SAND HILL IT SECURITY ACQUISITION CORP
Form S-4/A
March 17, 2006

As filed with the Securities and Exchange Commission on March 17, 2006

Registration No. 333-130412

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1 to
FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SAND HILL IT SECURITY ACQUISITION CORP.
(Exact name of registrant as specified in its charter)

Delaware	**6770**	**20-0996152**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number	(I.R.S. Employer Identification Number)

3000 Sand Hill Road
Building 1, Suite 240
Menlo Park, California 94025
(650) 926-7022
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Humphrey P. Polanen
3000 Sand Hill Road
Building 1, Suite 240
Menlo Park, California 94025
(650) 926-7023
(Name, address, including zip code, and telephone number, including area code, of Agent for service)

With Copies To:

Gregory J. Schmitt, Esq.
Jenkens & Gilchrist, P.C.
1445 Ross Avenue
Suite 3700
Dallas, Texas 75202
(214) 855-4500

Robert G. Copeland, Esq.
P. Blake Allen, Esq.
Duane Morris LLP
101 West Broadway
Suite 900
San Diego, California 92101
(619) 744-2200

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, par value $0.01 per share	9,950,000	$5.20	$51,740,000	$5,536.19
Common Stock, par value $0.01 per share(3)	1,120,400	$5.20	$5,826,080	$623.39

(1) Represents a bona fide estimate of the maximum number of shares of Sand Hill common stock, par value $0.01 per share, that may be issued in connection with the merger described herein. The number of shares of Sand Hill common stock registered hereunder includes an estimated number of shares issuable as a result of potential purchase price adjustments.

(2) Estimated solely for the purposes of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended, calculated based on the average of the bid and ask price for the shares of Sand Hill common stock on the NASD Over-the-Counter Bulletin Board on December 12, 2005, which was $5.20.

(3) Represents 1,120,400 shares of common stock which may be issued to St. Bernard option and warrant holders if all presently outstanding St. Bernard options and warrants are exercised prior to closing of the merger.

(4) $5,429.72 previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information on this joint proxy statement/prospectus is not complete and may be changed. Sand Hill IT Security Acquisition Corp. may not distribute and issue the shares of common stock being registered pursuant to this registration statement until the registration statement filed with the Securities and Exchange Commission is declared effective. This joint proxy statement/prospectus is not an offer to sell these securities and Sand Hill IT Security Acquisition Corp. is not soliciting an offer to buy these securities in any jurisdiction where such offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 17, 2006

Sand Hill IT Security Acquisition Corp.	St. Bernard Software, Inc.

MERGER PROPOSED — YOUR VOTE IS VERY IMPORTANT

We are pleased to report that the boards of directors of Sand Hill IT Security Acquisition Corp. and St. Bernard Software, Inc. have each unanimously approved a merger of the two companies under the terms of a merger agreement. We are proposing the merger because we believe it will benefit the stockholders of both companies, and we ask for your support in voting for the merger proposals at our respective special meetings.

As a result of the proposed merger, St. Bernard will become a wholly owned subsidiary of Sand Hill. Upon completion of the merger, each outstanding share of St. Bernard common stock will be converted into the right to receive 0.421419 shares of Sand Hill common stock. The merger is intended to qualify as a tax-free reorganization for U.S. federal income tax purposes.

Based on the outstanding shares of St. Bernard common stock as of ________, 2006, Sand Hill would be obligated to issue up to approximately 9,759,600 shares of Sand Hill common stock and reserve an additional approximately 1,120,400 shares of Sand Hill common stock for future issuance in connection with Sand Hill's assumption of St. Bernard's outstanding options and warrants. Stockholders of Sand Hill will continue to own their existing shares of Sand Hill common stock and their existing Sand Hill warrants and units.

Sand Hill common stock, warrants and units are listed on the OTC Bulletin Board under the symbols SHQC, SHQCW and SHQCU, respectively, and will be listed under the symbols _____, _____ and _____, respectively, following the merger. On March 10, 2006, the closing price of Sand Hill common stock, warrants and units was $5.30, $0.81 and $7.10, respectively.

We encourage you to read this joint proxy statement/prospectus, including the section entitled "RISK FACTORS" beginning on page __, before voting.

Sand Hill and St. Bernard have each scheduled a special stockholder meeting in connection with the respective votes required. Your vote is very important. Whether or not you plan to attend your respective company's special stockholder meeting, please take the time to vote by marking your votes on the enclosed proxy card, signing and dating the proxy card, and returning it to your respective company in the enclosed envelope. If you are a Sand Hill stockholder, you may also vote prior to the meeting by accessing the Internet website specified on your proxy card or supplied to you by your broker or by calling the toll-free number specified on your proxy card or supplied to you by your broker.

Sincerely,	Sincerely,
/s/ Humphrey P. Polanen *Chairman of the Board and* *Chief Executive Officer* Sand Hill IT Security Acquisition Corp.	*/s/* John E. Jones *Chief Executive Officer* St. Bernard Software, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated ______ __, 2006, and is first being mailed to Sand Hill stockholders and St. Bernard stockholders on or about __________, 2006.

ADDITIONAL INFORMATION

IMPORTANT

Except where indicated otherwise, as used in this joint proxy statement/prospectus, “Sand Hill” refers to Sand Hill IT Security Acquisition Corp. and its consolidated subsidiaries and “St. Bernard” refers to St. Bernard Software, Inc. and its consolidated subsidiaries.

In the “QUESTIONS AND ANSWERS ABOUT THE MERGER” and in the “SUMMARY” below, we highlight selected information from this joint proxy statement/prospectus but we have not included all of the information that may be important to you. To better understand the merger agreement and the merger, and for a complete description of their legal terms, you should carefully read this entire joint proxy statement/prospectus, including the appendices, as well as the documents that we have incorporated by reference into this document. See “WHERE YOU CAN FIND MORE INFORMATION.”

The information contained in this joint proxy statement/prospectus speaks only as of the dates indicated on the cover of this joint proxy statement/prospectus unless the information specifically indicates that another date applies.

Sand Hill has supplied all information contained in or incorporated by reference in this proxy statement/prospectus relating to Sand Hill, and St. Bernard has supplied all information contained in this joint proxy statement/prospectus relating to St. Bernard. Sand Hill and St. Bernard have both contributed to the information contained in this joint proxy statement/prospectus relating to the merger.

Sand Hill IT Security Acquisition Corp.
3000 Sand Hill Road
Building 1, Suite 240
Menlo Park, California 94025
(650) 926-7022

To the Stockholders of Sand Hill IT Security Acquisition Corp.:

You are cordially invited to attend a special meeting of the stockholders of Sand Hill IT Security Acquisition Corp., relating to the proposed merger of Sand Hill Merger Corp., a wholly-owned subsidiary of Sand Hill, and St. Bernard Software, Inc., which will be held at _________ on _____________, 2006, at ______________________________, Suite ______, __________________, California _________.

At this important meeting, you will be asked to consider and vote upon the following proposals:

- to adopt the Agreement and Plan of Merger, dated as of October 26, 2005, among Sand Hill, Sand Hill Merger Corp., a wholly-owned subsidiary of Sand Hill, and St. Bernard, and the transactions contemplated by the merger agreement, as amended;

- to adopt the amended and restated certificate of incorporation of Sand Hill to change the name of Sand Hill to St. Bernard Software, Inc. and to remove certain provisions related to a business combination that were put in place as a result of our being a Targeted Acquisition Corporation;

- to adopt the St. Bernard Software, Inc. 1992 Stock Option Plan, the St. Bernard Software, Inc. 2000 Stock Option Plan and the St. Bernard Software, Inc. 2005 Stock Option Plan; and

- to consider and vote upon a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies in the event there are not sufficient votes at the time of the special meeting to adopt the merger proposal, the amendment proposal or the stock option plans proposal.

The adoption of the merger proposal is not conditioned on the adoption of the amendment proposal, the stock option plans proposal or the adjournment proposal. However, the adoption of the amendment proposal and the stock option plans proposal is conditioned upon the adoption of the merger proposal.

It is expected that holders of St. Bernard common stock will hold approximately 65.6% of the outstanding shares of Sand Hill common stock immediately following the closing of the merger, based on the number of shares of Sand Hill and St. Bernard common stock outstanding as of October 26, 2005. In the merger, Sand Hill will issue a combination of shares of common stock, replacement options and replacement warrants to holders of St. Bernard common stock, options and warrants. The total amount of shares of Sand Hill common stock to be issued or that will underlie replacement options and replacement warrants is 10,880,000. Holders of St. Bernard common stock, options and warrants are entitled to receive their pro rata portion of this 10,880,000 figure. This results in an exchange ratio of 0.421419 shares of Sand Hill common stock, replacement options or replacement warrants for each share of St. Bernard common stock or options or warrants to purchase St. Bernard common stock outstanding. Based upon the number of shares of St. Bernard common stock outstanding and the number of shares issuable for St. Bernard common stock pursuant to outstanding options and warrants as of October 26, 2005, Sand Hill will issue approximately 9,759,600 shares of common stock at the close of the merger. The holders of options and warrants to purchase shares of the common stock of St. Bernard will receive, in exchange for those options and warrants, replacement options and replacement warrants to purchase approximately 1,120,400 shares of Sand Hill common stock. To the extent that outstanding St. Bernard options or warrants are exercised prior to the closing of the merger, the number of shares of Sand Hill common stock that would be issued at the closing of the merger would increase and the number of the shares of Sand Hill common stock that would be subject to replacement options or replacement warrants to be issued at the closing of the merger would decrease by a like amount. For a complete description of the post-closing fully diluted capitalization of Sand Hill please see "Beneficial Ownership of Securities" on page _____.

After completion of the merger, if no holders of shares of Sand Hill common stock have demanded that Sand Hill convert their shares into a pro rata portion of the trust account holding a substantial portion of the net proceeds of Sand Hill's initial public offering, then Sand Hill stockholders will own approximately 34.4% of the combined company's issued and outstanding shares of common stock. If one or more of Sand Hill's stockholders vote against the merger proposal and demand that Sand Hill convert their shares into a pro rata portion of the trust account, then Sand Hill's stockholders will own less than approximately 34.4% of the combined company's issued and outstanding shares of common stock after completion of the merger.

