recognizable under GAAP;

27 (b) during fiscal 2001 and 2002, the Company improperly wrote-off revenue that
28 should never have been recognized, instead of restating its previously reported earnings; and

(c) failed to disclose that revenues were overstated in fiscal 2001 and 2002.

THE TRUTH IS REVEALED

51. On April 25, 2002, Peregrine announced that it was delaying its planned earnings
release and conference call related to the results for the fourth quarter and fiscal year 2002, as
KPMG needed time to complete the audit. Peregrine did not announce that there was any
problems or irregularities being investigated.

52. On May 1, 2002, an analyst that follows Peregrine was interviewed by ON24
Financial Network. The analyst said that the company did not deny fraud as the reason for the
delay. The analyst also stated that MSP's currently have approximately \$100,000,000 in unused
Peregrine software licenses.

53. Before the market opened on May 6, 2002, the full scope of defendants' fraud was
revealed. Peregrine stunned the market by announcing an internal investigation into accounting
irregularities. Peregrine's press release states, "[t]he scope and magnitude of these matters have
not been determined. Based on the preliminary information reviewed to date, certain transactions
involving revenue recognition irregularities, totaling as much as \$100 million, have been called
into question and may have been recorded during the periods in fiscal 2001 and 2002. These
transactions were recorded initially as revenue from the company's indirect channels and may

1 have been written off in later quarters.” Peregrine also announced the resignation of defendants
2 Gardner and Gless.

3 54. In response to these disclosures revealing, at least in part, the Company’s true
4 financial condition, Peregrine’s shares fell sharply. Peregrine’s stock closed at \$8.31 on April 24,
5 2002. On May 6, 2002, the price of Peregrine stock dropped from \$2.57 to \$.89, a drop of 65%.

6 55. The market for Peregrine securities was open, well-developed and efficient at all
7 relevant times. As a result of the materially false and misleading statements and failures to
8 disclose described herein, Peregrine securities traded at artificially inflated prices during the Class
9 Period. The artificial inflation continued until the time Peregrine admitted that its revenues were
10 overstated and its dealings with MSPs not nearly as strong as touted, and these admissions were
11 communicated to the securities markets. Plaintiff and other members of the Class purchased or
12 otherwise acquired Peregrine securities relying on Defendants’ statements concerning Peregrine’s
13 A record performance and financial growth and upon the integrity of the market price of Peregrine
14 securities and market information relating to Peregrine and have been damaged thereby.

15 56. During the Class Period, Defendants materially misled the investing public, thereby
16 inflating the price of Peregrine securities, by publicly issuing false and misleading statements and
17 omitting to disclose material facts necessary to make Defendants’ statements, as set forth herein,
18 not false and misleading. Said statements and omissions were materially false and misleading in
19 that they failed to disclose material adverse information and misrepresented the truth about the
20 Company, its business and operations.

21 57. At all relevant times, the material misrepresentations and omissions particularized
22 in this Complaint directly or proximately caused or were a substantial contributing cause of the
23 damages sustained by Plaintiff and other members of the Class. As described herein, during the
24 Class Period, Defendants made or caused to be made a series of materially false or misleading
25 statements about Peregrine’s business, prospects and operations. These material misstatements
26 and omissions had the cause and effect of creating in the market an unrealistically positive
27 assessment of Peregrine and its business, prospects and operations, thus causing the Company’s
28 securities to be overvalued and artificially inflated at all relevant times. Defendants’ materially
false and misleading statements during the Class Period resulted in Plaintiff and other members of
the Class purchasing the Company’s securities at artificially inflated prices, thus causing the
damages complained of herein.

DEFENDANTS’ VIOLATIONS OF GAAP

21 58. In Securities Act Release No. 6349 (September 8, 1981), the SEC has stated that:
22 it is the responsibility of management to identify and address those
23 key variables and other qualitative and quantitative factors which are
24 peculiar to and necessary for an understanding and evaluation of the
25 individual company.

26 59. In addition, as noted by the SEC in Accounting Series Release 173:
27 it is important that the overall impression created by the financial
28 statements be consistent with the business realities of the company’s
financial position and operations.

29 60. In this regard, the SEC has promulgated Regulation S-X, 17 C.F.R. 210.4-01(a)(1),
which provides that financial statements filed with the SEC that fail to conform to the
requirements of GAAP, such as Peregrine’s financial statements for the periods ending July 30,

1 2000, September 30, 2000, December 31, 2000, fiscal year ending March 31, 2001, July 30, 2001,
2 September 30, 2001, and December 31, 2001, are presumptively misleading and inaccurate.

