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Attorneys for Plaintiffs

10 UNITED STATES DISTRICT COURT
11 SOUTHERN DISTRICT OF CALIFORNIA
12

13 PETER J. KRINSKY on Behalf of Himself,
14 and all Others Similarly Situated,

15 Plaintiff,

16 vs.

17 PEREGRINE SYSTEMS, INC.,
18 STEPHEN P. GARDNER, AND
19 MATTHEW C. GLESS,

20 Defendants.
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02 CV 0902 H (FOR)
NO.

CLASS ACTION

COMPLAINT FOR VIOLATION
OF THE FEDERAL
SECURITIES LAWS

DEMAND FOR JURY TRIAL

1 **CLASS ACTION COMPLAINT**

2 Plaintiff, individually and on behalf of all others similarly situated, by and through his
3 attorneys, alleges the following upon information and belief, except as to the allegations which
4 pertain to the name plaintiff and his counsel, which are alleged upon personal knowledge.
5 Plaintiff's information and belief are based, *inter alia*, on the investigation made by and through
6 his attorneys.

7 **SUMMARY OF THE ACTION**

8 1. This is a securities fraud class action on behalf of persons - such as Plaintiff Peter
9 J. Krinsky - who purchased securities of Peregrine Systems, Inc. ("Peregrine" or the "Company")
10 between July 24, 2001 and May 3, 2002 (the "Class Period"), or who acquired Peregrine
11 securities as a result of Peregrine's acquisition of Remedy Corporation, completed on August 27,
12 2001. This action names Peregrine and certain of its former top officers as Defendants for
13 violations of the federal securities laws arising out of Defendants' dissemination of false and
14 misleading financial statements and information during the Class Period.

15 2. Peregrine is a global software company that provides Infrastructure Management
16 solutions which enable companies to manage the entire life cycle of a company's assets, from IT
17 equipment and fleets of vehicles to telecom and facility assets. In its financial statements and
18 press releases during the Class Period, Peregrine misrepresented its actual revenue. Its reported
19 revenue exceeded its actual revenue by as much as \$100 million during the Class Period..

20 3. Before the market opened on Monday, May 6, 2002, Peregrine shocked the market
21 by announcing that its board of directors had authorized an internal investigation into accounting
22 inaccuracies, totaling as much as \$100 million, which KPMG, the Company's newly hired
23 independent auditor ("KPMG"), had brought to the attention of the audit committee.
24 Simultaneously, the board of directors announced that Peregrine's Chairman of the Board and
25 Chief Executive Officer and its Chief Financial Officer had both resigned all of their positions
26 with the Company. The press release stated in relevant part:

1 SAN DIEGO, May 6, 2002 - - Peregrine Systems, Inc. (Nasdaq: PRGN)
2 announced today that the board of directors has authorized the audit committee of
3 the board to conduct an internal investigation into potential accounting
4 inaccuracies brought to the attention of the audit committee by KPMG, the
5 company's independent auditors. KPMG was engaged by Peregrine in April to
6 replace Arthur Andersen LLP for the audit of the company's recently completed
7 fiscal year.

8 The scope and magnitude of these matters have not been determined. Based on
9 the preliminary information reviewed to date, certain transactions involving
10 revenue recognition irregularities, totaling as much as \$100 million, have been
11 called into question and may have been recorded during periods in fiscal 2001 and
12 2002. These transactions were recorded initially as revenue from the company's
13 indirect channels and may have been written off in later quarters. These channel
14 transactions and other accounting matters to be investigated may impact financial
15 results for periods in fiscal 2002 and prior. Peregrine has informed the staff of the
16 SEC of its audit committee's internal investigation and will keep the SEC
17 informed of its progress.

18 Additionally, the board announced the resignations of Steve Gardner, chairman of
19 the board and chief executive officer, and Matt Glass (sic), chief financial officer,
20 executive vice president of finance and also a director on the board.

21 4. As a result of defendants' misconduct, alleged herein, plaintiff and the Class have
22 suffered substantial damages.

23 JURISDICTION AND VENUE

24 5. This Court has jurisdiction of this action pursuant to Section 27 of the Exchange
25 Act [15 U.S.C. § 78aa], and 28 U.S.C. §§ 1331 and 1337.

26 6. The claims asserted herein arise under § 10(b) of the Exchange Act [15 U.S.C. §
27 78j(b)], Rule 10b-5 promulgated thereunder by the SEC [17 C.F.R. § 240.10b-5] and Section
28 20(a) of the Exchange Act [15 U.S.C.S. § 78t(a)].

