

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

IN RE PEREGRINE SYSTEMS, INC.
SECURITIES LITIGATION

Case No. 02-CV-0870-BEN (RBB)

This Document Relates to:
ALL ACTIONS

**NOTICE OF PENDENCY OF CLASS ACTION AND
HEARING ON PROPOSED PARTIAL SETTLEMENTS**

TO: ALL PERSONS WHO PURCHASED OR ACQUIRED PEREGRINE SYSTEMS, INC. SECURITIES DURING THE PERIOD FROM JULY 22, 1999 THROUGH MAY 3, 2002, INCLUSIVE AND WHO SUFFERED DAMAGES THEREBY, INCLUDING ALL PERSONS WHO OWNED SHARES OF HARBINGER CORP. OR REMEDY CORP. STOCK AND EXCHANGED THOSE SHARES FOR PEREGRINE SHARES.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS ACTION. IF YOU ARE A SETTLEMENT CLASS MEMBER, AS DEFINED HEREIN, YOU MAY BE ENTITLED TO RECEIVE A CASH BENEFIT PURSUANT TO THE PROPOSED PARTIAL SETTLEMENTS DESCRIBED IN THIS NOTICE.

EXCLUSION DEADLINE: REQUESTS FOR EXCLUSION MUST BE SUBMITTED POSTMARKED ON OR BEFORE OCTOBER 2, 2006.

SECURITIES BROKERS AND OTHER NOMINEES: PLEASE SEE INSTRUCTIONS ON PAGE 12 HEREIN.

I. SUMMARY OF SETTLEMENTS AND RELATED MATTERS

1. This Notice of Pendency of Class Action and Hearing on Proposed Partial Settlements (the "Notice") is given pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of California (the "Court") dated July 31, 2006. The purpose of this Notice is to inform you that this Class Action relating to Peregrine Systems, Inc. ("Peregrine") is pending ("Class Action") and that there are proposed partial settlements (the "Settlements") in the aggregate principal amount of \$56,292,922 which will affect your rights. Final approval of the Settlements will be considered at a hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlements. This Notice describes your rights under the Settlements and what steps you may take in relation to this Class Action. Capitalized terms used in this Notice have the meanings given to them in the "Definitions" section unless otherwise defined. Settlements discussed herein relate to claims against the following defendants: Arthur Andersen (as hereinafter defined), Douglas S. Powanda ("Powanda"), a former officer of Peregrine, William D. Savoy ("Savoy"), a former director of Peregrine, and Thomas G. Watrous ("Watrous"), also a former director of Peregrine. Litigation is continuing against other Non-Settling Defendants (as hereinafter defined). The Class previously settled claims against Peregrine in connection with its Bankruptcy Court proceedings, which settlement is also described herein. This Notice is not an expression of any opinion by the Court as to the merits of any claims or any defenses asserted by any party in this Class Action, or the fairness or adequacy of any of the Settlements.

II. STATEMENT OF PLAINTIFFS' RECOVERY

2. The Settlements, if finally approved, plus the amount recovered in Bankruptcy Court proceedings, will result in the creation of a cash settlement fund in the aggregate principal amount of \$56,292,922 which, subject to deduction for costs of notice and administration, and for attorneys' fees, costs and expenses as approved by the Court, will be available for distribution to Settlement Class Members. Attorneys' fees equal to 25% of the total settlement funds and expenses of up to \$700,000 are being requested. Your recovery from these funds will depend on a number of variables, including the number and timing of Peregrine shares you purchased, whether they were acquired on the open market, or through an exchange of shares, and the number of claims submitted. It is estimated that if all eligible Peregrine securities purchasers or exchangers covered by these Settlements filed claims to share therein, then the average

recovery per damaged share of common stock under the Settlements is estimated to be \$0.11 per share (before the deduction of any Court-awarded attorneys fees and expenses).¹

III. STATEMENT OF POTENTIAL OUTCOME OF CASE

3. The Lead Plaintiffs and the Settling Defendants disagree as to both liability and damages and do not agree on the average amount of damages per share that would be recoverable if Lead Plaintiffs were to have prevailed on the claims alleged against the Settling Defendants. In addition to the numerous risks of litigation and liability issues on which the parties disagree, the damage-related issues on which the parties disagree include: (a) whether the alleged material misstatements or omissions were made intentionally, recklessly, negligently, or innocently; (b) the appropriate economic model for determining the amount by which Peregrine's securities were allegedly artificially inflated (if at all) during the Class Period; (c) the amount by which Peregrine's securities were allegedly artificially inflated (if at all) during the Class Period; (d) the effect of various market forces influencing the trading price of Peregrine's securities at various times during the Class Period; (e) the extent to which external factors such as general market and industry conditions, influenced the trading price of Peregrine's securities at various times during the Class Period; (f) the extent to which the various matters that Lead Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of Peregrine's securities at various times during the Class Period; (g) the extent to which the various allegedly adverse material facts that Lead Plaintiffs alleged were omitted influenced (if at all) the trading price of Peregrine's securities at various times during the Class Period; and (h) whether the statements made or facts allegedly omitted were material or otherwise actionable under the federal securities laws. Under the relevant securities laws, a claimant's recoverable damages are limited to the losses attributable to the alleged fraud or material misrepresentations or omissions. Losses which resulted from factors other than the alleged fraud or material misrepresentations or omissions are not compensable under the federal securities laws.