The affirmative vote of a majority of the outstanding shares of Sand Hill common stock on the record date is required to approve the merger proposal and the amendment proposal, and the affirmative vote of a majority of the shares of Sand Hill's common stock present in person or represented by proxy at the Sand Hill special meeting is required to approve each of the stock option plans proposal and the adjournment proposal. Each Sand Hill stockholder that holds shares of common stock issued in Sand Hill's initial public offering has the right to vote against the merger proposal and at the same time demand that Sand Hill convert such stockholder's shares into cash equal to a pro rata portion of the trust account in which a substantial portion of the net proceeds of Sand Hill's initial public offering, plus interest thereon, are deposited. These shares will be converted into cash only if the merger is completed. However, if the holders of 20% or more of the shares of common stock issued in Sand Hill's initial public offering vote against the merger and demand conversion of their shares into a pro rata portion of the trust account, then Sand Hill will not be able to consummate the merger. Sand Hill's initial stockholders, who purchased their shares of common stock prior to its initial public offering and presently own an aggregate of approximately 19.6% of the outstanding shares of Sand Hill common stock, have agreed to vote their shares of Sand Hill common stock purchased prior to the initial public offering on the merger proposal in the same manner as how the majority of the shares of common stock held by all other Sand Hill stockholders are voted on the merger proposal.

Sand Hill's shares of common stock, warrants and units are listed on the Over-the-Counter Bulletin Board under the symbols SHQC, SHQCW and SHQCU, respectively. St. Bernard's securities are not listed or quoted on any national securities exchange, the Nasdaq Stock Market, or the Over-the-Counter Bulletin Board. On March 10, 2006, the closing sale price of Sand Hill common stock, warrants and units, was $5.30, $0.81 and $7.10, respectively.

After careful consideration of the terms and conditions of the proposed merger agreement, the amendment proposal, the stock option plans proposal and the adjournment proposal, the board of directors of Sand Hill has determined that the merger agreement, the transactions contemplated thereby, the amendment proposal, the stock option plans proposal and the adjournment proposal are fair to and in the best interests of Sand Hill and its stockholders. The board of directors of Sand Hill did not obtain a fairness opinion in connection with making these determinations. The board of directors of Sand Hill unanimously recommends that you vote or give instructions to vote "**FOR**" the adoption of the merger proposal, the amendment proposal, the stock option plans proposal and the adjournment proposal.

Enclosed is a notice of special meeting and proxy statement containing detailed information concerning the merger agreement, the transactions contemplated thereby and the stock option plans. Whether or not you plan to attend the Sand Hill special meeting, we urge you to read this material carefully.

I look forward to seeing you at the meeting.

Sincerely,

Humphrey P. Polanen
Chairman of the Board and
Chief Executive Officer

Your vote is important. Whether you plan to attend the Sand Hill special meeting or not, please sign, date and return the enclosed proxy card as soon as possible in the envelope provided.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger described in this joint proxy statement/prospectus or the shares of common stock described in this joint proxy statement/prospectus to be issued in connection with the merger or determined whether this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

See "Risk Factors" beginning on page ____ for a discussion of various factors that you should consider in connection with the merger.

This joint proxy statement/prospectus is dated _____________, 2006 and is first being mailed to Sand Hill stockholders on or about ________________, 2006.

In connection with this offering, no person is authorized to give any information or to make any representations not contained in this joint proxy statement/prospectus. If information is given or representations are made, you may not rely on that information or those representations as having been authorized by Sand Hill. This joint proxy statement/prospectus is neither an offer to sell nor a solicitation of an offer to buy securities where an offer or solicitation would be unlawful. You may not assume from the delivery of this joint proxy statement/prospectus, nor from any sale made under this joint proxy statement/prospectus, that Sand Hill's or St. Bernard's affairs are unchanged since the date of this joint proxy statement/prospectus or that the information contained in this joint proxy statement/prospectus is correct as of any time after the date of this joint proxy statement/prospectus.

This joint proxy statement/prospectus incorporates important business and financial information about Sand Hill that is not included in or delivered with the document. This information is available without charge to security holders upon written or oral request. The request should be made to:

Humphrey P. Polanen
Sand Hill IT Security Acquisition Corp.
3000 Sand Hill Road
Building 1, Suite 240
Menlo Park, California 94025
(650) 926-7023

To obtain timely delivery of requested materials, security holders must request the information no later than five days before the date they submit their proxies or attend the Sand Hill special meeting. **The latest date to request the information to be received timely is ____________, 2006**.

Sand Hill IT Security Acquisition Corp.
3000 Sand Hill Road
Building 1, Suite 240
Menlo Park, California 94025

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON ______________, 2006

TO THE STOCKHOLDERS OF SAND HILL IT SECURITY ACQUISITION CORP.:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders, including any adjournments or postponements thereof, of Sand Hill IT Security Acquisition Corp., a Delaware corporation, will be held at ___________ on _____________, 2006, at __________________________, Suite _____, ________________, California ___________, for the following purposes:

- To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of October 26, 2005, among Sand Hill, Sand Hill Merger Corp., a wholly-owned subsidiary of Sand Hill, and St. Bernard Software, Inc., and the transactions contemplated by the merger agreement, as amended;

- To consider and vote upon a proposal to adopt the amended and restated certificate of incorporation of Sand Hill to change the name of Sand Hill to St. Bernard Software, Inc. and to remove the preamble and Sections A through E of Article Sixth of the certificate of incorporation and to redesignate Section F of Article Sixth as Article Sixth;

- To consider and vote upon a proposal to adopt the St. Bernard Software, Inc. 1992 Stock Option Plan, the St. Bernard Software, Inc. 2000 Stock Option Plan and the St. Bernard Software, Inc. 2005 Stock Option Plan; and

- To consider and vote upon a proposal to adjourn the Sand Hill special meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the Sand Hill special meeting to approve the merger proposal, the amendment proposal or the stock option plans proposal.

The adoption of the merger proposal is conditioned on the adoption of the amendment proposal and the adoption of the amendment proposal is conditioned on the adoption of the merger proposal. The adoption of neither the merger proposal nor the amendment proposal is conditioned on the adoption of the stock option plans proposal or the adjournment proposal. The adoption of the stock option plans proposal is, however, conditioned upon the adoption of the merger proposal and the amendment proposal.

The board of directors has fixed the close of business on ______________, 2006, as the date for which Sand Hill stockholders are entitled to receive notice of, and to vote at, the Sand Hill special meeting and any adjournments thereof. Only the holders of record of Sand Hill common stock on that date are entitled to have their votes counted at the Sand Hill special meeting and any adjournments or postponements of it.

Sand Hill will not transact any other business at the Sand Hill special meeting, except for business properly brought before the Sand Hill special meeting or any adjournment or postponement of it by Sand Hill's board of directors.

Your vote is important. Please sign, date and return your proxy card as soon as possible to make sure that your shares are represented at the Sand Hill special meeting. If you are a stockholder of record of Sand Hill common stock, you may also cast your vote in person at the Sand Hill special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your shares. If you do not vote, it will have the same effect as voting against all of the proposals. If you do not instruct your broker how to vote it will have the same effect as voting against the merger proposal and the amendment proposal.

The board of directors of Sand Hill unanimously recommends that you vote "FOR" the adoption of the merger proposal, the amendment proposal, the stock option plans proposal and the adjournment proposal.

By Order of the Board of Directors,

Humphrey P. Polanen
Chairman of the Board and
Chief Executive Officer
_____________, 2006

St. Bernard Software, Inc.
15015 Avenue of Science
San Diego, CA 92128 USA
(858) 676-2277

To the Stockholders of St. Bernard Software, Inc.:

You are cordially invited to attend a special meeting of the stockholders of St. Bernard Software, Inc., relating to the proposed merger of Sand Hill Merger Corp., a wholly-owned subsidiary of Sand Hill IT Security Acquisition Corp. and St. Bernard Software, Inc., which will be held at _________ on _____________, 2006, at ___________________________, Suite ______, San Diego, California _________.

At this important meeting, you will be asked to consider and vote upon the following proposals:

- to adopt the Agreement and Plan of Merger, dated as of October 26, 2005, among Sand Hill, Sand Hill Merger Corp., a wholly-owned subsidiary of Sand Hill, and St. Bernard, and the transactions contemplated by the merger agreement, as amended; and

- to consider and vote upon a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies in the event there are not sufficient votes at the time of the special meeting to adopt the merger proposal.

The adoption of the merger proposal is not conditioned on the adoption of the adjournment proposal.

It is expected that holders of St. Bernard common stock will hold approximately 65.6% of the outstanding shares of Sand Hill common stock immediately following the closing of the merger, based on the number of shares of Sand Hill and St. Bernard common stock outstanding as of October 26, 2005. In the merger, Sand Hill will issue a combination of shares of common stock, replacement options and replacement warrants to holders of St. Bernard common stock, options and warrants. The total amount of shares of Sand Hill common stock to be issued or that will underlie replacement options and replacement warrants is 10,880,000. Holders of St. Bernard common stock, options and warrants are entitled to receive their pro rata portion of this 10,880,000 figure. This results in an exchange ratio of 0.421419 shares of Sand Hill common stock, replacement options or replacement warrants for each share of St. Bernard common stock or options or warrants to purchase St. Bernard common stock outstanding. Based upon the number of shares of St. Bernard common stock outstanding and the number of shares issuable for St. Bernard common stock pursuant to outstanding options and warrants as of October 26, 2005, Sand Hill will issue approximately 9,759,600 shares of common stock at the close of the merger. The holders of options and warrants to purchase shares of the common stock of St. Bernard will receive, in exchange for those options and warrants, replacement options and replacement warrants to purchase approximately 1,120,400 shares of Sand Hill common stock. To the extent that outstanding St. Bernard options or warrants are exercised prior to the closing of the merger, the number of shares of Sand Hill common stock that would be issued at the closing of the merger would increase and the number of the shares of Sand Hill common stock that would be subject to replacement options or warrants to be issued at the closing of the merger would decrease by a like amount. For a complete description of the post-closing fully diluted capitalization of Sand Hill please see “Beneficial Ownership of Securities” on page _____.

The affirmative vote of a majority of the oustanding shares of St. Bernard common stock on the record date is required to approve the merger proposal and the affirmative vote of a majority of the shares of St. Bernard's common stock present in person or represented by proxy at the special meeting is required to approve the adjournment proposal.

After completion of the merger, if no holders of shares of Sand Hill common stock have demanded that Sand Hill convert their shares into a pro rata portion of the trust account holding a substantial portion of the net proceeds of Sand Hill's initial public offering, then Sand Hill stockholders will own approximately 34.4% of the combined company's issued and outstanding shares of common stock. If one or more of Sand Hill's stockholders vote against the merger proposal and demand that Sand Hill convert their shares into a pro rata portion of the trust account, then Sand Hill's stockholders will own less than approximately 34.4% of the combined company's issued and outstanding shares of common stock after completion of the merger.