29 7. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28
30 U.S.C. § 1391(b) and (c). Peregrine has its headquarters in this District, in San Diego, and the
31 acts complained of herein, including the preparation, issuance and dissemination of materially
32 false and misleading information to the investing public, occurred in substantial part in this
33 District.

34 8. In connection with the acts alleged in this Complaint, defendants, directly or
35 indirectly, used the means and instrumentalities of interstate commerce, including, but not

1 limited to, the mails, interstate telephonic communications and the facilities of the National
2 Association of Securities Dealers Automated Quotation System (“NASDAQ”), a national
3 securities exchange.

4 **THE PARTIES**

5 9. Plaintiff Peter J. Krinsky purchased shares of Peregrine common stock as set forth
6 in the attached certification and was damaged thereby.

7 10. Defendant Peregrine is a Delaware corporation which maintains its principal
8 executive offices at 3611 Valley Centre Drive, San Diego, California 92130.

9 11. Defendant Stephen P. Gardner (“Gardner”) was at all relevant times Chairman of
10 the Board of Directors and Chief Executive Officer of the Company. Gardner joined the
11 Company in May 1997 as vice president of strategic operations. From January through April
12 1998, he served as executive vice president and principal executive officer of the Company.
13 Gardner was appointed Chief Executive Officer in April 1998 and served as president and as
14 director of the Company from April 1998 through July 2000.

15 12. Defendant Matthew C. Gless (“Gless”) was at all relevant times Executive Vice
16 President, Chief Financial Officer and a director of the Company. Gless joined the Company as
17 corporate controller in April 1996. From October 1998 through October 2000, he served as Vice
18 President, Finance and Chief Accounting Officer. Gless served as Chief Financial Officer and a
19 member of the Board of Directors of the Company since October 2000. Gless signed the reports
20 on Form 10-Q for the first fiscal quarter ended June 30, 2001 (“First Quarter 10-Q”), second
21 fiscal quarter ended September 30, 2001 (“Second Quarter 10-Q”), and third fiscal quarter ended
22 December 31, 2001 (“Third Quarter 10-Q”), filed by Peregrine with the SEC, which contained
23 material overstatements of Peregrine’s revenues and earnings.

24 13. Defendants Gardner and Gless are collectively referred to herein as the
25 “Individual Defendants.”

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1 can only be ascertained through appropriate discovery, plaintiff believes that there are thousands
2 of members of the Class located throughout the United States. Throughout the Class Period,
3 Peregrine securities were actively traded in an efficient market on the NASDAQ National Market
4 System. Record owners and other members of the Class may be identified from records
5 maintained by Peregrine and/or its transfer agent and may be notified of the pendency of this
6 action by mail and publication, using forms of notice similar to those customarily used in
7 securities class actions.

8 19. Plaintiff's claims are typical of the claims of other members of the Class as all
9 members of the Class were similarly affected by defendant's wrongful conduct in violation of
10 federal law that is complained of herein.

11 20. Plaintiff will fairly and adequately protect the interests of the members of the
12 Class and have retained counsel competent and experienced in class and securities litigation.

13 21. Common questions of law and fact exist as to all members of the Class and
14 predominate over any questions solely affecting individual members of the Class. Among the
15 questions of law and fact common to the Class are:

16 (i) Whether the federal securities laws were violated by defendants' acts and
17 omissions as alleged herein;

18 (ii) Whether defendants participated in and pursued the illegal course of
19 conduct complained of herein;

20 (iii) Whether statements disseminated to the investing public and the
21 Company's shareholders during the Class Period made misrepresentations or omissions of
22 material information as alleged herein;

23 (iv) Whether the market prices of Peregrine securities during the Class Period
24 were artificially inflated due to the material misrepresentations and omissions complained of
25 herein;

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1 (v) To what extent the members of the Class have sustained damages and the
2 proper measure of damages.

3 22. A class action is superior to all other available methods for the fair and efficient
4 adjudication of this controversy since joinder of all members is impracticable. As the damages
5 suffered by individual Class members may be relatively small, the expense and burden of
6 individual litigations make it impossible for members of the Class individually to seek redress for
7 the wrongs done to them. There will be no difficulty in the management of this suit as a class
8 action.