4. Lead Counsel believe that there was a substantial risk that Lead Plaintiffs and the Settlement Class might not have been able to recover any greater amounts from the Settling Defendants in light of their financial condition and liquidity position, and in the case of Powanda, Savoy and Watrous, the apparent absence of insurance to satisfy the claims asserted in the Class Action, as well as considering the defenses asserted to the claims. Therefore, absent the Settlements, Lead Plaintiffs could have recovered nothing or substantially less than the settlement amounts herein described. Lead Plaintiffs are continuing litigation against the Non-Settling Defendants.

5. The Settling Defendants deny that they are liable to the Lead Plaintiffs or the Settlement Class and deny that Lead Plaintiffs or the Settlement Class have suffered any damages.

IV. STATEMENT OF ATTORNEYS' FEES AND REIMBURSEMENT OF EXPENSES SOUGHT

6. Lead Counsel intend to apply for fees of 25% of the total amounts recovered pursuant to the Settlements described herein and the bankruptcy litigation recovery also described herein, or an average of \$0.03 per damaged share. Lead Counsel have expended considerable time and effort in the prosecution of this litigation on a contingent fee basis, and have advanced the expenses of the litigation, in the expectation that if they were successful in obtaining a recovery for the Settlement Class they would be compensated for their efforts from such recoveries. In this type of litigation, it is customary for counsel to be awarded a percentage of the common fund they have created as their attorneys' fees. Lead Counsel are also seeking reimbursement of expenses in an amount not to exceed \$700,000 incurred in this litigation from its inception in May 2002 through April 30, 2006.

V. REASONS FOR THE SETTLEMENTS

7. The principal reason for the Settlements is the immediate substantial cash benefit to be provided to Settlement Class Members. This benefit must be compared to the risk that no recovery might be achieved from the Settling Defendants in view of their current financial conditions and liquidity positions, the

^{1/} A damaged share may have been traded more than once during the relevant time period and the indicated average recovery is for the total of all purchasers of that share.

significant delay that may arise from continued litigation against these defendants and the possibility that some or all of the Settling Defendants might ultimately be found not liable to Lead Plaintiffs or the Settlement Class. The litigation is continuing against the Non-Settling Defendants.

VI. BACKGROUND OF THE LITIGATION

8. Peregrine at all relevant times was a publicly traded company headquartered in San Diego, California that developed and marketed software products, and whose stock was traded on NASDAQ.

9. Beginning in May 2002, class action complaints alleging violations of the federal securities laws were filed in the Court against Peregrine and other defendants. The other defendants include former officers and directors of Peregrine, former business partners of Peregrine, and Peregrine's former auditor. The class actions were consolidated pursuant to an Order of the Court entered on July 23, 2002. By Order dated January 30, 2003, the Court appointed the Loran Group as the Lead Plaintiff for securities fraud claims arising under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 ("1934 Act") and Heywood Waga as Lead Plaintiff for claims on behalf of persons who held shares of either Harbinger Corporation ("Harbinger") or Remedy Corporation ("Remedy") and who acquired Peregrine registered common stock in connection with Peregrine's acquisition of these companies (the "Subclasses"). The claims on behalf of the members of the Subclasses are for violation of Sections 11 and 15 of the Securities Act of 1933 ("1933 Act") and Section 14(a) of the 1934 Act. The Court further appointed the law firm of Gold Bennett Cera & Sidener LLP as Lead Counsel for the Section 10(b) claims and the law firms of Abraham Fruchter & Twersky LLP, and Stull, Stull & Brody as Lead Counsel for the claims brought on behalf of the Harbinger and Remedy Subclasses. These firms are collectively referred to herein as "Lead Counsel."

10. On April 5, 2004, Lead Plaintiffs filed a First Amended Consolidated Class Action Complaint For Violations Of The Federal Securities Laws (the "Complaint"). Because Peregrine had filed for bankruptcy in September 2002, it was no longer named as a defendant in the Complaint. The Complaint generally alleges that Defendants disseminated a series of materially false and misleading statements in public filings, press releases, shareholder reports, audit opinions, and communications with securities analysts during the Class Period which caused Peregrine securities to trade at artificially inflated prices, thereby causing damage to purchasers of Peregrine securities. As to the Harbinger and Remedy Subclasses, the Complaint alleges that certain defendants signed registration statements that contained false and misleading statements.

11. The Complaint alleges that material overstatements of the Company's revenues and earnings disseminated during the Class Period resulted from Defendants' failure to properly recognize revenue when it was earned under applicable accounting rules and to accurately report Peregrine's true financial results. Peregrine restated earnings for fiscal years 2000 and 2001. The primary reason for the restatements was the overstatement of revenue.

12. The Complaint further alleges that Lead Plaintiffs and other Settlement Class Members purchased or otherwise acquired Peregrine securities during the Class Period at artificially inflated prices as a result of the Defendants' dissemination of false and misleading statements and suffered losses when the truth about Peregrine's financial condition became known and Peregrine's stock price declined.

13. The Settling Defendants deny all averments of wrongdoing or liability in the Class Action and all other accusations of wrongdoing or violations of law, and would assert numerous defenses to the claims were this litigation to proceed against them. The Settlements are not and shall not be construed or be deemed to be evidence or an admission or a concession on the part of the Settling Defendants of any fault or liability or damages whatsoever, and they do not concede any infirmity in the defenses which they have asserted or intended to assert in the Class Action.

14. The Court, in an Order dated March 30, 2005, granted in part and denied in part, motions to dismiss filed by various defendants, including certain of the Settling Defendants. Specifically, the Court dismissed the Sections 10(b) and 20(a) claims against Arthur Andersen, Watrous and Savoy, dismissed the Sections 14(a) and 15 claims against Watrous and Savoy, refused to dismiss the Section 11 claims against Watrous and Savoy, and refused to dismiss the Sections 11 and 14(a) claims against Arthur Andersen. Thereafter, the Court entered a Rule 54(b) judgment as to the Section 10(b) claims. Lead Plaintiff the Loran Group is appealing the dismissal of those claims. Various defendants, including Watrous and Savoy, subsequently sought to have the Section 11 claims dismissed based on new Supreme Court authority

concerning loss causation. Those motions were denied by the Court in December 2005.