The affirmative vote of a majority of the outstanding shares of Sand Hill common stock on the record date is required to approve the merger proposal and the amendment proposal, and the affirmative vote of a majority of the shares of Sand Hill's common stock present in person or represented by proxy at the special meeting is required to approve each of the stock option plans proposal and the adjournment proposal. Each Sand Hill stockholder that holds shares of common stock issued in Sand Hill's initial public offering has the right to vote against the merger proposal and at the same time demand that Sand Hill convert such stockholder's shares into cash equal to a pro rata portion of the trust account in which a substantial portion of the net proceeds of Sand Hill's initial public offering, plus interest thereon, are deposited. These shares will be converted into cash only if the merger is completed. However, if the holders of 20% or more of the shares of common stock issued in Sand Hill's initial public offering vote against the merger and demand connection of their shares into a pro rata portion of the trust account, then Sand Hill will not be able to consummate the merger. Sand Hill's initial stockholders, who purchased their shares of common stock prior to its initial public offering and presently own an aggregate of approximately 19.6% of the outstanding shares of Sand Hill common stock, have agreed to vote their shares of Sand Hill common stock purchased prior to the initial public offering on the merger proposal in the same manner as how the majority of the shares of common stock held by all other Sand Hill stockholders are voted on the merger proposal.

Sand Hill's shares of common stock, warrants and units are listed on the Over-the-Counter Bulletin Board under the symbols SHQC, SHQCW and SHQCU, respectively. St. Bernard's securities are not listed or quoted on any national securities exchange, the Nasdaq Stock Market, or the Over-the-Counter Bulletin Board. On March 10, 2006, the closing sale price of Sand Hill common stock, warrants and units, was $5.30, $0.81 and $7.10, respectively.

After careful consideration of the terms and conditions of the proposed merger agreement, the board of directors of St. Bernard has determined that the merger agreement, the transactions contemplated thereby, and the adjournment proposal are fair to and in the best interests of St. Bernard and its stockholders. The board of directors of St. Bernard did not obtain a fairness opinion in connection with making these determinations. The board of directors of St. Bernard unanimously recommends that you vote or give instruction to vote "**FOR**" the adoption of the merger proposal and the adjournment proposal.

Enclosed is a notice of special meeting and proxy statement containing detailed information concerning the merger agreement and the transactions contemplated thereby. Whether or not you plan to attend the special meeting, we urge you to read this material carefully.

I look forward to seeing you at the meeting.

Sincerely,

John E. Jones
Chief Executive Officer

Your vote is important. Whether you plan to attend the special meeting or not, please sign, date and return the enclosed proxy card as soon as possible in the envelope provided.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger described in this joint proxy statement/prospectus or the shares of common stock described in this joint proxy statement/prospectus to be issued in connection with the merger or determined whether this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

See "Risk Factors" beginning on page ____ for a discussion of various factors that you should consider in connection with the merger.

This proxy statement is dated ______________, 2006 and is first being mailed to St. Bernard stockholders on or about _________________, 2006.

In connection with this offering, no person is authorized to give any information or to make any representations not contained in this joint proxy statement/prospectus. If information is given or representations are made, you may not rely on that information or those representations as having been authorized by St. Bernard. This joint proxy statement/prospectus is neither an offer to sell nor a solicitation of an offer to buy securities where an offer or solicitation would be unlawful. You may not assume from the delivery of this joint proxy statement/prospectus, nor from any sale made under this joint proxy statement/prospectus, that Sand Hill's or St. Bernard's affairs are unchanged since the date of this joint proxy statement/prospectus or that the information contained in this joint proxy statement/prospectus is correct as of any time after the date of this joint proxy statement/prospectus.

This joint proxy statement/prospectus incorporates important business and financial information about Sand Hill that is not included in or delivered with the document. This information is available without charge to St. Bernard security holders upon written or oral request. The request should be made to:

Humphrey P. Polanen
Sand Hill IT Security Acquisition Corp.
3000 Sand Hill Road
Building 1, Suite 240
Menlo Park, California 94025
(650) 926-7023

To obtain timely delivery of requested materials, security holders must request the information no later than five days before the date they submit their proxies or attend the special meeting. **The latest date to request the information to be received timely is ____________, 2006**.

St. Bernard Software, Inc.
15015 Avenue of Science
San Diego, CA 92128

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON ______________, 2006

TO THE STOCKHOLDERS OF ST. BERNARD SOFTWARE, INC.:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders, including any adjournments or postponements thereof, of St. Bernard Software, Inc., a Delaware corporation, will be held at ___________ on _____________, 2006, at __________________________, Suite _____, San Diego, California ___________, for the following purposes:

- To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of October 26, 2005, among Sand Hill, Sand Hill Merger Corp., a wholly-owned subsidiary of Sand Hill, and St. Bernard Software, Inc., and the transactions contemplated by the merger agreement, as amended; and

- To consider and vote upon a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger proposal or the stock option plans proposal.

The adoption of the merger proposal is not conditioned on the adoption of the adjournment proposal.

The board of directors has fixed the close of business on ______________, 2006, as the date for which St. Bernard stockholders are entitled to receive notice of, and to vote at, the special meeting and any adjournments thereof. Only the holders of record of St. Bernard common stock on that date are entitled to have their votes counted at the special meeting and any adjournments or postponements of it.

St. Bernard will not transact any other business at the special meeting, except for business properly brought before the special meeting or any adjournment or postponement of it by St. Bernard's board of directors.

Your vote is important. Please sign, date and return your proxy card as soon as possible to make sure that your shares are represented at the special meeting. If you are a stockholder of record of St. Bernard common stock, you may also cast your vote in person at the special meeting. If you do not vote, it will have the same effect as voting against the merger proposal.

The board of directors of St. Bernard unanimously recommends that you vote "FOR" the adoption of the merger proposal and the adjournment proposal.

By Order of the Board of Directors,
John E. Jones
Chief Executive Officer
_____________, 2006

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The following questions and answers briefly address some commonly asked questions about the merger, the special meetings of the stockholders of Sand Hill and St. Bernard and the effect of the merger on the holders of common stock of Sand Hill and St. Bernard. These questions and answers may not include all of the information that is important to you. We urge you to read carefully this entire document, including the annexes and the other documents to which we have referred you.

Q. Who is Sand Hill IT Security?

A. Sand Hill is a "Targeted Acquisition Corporation", or TAC, based in Menlo Park, California, organized to effect a merger, capital stock exchange or other similar business combination with an operating business in the IT security industry. Sand Hill's goal is to enhance the value of Sand Hill by helping this targeted business achieve its business objectives by providing industry expertise, expansion capital for organic growth and the ability to issue shares in a public company as consideration for making additional targeted acquisitions.

Q. Who is St. Bernard Software?

A. St. Bernard is a recognized independent supplier of IT security software products and services, with a special emphasis on Secure Content Management, or SCM, including messaging security, with $28.7 million in gross billings for 2005. St. Bernard's products protect businesses, government organizations and educational institutions from cyber attack, improve worker productivity, reduce legal liability and assist in meeting regulatory requirements for data/privacy protection. St. Bernard's network-attached security products are delivered as appliances that connect into the data path between the Internet gateway and a company's local area network. St. Bernard's system security products consist of software that is installed on workstations and servers. St. Bernard has approximately 8,000 customers supporting over 3.5 million device licenses, primarily comprised of small to medium sized businesses, educational institutions and governmental organizations. The products offered by St. Bernard include Open File Manager, a data protection product; UpdateEXPERT, a patch and settings management product; iPrism, SCM, Internet access management product; and ePrism, SCM, messaging security e-mail filtering product. According to International Data Corporation, or IDC, in September 2005, St. Bernard's iPrism product line was the leading Internet filtering appliance, enabling customers to manage and control employee access to millions of web sites that are updated continuously as part of St. Bernard's fee-based Software as a Service", or a "SaaS", business model subscription service. Other St. Bernard products also have a subscription component that increases deferred revenue thereby increasing revenue predictability. St. Bernard's revenue model includes revenue from appliance sales, software license sales and multi-year subscription for software/database updates. St. Bernard had revenues of $21.2 million in 2004 and revenues of $24.0 million in 2005. St. Bernard is a corporation that was founded in 1984 as Emerald Systems, Inc. In 1995, the corporation sold substantially all of its operating assets, changed its name to St. Bernard Software, Inc., and began its current operations to take advantage of its existing personnel and infrastructure. The St. Bernard operations rapidly moved into the data protection and IT security market. St. Bernard Software is a private company with headquarters in San Diego, California. IDC is a global provider of market intelligence and advisory services for the information technology and telecommunications industries. In September of 2005, IDC released a report titled, "Worldwide Secure Content Management 2005-2009 Forecast Update" from which the information that references IDC in this document has been gathered. St. Bernard subscribes to IDC information technology reports. There is no other relationship between IDC, St. Bernard or Sand Hill.

Q.	**Why is Sand Hill proposing the merger with St. Bernard?**	**A.**	The Sand Hill board of directors believes that the proposed merger between Sand Hill and St. Bernard is in the best interests of St. Bernard and its stockholders for the following primary reasons: · St. Bernard is positioned in a portion of the IT security market known as Secure Content Management, or SCM, that has experienced rapid growth and the appliance portion of SCM, according to IDC, is expected to continue to grow at 47% per year for the next five years; · St. Bernard reached $28.7 million in gross billings in 2005 and has experienced solid growth in the past five years; · Sand Hill believes that St. Bernard has an attractive SaaS, or Software as a Service, business model, with a subscription revenue component that increases revenue renewals, and, therefore, predictability. In 2005 subscription revenue accounted for approximately 59% of St. Bernard's business; · St. Bernard has approximately 8,000 active customers, with very high retention rates, on the order of 80% to 95%, resulting in strong subscription renewals (i.e.: repeat business) each year; · St. Bernard, according to IDC in September 2005, had the number one market position in web-filtering appliances; · St. Bernard targets the Small to Medium sized Enterprise, or SME, segment of the market as its primary focus, which, according to AMI Research in 2005, is underserved and is forecasted to grow 73% in 2006; and · Sand Hill believes that St. Bernard has a strong management team.

Given the above, Sand Hill believes that a business combination with St. Bernard will provide Sand Hill stockholders with an opportunity to participate in a combined company in the IT security market with significant growth potential. *See page* ___.

Q. **Why is St. Bernard proposing the merger with Sand Hill?**

A. The St. Bernard board of directors believes that the proposed merger between Sand Hill and St. Bernard is in the best interests of St. Bernard and its stockholders for the following primary reasons:

· As of October 26, 2005, Sand Hill had $21,565,510 in escrow, representing the net proceeds from its initial public offering. If the merger is consummated, at least 80% of the funds in the Sand Hill escrow account, less expenses of the merger, will be available for operations of the combined company. St. Bernard believes that because the combined company will have substantially greater capitalization than St. Bernard alone, the combined company will be in a better position than St. Bernard alone, to compete in the SCM marketplace.

· St. Bernard believes that the skills and expertise of the officers and directors of Sand Hill, their collective access to acquisition opportunities and ideas, their contacts, and, in particular, Mr. Polanen's and Mr. Broomfield's expertise in the IT security market, will provide the combined company with increased opportunities for future acquisitions and growth.