3 61. The accounting principle that revenue is to be accounted for at the time that the
4 earnings process is complete is a well established under GAAP and it has been reaffirmed by the
5 SEC on numerous occasions:

6 a. Accounting And Auditing Enforcement Release No. 817
7 (September 19, 1996) which states: "Under APB Statement No. 4,
8 which was rescinded in March 1993, revenue was generally
9 recognized when (1) the earnings process was complete or virtually
10 complete, and (2) an exchange had taken place. This revenue
11 recognition concept has been carried forward in FASB Statement of
12 Financial Accounting Concepts No. 5, para. 83-84, and in other
13 authoritative literature and continues to provide the foundation for
14 revenue recognition in accordance with GAAP."

15 b. Accounting And Auditing Enforcement Release No. 812
16 (September 5, 1996) which states: "Generally Accepted Accounting
17 Principles (GAAP) provide that revenue should not be recognized
18 until an exchange has occurred, the earnings process is complete,
19 and the collection of the sales price is reasonably assured. These
20 conditions ordinarily are met when products are exchanged for cash
21 or claims to cash, and when the entity has substantially performed
22 the obligations which entitle it to the benefits represented by the
23 revenue."

24 **ADDITIONAL SCIENTER ALLEGATIONS**

25 62. During the Class Period, Peregrine acquired several other companies by using its
26 stock as currency, as follows:

27 <u>Company</u>	28 <u>Date</u>	<u>Peregrine Shares Issued</u>
Harbinger Corporation	June 16, 2000	30,157,000
Loran Network Holdings Corp.	September 1, 2000	2,861,000
Tivoli Service Dist. Suite	December 29, 2000	3,015,000
Extricity, Inc.	March 23, 2001	8,398,000

63. Through the use of the artificially inflated price of Peregrine stock, Peregrine was
able to use more than 45 million shares of its stock to acquire the above listed companies. If the
price of Peregrine stock was not inflated, Peregrine would have had to provide many more shares
of stock to purchase those companies, if it was able to do so at all.

64. The Individual Defendants engaged in such a scheme to inflate the price of
Peregrine securities in order to: (i) protect and enhance their executive positions and the
substantial compensation and prestige they obtained thereby; (ii) enhance the value of their
personal holdings of Peregrine common stock; and (iii) enable the Company to complete the
acquisitions discussed above using Peregrine securities as currency.

STATUTORY SAFE HARBOR

65. The federal statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. Further, none of the statements pleaded herein which were forward-looking statements were identified as forward-looking statements when made. Nor was it stated that actual results could differ materially from those projected. Nor were the forward-looking statements pleaded herein accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from the statements made therein. Defendants are liable for the forward-looking statements pleaded herein because, at the time each of those forward-looking statements was made, the speaker knew the forward-looking statement was false and the forward-looking statement was authorized and/or approved by an executive officer of Peregrine who knew that those statements were false when made.

APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE-MARKET DOCTRINE

66. At all relevant times, the market for Peregrine securities was an efficient market for the following reasons, among others:

a. Peregrine met the requirements for listing, and was listed and actively traded, on the NASDAQ, a highly efficient market;

b. as a regulated issuer, Peregrine filed periodic public reports with the SEC and the NASD;

c. Peregrine stock was followed by securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace; and

d. Peregrine regularly issued press releases which were carried by national newswires. Each of these releases was publicly available and entered the public marketplace.

67. As a result, the market for Peregrine securities promptly digested current information with respect to Peregrine from all publicly-available sources and reflected such information in Peregrine's stock price. Under these circumstances, all purchasers of Peregrine

1 securities during the Class Period suffered similar injury through their purchase of stock at
2 artificially inflated prices, and a presumption of reliance applies.

3 4 5 **COUNT I**

6 **For Violations Of Section 10(b) Of The Exchange Act** 7 **And Rule 10b-5 Promulgated Thereunder Against All Defendants**

8 68. Plaintiff repeats and realleges the allegations set forth above as though fully set
9 forth herein. This claim is asserted against all Defendants.

10 69. During the Class Period, Peregrine and the Individual Defendants, and each of
11 them, carried out a plan, scheme and course of conduct which was intended to and, throughout the
12 Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as
13 alleged herein; (ii) artificially inflate and maintain the market price of Peregrine common stock;
14 and (iii) cause Plaintiff and other members of the Class to purchase Peregrine stock at artificially
15 inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Peregrine and
16 the Individual Defendants, and each of them, took the actions set forth herein.

17 70. These Defendants: (a) employed devices, schemes, and artifices to defraud; (b)
18 made untrue statements of material fact and/or omitted to state material facts necessary to make
19 the statements not misleading; and (c) engaged in acts, practices and a course of business which
20 operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to
21 maintain artificially high market prices for Peregrine securities in violation of Section 10(b) of the
22 Exchange Act and Rule 10b-5. These Defendants are sued as primary participants in the wrongful
23 and illegal conduct charged herein. The Individual Defendants are also sued herein as controlling
24 persons of Peregrine, as alleged below.