9 **FACTUAL ALLEGATIONS**

10 23. Founded in 1981, Peregrine claims to be one of the largest software companies in
11 the world. According to its description, the Company provides solutions that enable companies
12 to manage infrastructure and achieve a state of frictionless business. Its solutions reduce costs,
13 improve profitability and release capital, generating a lasting and measurable impact on the
14 productivity of assets and people. Peregrine's Infrastructure Management solutions manage the
15 entire life cycle of an organization's assets, from IT equipment and fleets of vehicles to telecom
16 and facility assets. In addition, Peregrine's Employee Self Service solutions empower employees
17 with anytime/anywhere access to these enterprise resources, services and knowledge, resulting in
18 improved productivity and asset utilization. Peregrine's customers include 92% of the Fortune
19 500 Companies.

20 24. In addition to its direct sales, Peregrine sells software to managed service
21 providers who turn around and resell the software to end-users. The term managed service
22 provider ("MSP") is used to refer to service providers handling the delivery and management of
23 network-based services, applications and equipment. MSPs can be hosting companies or access
24 providers that offer services that can include fully outsourced network management
25 arrangements, including advanced features like IP telephony, messaging and call center, virtual
26 private network (VPNs), managed firewalls, and monitoring/reporting of network servers. Most

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1 of these services can be performed from outside a company's internal network with a special
2 emphasis placed on integration and certification of Internet security for applications and content.
3 MSPs serve as outsourcing agents for companies, especially other service providers that lack the
4 resources to constantly upgrade or maintain faster and faster computer networks.

5 25. On July 24, 2001, Peregrine issued a press release announcing its financial results
6 for the first quarter of fiscal year 2002. The July 24, 2001 press release stated in relevant part:

7 Peregrine Systems, Inc. (NASDAQ: PRGN), one of the world's
8 leading software companies, today released results for the fiscal
9 first quarter ended June 30. Total revenues for the quarter were a
10 record \$172.0 million, an increase of 82 percent from the same
11 quarter a year ago. Net income, excluding acquisition costs and
12 other related charges, was \$19.5 million, or \$.12 diluted earnings
per share, compared with \$12.1 million, or \$.01 diluted earnings
per share, in the first quarter of fiscal 2001. License revenues were
up 60 percent to \$100.2 million, and service revenues increased
125 percent to \$71.8 million over the same period.

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14 "We were pleased to post significant top-line growth in this
15 challenging economic environment," said Steve Gardner,
16 Peregrine's chairman and CEO. "Our customers are seeking ways
to improve their productivity and achieve a rapid return on their
investments. Our results this quarter reflect our ability to deliver
on these objectives."

17 26. On August 27, 2001, Peregrine announced that it had completed the acquisition of
18 Remedy Corporation following a vote by Remedy shareholders, for a combination of Peregrine
19 stock and cash.

20 27. On August 14, 2001, the Company filed its First Quarter 10-Q with the SEC,
21 incorporating the financial statements that were included with the July 24, 2001 press release.
22 Defendant Gless signed the First Quarter 10-Q as Executive Vice President and Chief Financial
23 Officer of the Company.

24 28. The defendants' statements in the July 24, 2001 press release and the financial
25 statements contained therein and in the First Quarter 10-Q were materially false and misleading

1 because they failed to disclose that Peregrine had prematurely recognized up to \$100 million in
2 revenue from the sale of software to managed service providers during the Class Period.

3 29. On October 3, 2001, Peregrine issued a press release announcing the Company's
4 preliminary second quarter 2002 results for the period ended September 30, 2001. The October
5 3, 2001 press release stated in relevant part:

6 Peregrine Systems, Inc. (NASDAQ: PRGN), one of the world's
7 leading software companies, today announced preliminary results
8 for the second quarter ended September 30, 2001. Peregrine
9 expects to report quarterly revenue of approximately \$175 million.
Based on these revenues, the company expects to report net income
of approximately \$.05 per share, excluding acquisition costs and
restructuring charges. The company will report final results on
October 24th.

10
11 "Like many companies in our industry, the tragic events of
12 September 11 and the subsequent effect on the global economy
13 impacted our September quarter results. However, even during
14 these challenging times, we were able to generate approximately
15 \$175 million in total revenue, demonstrating the strength of our
16 product portfolio and the value proposition we deliver to our
17 customers," stated Steve Gardner, Peregrine's chairman and chief
executive officer. "As we take steps to align our cost structure
with the current economic environment and near-term revenue
opportunities, we remain confident in our future. We believe our
leadership in Infrastructure Management, Employee Relationship
Management and B2B [business-to-business] Relationship
Management will allow us to generate solid growth and increase
our market share over the long-term," Gardner added.