Q. **What is being voted on at the Sand Hill special meeting?**

A. There are four proposals that stockholders of Sand Hill are being asked to vote on at the Sand Hill special meeting. The first proposal is to adopt the merger agreement and the transactions contemplated by the merger agreement. This proposal is referred to as the merger proposal. The second proposal is to adopt the amended and restated certificate of incorporation of Sand Hill to change the name of Sand Hill to St. Bernard Software, Inc. and to remove certain provisions related to a business combination that were put in place as a result of Sand Hill being a Targeted Acquisition Corporation.

This proposal is referred to as the amendment proposal. The third proposal is to adopt the St. Bernard Software, Inc. 1992 Stock Option Plan, the St. Bernard Software, Inc. 2000 Stock Option Plan and the St. Bernard Software, Inc. 2005 Stock Option Plan for non-employee directors, officers and other key employees. This proposal is referred to as the stock option plans proposal. The fourth proposal allows the adjournment of the Sand Hill special meeting to a later date if necessary to permit further solicitation of proxies in the event that there are not sufficient votes at the time of the Sand Hill special meeting to approve the merger proposal, the amendment proposal or the stock option plans proposal. This proposal is referred to as the adjournment proposal.

Q. What is being voted on at the St. Bernard special meeting?

A. There are two proposals that stockholders of St. Bernard are being asked to vote on at the St. Bernard meeting. The first proposal is to adopt the merger agreement and the transactions contemplated by the merger agreement. We refer to this proposal as the merger proposal. The second proposal allows the adjournment of the St. Bernard special meeting to a later date if necessary to permit further solicitation of proxies in the event that there are not sufficient votes at the time of the St. Bernard special meeting to approve the merger proposal. We refer to this proposal as the adjournment proposal.

Q. Does the Sand Hill board of directors recommend voting in favor of the merger proposal, the amendment proposal, the stock option plans proposal and the adjournment proposal?

A. Yes. After careful consideration, Sand Hill's board of directors has determined unanimously that the merger proposal, the amendment proposal, the stock option plans proposal and the adjournment proposal are fair to, and in the best interests of, Sand Hill and its stockholders. The board of directors of Sand Hill did not obtain a fairness opinion in connection with making these determinations. Sand Hill's board recommends that Sand Hill stockholders vote or instruct your vote to be cast "**FOR**" the adoption of the merger agreement, the amendment proposal, the stock option plans proposal and the adjournment proposal. Please see "*The Merger Proposal - Sand Hill Reasons for the Merger*" on page ___.

Q. Does the St. Bernard board of directors recommend voting in favor of the merger proposal and the adjournment proposal?

A. Yes. After careful consideration, St. Bernard's board of directors has determined unanimously that the merger proposal and the adjournment proposal are fair to, and in the best interests of, St. Bernard and its stockholders. St. Bernard's board recommends that St. Bernard stockholders vote or instruct your vote to be cast "**FOR**" the adoption of the merger agreement and the adjournment proposal. Please see "*The Merger Proposal - St. Bernard Reasons for the Merger*" on page ___.

Q. What vote is required in order to adopt the merger proposal at the Sand Hill special meeting?

A. The adoption of the merger agreement and the transactions contemplated by the merger agreement by the Sand Hill stockholders will require the affirmative vote of a majority of the outstanding shares of Sand Hill's common stock on the Sand Hill record date. Sand Hill's initial stockholders, who purchased their shares of common stock prior to its initial public offering and presently own an aggregate of approximately 19.6% of the outstanding shares of Sand Hill common stock, have agreed to vote their shares of Sand Hill common stock purchased prior to the initial public offering on the merger proposal in the same manner as how the majority of the shares of common stock held by all other Sand Hill stockholders are voted on the merger proposal. However, if the holders of 20% or more of the shares of common stock issued in Sand Hill's initial public offering vote against the merger and demand that Sand Hill convert their shares into a pro rata portion of the trust account, then, pursuant to the terms of Sand Hill's certificate of incorporation, the merger will not be consummated. No vote of the holders of any warrants issued by Sand Hill is necessary to adopt the merger proposal, and Sand Hill is not asking the warrant holders to vote on the merger proposal.

Q. What vote is required in order to adopt the amendment proposal at the Sand Hill special meeting?

A. The adoption of the amendment proposal by the Sand Hill stockholders will require the affirmative vote of a majority of the outstanding shares of Sand Hill's common stock on the Sand Hill record date.

Q. What vote is required in order to adopt the stock option plans proposal at the Sand Hill special meeting?

A. The adoption of the stock option plans proposal by the Sand Hill stockholders will require the affirmative vote of a majority of the shares of Sand Hill's common stock present in person or represented by proxy at the Sand Hill special meeting.

Q. What vote is required in order to adopt the adjournment proposal at the Sand Hill special meeting?

A. The adoption of the adjournment proposal by the Sand Hill stockholders will require the affirmative vote of the majority of the shares of Sand Hill's common stock present in person or represented by proxy at the

Sand Hill special meeting.

Q.	**Are the proposals of the Sand Hill special meeting conditioned on each other?**	**A.**	The adoption of the merger proposal is conditioned on the adoption of the amendment proposal and the adoption of the amendment proposal is conditioned on the adoption of the merger proposal. The adoption of neither the merger proposal nor the amendment proposal is conditioned on the adoption of the stock option plans proposal or the adjournment proposal. The adoption of the stock option plans proposal, however, is conditioned upon the adoption of the merger proposal and the amendment proposal.

Q.	**What vote is required in order to adopt the merger proposal at the St. Bernard special meeting?**	**A.**	The adoption of the merger proposal by the St. Bernard stockholders will require the affirmative vote of a majority of the outstanding shares of St. Bernard's common stock on the St. Bernard record date. No vote of the holders of any warrants or options issued by St. Bernard is necessary to adopt the merger proposal, and St. Bernard is not asking the warrant holders or option holders to vote on the merger proposal.
Q.	**What vote is required in order to adopt the adjournment proposal at the St. Bernard special meeting?**	**A.**	The adoption of the adjournment proposal by the St. Bernard stockholders will require the affirmative vote of the majority of the shares of St. Bernard's common stock present in person or represented by proxy at the St. Bernard special meeting. The adoption of the adjournment proposal is not conditioned on the adoption of the merger proposal.
Q.	**What will Sand Hill security holders receive in the merger?**	**A.**	Sand Hill security holders will continue to hold the Sand Hill securities they currently own, and will not receive any of the shares of common stock, replacement options or replacement warrants issued in connection with the merger. The stockholders of St. Bernard will receive all of the shares of common stock, replacement options and replacement warrants being issued by Sand Hill in the merger.

Q. What will St. Bernard stockholders, option holders and warrant holders receive in the merger?

A. It is expected that holders of St. Bernard common stock will hold approximately 65.6% of the outstanding shares of Sand Hill common stock immediately following the closing of the merger, based on the number of shares of Sand Hill and St. Bernard common stock outstanding as of October 26, 2005. In the merger, Sand Hill will issue a combination of shares of common stock, replacement options and replacement warrants to holders of St. Bernard common stock, options and warrants. The total amount of shares of Sand Hill common stock to be issued or that will underlie replacement options and replacement warrants is 10,880,000. Holders of St. Bernard common stock, options and warrants are entitled to receive their pro rata portion of this 10,880,000 figure. This results in an exchange ratio of 0.421419 shares of Sand Hill common stock, replacement options or replacement warrants for each share of St. Bernard common stock or options or warrants to purchase St. Bernard common stock outstanding. Based upon the number of shares of St. Bernard common stock outstanding and the number of shares issuable for St. Bernard common stock pursuant to outstanding options and warrants as of October 26, 2005, Sand Hill will issue approximately 9,759,600 shares of common stock at the close of the merger. The holders of options and warrants to purchase shares of the common stock of St. Bernard will receive, in exchange for those options and warrants, replacement options and replacement warrants to purchase approximately 1,120,400 shares of Sand Hill common stock. To the extent that outstanding St. Bernard options or warrants are exercised prior to the closing of the merger, the number of shares of Sand Hill common stock that would be issued at the closing of the merger would increase and the number of the shares of Sand Hill common stock that would be subject to replacement options or replacement warrants to be issued at the closing of the merger would decrease by a like amount. For a complete description of the post-closing fully diluted

			capitalization of Sand Hill please see "Beneficial Ownership of Securities."
Q.	**What is the structure of the merger?**	**A.**	Under the merger agreement, St. Bernard and Sand Hill Merger Corp., a wholly-owned subsidiary of Sand Hill, will merge, with St. Bernard surviving as a wholly-owned subsidiary of Sand Hill (referred to as the merger). The merger will be accounted for as an equity recapitalization of St. Bernard for financial reporting purposes.

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Q. How much of the combined company will existing Sand Hill stockholders own?

A. After completion of the merger, if no holders of Sand Hill common stock demand that Sand Hill convert their shares into a pro rata portion of the trust account holding a substantial portion of the net proceeds of Sand Hill's initial public offering, then Sand Hill's stockholders will own approximately 34.4% of the combined company's issued and outstanding shares of common stock. If one or more of Sand Hill's stockholders vote against the merger proposal and demand that Sand Hill convert their shares into a pro rata portion of the trust account, then Sand Hill's stockholders will own less than approximately 34.4% of the combined company's issued and outstanding shares of common stock after completion of the merger. In either case, the balance of the issued and outstanding shares of Sand Hill's common stock will be owned by the stockholders of St. Bernard.

Q. Why is Sand Hill proposing the stock option plans?

A. Sand Hill is proposing the stock option plans because it has agreed to assume the outstanding options of St. Bernard at the closing of the merger and the plans need to remain outstanding under which such options were issued as those plans govern the terms of the options. The adoption of the 2005 Stock Option Plan will also enable the combined company to offer non-employee directors, officers, other key employees and consultants equity-based incentives, thereby helping to attract, retain and reward these participants and create value for the combined company's stockholders.

Q. What will the name of the combined company be after the merger?

A. Sand Hill will change its name following completion of the merger to St. Bernard Software, Inc.

Q. How much cash does Sand Hill hold in escrow?

A. As of December 31, 2005, Sand Hill had $21,730,543 in escrow, which would equate to $5.29 per share of outstanding Sand Hill common stock to participate in the funds held in escrow.

Q. Do stockholders of Sand Hill have conversion rights?

A. If you hold shares of common stock issued in Sand Hill's initial public offering, then you have the right to vote against the merger proposal and demand that Sand Hill convert these shares into a pro rata portion of the trust account in which a substantial portion of the net proceeds of Sand Hill's initial public offering are held. We sometimes refer to these rights to vote against the merger and demand conversion of the shares into a pro rata portion of the trust account as conversion rights.

