

SAND HILL IT SECURITY ACQUISITION CORP
Form 10QSB/A
December 16, 2005

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-QSB/A

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2004

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File Number 000-50813

**Sand Hill IT Security Acquisition
Corp.**

(Exact Name of Small Business Issuer as
Specified in Its Charter)

Delaware
(State or other Jurisdiction of incorporation)

20-0996152
(I.R.S. Employer Identification No.)

**3000 Sand Hill Road
Building 1, Suite 240
Menlo Park, California**
(Address of Principal Executive Office)

(650) 926-7022
(Issuer's Telephone Number, Including Area Code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

As of September 30, 2004, 5,110,000 shares of common stock, par value \$.01 per share, were issued and outstanding.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Transitional Small Business Disclosure Format (check one):

Yes No

Sand Hill IT Security Acquisition Corp., a Delaware corporation (the “Company”), hereby amends, as set forth herein, the Company’s Quarterly Report on Form 10-QSB for the period ended September 30, 2004 filed with the Securities and Exchange Commission on November 15, 2004 (the “Form 10-QSB”). The item numbers and responses thereto are in accordance with the requirements of Form 10-QSB. All capitalized terms used and not otherwise defined herein shall have the meaning specified in the Form 10-QSB.

PART I. CONDENSED FINANCIAL INFORMATION**Item 1. Condensed Financial Statements**

SAND HILL IT SECURITY ACQUISITION CORP.
(A Corporation in the Development Stage)
CONDENSED BALANCE SHEETS

| | September 30, 2004 (Unaudited) (Restated) | April 20, 2004 |
|---|---|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 867,686 | \$ 25,000 |
| Treasury bill held in trust | 21,007,464 | — |
| Prepaid expenses | 170,476 | — |
| Total current assets | 22,045,626 | 25,000 |
| Deferred offering costs | — | 9,203 |
| Total Assets | \$ 22,045,626 | \$ 34,203 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 13,772 | \$ 13,953 |
| Total Liabilities | 13,772 | 13,953 |
| Common stock subject to possible conversion (821,589 shares at conversion value) | 4,199,392 | |
| Stockholders' Equity: | | |
| Preferred stock, \$0.01 par value Authorized 5,000,000 shares; none issued | — | — |
| Common stock, \$0.01 par value Authorized 50,000,000 shares Issued and outstanding, 5,110,000 and 1,000,000 shares, respectively | 51,110 | 10,000 |
| Additional paid-in capital | 17,797,735 | 15,000 |
| Deficit accumulated during the development stage | (16,373) | (4,750) |
| Total Stockholders' Equity | 17,832,472 | 20,250 |
| Total Liabilities and Stockholders' Equity | \$ 22,045,626 | \$ 34,203 |

See accompanying notes to condensed financial statements.

SAND HILL IT SECURITY ACQUISITION CORP.
 (A Corporation in the Development Stage)
 CONDENSED STATEMENTS OF OPERATIONS

| | Period from April 15, 2004 (inception) to September 30, 2004 (Unaudited) | Three Months Ended September 30, 2004 (Unaudited) | Period from April 15, 2004 (inception) to April 20, 2004 |
|--|--|--|--|
| Formation and operating costs | \$ 63,125 | \$ 50,432 | \$ 4,750 |
| Operating loss | \$ (63,125) | (50,432) | (4,750) |
| Interest income | 46,752 | 46,752 | — |
| Net loss | \$ (16,373) | \$ (3,680) | \$ (4,750) |
| Weighted Average Shares Outstanding | 2,542,454 | 3,762,857 | 1,000,000 |
| Net Loss Per Share (Basic and Diluted) | \$ (0.01) | \$ (0.00) | \$ (0.00) |

See accompanying notes to condensed financial statements.