VII. BACKGROUND TO THE SETTLEMENTS

15. Lead Counsel has conducted an investigation relating to the claims and the underlying events and transactions alleged in the Complaint. Lead Counsel has examined all relevant filings by Peregrine with the U.S. Securities and Exchange Commission ("SEC") before, during and after the Class Period. Further, Lead Counsel was able to obtain access to Peregrine's business records during the relevant period as a result of Lead Counsels' negotiations with Peregrine during its Bankruptcy Court proceedings. Lead Counsel believe that the Settling Defendants' current financial condition is such that the Settlements represent a significant and highly beneficial recovery for Settlement Class Members.

16. Lead Counsel have analyzed the evidence adduced during their factual investigation and have researched the applicable law with respect to the claims of Lead Plaintiffs and the Settlement Class against the Settling Defendants and the potential defenses thereto. Prior to entering into the Settlements described herein, Lead Counsel conducted an extensive investigation of the claims, including the analysis of hundreds of thousands of documents and e-mails produced by Peregrine.

17. Lead Plaintiffs, through Lead Counsel, have conducted discussions and arm's length negotiations with counsel for the Settling Defendants regarding a compromise and settlement of the Class Action with a view to settling the issues in dispute and achieving the best relief possible consistent with the interests of the Settlement Class Members. The parties were assisted in these efforts by a retired United States Magistrate Judge and a sitting United States Magistrate Judge, serving as settlement mediators.

18. Lead Plaintiffs and the Settling Defendants realize that the continued litigation of the claims would entail substantial effort and expense and believe that the claims in the Class Action as against the Settling Defendants are best settled as set forth herein.

19. No determination has been made by the Court as to liability or the amount, if any, of damages suffered by the Class, nor the proper measure of any such damages. The Settlements are providing an immediate and substantial cash benefit for Settlement Class Members and avoid the risk that liability or damages might not have been proven against the Settling Defendants at trial, or that if liability and damages were proven against them, that any ensuing judgment might not have been collectible from them. The Settlements do not settle the claims against any of the Non-Settling Defendants in the Class Action and litigation against them is continuing. Under relevant law, the ultimate liability of these Non-Settling Defendants, if any, may be reduced by the larger of the amount of the settlement payments or the proportionate responsibility of the Settling Defendants for any damage ultimately proven to have been incurred by the Settlement Class.

20. A FINAL DETERMINATION HAS NOT BEEN MADE ON THE MERITS OF THE LEAD PLAINTIFFS' CLAIMS AGAINST THE SETTLING DEFENDANTS OR THEIR DEFENSES THERETO. ALTHOUGH THE COURT HAS MADE CERTAIN RULINGS ON LEAD PLAINTIFFS' CLAIMS, AS DESCRIBED IN PARAGRAPH 14 ABOVE, THIS NOTICE DOES NOT IMPLY THAT THERE HAS BEEN OR WOULD BE ANY FINDING OF VIOLATION OF THE LAW OR THAT RECOVERY COULD BE HAD IN ANY AMOUNT IF THE ACTION WERE NOT SETTLED.

VIII. DEFINITIONS

21. "Arthur Andersen" means Arthur Andersen LLP, AWSC Societe Cooperative, en liquidation, an entity which coordinated a network of international accounting firms of which Arthur Andersen was a member (the "Andersen Network"), and all of their (including the Andersen Network's) respective past, present, and future members, member firms, partners (including without limitation Daniel F. Stulac), principals, participating principals, national directors, managing or other agents, management personnel, officers, directors, shareholders, administrators, servants, employees, consultants, advisors, insurers, reinsurers, attorneys, accountants, representatives, parent companies, subsidiaries, related entities, divisions, affiliates, predecessors, successors and assigns, along with the heirs, spouses, executors, administrators, personal representatives, insurers, reinsurers, representatives, estates, successors and assigns of any such Person.

22. "Authorized Claimant" means any Settlement Class Member whose Claim for recovery is allowed pursuant to the terms of the Stipulations of Settlement and the Plan of Allocation of Settlement Proceeds.

23. "Claim" means the submission to be made by or on behalf of Settlement Class Members, on the Proof of Claim and Release form, which is enclosed herewith.

24. "Excluded Settlement Class Members" means those Settlement Class Members who validly request exclusion from one or more of the Settlements in accordance with the requirements for requesting exclusion set forth in this Notice.

25. "Non-Settling Defendants" means Stephen P. Gardner, Matthew C. Gless, Steven S. Spitzer, Ilse Cappel, John J. Moores, Richard T. Nelson, Frederic B. Luddy, Charles E. Noell III, Norris van den Berg, Richard A. Hosley II, Christopher A. Cole, Rodney T. Dammeyer, KPMG LLP, BearingPoint, Inc. and Larry Rodda.

26. "Person" means an individual or entity, including any corporation (including any division or subsidiary), partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, or government or any political subdivision or agency thereof.

27. "Plan of Allocation of Settlement Proceeds" means the plan, proposed by Lead Plaintiffs and described in Section XII hereof, for the allocation and distribution of the Settlement Fund to Authorized Claimants.

28. "Powanda" means Douglas S. Powanda and each of his agents, attorneys, representatives, employees, heirs, and assigns.

