

# ***NEWS RELEASE***

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## ***OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA***

*San Diego, California*

*United States Attorney  
Karen P. Hewitt*

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

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*For Immediate Release*

**FORMER GENERAL COUNSEL AND ACTING CHIEF EXECUTIVE OFFICER AT  
PEREGRINE SYSTEMS, INC., PLEADS GUILTY TO BANK FRAUD**

### **NEWS RELEASE SUMMARY - January 8, 2009**

San Diego, CA - United States Attorney Karen P. Hewitt announced that today Richard T. Nelson, a former executive of Peregrine Systems, Inc. ("Peregrine"), entered a guilty plea in federal court in San Diego to one count of the Third Superseding Indictment charging him with bank fraud. The guilty plea was taken by United States District Court Judge Thomas J. Whelan, who scheduled a sentencing hearing for April 20, 2009.

As Nelson admitted in his plea agreement and during the plea hearing today, Peregrine was previously a publicly-traded software company based in San Diego, California, with shares of common stock traded on the NASDAQ. When Nelson was hired by Peregrine 1995 as the General Counsel, he was a certified public accountant and a licensed attorney. Over the next seven years, Nelson held successively more senior positions at the company, including Vice President of Corporate Development, Senior Vice President, Chief Operating Officer, and even Acting Chief Executive Officer. Nelson admitted to knowing that Generally

Accepted Accounting Principles allowed Peregrine to record revenue on sales contracts with resellers only if a written contract existed, software delivery had occurred, Peregrine's fee for selling the software were fixed or determinable, and it were probable that Peregrine would collect these fees. Nelson admitted that he knew that if Peregrine executed addendums or "side letters" which relieved customers of their obligation to pay, then Peregrine could not record revenue on such contracts and could not put them on the books as accounts receivable.

In his plea, Nelson admitted that in 2001 Peregrine took steps to arrange a \$150 million line of credit with several banks, including providing the company's audited financial statements. By December 31, 2001, Peregrine had used this line of credit to obtain more than \$100 million from a number of federally insured financial institutions, including Fleet Bank, N.A. Before that date, however, Nelson became aware that millions of dollars' worth of reseller transactions that Peregrine had previously booked were uncollectible because Peregrine representatives had given "side letters" to customers. Nelson knew that he had a duty to correct false and misleading representations that had been made to Fleet in order to obtain funds and to prevent false and misleading representations from being made to Fleet in the future. Although Nelson was aware of a high probability that the financial statements provided to Fleet were false and misleading, he did not disclose to Fleet the existence of these side letters or correct Peregrine's financial statements.

**DEFENDANT**

**CASE NUMBER: 04CR2605-W (12)**

Richard T. Nelson

**SUMMARY OF CHARGES**

Count 44, Bank Fraud - Title 18, United States Code, Section 1344.  
Maximum Penalties: 30 years' imprisonment and \$1,000,000 fine

**INVESTIGATING AGENCY**

Federal Bureau of Investigation