SAND HILL IT SECURITY ACQUISITION CORP.
(A Corporation in the Development Stage)
CONDENSED STATEMENTS OF CASH FLOWS

| | Period from April 15, 2004 (inception) to September 30, 2004 (Unaudited) | Period from April 15, 2004 (inception) to April 20, 2004 |
|--|--|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (16,373) | \$ (4,750) |
| Accretion of treasury bill | (46,464) | — |
| Increase in prepaid expenses | (170,476) | — |
| Increase in accounts payable and accrued expenses | 13,772 | 13,953 |
| Net cash provided by (used in) operating activities | (219,541) | 9,203 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of treasury bill in trust account | (20,961,000) | — |
| Net cash used in investing activities | (20,961,000) | — |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from sale of common stock to initial stockholders | 25,000 | 25,000 |
| Gross proceeds from public offering | 24,660,000 | — |
| Costs of public offering | (2,636,773) | (9,203) |
| Proceeds from stockholder loan | 40,000 | — |
| Repayment of stockholder loan | (40,000) | — |
| Net cash provided by financing activities | 22,048,227 | 15,797 |
| NET INCREASE IN CASH | 867,686 | 25,000 |
| CASH AT BEGINNING OF PERIOD | — | — |
| CASH AT END OF PERIOD | \$ 867,686 | \$ 25,000 |

See accompanying notes to condensed financial statements.

SAND HILL IT SECURITY ACQUISITION CORP.
(A Corporation in the Development Stage)
NOTES TO CONDENSED FINANCIAL STATEMENTS
As of April 20 and September 30, 2004, for the Periods From Inception
(April 15, 2004) Ended September 30 and April 20, 2004,
and for the Three Months Ended September 30, 2004

1. BASIS OF PRESENTATION

The condensed financial statements included herein for the quarterly period ended September 30, 2004 and periods from inception (April 15, 2004) ended September 30 and April 20, 2004 have been prepared by Sand Hill IT Security Acquisition Corp. (the "Company") without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, these statements reflect all adjustments (consisting only of normal recurring entries), which are, in the opinion of the Company, necessary for a fair presentation of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the year ended December 31, 2004.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. ORGANIZATION, BUSINESS OPERATIONS

The Company was incorporated in Delaware on April 15, 2004 as a blank check company whose objective is to merge with or acquire an operating business in the IT Security industry. The Company's initial stockholders' purchased 1,000,000 shares of common stock, \$0.01 par value, for \$25,000 on April 20, 2004.

The registration statement for the Company's initial public offering ("Offering") was effective July 26, 2004. The Company consummated the Offering on July 30, 2004 and received proceeds, net of the underwriters' discount of \$20,196,000. Subsequently, the underwriters exercised their over allotment option and the Company received an additional \$2,861,100 in proceeds, net of the underwriters' discount. The Company's management has broad discretion with respect to the specific application of the net proceeds of this Offering, although substantially all of the net proceeds of this Offering are intended to be generally applied toward consummating a merger with or acquisition of an operating business in the IT Security industry ("Business Combination"). There is no assurance that the Company will be able to successfully effect a Business Combination. An amount equal to \$20,961,000 is being held in an interest bearing trust account ("Trust Fund") until the earlier of (i) the consummation of its first Business Combination or (ii) liquidation of the Company. Under the agreement governing the Trust Fund, funds may only be invested in United States government securities with a maturity of 180 days or less. The trust fund balance has been invested in a United States Treasury Bill, which is accounted for as a trading security and is recorded at its market value of approximately \$21,007,000 at September 30, 2004. The excess of market value over cost is included in interest income in the accompanying Statement of Operations. The remaining proceeds of the Offering may be used to pay for business, legal and accounting due diligence on prospective mergers or acquisitions and continuing general and administrative expenses.

The Company, after signing a definitive agreement for the merger with or acquisition of a target business, will submit such transaction for shareholder approval. In the event that stockholders owning 20% or more of the outstanding stock excluding, for this purpose, those persons who were stockholders immediately prior to the Offering, vote against the Business Combination, the Business Combination will not be consummated. All of the Company's stockholders prior to the Offering, including all of the officers and directors of the Company ("Initial Stockholders"), have agreed to vote their founding shares of common stock in accordance with the vote of the majority in interest of all other stockholders of the Company ("Public Stockholders") with respect to a Business Combination. After consummation of the Company's first Business Combination, these voting safeguards no longer apply.