29. "Savoy" means William D. Savoy. Each of Savoy's agents, attorneys, trusts, estates, employers, employee benefit plans, insurers, representatives, employees, heirs, marital community and assigns are referred to as the "Additional Savoy Released Parties."

30. "Settlement Class" means a class consisting of all Persons (including Lead Plaintiffs) who purchased or otherwise acquired Peregrine common stock from July 22, 1999 through May 3, 2002 (the "Class Period") and who were damaged thereby, and includes two Subclasses consisting of (i) all Persons who held shares of Harbinger and who acquired Peregrine registered common stock in connection with Peregrine's acquisition of Harbinger, which was consummated on or about June 16, 2000, and who were damaged thereby, and (ii) all Persons who held shares of Remedy and who acquired Peregrine registered common stock in connection with Peregrine's acquisition of Remedy, which was consummated on or about August 27, 2001, and who were damaged thereby. Excluded from the Settlement Class are: (i) all defendants in the Class Action; (ii) all members of the immediate families (parents, spouses, siblings and children) of such defendants, (iii) any entity affiliated with any defendant in the Class Action or with any member of the immediate family of such defendant, including without limitation any entity in which any such defendant or any member of the immediate family of such defendant has a controlling interest, (iv) the officers, directors, parents, subsidiaries and affiliates of Peregrine, (v) the legal representatives, heirs, successors in interest and assigns of any of the foregoing, and (vi) with respect to the Settling Defendants, any Person who has previously released them from claims relating to Peregrine.

31. "Settlement Class Members" means all Persons who are members of the Settlement Class.

32. "Settling Defendants" means, collectively, Arthur Andersen, Douglas S. Powanda, William D. Savoy, and Thomas G. Watrous.

33. "Settlement Fund" means all funds deposited in escrow accounts by Settling Defendants, including accumulated interest or other earnings, less any costs, expenses, reserves, taxes, or attorneys fees paid therefrom (as authorized by the Stipulations of Settlement or by orders of the Court). Settlement Fund includes the proceeds from sales of Peregrine stock, and accumulated interest, obtained by Lead Counsel as a result of negotiations with Peregrine during its Bankruptcy Court proceedings.

34. "Settlements" refers to the agreements to settle certain of the claims in the Class Action as set forth in the Stipulation and Agreement of Settlement Between Lead Plaintiffs and Defendant Arthur Andersen LLP (the "Andersen Settlement"), dated June 5, 2006; the Stipulation and Agreement of Settlement with Defendant Douglas S. Powanda, as amended (the "Powanda Settlement"), dated September 7, 2005; the Stipulation and Agreement of Settlement with Defendant William D. Savoy (the "Savoy Settlement"), dated June 5, 2006; and the Stipulation and Agreement of Settlement with Defendant Thomas G. Watrous (the

“Watrous Settlement”), dated June 5, 2006, all of which are on file with the District Court. Collectively, the four settlement agreements are referred to herein as “Stipulations of Settlement.” “Settlements” also includes the settlement entered into by Lead Counsel on behalf of the Class and Subclasses with Peregrine in connection with the Peregrine’s Bankruptcy Court proceeding, as described in paragraph Section X below.

35. “Watrous” means Thomas G. Watrous and each of his agents, attorneys, representatives, employees, heirs, and assigns.

IX. TERMS OF THE PROPOSED SETTLEMENTS

A. Arthur Andersen

36. In full and complete resolution of the claims which have or could have been asserted in this Class Action as against Arthur Andersen, and subject to the terms and conditions of the Andersen Settlement, which is on file with the Court and available for inspection, Arthur Andersen has paid into escrow \$30,000,000, which is accruing interest for the benefit of the Settlement Class.

37. In addition to resolving the claims against Arthur Andersen in this Class Action, the Settlement described herein will, if finally approved, also settle and release the claims brought against Arthur Andersen in the lawsuit captioned *Peregrine Systems, Inc. v. Arthur Andersen, LLP et al*, San Diego County Superior Court, Case No. GIC 796594 (“*Peregrine v. Andersen*”). *Peregrine v. Andersen* is a lawsuit which was commenced in September 2002 by Peregrine against Arthur Andersen and certain related Persons alleging that Arthur Andersen fraudulently and/or negligently audited the financial statements of Peregrine and breached contracts with Peregrine, thereby causing Peregrine damage. Arthur Andersen has at all times vigorously disputed these allegations and has asserted numerous defenses thereto. As a result of resolution of claims brought by the Lead Plaintiffs on behalf of the Settlement Class against Peregrine in Peregrine’s bankruptcy case, authority over the *Peregrine v. Andersen* lawsuit was transferred to a Successor Litigation Trustee, and all proceeds of any recovery in said action were ordered to be paid to the members of the Settlement Class. The parties will request that the state court presiding over *Peregrine v. Andersen* find that the settlement and release of claims therein is “in good faith” under California Code of Civil Procedure Section 877.6. The effect of such a finding will be to bar claims against Arthur Andersen for contribution or indemnification by other Persons against whom the Successor Litigation Trustee has asserted claims. A final, non-appealable “good faith” finding in *Peregrine v. Andersen* is a condition to finality of the Class Action settlement with Andersen.

