

# ***NEWS RELEASE***

---

---



***OFFICE OF THE UNITED STATES ATTORNEY  
SOUTHERN DISTRICT OF CALIFORNIA  
San Diego, California***

***United States Attorney  
Karen P. Hewitt***

---

---

***For Further Information, Contact: Media Liaison Debra Hartman (619) 557-5275***

---

---

***For Immediate Release***

**TWO FORMER PEREGRINE SYSTEMS, INC. EXECUTIVES  
SENTENCED TO FEDERAL PRISON**

**NEWS RELEASE SUMMARY - December 17, 2008**

San Diego, CA - United States Attorney Karen P. Hewitt announced that Matthew C. Gless, former Chief Financial Officer of Peregrine Systems, Inc. ("Peregrine"), and Douglas S. Powanda, former Executive Vice President of Worldwide Sales for Peregrine, were sentenced today in federal court in San Diego by United States District Court Judge Thomas J. Whelan. Judge Whelan ordered Gless to serve 63 months in custody based on his conviction on charges of conspiracy and securities fraud arising out of his participation in a scheme to defraud Peregrine's shareholders between 1999 and 2002. Judge Whelan ordered Powanda to serve 78 months in custody based on his conviction on charges of conspiracy and securities fraud. Judge Whelan cited both defendants' cooperation with federal authorities following their guilty pleas as reasons not to impose the statutory maximum sentences of 15 years of custody. Judge Whelan ordered both defendants

to serve a two-year term of supervised release following their release from prison. Judge Whelan will address restitution at a hearing on February 23, 2009. No fines were imposed because of the potentially large restitution orders facing these defendants.

According to court documents, Peregrine was a business software company formerly headquartered in San Diego, California and had been one of the region's most celebrated technology companies. Shares of Peregrine were publicly traded on the NASDAQ and for ten consecutive quarters between 1999 and 2001, Gless, Powanda, and their co-schemers declared that Peregrine had met or exceeded Wall Street expectations for revenue and earnings. In truth, Gless, Powanda and others fraudulently manipulated Peregrine's financial statements in order to deceptively meet these numbers, thereby fraudulently inflating and sustaining the price of Peregrine's stock. The scheme employed a number of fraudulent practices designed to manipulate Peregrine's revenue and earnings figures, including: (1) improperly keeping Peregrine's books "open" past the end of the fiscal quarter and deceptively including in the prior fiscal period backdated contracts that had actually closed in later periods; (2) improperly recording revenue on contracts that were subject to oral and written side agreements and promises; and (3) concealing Peregrine's uncollectible accounts receivable by deceptively writing-off these amounts.

When Peregrine publicly disclosed its accounting improprieties in May 2002, the company's stock price collapsed. Peregrine later sought federal bankruptcy protection and eventually sold itself to Hewlett-Packard Company. Shareholders have claimed losses in excess of \$3 billion resulting from the fraudulent activities of Gless, Powanda, and others.

According to court documents, Gless was hired by Peregrine in April 1996 as its Controller and, in October 1998, he was promoted to Chief Accounting Officer and Vice President of Finance. In November 2000, Gless was named Chief Financial Officer. He resigned on May 5, 2002, when Peregrine publically

announced accounting irregularities of \$100,000,000. Gless admitted that he and his co-conspirators would meet near the end of each quarter to determine how much revenue was needed that quarter in order to meet or exceed the expectations of securities analysts. Gless and others would then devise, structure, and create fraudulent and misleading transactions to be recognized within the quarter. Gless and others also took steps to conceal Peregrine's uncollectible accounts receivable from Wall Street, including deceptively writing off such amounts as acquisition-related. During his time at the company, Gless exercised stock options and sold Peregrine stock, reaping over \$3 million in net proceeds.

According to court documents, Powanda was hired by Peregrine in February 1992 as a Senior Account Executive. Powanda became a Vice President of Sales on or about July 1994 and was named Peregrine's Vice President of Worldwide Sales in approximately January 1998. In July 2001, Powanda began serving in the Office of the Chairman of the Board. Powanda furthered the scheme by entering into backdated and sham contracts valued at tens of millions of dollars, and then caused Peregrine to improperly record revenue on those contracts and falsely report inflated revenue figures to Wall Street. During his time at the company, Powanda exercised stock options and sold thousands of shares of Peregrine stock, reaping approximately \$25 million in net proceeds.

United States Attorney Karen P. Hewitt stated, "The prosecution of these former Peregrine executives demonstrates this Office's commitment to pursuing and punishing corporate executives who engage in dishonest business practices for their own personal enrichment. Today's sentences represent just punishment for the hardships these two defendants caused to thousands of investors in San Diego and across the country."

FBI Special Agent in Charge Keith Slotter commented, "The FBI is committed to investigating those who, for the purpose of lining their own pockets, undermine the integrity of the American financial system.

Investors should be able to make investment decisions without worry of criminal activity disrupting those choices.”

United States Attorney Hewitt praised the outstanding efforts of the Federal Bureau of Investigation’s San Diego Division and thanked the United States Securities and Exchange Commission’s Division of Enforcement for working cooperatively with investigators and attorneys throughout this process.

Gless and Powanda were ordered to begin serving their sentence by March 20, 2009.

**DEFENDANT**

**CASE NUMBER: 03CR1090-W**

Matthew C. Gless

**SUMMARY OF CHARGES**

Count 1: Conspiracy - Title 18, United States Code, Section 371  
Count 2: Securities Fraud - Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5

**DEFENDANT**

**CASE NUMBER: 04CR2605-W**

Douglas S. Powanda

**SUMMARY OF CHARGES**

Count 1: Conspiracy - Title 18, United States Code, Section 371  
Count 2: Securities Fraud - Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5

**INVESTIGATING AGENCIES**

Federal Bureau of Investigation  
United States Securities and Exchange Commission