Q. **If stockholders of Sand Hill have conversion rights, how do they exercise them?**

A. If you wish to exercise your conversion rights, you must vote against the merger and at the same time demand that Sand Hill convert your shares into cash. If, notwithstanding your vote, the merger is completed, then you will be entitled to receive a pro rata portion of the trust account in which a substantial portion of the net proceeds of Sand Hill's initial public offering are held, including any interest earned thereon through the date of the Sand Hill special meeting. Based on the amount of cash held in the trust account on December 31, 2005, you will be entitled to convert each share of Sand Hill common stock that you hold into approximately $5.29. If you exercise your conversion rights, then you will be exchanging your shares of Sand Hill common stock for cash and will no longer own these shares. You will only be entitled to receive cash for these shares if you continue to hold these shares through the effective time of the merger and then tender your stock certificate to the combined company. If the merger is not completed, then your shares will not be converted to cash at this time, even if you so elected. *See page* ___.

Q. **What happens to the funds deposited in the trust account after consummation of the merger?**

A. Upon consummation of the merger:

· the Sand Hill stockholders electing to exercise their conversion rights will receive their pro rata portion of the funds deposited in the trust account; and

· the remaining funds will be released to the combined company, which intends to use its existing cash resources, along with funds released from the Sand Hill trust, to (1) enhance its SCM product offering, (2) further develop its products, (3) increase its international presence, and (4) improve its VAR and indirect sales channels, in addition to using its cash resources for working capital and for general corporate purposes.

Q.

A.

What are the expected United States federal income tax consequences to the merger?	The merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. A St. Bernard stockholder's receipt of Sand Hill common stock in the merger will be tax-free for United States federal income tax purposes. The receipt in the merger of warrants or options to purchase common stock of Sand Hill by a holder of St. Bernard warrants or options to purchase St. Bernard common stock will be tax-free for United States federal income tax purposes. However, a St. Bernard stockholder who exercises his or her appraisal rights and who receives cash in exchange for his or her shares of St. Bernard common stock generally will recognize gain or loss measured by the difference between the amount of cash received and the tax basis of such stockholder's shares of St. Bernard common stock. A stockholder of Sand Hill who exercises conversion rights and effects a termination of the stockholder's interest in Sand Hill will generally be required to recognize capital gain or loss upon the exchange of that stockholder's shares of common stock of Sand Hill for cash, if such shares were held as a capital asset on the date of the merger. Such gain or loss will be measured by the difference between the amount of cash received and the tax basis of that stockholder's shares of Sand Hill common stock. No gain or loss will be recognized by non-converting stockholders of Sand Hill. No gain or loss will be recognized by Sand Hill or St. Bernard as a result of the merger. For a description of the material federal income tax consequences of the merger, please see the information set forth in "*Material Federal Income Tax Consequences of the Merger*" on page ___.

Q.	**Who will manage the combined company?**	**A.**	The combined company will be managed by the current management of St. Bernard. John E. Jones, who is currently the President and Chief Executive Officer of St. Bernard, will become the President and Chief Executive Officer of the combined company. Alfred Riedler, who is currently the Chief Financial Officer of St. Bernard, will become the Chief Financial Officer of the combined company. Bart van Hedel, who is currently on the board of directors of St. Bernard, will continue as a board member of the combined company. Humphrey P. Polanen, who is currently the Chairman of the Board and Chief Executive Officer of Sand Hill, will continue as Chairman of the Board of the combined company. Scott R. Broomfield, who is currently the Executive Vice President of Corporate Development and on the board of directors of Sand Hill, will continue as a board member of the combined company.
Q.	**What happens to Sand Hill if the merger is not consummated?**	**A.**	If the merger is not consummated, Sand Hill will continue to search for an operating company to acquire. However, Sand Hill will be liquidated if it does not consummate a business combination by July 27, 2006. Upon such a liquidation, the net proceeds of Sand Hill's initial public offering held in the trust account, plus any interest earned thereon, will be distributed pro rata to Sand Hill's common stockholders, excluding Sand Hill's initial stockholders who purchased their shares of common stock prior to its initial public offering.

Q. What happens to St. Bernard if the merger is not consummated?

A. If the merger is not consummated, St. Bernard will continue to operate as a private company.

Q. When do you expect the merger to be completed?

A. It is currently anticipated that the merger will be completed promptly following the special meetings of Sand Hill and St. Bernard.

Q. Do I have appraisal rights?

A. Sand Hill's stockholders do not have appraisal or dissenters rights in connection with the merger.

Holders of St. Bernard capital stock who hold their shares of St. Bernard capital stock of record and continue to own those shares through the effective time of the merger and who properly demand appraisal of their shares in writing on or before ____________, 2006 in accordance with the requirements of Section 262 of the General Corporation Law of the State of Delaware, or the DGCL, are entitled to appraisal rights as set forth in Section 262. A copy of Section 262 of the DGCL is attached to this proxy statement/prospectus as Annex F.

Under Section 262, St. Bernard stockholders who comply with the procedures set forth in Section 262 will be entitled to have their shares appraised by the Delaware Court of Chancery and to receive cash payment of the fair value of the shares, exclusive of any element of the value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, as determined by the court. St. Bernard will send notice pursuant to Section 262 of the DGCL to the St. Bernard stockholders who are entitled to appraisal rights when St. Bernard mails this prospectus to the St. Bernard stockholders. See "*The Merger Proposal - Appraisabr Dissenters Rights*" on page ___.

Q. If I am not going to attend the Sand Hill special meeting in person, should I return my proxy card instead?

A. Yes. After carefully reading and considering the information contained in this document, please fill out and sign your proxy card. Then return the enclosed proxy card in the return envelope as soon as possible, so that your shares may be represented at the Sand Hill special meeting.

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Q.	**What will happen if I abstain from voting or fail to vote at the Sand Hill special meeting?**	**A.**	Sand Hill will count a properly executed proxy marked ABSTAIN with respect to a particular proposal as present for purposes of determining whether a quorum is present. For purposes of approval, an abstention or failure to vote will have the same effect as a vote against the merger proposal, the amendment proposal, the stock options plan proposal and the adjournment proposal. However, if you want to convert your shares into a pro rata portion of the trust account in which a substantial portion of the net proceeds of Sand Hill's initial public offering are held, you must vote against the merger and make an affirmative election to convert your shares of common stock on the proxy card. An abstention will have the same effect as a vote against the stock option plans proposal and the adjournment proposal, but a failure to vote will have no effect on the stock option plans proposal and the adjournment proposal, assuming that a quorum for the special meeting is present. Shares that are not voted or are broker non-voted or where the stockholder abstains from voting shall not be eligible to be converted into cash upon completion of the merger.
Q.	**What do I do if I want to change my vote prior to the Sand Hill special meeting?**	**A.**	Send a later-dated, signed proxy card to Sand Hill prior to the date of the Sand Hill special meeting or attend the special meeting in person and vote. Your attendance alone will not revoke your proxy. You also may revoke your proxy by sending a notice of revocation to Sand Hill at the address of Sand Hill's corporate headquarters, on or before ____________, 2006.
Q.	**If I am not going to attend the St. Bernard special meeting in person, should I return my proxy card instead?**	**A.**	Yes. After carefully reading and considering the information contained in this document, please fill out and sign your proxy card. Then return the enclosed proxy card in the return envelope as soon as possible, so that your shares may be represented at the St. Bernard special meeting.
Q.	**What will happen if I abstain from voting or fail to vote at the St. Bernard special meeting?**	**A.**	St. Bernard will count a properly executed proxy marked ABSTAIN with respect to the merger proposal as present for purposes of

			determining whether a quorum is present. For purposes of approval, an abstention or failure to vote will have the same effect as a vote against the merger proposal.
Q.	**What do I do if I want to change my vote prior to the St. Bernard special meeting?**	**A.**	Send a later-dated, signed proxy card to St. Bernard prior to the date of the St. Bernard special meeting or attend the St. Bernard special meeting in person and vote. Your attendance alone will not revoke your proxy. You also may revoke your proxy by sending a notice of revocation to St. Bernard at the address of St. Bernard's corporate headquarters, on or before _________, 2006
Q.	**If my shares of Sand Hill stock are held in "street name" by my broker, will my broker vote my shares for me?**	**A.**	No. Your broker can vote your shares only if you provide instructions on how to vote. You should instruct your broker to vote your shares, following the directions provided by your broker.
Q.	**Who is soliciting my proxy?**	**A.**	Proxies are being solicited by the Sand Hill board of directors for the Sand Hill special meeting and by the St. Bernard board of directors for the St. Bernard special meeting.

Q.	**Who can help answer my questions?**	**A.**	If you are a Sand Hill stockholder and have questions about the merger, you may write or call Sand Hill IT Security Acquisition Corp., 3000 Sand Hill Road, Building 1, Suite 240, Menlo Park, California 94025, (650) 926-7022, Attn: Humphrey P. Polanen. If you are a St. Bernard stockholder and have questions about the merger, you may write or call St. Bernard Software, Inc., 15015 Avenue of Science, San Diego, California 92128, (858) 676-2277, Attn: John E. Jones.

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SUMMARY

This summary highlights information from this joint proxy statement/prospectus and may not contain all of the information that is important to you. You should carefully read this entire document, including the Annexes. You should read the merger agreement, which is attached as Annex A, carefully. It is the legal document that governs the merger and the other transactions contemplated by the merger agreement. It is also described in detail elsewhere in this joint proxy statement/prospectus. When we refer to the merger agreement in this joint proxy statement/prospectus we are referring to the merger agreement as it may be amended to the date of the joint proxy statement/prospectus.

The Companies

Sand Hill

Sand Hill is a Targeted Acquisition Corporation, or TAC, focused on the IT security industry, organized under the laws of the State of Delaware on April 15, 2004. As a TAC, it was formed to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business in a specified industry. On July 30, 2004, Sand Hill successfully consummated an initial public offering of its units, with each unit consisting of one share of common stock and two warrants exercisable for shares of common stock, from which it derived net proceeds of approximately $22,022,462. The prices of Sand Hill's common stock, warrants to purchase common stock and units (each unit consisting of a share of common stock and two warrants to purchase common stock) are quoted on the Over-the-Counter Bulletin Board under the symbols SHQC for the common stock, SHQCW for the warrants and SHQCU for the units. $20,961,000 of the net proceeds of the initial public offering were placed in a trust account and will be released to Sand Hill upon consummation of the merger. As of December 31, 2005, Sand Hill had $21,730,542 in escrow, which equates to $5.29 per share of outstanding Sand Hill common stock eligible to participate in the funds held in escrow. The balance of the net proceeds of $1,061,462 has been used and will be used by Sand Hill to pay the expenses incurred in its pursuit of a business combination, including the merger. Other than its initial public offering and the pursuit of a business combination, Sand Hill has not engaged in any business to date. If Sand Hill does not consummate a business combination by July 27, 2006 then, pursuant to its certificate of incorporation, Sand Hill's officers must take all actions necessary to promptly dissolve and liquidate Sand Hill. The mailing address of Sand Hill's principal executive office is 3000 Sand Hill Road, Building 1, Suite 240, Menlo Park, California 94025, and its telephone number is (650) 926-7022. Sand Hill's home page on the Internet is at http://www.sandhillsecurity.com, but the information on the Sand Hill website is not a part of this joint proxy statement/prospectus. See "*Information about Sand Hill*" on page ___.