18 30. On October 24, 2001, Peregrine issued a press release confirming these second
19 quarter 2002 results. The October 24, 2001 press release stated in relevant part:

20 Peregrine Systems, Inc. (NASDAQ: PRGN), one of the world's
21 leading software companies, today released results for the fiscal
22 second quarter ended September 30. Total revenues for the quarter
23 were a record \$175.0 million, an increase of 23 percent from the
24 \$142.7 million reported in the second quarter of fiscal 2001. Net
income, excluding acquisition costs and other charges, was \$8.4
million, or \$.05 diluted earnings per share, compared with \$18.3
million, or \$.12 diluted earnings per share, in the second quarter of
fiscal 2001.

25 "While these results were disappointing relative to our original
26 expectations, we met several major milestones in improving upon
27 our overall position in the markets we serve. These included
28 completion of the Remedy acquisition, a new strategic partnership

1 with Geac Computer Corp. for distribution and integration of our
2 products, and an OEM agreement with BEA Systems for our e-
3 Business data transformation technology,” stated Steve Gardner,
4 Peregrine’s chairman and CEO.

5 ****

6 “Looking to the future, we remain cautiously optimistic as we
7 continue to extend both the reach and depth of our offerings,” said
8 Gardner. “Peregrine is in the early phases of an important new
9 product cycle, beginning with today’s announcement of the
10 Xanadu platform for small-to-midsize businesses and the
11 upcoming release of Business Integration Suite as part of our
12 business-to-business integration solutions. This will be one of our
13 most significant periods for new products, as we also will be
14 launching new releases of our ServiceCenter® and AssetCenter
15 products and the exciting new Web-based Action Request
16 System® 5.0 within the next few months. As the same time, we
17 remain focused on the priorities I outlined on Oct. 3, including
18 realistic expense management and generating cash from operations.
19 We have the financial strength, breadth of product and
20 management talent to emerge from this economic cycle as the
21 vendor of choice for businesses seeking to maximize return from
22 their assets, their employees, and their business relationships by
23 removing friction from their business processes through the use of
24 our software and services,” Gardner added.

25 31. On November 13, 2001, Peregrine filed its Second Quarter 10-Q with the SEC,
26 which incorporated the financial statements contained in the October 24, 2001 press release.
27 Defendant Gless signed the Second Quarter 10-Q as Executive Vice President and Chief
28 Financial Officer.

32. Defendants’ statements in the October 3, and October 24, 2001 press releases and
the financial statements contained therein and in the Second Quarter 10-Q were materially false
and misleading because they failed to disclose that Peregrine had prematurely recognized up to
\$100 million in revenue from the sale of software to managed service providers during the Class
Period.

33. On January 2, 2002, Peregrine issued a press release announcing the Company’s
preliminary third quarter 2002 results for the period ended December 31, 2001. The January 2,
2002 press release stated in relevant part:

1 Peregrine Systems, Inc. (NASDAQ: PRGN), one of the world's
2 leading software companies, today announced preliminary
3 financial results for the third quarter of fiscal 2002 ended
4 December 31, 2001. Peregrine anticipates total revenues for the
5 third quarter to be approximately \$175 million, including license
6 revenues for the third quarter to be approximately \$175 million,
7 including license revenues of approximately \$75 million. Based on
8 these anticipated revenues, the company expects to report a pro
9 forma net loss of approximately \$.07 to \$.08 per share.

10 The pro forma loss excludes approximately \$75 million in
11 acquisition costs, including amortization of goodwill and other
12 intangibles associated with acquisitions (the most significant of
13 which are the acquisitions of Harbinger Corporation, Extricity, Inc.
14 and Remedy Corporation) and restructuring charges associated
15 with the company's recent reorganization. Including these charges,
16 the reported net loss is expected to be between \$.32 and \$.33 per
17 share.

18 The company will report final results on January 24, 2002.

19 "Challenging global economic conditions, particularly in Europe,
20 continued to impact our business this quarter. The European
21 economy has yet to show signs of recovery, and although business
22 activity levels increased in North America, most customers
23 continue to defer as much purchasing activity as they can into
24 future periods," said Steve Gardner, Peregrine's chairman and
25 CEO.