38. Pursuant to the Andersen Settlement, Settlement Class Members will release certain claims against Arthur Andersen. “Released Claims” as against Arthur Andersen means any and all claims, causes of actions, demands, rights, or liabilities, including but not limited to claims for violation of the federal securities laws, negligence, gross negligence, professional negligence, breach of duty of care, breach of the duty of loyalty, breach of the duty of candor, fraud, breach of fiduciary duty, malpractice, breach of contract, negligent misrepresentation, violation of the statutes of any state, including without limitation, the California Corporations Code and California Business & Professions Code and its Delaware equivalents and the RICO statutes of any state, or federal statutes, rules or regulations, whether known or unknown, suspected or unsuspected, that have been or that could have been asserted against Arthur Andersen in the Class Action or in *Peregrine v. Andersen*. Specifically excluded are claims against any Arthur Andersen released person solely for acts or omissions in their capacity as a director and/or officer of Peregrine, including for insider trading of Peregrine stock.

39. If the Andersen Settlement is approved by the Court, all claims which have or could have been asserted in the Class Action or in *Peregrine v. Andersen* as against Arthur Andersen will be released by, and dismissed on the merits and with prejudice as to all Settlement Class Members; and all Persons except Excluded Settlement Class Members, shall be forever barred from prosecuting this Class Action or any other action raising any Released Claims against Arthur Andersen.

40. The Andersen Settlement will become effective at such time as Orders entered by the Court approving the settlement shall become final and not subject to appeal, including the state court “good faith” order described above (the “Effective Date”).

B. Douglas S. Powanda

41. In full and complete resolution of the claims which have or could have been asserted in this Class Action as against Powanda, and subject to the terms and conditions of the Powanda Settlement, Powanda has paid into escrow \$4,675,000.

42. Pursuant to the Powanda Settlement, if it becomes final, Lead Plaintiffs and members of the Settlement Class on behalf of themselves, their heirs, executors, administrators, successors and assigns, and any persons they represent, shall release and forever discharge, and shall forever be enjoined from pursuing each and every Settled Claim as against Powanda. In addition, upon final approval of the Settlement, the Successor Litigation Trustee in the action captioned *Peregrine Litigation Trust v. Stephen P. Gardner, et al.*, San Diego County Superior Court, Case No. GIC 788659 (“*PLT v. Gardner*”), will dismiss with prejudice the claims against Powanda.

43. “Settled Claims” means all claims, rights, demands, suits, matters, issues or causes of action, whether known or unknown, fixed or contingent, foreseen or unforeseen, against Powanda, whether under state or federal law, including the federal securities laws, in connection with, based upon, arising out of, or relating to any claim that has been or could be raised in the Class Action or the acts, facts or events alleged in the Class Action, but excluding any claims to enforce the terms of the Settlement.

44. If the Powanda Settlement is approved by the Court, all claims which have or could have been asserted in the Class Action as against Powanda will be dismissed on the merits and with prejudice as to all Settlement Class Members and all Settlement Class Members shall be forever barred from prosecuting the Class Action or any other action raising any Settled Claims against Powanda.

45. The Powanda Settlement will become effective at such time as Orders entered by the Court approving the Powanda Settlement shall become final and not subject to appeal and the Successor Litigation Trustee’s dismissal of the claims against Powanda shall have been filed.

C. William D. Savoy

46. In full and complete resolution of the claims which have or could have been asserted in this Class Action as against Savoy, and subject to the terms and conditions of the Savoy Settlement, Savoy is required to pay into escrow \$5,100,000.

47. Pursuant to the Savoy Settlement, if it becomes final, Lead Plaintiffs and members of the Settlement Class on behalf of themselves, their heirs, executors, administrators, successors and assigns, and any persons they represent, shall release and forever discharge, and shall forever be enjoined from pursuing each and every Settled Claim as against Savoy and the Additional Savoy Released Parties. In addition to resolving the claims against Savoy in this Class Action, the Savoy Settlement described herein will, if finally approved, also settle and release the claims brought against Savoy in *PLT v. Gardner*. This is a lawsuit being prosecuted by the Successor Litigation Trustee, who was appointed in Peregrine’s bankruptcy case pursuant to the Lead Plaintiffs’ settlement with Peregrine, for the benefit of members of the Settlement Class. The Savoy Settlement shall not become final unless and until a final, non-appealable “good faith” finding is made as to resolution of the claims against Savoy in the foregoing state court action.

48. “Settled Claims” means all claims, rights, demands, suits, matters, issues or causes of action, whether known or unknown, fixed or contingent, foreseen or unforeseen, against Savoy, whether under state or federal law, including the federal securities laws, in connection with, based upon, arising out of, or relating to any claim that has been or could be raised in the Class Action or in *PLT v. Gardner* or the acts, facts or events alleged in the Class Action, but excluding any claims to enforce the terms of the Settlement.

49. If the Savoy Settlement is approved by the Court, all claims which have or could have been asserted in the Class Action or in *PLT v. Gardner* as against Savoy or the Additional Savoy Released Parties will be dismissed on the merits and with prejudice as to all Settlement Class Members and all Settlement Class Members shall be forever barred from prosecuting the Class Action or any other action raising any Settled Claims against Savoy.

D. Thomas G. Watrous

50. In full and complete resolution of the claims which have or could have been asserted in this Class Action as against Watrous, and subject to the terms and conditions of the Watrous Settlement, Watrous

is required to pay into escrow \$500,000.

51. Pursuant to the Watrous Settlement, if it becomes final, Lead Plaintiffs and members of the Settlement Class on behalf of themselves, their heirs, executors, administrators, successors and assigns, and any persons they represent, shall release and forever discharge, and shall forever be enjoined from pursuing each and every Settled Claim as against Watrous. In addition to resolving the claims against Watrous in this Class Action, the Settlement described herein will, if finally approved, also settle and release the claims brought against Watrous in *PLT v. Gardner*. This is a lawsuit being prosecuted by the Successor Litigation Trustee, who was appointed in Peregrine's bankruptcy case pursuant to the Lead Plaintiffs' settlement with Peregrine, for the benefit of members of the Settlement Class. The Watrous Settlement shall not become final unless and until a final, non-appealable "good faith" finding is made as to resolution of the claims against Watrous in the foregoing state court action.

