Former KPMG Consulting Principal Settles SEC Charges for Role in Peregrine Accounting Fraud

FOR IMMEDIATE RELEASE
2008-14

Washington, D.C., Feb. 6, 2008 - The Securities and Exchange Commission today filed a settled enforcement action against a former principal and managing director of KPMG Consulting LLC for his role in deceiving investors in a major corporate accounting fraud.

Larry A. Rodda was charged by the SEC in 2004 with aiding and abetting a massive financial fraud orchestrated by senior officers at Peregrine Systems, Inc., a San Diego software company that has since been acquired by Hewlett-Packard Company. According to the SEC's complaint, Rodda knowingly signed four sham software license agreements that allowed Peregrine to improperly record approximately $22 million in revenue. Rodda has agreed to pay an $80,000 financial penalty to settle the SEC's charges.

"The case against Mr. Rodda reflects the Commission's ongoing determination to police aiders and abettors and deter them from helping public companies cook their books," said Linda Chatman Thomsen, Director of the SEC's Division of Enforcement. "Those who are caught aiding and abetting corporate accounting or other frauds will pay a substantial price for misleading investors, regardless of whether they personally profited from the fraud."

Fredric D. Firestone, Associate Director of the SEC's Division of Enforcement, added, "For several quarters, Mr. Rodda played an important role in furthering the largest corporate accounting fraud in San Diego history. The monetary penalty Mr. Rodda has agreed to pay in the SEC's case and his sentence in the related criminal case reflect the severity of Mr. Rodda's conduct."

According to the SEC's complaint, Rodda and eight other defendants fraudulently inflated the product revenues Peregrine reported in SEC filings and elsewhere from its fiscal year 2000 through the third quarter of its fiscal year 2002. In February 2003, Peregrine restated its financial results for 11 quarters, reducing previously reported revenue of $1.34 billion by more than $507 million.

The sham software license agreements signed by Rodda made it appear that Peregrine had actually sold software to end-users through Rodda's employer, KPMG Consulting. In fact, based on oral side agreements with a Peregrine executive, Rodda knew that his firm would have no payment obligation on the software license agreements. The Commission also alleges that Rodda helped Peregrine conceal the true nature of one of these agreements from Peregrine's auditors at Arthur Andersen when he signed a false audit confirmation.

Rodda pleaded guilty in November 2004 to criminal charges brought by the U.S. Attorney's Office for the Southern District of California. He pleaded guilty to one count of conspiracy to commit securities fraud, wire fraud, et al.
bank fraud and falsification of the books, records and accounts of a public corporation. On Jan. 23, 2008, Rodda was sentenced to six months in the custody of the Bureau of Prisons, six months of home detention, and two years of supervised release. He was ordered to pay a $100 mandatory special assessment. Twelve other individuals - including Peregrine's former CEO and CFO - have pleaded guilty in the ongoing criminal case.

Without admitting or denying the SEC's allegations, Rodda agreed to be enjoined from violating the antifraud provisions of the Securities Exchange Act of 1934 in addition to paying the financial penalty. The settlement is subject to the approval of the U.S. District Court for the Southern District of California.

The Commission acknowledges the assistance of the U.S. Attorney's Office for the Southern District of California and the FBI.

# # #

For more information, contact:

Fredric D. Firestone
Associate Director, SEC's Division of Enforcement
(202) 551-4711

Gerald W. Hodgkins
Assistant Director, SEC's Division of Enforcement
(202) 551-4719