UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA, Plaintiff, v. STEVEN S. SPITZER, Defendant.	Criminal Case No. _______________ I N F O R M A T I O N Title 18, United States Code, Section 371 - Conspiracy to Commit Securities Fraud

The United States Attorney charges:

I.

INTRODUCTORY ALLEGATIONS

At all times relevant to this Information:

A. THE COMPANY

1. Peregrine Systems, Inc. ("Peregrine") was a computer software company headquartered in San Diego, California. Peregrine was incorporated in California in 1981 and reincorporated in Delaware in 1994. From its initial public offering ("IPO") in April 1997 until it was delisted on August 30, 2002, Peregrine was a publicly held corporation whose shares were registered securities traded under the symbol "PRGN" on the National Association of Securities Dealers Automated Quotation system ("NASDAQ"), a national securities exchange that used the

means and instrumentalities of interstate commerce and the mails.

2. Peregrine developed and sold business software and related services. Software license fees accounted for the bulk of Peregrine's publicly reported revenues. Peregrine sold its software directly through its own sales organization and indirectly through resellers such as value added resellers and systems integrators.

3. From its IPO in April 1997 through the quarter ended June 2001, Peregrine reported 17 consecutive quarters of revenue growth, always meeting or beating securities analysts' expectations. Peregrine's stock price soared from its April 1997 IPO price of approximately $2.25 per share (split adjusted) to approximately $80 per share in March 2000. By March 2002, Peregrine had issued over 192 million shares.

4. In May 2002, Peregrine disclosed that its prior public reports had been materially false and that it had employed a variety of devices, schemes and fraudulent accounting practices over an extended period of time in order to portray itself as far more healthy and successful that it actually was. After Peregrine disclosed its true financial results and condition, its stock price dropped precipitously and now trades at below $1 per share.

B. THE DEFENDANT

5. Defendant STEVEN S. SPITZER was hired by Peregrine in August 1997 as a Vice President in its Sales Department, tasked with developing Peregrine's relationships with its indirect sales partners. From August 1997 through approximately April 2000, defendant SPITZER worked on building sales alliances with entities who could serve as promoters of Peregrine's products in North America. These entities were frequently identified as Peregrine's "Channel Partners." From approximately April 2000 through April 2001, defendant SPITZER focused on North American Sales of Peregrine's Get.It! product. From approximately April 2001 through April 2002, defendant SPITZER focused on building sales alliances with managed service providers. Thereafter, defendant SPITZER focused on direct sales to managed service providers, until he left Peregrine in June 2002.

C. PEREGRINE'S PUBLIC REPORTING

6. As a public company, Peregrine was required to comply with the Securities

Act of 1933, the Securities Exchange Act of 1934, and the regulations of the United States Securities and Exchange Commission (the "SEC"). These laws and regulations are designed to protect the investing public by ensuring that companies like Peregrine fairly, accurately, and timely report their financial results and condition. To ensure fair, accurate and timely reports to the investing public, the securities laws and SEC regulations required Peregrine and its directors and officers to do the following, among other things:

(a) make and keep books, records and accounts which in reasonable detail accurately and fairly reflected Peregrine's transactions and dispositions of assets;

(b) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that the company's transactions were executed in accordance with management's policies, and recorded as necessary to permit preparation of reliable financial statements in accordance with applicable accounting norms;

(c) file regular public reports including quarterly reports (on Form 10-Q) and annual reports (on Form 10-K) with the SEC; and

(d) make fair and accurate representations to auditors preparing public reports of Peregrine, including all material facts necessary to make management representations to auditors not misleading.

From 1997 through April 2002, Peregrine filed regular financial reports with the SEC. During this entire period, Arthur Andersen LLP, which was at the time a public accounting firm, served as the outside auditors of Peregrine's financial reports.

II.