52. "Settled Claims" means all claims, rights, demands, suits, matters, issues or causes of action, whether known or unknown, fixed or contingent, foreseen or unforeseen, against Watrous, whether under state or federal law, including the federal securities laws, in connection with, based upon, arising out of, or relating to any claim that has been or could be raised in the Class Action or the acts, facts or events alleged in the Class Action, but excluding any claims to enforce the terms of the Settlement.

53. If the Watrous Settlement is approved by the Court, all claims which have or could have been asserted in the Class Action as against Watrous will be dismissed on the merits and with prejudice as to all Settlement Class Members and all Settlement Class Members shall be forever barred from prosecuting the Class Action or any other action raising any Settled Claims against Watrous.

X. RECOVERY IN PEREGRINE'S BANKRUPTCY CASE

54. In addition to the cash recovery from the Settlements described above, Lead Counsel have also obtained a substantial recovery for the Class and Subclasses from the pursuit of claims in Peregrine's bankruptcy case. Peregrine filed for protection from its creditors under the U.S. Bankruptcy Code in September 2002. On behalf of the Lead Plaintiffs and Settlement Class Members, Lead Counsel filed Proofs of Claim in Peregrine's bankruptcy case. After significant litigation in the Bankruptcy Court, Lead Plaintiffs entered into a settlement agreement with Peregrine and other parties in interest which resulted in significant benefits for Settlement Class Members. Specifically, in exchange for a release of their claims against Peregrine, Lead Plaintiffs, on behalf of Settlement Class Members, obtained approximately 800,000 shares of Peregrine common stock, which have been sold in an orderly process, generating approximately \$16,017,922 in cash, which is on deposit in an escrow account and earning interest. In addition, Lead Counsel obtained the agreement of Peregrine to cooperate in the ongoing litigation efforts in the Class Action, pursuant to which Lead Counsel have had access to a large quantity of documentary evidence. Lastly, Lead Counsel obtained for the Settlement Class the right to receive all recoveries which may be obtained on Company claims against Peregrine's former officers, directors, and business partners. Those claims are being litigated under the direction of a Successor Litigation Trustee, including in *Peregrine v. Andersen*, in an action against Peregrine's former officers and directors captioned *PLT v. Gardner*, and in an action against certain of Peregrine's former business partners captioned *Peregrine Litigation Trust v. KPMG LLP, et al.*, San Diego County Superior Court Case No. GIC 842832. This latter action was recently resolved for \$11 million in cash. Some of these settlement proceeds will be used to fund the Trust's ongoing litigation.

XI. NOTICE OF SETTLEMENT FAIRNESS HEARING

55. NOTICE IS HEREBY GIVEN, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the Court dated July 31, 2006, that a hearing will be held before the Honorable Roger T. Benitez, in the United States Courthouse, 880 Front Street, Suite 4290, San Diego, CA 92101-8900, at 9:00 a.m., on November 8, 2006 (the "Settlement Fairness Hearing") to determine whether the Andersen Settlement, the Powanda Settlement, the Savoy Settlement, and the Watrous Settlement, are fair, reasonable and adequate, to consider the proposed Plan of Allocation of Settlement Proceeds, and to consider the application of Lead Counsel for an award of attorneys' fees and reimbursement of expenses.

56. The Court, by its Order Preliminarily Approving Settlements and Providing for Notice, dated July 31, 2006, has, for settlement purposes, certified (a) a Settlement Class consisting of all persons who

purchased Peregrine securities during the period from July 22, 1999 through May 3, 2002, inclusive and who suffered damages thereby; (b) a subclass consisting of all persons who held shares of Harbinger stock and who acquired Peregrine registered common stock in connection with Peregrine's acquisition of Harbinger on or about June 16, 2000, and who suffered damages thereby; and (c) a subclass consisting of all persons who held shares of Remedy stock and who acquired Peregrine registered common stock in connection with Peregrine's acquisition of Remedy on or about August 27, 2001, and who suffered damages thereby. Excluded from the Settlement Class are: (i) all defendants in the Class Action; (ii) all members of the immediate families (parents, spouses, siblings and children) of such defendants, (iii) any entity affiliated with any defendant in the Class Action or with any member of the immediate family of such defendant, including without limitation any entity in which any such defendant or any member of the immediate family of such defendant has a controlling interest, (iv) the officers, directors, parents, subsidiaries and affiliates of Peregrine, (v) the legal representatives, heirs, successors in interest; and assigns of any of the foregoing, and (vi) with respect to the Settling Defendants, any Person who has previously released them from claims relating to Peregrine.

XII. PLAN OF ALLOCATION OF SETTLEMENT PROCEEDS AMONG CLASS MEMBERS

57. The \$56,292,922 total settlement consideration, which includes the amount recovered in the bankruptcy proceedings described in paragraph 49, and the interest earned thereon, less all taxes, approved costs, fees and expenses shall be distributed to members of the Class and Subclasses who file acceptable Proofs of Claim ("Authorized Claimants") in accordance with Section XIV hereof.