26 34. On January 24, 2002, Peregrine issued a press release confirming its third quarter
27 2002 results. The January 24, 2002 press release stated in relevant part:

28 Peregrine Systems, Inc. (NASDAQ: PRGN), a leading global
software company, today released results for the fiscal 2002 third
quarter ended Dec. 31. Total revenues for the quarter were \$175.2
million, an increase of 12 percent from the \$156.6 million in
revenues reported in the third quarter of fiscal 2001. For the
quarter, the company posted a pro forma net loss of \$16.1 million,
or \$.08 diluted loss per share, compared with pro forma net income
of \$22.6 million, or \$.15 diluted earnings per share, in the third
quarter of fiscal 2001.

The pro forma loss for the third quarter excluded approximately
\$72.2 million in acquisition costs and other charges, including
primarily the amortization of goodwill and other intangibles
associated with past acquisitions, the most significant of which
were the acquisitions of Harbinger Corporation, the Tivoli Service
Desk product suite, Extricity, Inc. and Remedy Corporation.
Including these charges, the reported net loss was \$88.3 million, or
\$.45 diluted loss per share.

1 “While we were disappointed in these results, we believe they were
2 largely due to continued global economic weakness, particularly in
3 Europe,” stated Steve Gardner, Peregrine’s chairman and CEO.
4 “We are committed to returning to operating profitability, and we
5 are continuing to take appropriate steps to improve our revenue
6 performance and contain our expenses.”

7 “Peregrine’s competitive position as the leading provider of
8 lifecycle infrastructure management solutions continues to
9 improve,” added Gardner. “Our software products support a
10 unique value proposition, which we are confident will experience
11 strong demand in coming years as companies seek to improve the
12 ROI of their assets and the productivity of their employees. . . . We
13 are laying the foundation now for future growth.”

14 35. On February 14, 2002, Peregrine filed its Third Quarter 10-Q with the SEC, which
15 incorporated the financial statement contained in the January 24, 2002 press release and which
16 was signed by Defendant Gless as Executive Vice President and Chief Financial Officer.

17 36. The defendants’ statements in the January 2, 2002 and January 24, 2002 press
18 releases and the financial statement contained therein and in the Third Quarter 10-Q were
19 materially false and misleading because they failed to disclose that Peregrine had prematurely
20 recognized up to \$100 million in revenue from the sale of software to managed service providers
21 during the Class Period.

22 37. On April 5, 2002, Peregrine issued a press release announcing that it was
23 replacing its independent auditor, Arthur Andersen LLP, with KPMG LLP. The April 5, 2002
24 press release stated in relevant part:

25 Peregrine Systems, Inc. (NASDAQ: PRGN), a global Infrastructure
26 Management software company, today announced that its Board of
27 Directors has appointed KPMG as its independent auditors,
28 effective immediately. The decision to replace Arthur Andersen
LLP as the company’s independent auditors was made after a
thorough selection process that reviewed several firms, including
Arthur Andersen.

“Arthur Andersen has served as Peregrine’s independent auditors
since our initial public offering in 1997, and we have the highest
regard for our audit team’s work ethic and professionalism,” said
Steve Gardner, Peregrine’s chairman and chief executive officer.
“However, in light of the current uncertainties at Arthur Andersen,

1 we felt it was in the best interest of our company and shareholders
2 to retain KPMG as our independent auditors at this time.”

3 Fourth Quarter Earnings Release and Conference Call Peregrine
4 plans to release fourth quarter and audited fiscal year-end results
5 after the market closes on May 2.

6 Management will host a conference call to discuss these results on
7 May 2.

8 38. After the close of trading on April 30, 2002, Peregrine announced that it was
9 postponing its fourth quarter and year-end results. In an April 30, 2002 press release, the
10 Company stated:

11 Peregrine Systems, Inc. (NASDAQ: PRGN) announced today that
12 it will delay its planned earnings release and conference call related
13 to results for the fiscal fourth quarter and full fiscal year 2002,
14 pending continued audit activities by KPMG, the company’s
15 independent auditors. The date for these events had previously
16 been set for May 2, 2002.

17 KPMG was engaged by Peregrine earlier this month to replace
18 Arthur Andersen LLP for the audit of the company’s recently
19 completed fiscal year. The company indicated that it would
20 provide further information relative to the announcement of results
21 during the week of May 6, 2002.

22 39. On or about May 1, 2002, the Dow Jones Service reported that, when asked, a
23 Company spokeswoman had said that KPMG, which was hired on April 5 after Arthur Andersen
24 was fired by the Company, “needed more time” to complete its review.