Sand Hill Merger Corp.

Sand Hill Merger Corp. is a wholly-owned subsidiary of Sand Hill formed solely for the purpose of the merger. Sand Hill Merger Corp.'s executive office is located at 3000 Sand Hill Road, Building 1, Suite 240, Menlo Park, California 94025, and its telephone number is (650) 926-7022. Sand Hill Merger Corp. will be merged with and into St. Bernard and the separate corporate existence of Sand Hill Merger Corp. will cease upon completion of the merger. St. Bernard will be a wholly-owned subsidiary of Sand Hill upon completion of the merger.

St. Bernard

St. Bernard is a corporation that was founded in 1984 as Emerald Systems, Inc. In 1995, the corporation sold substantially all of its operating assets, changed its name to St. Bernard Software, Inc., and began its current operations to take advantage of its existing personnel and infrastructure. The St. Bernard operations rapidly moved into the data protection and IT security market. St. Bernard Software is a recognized independent supplier of IT security software products and services, with a special emphasis on Secure Content Management, or SCM, including messaging security, with $28.7 million in gross billings for 2005. With its SaaS business model, St. Bernard's products protect businesses, government organizations and educational institutions from cyber attack, improve worker productivity, reduce legal liability and assist in meeting regulatory requirements for data/privacy protection. St. Bernard's network-attached security products are delivered as appliances that connect into the data path between the Internet gateway and a company's local area network. Similar to a traditional household appliance, a security appliance is a dedicated computer with a specially configured 'kernal level' operating system that is plugged into the server stack, in front of a company's firewall and, therefore, sees all inbound Internet traffic. St. Bernard's system security products consist of software that is installed on workstations and servers. St. Bernard has approximately 8,000 customers supporting over 3.5 million device licenses, primarily comprised of small to medium sized businesses, educational institutions and governmental organizations. The products offered by St. Bernard include Open File Manager, a data protection product; UpdateEXPERT, a patch and settings management product; iPrism, SCM, Internet access management product; and ePrism, SCM, a messaging security, e-mail filtering product. According to IDC, in September 2005, St. Bernard's iPrism product line was the leading Internet filtering appliance, enabling customers to manage and control employee access to millions of web sites that are updated continuously as part of St. Bernard's fee-based subscription service. Other St. Bernard products also have a subscription component that increases deferred revenue thereby increasing revenue predictability. St. Bernard's principal offices are located at 15015 Avenue of Science, San Diego, California 92128 and its telephone number at that location is (858) 524-2299. St. Bernard's home page on the Internet is at http://www.stbernard.com, but the information on the St. Bernard website is not a part of this joint proxy statement/prospectus.

Sand Hill's Business Rationale for Merging with St. Bernard

Sand Hill believes the proposed merger between Sand Hill and St. Bernard is in the best interests of Sand Hill and its stockholders for the following primary reasons:

Industry and Market Focus

St. Bernard is a recognized independent supplier of IT security software products and services, with a special emphasis on Secure Content Management, or SCM, including messaging security. According to IDC, SCM worldwide revenues reached $4.5 billion in 2004, representing a 27% increase over 2003. IDC has also concluded that web-filtering, a subset of SCM, reached $433 million in revenues in 2004, growing at 22% over 2003. Finally, IDC forecasts that the rate of growth for 'appliance based web-filtering', the portion of the market in which St. Bernard competes in, should increase by 47% per year between 2004 and 2009. According to IDC, appliances represent the fastest growing element of SCM. In addition to this market segment, St. Bernard also includes messaging security as part of its product offerings, thereby adding to the value of its business offerings.

St. Bernard focuses on the relatively underserved and high growth Small to Medium Enterprises (or SME) segment of the market. As estimated by AMI Partners, an SME oriented research firm, there are 232,000 small to medium sized businesses in the U.S. The SME segment is defined by AMI as businesses ranging from 50 to 999 employees. According to a study by AMI conducted in 2005, the SME segment is underserved, or under penetrated, in that only 22% of all small to medium sized businesses have installed comprehensive security management solutions. Sand Hill believes that this indicates that there is real opportunity for growth in this segment. According to this same AMI report, a total of an additional 15% of the SME market, or 35,000 businesses, plan to purchase security management solutions in 2006, representing a growth rate of 73% year over year. Sand Hill also additionally believes that the focus on SME is beneficial because security appliances tend to serve the market well because of their ease of installation and use. Brian Burk, an analyst with IDC research recently stated, "… security appliance sales will grow fast in the SME market because IT resources are scarce."

Size and Growth

St. Bernard reached $28.7 million in gross billings and $24.0 million in revenues for the calendar year ended 2005. St. Bernard has recently experienced attractive growth in its market. From 2000 through 2004 St. Bernard has grown 182% based on annual revenues and was awarded a San Diego Deloitte "Technology Fast 50 of San Diego" award in both 2004 and 2005. In 2005, St. Bernard grew annual revenues 13.2% as compared with 2004.

Business Model

St. Bernard has a Software as a Service, or SaaS, business model that includes both web-filter and email-filter appliances and a database service subscription component. St. Bernard's revenue model includes revenue from appliance sales and multi-year subscriptions for software/database updates and ePrism (messaging security - e-mail filtering). Sand Hill believes that St. Bernard's sales cycles are shorter than an enterprise level sale because of: (1) its focus on the SME segment, (2) the average selling prices for St. Bernard products are usually lower than that of enterprise level products, and (3) its having an appliance form factor that results in the product being simple to install and simple to use. Specifically, St. Bernard focuses on small businesses that are defined as having between 50 and 499 employees and medium businesses that are defined as having 500 to 1,000 employees. Enterprises are defined as having more than 1,000 employees. The sales cycle from first customer contact to completed sale is typically 90 days for small and medium businesses. By contrast, sales cycles to enterprises are typically longer than 90 days due to a more complex approval requirement. The quicker sales cycle to small and medium businesses is primarily due to the lower dollar value of the products purchased and more willingness by these customers to purchase without on site sales calls.

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The subscription element of St. Bernard's business is particularly attractive because it operates as a "Software as a Service", or a "SaaS" model. Sand Hill believes that this represents a stable portion of St. Bernard's revenue base. As an example, customers subscribe to a Universal Resource Locator, or URL, database service for periods of anywhere from one to three years. Internet web pages are uniquely accessed and displayed through the use of URL's. St. Bernard's iPrism product employs a database of URL's divided into 60 categories to monitor and/or block access to Web pages based on predetermined policies set by the customer. This URL database is organized into more than 60 categories and encompasses more than 6.5 million websites as of September 30, 2005. This database is updated each business day using a proprietary process of automated content assessment and classification, with manual verification. Subscribers to the update service receive updates each night. It is this security update subscription that Sand Hill believes helps create long term customer relationships, as well as providing for better predictability of future revenue. St. Bernard had deferred revenues of $16.1 million as of December 31, 2005. Although the cash is received up front, this deferred revenue is generally recognized as revenue ratably over the life of the contract. The result is that billings for the business are greater than the revenue booked in any quarter. For example, revenue for the year ended December 31, 2005 was $24.0 million, whereas gross billings were $28.7 million. The result is an increase to deferred revenue, as recorded on the balance sheet, and, Sand Hill believes, an enhanced predictability to the business.

Management Team

St. Bernard has a seasoned management team with specialized knowledge of its markets and, Sand Hill believes, the ability to lead the combined company in a changing environment. St. Bernard's management team has been in place for a number of years and the Sand Hill board of directors believes that John E. Jones, who will be the President and Chief Executive Officer of the combined company, has the experience and strong understanding of the software security market and potential needs of customers to effectively lead the combined company.

Terms of the Merger Agreement

The Sand Hill board of directors believes that the merger agreement contains customary provisions for transactions of this type, including provisions to protect Sand Hill in the event an alternative transaction is proposed to St. Bernard. The Sand Hill board of directors believes that the price Sand Hill is paying for St. Bernard is equal to approximately 2.2x Enterprise Value/Sales, which it feels is below industry norms. It was important to Sand Hill's board of directors it felt it was receiving appropriate value and that the merger agreement include customary provisions as it believed that such provisions would allow for a more efficient closing process and lower transaction expenses.

Please see "*The Merger Proposal - Sand Hill Reasons for the Merger*" on page ___.

St. Bernard's Business Rationale for Merging with Sand Hill

The St. Bernard board of directors believes that the proposed merger between Sand Hill and St. Bernard is in the best interests of St. Bernard and its stockholders for the following primary reasons:

As of December 31, 2005, Sand Hill had $21,730,543 in escrow, representing the net proceeds from its initial public offering. If the merger is consummated, at least 80% of the funds in the Sand Hill escrow account, less expenses of the merger, will be available for operations of the combined company. St. Bernard believes that because the combined company will have substantially greater capitalization than St. Bernard alone, the combined company will be in a better position than St. Bernard alone, to compete in the SCM marketplace.

St. Bernard believes that the skills and expertise of the officers and directors of Sand Hill, their collective access to acquisition opportunities and ideas, their contacts, and, in particular, Mr. Polanen's and Mr. Broomfield's expertise in the IT security market, will provide the combined company with increased opportunities for future acquisitions and growth.

Security Market Characteristics and Industry Background

The IT security market continues to be attractive from a business perspective. In January of 2006, Goldman Sachs reported that IT security continues to be the highest spending priority amongst CIOs and CTOs in the U.S. for 2006. The industry is generally characterized by the following:

- escalating volume of Internet attacks on business, industry and governments, reaching over 140,000 attacks in 2004;
- increasing sophistication of attacks and increasing cost per attack;
- material loss in employee productivity due to unauthorized Internet usage during working hours;
- significant recent increases in government and regulatory requirements specifically targeting security, including but not limited to, Sarbanes-Oxley (SOX), HIPPA, BASEL II, Gramm-Leach-Bliley, GISRA, etc;
- increases in customer demand for integrated, full solution product suites; and
- a strong preference in SME for easy to install and easy to use security appliances.