58. Each Authorized Claimant shall receive, on a pro rata basis, that share of the Settlement Fund that the Authorized Claimant's "Recognized Loss" bears to the total Recognized Losses of all Authorized Claimants. An Authorized Claimant's "Recognized Loss" shall be calculated as follows:

a. For Class Members who purchased Shares during the Class Period and who sold such Shares at a loss during the Class Period, the Recognized Loss is the difference between the purchase price and the sales price multiplied by .5.

b. For Class Members who purchased Shares during the Class Period and who sold their Shares at a loss on or after May 3, 2002, or who still held such Shares on that date, the Recognized Loss is the difference between the purchase price and \$0.95 per share, being the average closing price of Peregrine stock during the 90-day period following the end of the Class Period.

c. For Class Members who exchanged shares of Harbinger stock for shares of Peregrine stock on or about June 16, 2000, the Recognized Loss is the difference between the price at the time of acquisition (which was \$25.56 per share) and the sales price (or if no sales during the Class Period, the price of \$0.95 per share) multiplied by 2.75.

d. For Class Members who exchanged shares of Remedy stock for shares of Peregrine stock on or about August 27, 2001, the Recognized Loss is the difference between the price at the time of acquisition (which was \$23.01 per share) and the sales price (or if no sales during the Class Period the price of \$0.95 per share) multiplied by 2.75.

59. In connection with the determination of Recognized Loss the following rules shall apply: The date of purchase or sale is the "contract" or "trade" date, or exchange date, as distinguished from the "settlement" date. For purposes of computing purchases and sales prices, commissions and fees with respect to the purchase, sale, or exchange of Peregrine common stock shall not be included. Transactions in Peregrine common stock shall be matched against the same type of Peregrine common stock on a "first-in, first-out" ("FIFO") basis within the Class Period, by matching the first Peregrine common stock purchased during the Class Period against the first Peregrine common stock sold during the Class Period. The Plan of Allocation may be further altered or amended by order of the Court for good cause shown. "Short" sales shall not be recognized for any amount of loss on the cover or purchase transaction and no Recognized Loss will be computed for any such covering purchase transaction. In no event shall any Class Member be entitled to greater than their statutory damages.

60. Checks will be distributed to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlements.

XIII. THE RIGHTS OF SETTLEMENT CLASS MEMBERS

61. The Court has certified a Settlement Class allowing the Settlements to proceed for the benefit of the members of the Settlement Class. If you purchased Peregrine securities and/or received them in an exchange for Harbinger or Remedy shares during the period from July 22, 1999 through May 3, 2002, inclusive, then you are a Settlement Class Member. However, if you previously released claims against any of the Settling Defendants relating to Peregrine, you are not entitled to any share of the settlement proceeds paid by them. Settlement Class Members have the following options pursuant to Rule 23(c)(2) of the Federal Rules of Civil Procedure:

(a) If you wish to remain a member of the Settlement Class, you do not have to do anything at this time. Settlement Class Members will be represented by Lead Plaintiffs and Lead Counsel, unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file an appearance on your behalf on or before October 2, 2006, and must serve copies of such appearance on the attorneys listed in paragraph 69 below.

(b) If you do not wish to remain a member of the Settlement Class, you may exclude yourself from the Settlement Class by following the instructions in paragraph 67 below. Persons who exclude themselves from the Settlement Class will NOT be entitled to receive any share of the Settlement proceeds and will not be bound by the Settlements.

(c) If you object to the Settlements or any of their terms, or to Lead Counsels' application for fees or expenses, or the proposed Plan of Allocation of Settlement Proceeds, and if you do not exclude yourself from the Settlement Class, you may present your objections by following the instructions in paragraph 69 below.

62. IF YOU ARE A SETTLEMENT CLASS MEMBER AND YOU DO NOT PROPERLY EXCLUDE YOURSELF FROM THE SETTLEMENT CLASS, YOU WILL BE BOUND BY THE SETTLEMENTS, INCLUDING RELEASES, AND THE FINAL JUDGMENTS OF THE COURT DISMISSING THIS ACTION AGAINST THE SETTLING DEFENDANTS. IF YOU EXCLUDE YOURSELF, YOU WILL NOT BE BOUND BY THE JUDGMENTS BUT YOU WILL NOT BE ENTITLED TO ANY SHARE OF THE NET SETTLEMENT FUND IN THE FUTURE.

XIV. FILING AND PROCESSING OF PROOFS OF CLAIM AND RELEASES

63. IN ORDER TO BE ELIGIBLE TO RECEIVE ANY DISTRIBUTION FROM THE NET SETTLEMENT FUND, YOU MUST COMPLETE AND SIGN THE ATTACHED PROOF OF CLAIM AND RELEASE FORM AND SEND IT BY PREPAID FIRST CLASS MAIL POSTMARKED ON OR BEFORE DECEMBER 15, 2006, ADDRESSED AS FOLLOWS:

In re Peregrine Systems, Inc. Securities Litigation
c/o Gilardi & Co. LLC
Claims Administrator
P.O. Box 8040
San Rafael, CA 94912-8040

64. IF YOU DO NOT SUBMIT A PROPER PROOF OF CLAIM AND RELEASE FORM, YOU WILL NOT BE ENTITLED TO ANY SHARE OF THE NET SETTLEMENT FUND.

65. All Proofs of Claim and Releases must be submitted by the date specified in this Notice unless such period is extended by Order of the Court.