25 40. Before the market opened on Monday, May 6, 2002, Peregrine issued a press
26 release announcing an internal accounting investigation and the resignation of defendants
27 Gardner and Gless. The May 6, 2002 press release stated in relevant part:

28 Peregrine Systems, Inc. (NASDAQ: PRGN - News) announced today that the
board of directors has authorized the audit committee of the board to conduct an
internal investigation into potential accounting inaccuracies brought to the
attention of the audit committee by KPMG, the company’s independent auditors.
KPMG was engaged by Peregrine in April to replace Arthur Andersen LLP for the
audit of the company’s recently completed fiscal year.

The 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

1 called into question and may have been recorded during periods in fiscal 2001 and
2 2002. These transactions were recorded initially as revenue from the company's
3 indirect channels and may have been written off in later quarters. These channel
4 transactions and other accounting matters to be investigated may impact financial
5 results for periods in fiscal 2002 and prior. Peregrine has informed the staff of the
6 SEC of its audit committee's interval investigation and will keep the SEC
7 informed of its progress.

8 Additionally, the board announced the resignations of Steve Gardner, chairman of
9 the board and chief executive officer, and Matt Gless, chief financial officer,
10 executive vice president of finance and also a director on the board.

11 41. Peregrine's stock price fell 61 percent in pre-market trading on Monday, May 6,
12 2002, after this disclosure that it was investigating \$100 million of potential accounting
13 inaccuracies and that its two top officers resigned. On that day, the Company's stock opened at
14 \$0.99, down \$1.58 per share from a close of \$2.57 on Friday, May 3, 2002.

15 COUNT I

16 Against All Defendants For Violation of 17 Sections 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder

18 42. Plaintiff incorporates by reference and realleges each of the foregoing allegations.

19 43. During the Class Period, the defendants, individually and in concert, engaged in a
20 plan, scheme, and course of conduct, pursuant to which they knowingly and/or recklessly
21 engaged in acts, transactions, practices, and courses of business which operated as a fraud upon
22 plaintiff and other members of the Class, and made various untrue and deceptive statements of
23 material fact and omitted to state material facts necessary in order to make the statements made,
24 in light of the circumstances under which they were made, not misleading to plaintiff and other
25 Class members as set forth above. The purpose and effect of this scheme was to induce plaintiff
26 and the Class to purchase Peregrine securities at artificially inflated prices.

27 44. During the Class Period, defendants, pursuant to their plan, scheme and unlawful
28 course of conduct, knowingly and/or recklessly issued, or caused to be issued statements to the
investing public as described above.

1 45. Defendants knew and/or recklessly disregarded the falsity of the foregoing
2 statements. As senior officers and/or directors of the Company, involved in its operations, the
3 Individual Defendants had access to the non-public information detailed above.

4 46. Throughout the Class Period, Peregrine acted through the Individual Defendants,
5 whom it portrayed and represented to the press and public as its valid representatives. The
6 willfulness, motive, knowledge, and recklessness of the Individual Defendants are therefore
7 imputed to Peregrine, which is primarily responsible for the securities law violations of the
8 Individual Defendants while acting in their official capacities as Company representatives, or, in
9 the alternative, which is liable for the acts of the Individual Defendants under the doctrine of
10 respondent superior.

11 47. Each of the defendants knew or recklessly disregarded the fact that the above acts
12 and practices, misleading statements, and omissions would adversely affect the integrity of the
13 market in Peregrine securities. Had the adverse facts defendants concealed been properly
14 disclosed, Peregrine's securities would not have sold at the artificially inflated prices they did
15 during the Class Period.

16 48. As a result of the foregoing, the market price of Peregrine securities was
17 artificially inflated during the Class Period. In ignorance of the false and misleading nature of
18 the representations, plaintiff and other members of the Class relied, to their detriment, on the
19 integrity of the market as to the price of Peregrine securities.

20 49. Had plaintiff and the other members of the Class and the marketplace known of
21 the true operating and financial results of Peregrine, which, due to the actions of defendants were
22 not disclosed, plaintiff and the Class would not have purchased or otherwise acquired their
23 Peregrine securities during the Class Period or, if they had acquired Peregrine securities during
24 the Class Period, they would not have done so at the artificially inflated prices at which they
25 purchased their stock during the Class Period. Hence plaintiff and the Class were damaged by
26 said defendants' violations of Section 10(b) and Rule 10b-5.

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1 DATED: May ____, 2002
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