CONSPIRACY

7. Beginning on a date unknown to the United States Attorney but no later than December 1999, and continuing thereafter until at least April 2001, within the Southern District of California and elsewhere, defendant STEVEN S. SPITZER did knowingly and intentionally conspire and agree with others known and unknown to the United States Attorney to commit offenses against

the United States, to wit, violations of Title 15, United States Code, Section 78 and Title 17, Code of Federal Regulations, Section 240, specifically 15 U.S.C. §§78j(b) and 78ff, and 17 C.F.R. § 240.10b-5 (fraud in connection with the purchase and sale of securities); 15 U.S.C. §§ 78m(b)(5) and 78ff(a) and 17 C.F.R. § 240.13b2-1 (falsification of accounting records); and 15 U.S.C. §§ 78m(b)(2), 78m(b)(5) and 78(ff)(a), and 17 C.F.R. § 240.13b2-2 (false statements to accountants).

8. It was a part of this conspiracy that the conspirators would use a variety of schemes, devices, and artifices, make false and misleading statements, omit material facts necessary to make their statements not misleading, in order to give a materially false impression of Peregrine's policies, transactions, and condition.

9. It was a further part of this conspiracy that the conspirators would induce the investing public to purchase and hold Peregrine's stock through these fraudulent means.

10. It was a further part of this conspiracy that the conspirators would induce banks and other financial institutions to purchase Peregrine's accounts receivable through these fraudulent means.

11. It was a further part of this conspiracy that the conspirators would enhance their personal reputations and enrich themselves (via compensation, bonuses and stock options) through these fraudulent means.

12. It was a further part of this conspiracy that the conspirators would use and cause to be used instrumentalities of interstate and foreign commerce, the mails, and the facilities of national security exchanges.

Methods and Means

13. In furtherance of this conspiracy, defendant STEVEN S. SPITZER and others, directly and indirectly, knowingly and willfully used the following methods and means, among others. They:

(a) recognized as revenue and maintained as an account receivable, and caused to be recognized as revenue and maintained as an account receivable, software license transactions that could not be recognized as revenue under Generally Accepted Accounting Principles ("GAAP") and Peregrine's stated revenue recognition policy;

(b) sold and caused to be sold uncollectible, falsified and invalid accounts receivable to banks to fraudulently manipulate Peregrine's Days Sales Outstanding (DSO), which is a formula used by securities analysts to measure the quality and quantity of a company's outstanding debts or "accounts receivable" and which reflects on a company's financial condition and stock value;

(c) hid and caused to be hidden in financial statements uncollectible accounts receivable and improperly recognized revenue as acquisition and other one-time costs to fraudulently enhance Peregrine's financial condition;

(d) made and caused to be made materially false statements to Peregrine's auditors, the SEC, and the investing public, and omitted and caused to be omitted material facts from statements to Peregrine's auditors, the SEC, and the investing public, in order to deceive these groups regarding Peregrine's policies, transactions and condition; and,

(e) created and caused to be created false records including false contracts and invoices in order to continue, maintain, and conceal their schemes.

Overt Acts

14. In furtherance of this conspiracy and to effect its objects, acting at the direction and behest of Peregrine's senior management, defendant STEVEN S. SPITZER committed the following overt acts, among others, within the Southern District of California and elsewhere:

(a) In or about December 1999, defendant SPITZER caused to be created documents that falsely described a sale of Peregrine software to a certain entity. Defendant Spitzer told the entity that Peregrine was close to consummating a software transaction with a specific end user, and asked the entity to sign an agreement to purchase that software before the end of the present quarter, in order to allow Peregrine to book that revenue immediately rather than waiting for the anticipated transaction with the end user.

SPITZER told the entity that Peregrine would not expect the entity to pay for the software it had supposedly purchased according to the terms of the sales agreement: Peregrine would either credit the entity with the sale Peregrine was negotiating with the end user, or Peregrine would replace that sale with another Peregrine itself would generate, or Peregrine would wait until the entity resold the software.

(b) In or about June 2000, defendant SPITZER caused to be created documents that falsely described two sales of Peregrine software to a certain entity, through the means described above.

(c) In or about September 2000, defendant SPITZER caused to be created documents that falsely described a sale of Peregrine software to a certain entity, through the means described above.

(d) In or about March 2001, defendant SPITZER caused to be created documents that falsely described two sales of Peregrine software to two different entities, through the means described above.

All in violation of Title 18, United States Code, Section 371.

DATED: June ___, 2003

Respectfully submitted,

CAROL C. LAM
United States Attorney

BARBARA L. MAJOR
Assistant U.S. Attorney