66. Each Claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to his, her or its claim.

XV. EXCLUSION FROM THE SETTLEMENTS

67. Each Member of the Settlement Class shall be bound by all determinations and judgments in this Class Action concerning the Settlements, whether favorable or unfavorable, unless such Person shall mail, by first class mail, a written request for exclusion from the Settlement Class, postmarked no later than October 2, 2006, addressed to *In re Peregrine Systems, Inc. Securities Litigation Exclusions*, c/o Gilardi & Co. LLC,

Claims Administrator, Post Office Box 8040, San Rafael, CA 94912-8040. No Person may be excluded from the Settlement Class after that date. In order to be valid, each such request for exclusion must set forth the name and address of the Person requesting exclusion, must state that such Person “requests exclusion from the Settlement Class in *In re Peregrine Systems, Inc. Securities Litigation*,” and must be signed by such Person. Persons requesting exclusion must also provide: (1) for every purchase or acquisition of Peregrine stock during the Class Period, the date of the purchase or acquisition, the purchase or acquisition price, and the number of shares purchased or acquired; and (2) for every sale of Peregrine stock during the Class Period, the date of the sale, the sale price, and the number of shares sold. Persons requesting exclusion should indicate whether any or all of their Peregrine shares were acquired in connection with the Harbinger or Remedy mergers. Persons requesting exclusion are also requested to provide a telephone number. The request for exclusion shall not be effective unless the request for exclusion provides the required information and is made within the time stated above, or the exclusion is otherwise accepted by the Court.

XVI. RIGHTS IN CONNECTION WITH SETTLEMENT FAIRNESS HEARING

68. At the Settlement Fairness Hearing, the Court will determine whether to finally approve the Settlements and dismiss the Class Action and the claims of the Settlement Class Members as against the Settling Defendants only. If the Settlements are approved, additional hearings will be held to determine whether the proposed Plan of Allocation of Settlement Proceeds and the application of Lead Counsel for attorneys’ fees and expenses shall be approved. These hearings may be adjourned from time to time by the Court without further written notice to the Settlement Class Members.

69. At the Settlement Fairness Hearing, any Settlement Class Member who has not properly submitted a Request for Exclusion from the Settlement Class may appear in person or by counsel and be heard to the extent allowed by the Court in opposition to the fairness, reasonableness and adequacy of any of the Settlements, the proposed Plan of Allocation of Settlement Proceeds, or the application for attorneys’ fees and reimbursement of expenses; provided, however, that in no event shall any person be heard in opposition thereto and in no event shall any paper or brief submitted by any such person be accepted or considered by the Court, unless, on or before October 2, 2006, such person (a) files with the Clerk of the Court notice of such person’s intention to appear, showing proof of such person’s membership in the Settlement Class, and providing a statement that indicates the basis for such opposition, along with any documentation in support of such objection, and (b) simultaneously serves copies of such notice, proof, statement and documentation, together with copies of any other papers or briefs such person files with the Court, in person or by mail upon each of the following: Solomon B. Cera, Esq., Gold Bennett Cera & Sidener LLP, 595 Market Street, Suite 2300, San Francisco, CA 94105-2835, Howard T. Longman, Esq., Stull Stull & Brody, 6 East 45th Street, New York, NY 10017, Lawrence D. Levit, Esq., Abraham Fruchter & Twersky LLP, One Penn Plaza, Suite 2805, New York, NY 10119-0165, on behalf of Lead Plaintiffs; and C. Stephen Howard, Esq., Alschuler Grossman Stein & Kahan, LLP, The Water Garden, 1620 26th Street, Fourth Floor, North Tower, Santa Monica, CA 90404-4060 (if relating to the Andersen Settlement), Scott Pratt, Esq., Keesal, Young & Logan LLP, 400 Ocean Gate, P.O. Box 1730, Long Beach, CA 90801-1730 (if relating to the Powanda Settlement), Robert D. Stewart, Esq., McNaul Ebel Nawrot Helgren & Vance, LLC, 600 University Street, Suite 2700, Seattle, Washington 98101-3143 (if relating to the Savoy Settlement), or Wayne T. Lamprey, Esq., Goodin MacBride Squeri Ritchie & Day, LLP, 505 Sansome Street, Suite 900, San Francisco, California 94111 (if relating to the Watrous Settlement).

XVII. FURTHER INFORMATION

70. For a more detailed statement of the matters involved in this Class Action, reference is made to the pleadings, to the Stipulations of Settlement, to the Orders entered by the Court and to the other papers filed in the Class Action, which may be inspected at the Office of the Clerk of the Court, United States District Court, Southern District of California, 880 Front Street, Suite 4290, San Diego, CA 92101-8900, during regular business hours.

71. Further information regarding the Settlements referred to in this Notice may also be obtained by contacting Lead Plaintiffs’ Lead Counsel: Solomon B. Cera, Esq., Gold Bennett Cera & Sidener LLP, 595 Market Street, Suite 2300, San Francisco, CA 94105, (415) 777-2230, Howard T. Longman, Esq., Stull Stull &

Brody, 6 East 45th Street, New York, NY 10017, (212) 687-7230, Lawrence D. Levit, Esq., Abraham Fruchter & Twersky LLP, One Penn Plaza, Suite 2805, New York, NY 10119-0165, (212) 279-5050.

XVIII. SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

72. If you purchased or acquired securities of Peregrine Systems, Inc. during the period from July 22, 1999 through May 3, 2002, inclusive for the beneficial interest of a person or organization other than yourself, the Court has directed that, within seven days of your receipt of this Notice, you either (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased or acquired such Peregrine securities during such time period or (b) request additional copies of this Notice, which will be provided to you free of charge, and within seven days mail the Notice directly to the beneficial owners of Peregrine securities. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Gross Settlement Fund your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

In re Peregrine Systems, Inc. Securities Litigation
c/o Gilardi & Co. LLC
Claims Administrator
P.O. Box 8040
San Rafael, CA 94912-8040
(800) 654-5763
www.gilardi.com

DO NOT CONTACT THE COURT.

Dated: July 31, 2006

By Order of the Court
Clerk of the Court