25 71. In addition to the duties of full disclosure imposed on Defendants as a result of
26 their making of affirmative statements and reports, or participation in the making of affirmative
27 statements and reports to the investing public, they each had a duty to disseminate promptly
28 truthful information that would be material to investors in compliance with the integrated
disclosure provisions of the SEC as embodied in SEC Regulation S-X (17 C.F.R. ' 210.01 *et seq.*)
and S-K (17 C.F.R. ' 229.10 *et seq.*) and other SEC regulations, including accurate and truthful
information with respect to the Company's operations, financial condition and performance so that
the market prices of the Company's publicly traded securities would be based on truthful,
complete and accurate information.

72. Peregrine and the Individual Defendants, individually and in concert, directly and
indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails,
engaged and participated in a continuous course of conduct to conceal adverse material
information about the business, business practices, performance, operations and future prospects
of Peregrine as specified herein. These Defendants employed devices, schemes and artifices to
defraud, while in possession of material adverse non-public information and engaged in acts,
practices, and a course of conduct as alleged herein in an effort to assure investors of Peregrine's
value and performance and substantial growth, which included the making of, or the participation
in the making of, untrue statements of material facts and omitting to state material facts necessary
in order to make the statements made about Peregrine and its business, operations and future
prospects in the light of the circumstances under which they were made, not misleading, as set

1 forth more particularly herein, and engaged in transactions, practices and a course of business
2 which operated as a fraud and deceit upon the purchasers of Peregrine securities during the Class
3 Period.

4 73. Each of the Individual Defendants' primary liability, and controlling person
5 liability, arises from the following facts: (i) each of the Individual Defendants was a high-level
6 executive and/or director at the Company during the Class Period; (ii) each of the Individual
7 Defendants, by virtue of his responsibilities and activities as a senior executive officer and/or
8 director of the Company, was privy to and participated in the creation, development and reporting
9 of the Company's internal budgets, plans, projections and/or reports; (iii) the Individual
10 Defendants enjoyed significant personal contact and familiarity with each other and were advised
11 of and had access to other members of the Company's management team, internal reports, and
12 other data and information about the Company's financial condition and performance at all
13 relevant times; and (iv) the Individual Defendants were aware of the Company's dissemination of
14 information to the investing public which they knew or recklessly disregarded was materially false
15 and misleading.

16 74. These Defendants had actual knowledge of the misrepresentations and omissions of
17 material facts set forth herein, or acted with reckless disregard for the truth in that they failed to
18 ascertain and to disclose such facts, even though such facts were readily available to them. Such
19 Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and
20 for the purpose and effect of concealing Peregrine's operating condition, business practices and
21 future business prospects from the investing public and supporting the artificially inflated price of
22 its stock. As demonstrated by their overstatements and misstatements of the Company's financial
23 condition and performance throughout the Class Period, the Individual Defendants, if they did not
24 have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to
25 obtain such knowledge by deliberately refraining from taking those steps necessary to discover
26 whether those statements were false or misleading.

27 75. As a result of the dissemination of the materially false and misleading information
28 and failure to disclose material facts, as set forth above, the market price of Peregrine's securities
was artificially inflated during the Class Period. In ignorance of the fact that the market price of
Peregrine's shares was artificially inflated, and relying directly or indirectly on the false and
misleading statements made by Defendants, or upon the integrity of the market in which the
securities trade, and/or on the absence of material adverse information that was known to or
recklessly disregarded by Defendants but not disclosed in public statements by Defendants during
the Class Period, Plaintiff and the other members of the Class acquired Peregrine securities during
the Class Period at artificially inflated high prices and were damaged thereby.

76. At the time of said misrepresentations and omissions, Plaintiff and other members
of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the
other members of the Class and the marketplace known of the true performance, business
practices, future prospects and intrinsic value of Peregrine, which were not disclosed by
Defendants, Plaintiff and other members of the Class would not have purchased or otherwise
acquired their Peregrine securities during the Class Period, or, if they had acquired such securities
during the Class Period, they would not have done so at the artificially inflated prices which they
paid.

77. By virtue of the foregoing, Peregrine and the Individual Defendants each violated
Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

1 WHEREFORE, Plaintiff, on his own behalf and on behalf of the Class, prays for judgment
as follows:

2 a. declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of
3 the Federal Rules of Civil Procedure on behalf of the Class defined herein;

4 b. awarding Plaintiff and the other members of the Class damages in an
5 amount which may be proven at trial, together with interest thereon;

6 c. awarding Plaintiff and the members of the Class pre-judgment and
7 post-judgment interest, as well as their reasonable attorneys= and experts= witness fees and
8 other costs; and
9

10 d. such other relief as this Court deems appropriate.
11

12 JURY DEMAND

13 Plaintiff demands a trial by jury.

14 Dated: May 7, 2002

15 WOLF HALDENSTEIN ADLER
16 FREEMAN & HERZ LLP

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