Many organizations use the Internet to enable critical business applications that are accessed over their corporate networks. Many employees also use their organization's computing resources for recreational "web surfing," peer-to-peer file sharing, downloading of high-bandwidth content, instant messaging and other personal matters. However, unmanaged use of organizational computing and network resources, including Internet access, results in increased risk and cost to the organization, including increased security risks, loss of intellectual property, loss of a company's customer and supplier data, lost employee productivity, increased network bandwidth consumption, and potential legal liability. This segment of IT security is commonly known as Secured Content Management, or SCM.

Traditionally, organizations have attempted to mitigate the legal liability, productivity and bandwidth waste risks through written policies governing acceptable employee use of computing resources, and they have sought to protect against external security risks with a combination of firewalls, intrusion detection/prevention software and anti-virus software. With the growth in spyware, key logging applications, and phishing sites, combined with the rapid increase in employee use of instant messaging and peer-to-peer file sharing and the proliferation of blended attacks on computing networks, organizations are finding that existing security measures leave significant time and technology gaps in their protection. Written Internet access and software application use policies are easily ignored, difficult to enforce and do not proactively curtail undesirable Internet and software application usage. Firewalls can provide protection against external threats such as hacking, but do little to prevent employees from accessing unauthorized data from within an organization. Anti-virus software provides protection from e-mail borne viruses, but does not prevent the possible theft or corruption of corporate data by spyware and offers only limited protection against viruses that proliferate via peer-to-peer networks and instant messaging. Existing anti-virus and anti-spyware software also requires time to identify and reverse engineer the virus or spyware application before it can be remediated and removed from infected systems.

Given the necessity of corporate Internet access and the continuing adoption of the web as a mass communication, entertainment, information and commerce medium, Sand Hill believes there is a significant opportunity for SCM solutions, including messaging security, that effectively addresses the needs of organizations to manage employee usage of the computing environment, including Internet access and desktop application use. Additionally, although the web and e-mail are the primary drivers of Internet traffic today, the rapid emergence of Internet-enabled applications creates the need for software that applies management policies to file types, applications, and protocols, as well as web pages, at multiple points on the information technology infrastructure. Software tools are needed to implement policy-based bandwidth management and regulation of applications such as instant messaging, peer-to-peer file exchange tools, interactive games and desktop software applications. These solutions must also be adaptable enough to manage new applications and technologies as they are developed.

The Merger

The merger agreement provides for the merger of Sand Hill Merger Corp. with and into St. Bernard. The merger agreement was executed on October 26, 2005 and amended on December 15, 2005. Following consummation of the merger, St. Bernard will continue as the surviving company and a wholly-owned subsidiary of Sand Hill and the separate corporate existence of Sand Hill Merger Corp. shall cease. It is expected that holders of St. Bernard common stock will hold approximately 65.6% of the outstanding shares of Sand Hill common stock immediately following the closing of the merger, based on the number of shares of Sand Hill and St. Bernard common stock outstanding as of October 26, 2005. In the merger, Sand Hill will issue a combination of shares of common stock, replacement options and replacement warrants to holders of St. Bernard common stock, options and warrants. The total amount of shares of Sand Hill common stock to be issued or that will underlie replacement options and replacement warrants is 10,880,000. Holders of St. Bernard common stock, options and warrants are entitled to receive their pro rata portion of this 10,880,000 figure. This results in an exchange ratio of 0.421419 shares of Sand Hill common stock, replacement options or replacement warrants for each share of St. Bernard common stock or options or warrants to purchase St. Bernard common stock outstanding. Based upon the number of shares of St. Bernard common stock outstanding and the number of shares issuable for St. Bernard common stock pursuant to outstanding options and warrants as of October 26, 2005, Sand Hill will issue approximately 9,759,600 shares of common stock at the close of the merger. The holders of options and warrants to purchase shares of the common stock of St. Bernard will receive, in exchange for those options and warrants, replacement options and replacement warrants to purchase approximately 1,120,400 shares of Sand Hill common stock. To the extent that outstanding St. Bernard options or warrants are exercised prior to the closing of the merger, the number of shares of Sand Hill common stock that would be issued at the closing of the merger would increase and the number of the shares of Sand Hill common stock that would be subject to replacement options or replacement warrants to be issued at the closing of the merger would decrease by a like amount. For a complete description of the post-closing fully diluted capitalization of Sand Hill please see "Beneficial Ownership of Securities" on page _____.

Sand Hill and St. Bernard plan to complete the merger promptly after the special meetings, provided that:

- Sand Hill's and St. Bernard's stockholders have adopted the merger agreement;
- holders of less than 20% of the shares of common stock issued in Sand Hill's initial public offering vote against the merger proposal and demand conversion of their shares of common stock into cash; and
- the other conditions specified in the merger agreement have been satisfied or waived.

If the Sand Hill stockholder approval has not been obtained at that time or any other conditions have not been satisfied or waived, the merger will be completed promptly after the Sand Hill stockholder approval is obtained or the remaining conditions are satisfied or waived. The merger will become effective when the articles of merger are filed with the Delaware Secretary of State or at such later time as is specified in the articles of merger.

The merger agreement is included as Annex A to this document. We encourage you to read the merger agreement in its entirety. See "*The Merger Agreement*" on page ___.

Amended and Restated Certificate of Incorporation

Sand Hill is proposing to amend its certificate of incorporation to change the name of Sand Hill to St. Bernard Software, Inc. and to remove certain provisions related to a business combination that were put in place as a result of Sand Hill being a Targeted Acquisition Corporation. The Amended and Restated Certificate of Incorporation is included as Annex B to this document. We encourage you to read the amended and Restated Certificate of Incorporation in its entirety. See "*The Amendment Proposal.*"

St. Bernard Software, Inc. 1992 Stock Option Plan; St. Bernard Software, Inc. 2000 Stock Option Plan; St. Bernard Software, Inc. 2005 Stock Option Plan

There are options outstanding for the purchase of St. Bernard common stock which have been granted under three stock option plans: the St. Bernard Software, Inc. 1992 Stock Option Plan; the St. Bernard Software, Inc. 2000 Stock Option Plan; and the St. Bernard Software, Inc. 2005 Stock Option Plan. The stock option plans are included as Annex C, Annex D and Annex E to this document. We encourage you to read the stock option plans in their entirety. See *"The Stock Option Plans Proposal*."

St. Bernard Software, Inc. 1992 Stock Option Plan

Under the terms of the merger agreement, at the effective time of the merger, each outstanding option to purchase shares of St. Bernard common stock that has been granted under St. Bernard's 1992 Stock Option Plan, whether vested or unvested, will be assumed by Sand Hill and become an option to acquire, on the same terms and conditions as were applicable under the 1992 Stock Option Plan immediately prior to the effective time of the merger, an option to purchase shares of Sand Hill common stock. The number of shares of Sand Hill common stock for which each option will be exercisable will be determined by multiplying the number of shares of St. Bernard common stock for which such option was exercisable by a conversion ratio of 0.421419. The exercise price per share of Sand Hill common stock at which each such option will be exercisable will be determined by dividing the exercise price per share of St. Bernard common stock at which this option was exercisable by the conversion ratio of 0.421419. There are options for 219,500 shares of St. Bernard common stock issued and outstanding under the 1992 Stock Option Plan. No additional options are available for issuance under the plan.

St. Bernard Software, Inc. 2000 Stock Option Plan

Under the terms of the merger agreement, at the effective time of the merger, each outstanding option to purchase shares of St. Bernard common stock that has been granted under St. Bernard's 2000 Stock Option Plan, whether vested or unvested, will be assumed by Sand Hill and become an option to acquire, on the same terms and conditions as were applicable under the 2000 Stock Option Plan immediately prior to the effective time of the merger, an option to purchase shares of Sand Hill common stock. The number of shares of Sand Hill common stock for which each option will be exercisable will be determined by multiplying the number of shares of St. Bernard common stock for which such option was exercisable by a conversion ratio of 0.421419. The exercise price per share of Sand Hill common stock at which each such option will be exercisable will be determined by dividing the exercise price per share of St. Bernard common stock at which this option was exercisable by the conversion ratio of 0.421419. There are options for 838,270 shares of St. Bernard common stock issued and outstanding under the 2000 Stock Option Plan. No additional options are available for issuance under the plan.

St. Bernard Software, Inc. 2005 Stock Option Plan

Under the terms of the merger agreement, at the effective time of the merger, each outstanding option to purchase shares of St. Bernard common stock that has been granted under St. Bernard's 2005 Stock Option Plan, whether vested or unvested, will be assumed by Sand Hill and become an option to acquire, on the same terms and conditions as were applicable under the 2005 Stock Option Plan immediately prior to the effective time of the merger, an option to purchase shares of Sand Hill common stock. The number of shares of Sand Hill common stock for which each option will be exercisable will be determined by multiplying the number of shares of St. Bernard common stock for which such option was exercisable by a conversion ratio of 0.421419. The exercise price per share of Sand Hill common stock at which each such option will be exercisable will be determined by dividing the exercise price per share of St. Bernard common stock at which this option was exercisable by the conversion ratio of 0.421419. There are options for 299,346 shares of St. Bernard common stock issued and outstanding under the 2005 Stock Option Plan. Options for 4,687,000 shares of St. Bernard common stock may be issued under the plan in the future.

Adjournment Proposal

In the event there are not sufficient votes at the time of the Sand Hill special meeting to approve the merger proposal, the amendment proposal or the stock option plans proposal, the board of directors of Sand Hill may submit a proposal to adjourn the Sand Hill special meeting to a later date or dates, if necessary, to permit further solicitation of proxies.

Sand Hill's Board of Directors' Recommendations

After careful consideration, Sand Hill's board of directors has determined unanimously that the merger proposal, the amendment proposal, the stock option plans proposal and the adjournment proposal are fair to, and in the best interests of, Sand Hill and its stockholders. The board of directors of Sand Hill did not obtain a fairness opinion in connection with making these determinations. Sand Hill's board has unanimously approved and declared advisable the merger agreement and the transactions contemplated by the merger agreement, the amendment proposal, the stock option plans proposal and the adjournment proposal and unanimously recommends that you vote or instruct your vote to be cast "**FOR**" the adoption of the merger agreement, the amendment proposal, the stock option plans proposal and the adjournment proposal. Please see "*The Merger Proposal - Sand Hill Reasons for the Merger*" on page ___.

Special Meetings of Stockholders

The special meeting of the stockholders of Sand Hill will be held at __________________ on _____________, 2006, at ______________________, Suite _____, _________________, California ___________, to vote on the merger proposal, the amendment proposal, the stock option plans proposal and the adjournment proposal.

The special meeting of the stockholders of St. Bernard will be held at __________________ on _____________, 2006, at ______________________, Suite _____, _________________, California ___________, to vote on the merger proposal, the ___________ proposal and the _____________ proposal.