With respect to the first Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company redeem his or her shares. The per share redemption price will equal the amount in the Trust Fund as of the record date for determination of stockholders entitled to vote on the Business Combination divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding 19.99% of the aggregate number of shares owned by all Public Stockholders may seek redemption of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Fund computed without regard to the shares held by Initial Stockholders.

The Company's Certificate of Incorporation provides for the mandatory liquidation of the Company, without stockholder approval, in the event that the Company does not consummate a Business Combination within 18 months from the date of the consummation of the Offering, or 24 months from the consummation of the Offering if certain extension criteria have been satisfied. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Fund assets) will be less than the initial public offering price per share in the Offering (assuming no value is attributed to the Warrants contained in the Units to be offered in the Offering as described in Note 3).

3. PUBLIC OFFERING

On July 30, 2004, the Company sold 3,600,000 units ("Units") in a public offering, which included granting the underwriters' an over-allotment option to purchase up to an additional 540,000 units. Subsequently, the underwriters exercised their over-allotment option and purchased an additional 510,000 shares. Each Unit consists of one share of the Company's common stock, \$0.01 par value, and two Redeemable Common Stock Purchase Warrants ("Warrants"). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of \$5.00 commencing on the later of the completion of a Business Combination or one year from the effective date of the Offering and expiring five years from the date of the prospectus. The Warrants will be redeemable by the Company at a price of \$0.01 per Warrant upon 30 days' notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third day prior to the date on which notice of the redemption is given. In connection with the Offering, the Company issued an option for \$100 to the underwriters' to purchase 270,000 Units at an exercise price of \$7.50 per Unit. The Units issuable upon exercise of this option are identical to those included in the Offering except that exercise price of the Warrants included in the units will be \$6.65 per share.

4. COMMITMENT

The Company presently occupies office space provided by an Initial Stockholder. Such affiliate has agreed that, until the acquisition of a target business by the Company, it will make such office space, as well as certain office and secretarial services, available to the Company, as may be required by the Company from time to time. The Company has agreed to pay such affiliate \$7,500 per month for such services commencing on the effective date of the Offering.

5. NOTE PAYABLE

Sand Hill Security, LLC, an Initial Stockholder and affiliate of the officers and directors of the Company, entered into a revolving credit agreement with the Company in the amount of \$60,000. Advances under the credit facility amounted to \$40,000 as of July 30, 2004. The loan was repaid out of the net proceeds of the Offering.

6. PREFERRED STOCK

The Company is authorized to issue 5,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

7. RESTATEMENT

The balance sheet for September 30, 2004 has been restated to reclassify out of equity 821,519 shares of common stock subject to conversion in the amount of \$4,199,392 to common stock subject to possible conversion in the accompanying balance sheet.

Item 3. Controls and Procedures

An evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2004 was made under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer. Based on that evaluation, they concluded that our disclosure controls and procedures are effective. However, in connection with the preparation of the Registration Statement on Form S-4 related to the Agreement and Plan of Merger, dated as of October 26, 2005, by and among our company, St. Bernard Software, Inc. and Sand Hill Merger Corp., we were advised by our independent registered accounting firm, Hein & Associates LLP (“Hein”) on December 13, 2005, that we may need to reclassify certain amounts in our financial statements from our stockholders’ equity to common stock subject to possible conversion. Hein based its conclusions upon a review of recently filed registration statements and periodic filings for other targeted acquisition companies similar to ourselves and their review of applicable accounting literature, and recommended that we make such reclassifications to reflect current practice in this area. We addressed this concern by determining to restate our financial statements to reflect this reclassification. During the most recently completed fiscal quarter, there has been no significant change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: December 15, 2005
SAND HILL IT SECURITY ACQUISITION CORP.

/s/ Humphrey P. Polanen

Humphrey P. Polanen
Chief Executive Officer

/s/ Keith Walz

Keith Walz
Chief Financial Officer and Secretary