

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 60693 / September 18, 2009

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3054 / September 18, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13619

In the Matter of	:	ORDER INSTITUTING
	:	ADMINISTRATIVE PROCEEDINGS
DANIEL F. STULAC, CPA,	:	PURSUANT TO RULE 102(e) OF THE
	:	COMMISSION'S RULES OF PRACTICE,
Respondent.	:	MAKING FINDINGS, AND IMPOSING
	:	REMEDIAL SANCTIONS
	:	

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against Daniel F. Stulac (“Respondent” or “Stulac”) pursuant to Rule 102(e)(3)(i) of the Commission’s Rules of Practice.¹

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III. 3. below, which are admitted, Respondent consents to the entry

¹ Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . [p]ermanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding an abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Daniel F. Stulac, age 45, was at all relevant times a certified public accountant licensed to practice in the state of California. Stulac became a partner at Arthur Andersen in September 2000 and was the engagement partner on the audit of Peregrine Systems Inc. ("Peregrine") from September 2000 to September 2001.

2. At the time Stulac was the engagement partner on the audit, Peregrine was a Delaware corporation with principal offices in San Diego, California. Peregrine's primary business involved selling infrastructure management software. From its initial public offering in April 1997, until it merged with Hewlett-Packard in 2005, Peregrine's common stock was registered with the Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934 ("Exchange Act"). It traded on the Nasdaq National Market System from its initial public offering until August 30, 2002, when it was delisted and quoted on the Pink Sheets. In February 2003, Peregrine announced the restatement of \$509 million of revenue it had improperly recorded.

3. On September 14, 2009, a final judgment was entered against Stulac, permanently enjoining him from future violations of Sections 10(b) of the Exchange Act and Rule 10b-5 thereunder, and from aiding and abetting violations of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder, in the civil action entitled Securities and Exchange Commission v. Stephen P. Gardner, et al., Civil Action No. 04 CV 2002 (S.D. Cal.).

4. The Commission's Complaint alleged, among other things, that Peregrine and its senior officers fraudulently inflated the revenues Peregrine reported in its filings with the Commission and elsewhere. Peregrine improperly recorded millions of dollars of revenue based on non-binding arrangements with resellers. This ultimately caused uncollectible receivables from the non-binding arrangements to swell on Peregrine's balance sheet. The Complaint further alleged that Peregrine's management improperly wrote off unpaid receivables by falsely characterizing the write-offs as "acquisition costs and other." According to the Commission's Complaint, Stulac knew, or was reckless in not knowing, that the receivables Peregrine intended to write off were unrelated to acquisitions and should not have been recorded as "acquisition costs and other." The Complaint also alleged that Stulac knew, or was reckless in not knowing, that Peregrine's 2001 financial statements improperly recognized millions of dollars of revenue from agreements with resellers. The Complaint alleged that, by engaging in this and other conduct, Stulac violated the anti-fraud provisions of the Exchange Act, and aided and abetted

violations of the reporting provisions of the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanction agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Respondent is suspended from appearing or practicing before the Commission as an accountant.

B. After five (5) years from the date of this order, Respondent may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Respondent's work in his practice before the Commission will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. an independent accountant. Such an application must satisfy the Commission that:

(a) Respondent, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Respondent, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the Respondent's or the firm's quality control system that would indicate that the Respondent will not receive appropriate supervision;

(c) Respondent has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Respondent acknowledges his responsibility, as long as Respondent appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all

requirements relating to registration, inspections, concurring partner reviews and quality control standards.

C. The Commission will consider an application by Respondent to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Elizabeth M. Murphy
Secretary