Voting Power; Record Date

If you are a Sand Hill stockholder, you will be entitled to vote or direct votes to be cast at the Sand Hill special meeting if you owned shares of Sand Hill common stock at the close of business on ___________, 2006, which is the record date for the Sand Hill special meeting. You will have one vote for each share of Sand Hill common stock you owned at the close of business on the record date. Sand Hill warrants do not have voting rights. At the close of business on _________, 2006, there were 5,110,000 shares of Sand Hill common stock outstanding and entitled to vote at the Sand Hill special meeting.

If you are a St. Bernard stockholder, you will be entitled to vote or direct votes to be cast at the St. Bernard special meeting if you owned shares of St. Bernard common stock at the close of business on ___________, 2006, which is the record date for the St. Bernard special meeting. You will have one vote for each share of St. Bernard common stock you owned at the close of business on the record date. St. Bernard warrants do not have voting rights. At the close of business on __________, 2006, there were ________ shares of St. Bernard common stock outstanding and entitled to vote at the St. Bernard special meeting.

Vote Required to Adopt the Merger Proposal

The adoption of the merger agreement and the transactions contemplated by the merger agreement by the Sand Hill stockholders will require the affirmative vote of the holders of a majority of the outstanding shares of Sand Hill common stock on the Sand Hill record date. However, Sand Hill will not be able to complete the merger if the holders of 20% or more of the shares of common stock issued in Sand Hill's initial public offering vote against the merger and demand that Sand Hill convert their shares into a pro rata portion of the trust account in which a substantial portion of the net proceeds of Sand Hill's initial public offering are held.

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The adoption of the merger agreement and the transactions contemplated by the merger agreement by the St. Bernard stockholders will require the affirmative vote of the holders of a majority of the outstanding shares of St. Bernard common stock on the St. Bernard record date.

Vote Required to Adopt the Amended and Restated Certificate of Incorporation

The adoption of the amendment proposal by the Sand Hill stockholders will require the affirmative vote of a majority of the outstanding shares of Sand Hill's common stock on the Sand Hill record date.

Vote Required to Adopt the Stock Option Plans Proposal

The adoption of the stock option plans proposal by the Sand Hill stockholders will require the affirmative vote of the holders of a majority of the shares of Sand Hill common stock present in person or represented by proxy at the Sand Hill special meeting.

Vote Required to Adopt the Adjournment Proposal

The adoption of the adjournment proposal by the Sand Hill stockholders will require the affirmative vote of the holders of a majority of the shares of Sand Hill common stock present in person or represented by proxy at the Sand Hill special meeting.

Conditions to Adoptions

The adoption of the merger proposal is conditioned on the adoption of the amendment proposal and the adoption of the amendment proposal is conditioned on the adoption of the merger proposal. The adoption of neither the merger proposal nor the amendment proposal is conditioned on the adoption of the stock option plans proposal or the adjournment proposal. The adoption of the stock option plans proposal, however, is conditioned upon the adoption of the merger proposal and the amendment proposal.

Conversion Rights

Pursuant to Sand Hill's certificate of incorporation, a holder of shares of Sand Hill's common stock issued in its initial public offering may, if the stockholder votes against the merger, demand that Sand Hill convert such shares into cash. **This demand must be made on the proxy card or by telephone or through the Internet as described on the proxy card at the same time that the stockholder votes against the merger proposal.** If so demanded, Sand Hill will convert each share of common stock into a pro rata portion of the trust account in which a substantial portion of the net proceeds of Sand Hill's initial public offering are held, plus all interest earned thereon. If you exercise your conversion rights, then you will be exchanging your shares of Sand Hill common stock for cash and will no longer own these shares. You will only be entitled to receive cash for these shares if you continue to hold these shares through the effective time of the merger and then tender your stock certificate to the combined company. If the merger is not completed, then these shares will not be converted into cash at this time and Sand Hill will need to liquidate if a business combination is not completed by July 27, 2006. Shares that are not voted or are broker non-voted or where the stockholder abstains from voting shall not in any event be eligible to be converted into cash upon completion of the merger.

The merger will not be consummated if the holders of 20% or more of the shares of common stock issued in Sand Hill's initial public offering exercise their conversion rights.

Appraisal or Dissenters Rights

No appraisal rights or dissenters rights are available under the Delaware General Corporation Law for the stockholders of Sand Hill in connection with the merger proposal.

Holders of St. Bernard capital stock who hold their shares of St. Bernard capital stock of record and continue to own those shares through the effective time of the merger and who properly demand appraisal of their shares in writing on or before ____________, 2006 in accordance with the requirements of Section 262 of the General Corporation Law of the State of Delaware, or the DGCL, are entitled to appraisal rights as set forth in Section 262. A copy of Section 262 of the DGCL is attached to this proxy statement/prospectus as Annex F.

Under Section 262, St. Bernard stockholders who comply with the procedures set forth in Section 262 will be entitled to have their shares appraised by the Delaware Court of Chancery and to receive cash payment of the fair value of the shares, exclusive of any element of the value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, as determined by the court. St. Bernard will send notice pursuant to Section 262 of the DGCL to the St. Bernard stockholders who are entitled to appraisal rights when St. Bernard mails this prospectus to the St. Bernard stockholders. See "*Appraisal Rights*" on page ___.

Voting

You may vote in person at the Sand Hill special meeting or vote by proxy using the enclosed proxy card or via the Internet or telephone.

- To vote in person, come to the Sand Hill special meeting, and you will be given a ballot when you arrive.
- To vote by proxy, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card before the Sand Hill special meeting, your shares will be voted as you direct.
- If you are a registered stockholder (that is, if you hold your stock in certificate form), you may vote by telephone or electronically through the Internet by following the instructions included with your proxy card. If your shares are held in "street name," please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically. The deadline for voting by telephone or electronically is 11:59 p.m., Eastern Standard Time, on ____________, 2006.

Please also see the instructions included with the enclosed proxy card. Regardless of whether you return your proxy card, you may attend the Sand Hill special meeting and vote your shares in person.

You may vote in person at the St. Bernard special meeting or vote by proxy using the enclosed proxy card.

- To vote in person, come to the St. Bernard special meeting, and you will be given a ballot when you arrive.
- To vote by proxy, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card before the St. Bernard special meeting, your shares will be voted as you direct.

Please also see the instructions included with the enclosed proxy card. Regardless of whether you return your proxy card, you may attend the St. Bernard special meeting and vote your shares in person.

Stock Ownership

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On the record date, directors and executive officers of Sand Hill and their affiliates beneficially owned and were entitled to vote approximately 1,000,000 shares of Sand Hill's common stock that have a market value of approximately $5,270,000 based on Sand Hill's common stock price of $5.27 per share as of October 26, 2005. The total of these shares represented approximately 19.6% of Sand Hill's issued and outstanding common stock as of the record date. In connection with its initial public offering, the holders of these shares entered into letter agreements with Sand Hill, pursuant to which each agreed to vote their shares of Sand Hill common stock purchased prior to the initial public offering on the merger proposal in the same manner as how a majority of the shares of common stock held by all other Sand Hill stockholders are voted on the merger proposal. They are entitled to vote the shares acquired by them in or subsequent to the initial public offering as they see fit and have indicated that they will vote any shares acquired by them in or subsequent to the initial public offering in favor of the merger proposal. As of March 10, 2006, none of the officers or directors of Sand Hill had acquired any shares of common stock in or subsequent to the initial public offering. Based solely upon information contained in public filings, as of March 10, 2006, the following stockholders beneficially owned greater than five percent of Sand Hill's issued and outstanding common stock:

- Humphrey P. Polanen and his affiliates beneficially owned 559,441 shares of Sand Hill common stock, representing approximately 10.9% of the Sand Hill common stock outstanding on the Sand Hill record date;

  - Sapling, LLC beneficially owned 400,000 shares of Sand Hill common stock, representing approximately 7.8% of the shares of Sand Hill common stock outstanding on the Sand Hill record date;

- Roger Feldman and Harvey Hanerfeld beneficially owned 385,000 shares of Sand Hill common stock, representing approximately 7.5% of the shares of Sand Hill common stock outstanding on the Sand Hill record date; and

- Amaranth, LLC beneficially owned 287,098 shares of Sand Hill common stock, representing approximately 5.6% of the shares of Sand Hill common stock outstanding on the Sand Hill record date.

On the record date, directors and executive officers of St. Bernard and their affiliates beneficially owned and were entitled to vote approximately 11,529,115 shares of St. Bernard common stock that have a market value of approximately $14,411,394 based on the per share value of St. Bernard's common stock as of December 31, 2005. The total of these shares represented approximately 49.7% of St. Bernard's issued and outstanding common stock as of the record date. Based solely upon St. Bernard's records, as of December 31, 2005, the following stockholders beneficially owned greater than five percent of St. Bernard's issued and outstanding common stock:

- John E. Jones beneficially owned 3,155,565 shares of St. Bernard common stock, representing approximately 13.6% of the St. Bernard common stock outstanding on the record date;

- Bob Crowe beneficially owned 970,053 shares of St. Bernard common stock, representing approximately 4.2% of the St. Bernard common stock outstanding on the record date; and

- Bart van Hedel and affiliates beneficially owned 6,705,801 shares of St. Bernard common stock, representing approximately 28.9% of the St. Bernard common stock outstanding on the record date.

Interests of Sand Hill Directors and Officers in the Merger

When you consider the recommendation of Sand Hill's board of directors that you vote in favor of adoption of the merger proposal, you should keep in mind that a number of Sand Hill's executives and members of Sand Hill's board have interests in the merger that are different from, or in addition to, your interests as a Sand Hill or St. Bernard stockholder. These interests include, among other things:

- if the merger is not approved and Sand Hill fails to consummate an alternative transaction within the time allotted pursuant to its certificate of incorporation and Sand Hill is therefore required to liquidate, the shares of common stock purchased prior to its initial public offering and held by Sand Hill's executives and directors may be worthless because Sand Hill's executives and directors are not entitled to receive any of the net proceeds of Sand Hill's initial public offering that may be distributed upon liquidation of Sand Hill with respect to these shares. In addition, the warrants held by such persons, which as of March 10, 2006 are exercisable for 296,500 shares of common stock (108,500 of which are held by Mr. Polanen), will expire without value in the event of a liquidation;

- after the completion of the merger, Humphrey P. Polanen will remain as the chairman of the board of directors of the combined company and Scott R. Broomfield will remain as a director of the combined company; and

- if Sand Hill liquidates prior to the consummation of a business combination, Humphrey P. Polanen, chairman of the board and chief executive officer, will be personally liable to pay debts and obligations, if any, to vendors and other entities that are owed money by Sand Hill for services rendered or products sold to Sand Hill in excess of the net proceeds of Sand Hill's initial public offering not held in the trust account. As of the date of this joint proxy statement/prospectus such amounts are estimated to be approximately $400,000 at the closing of the merger.

Interests of Officers and Directors of St. Bernard in the Merger

You should understand that some of the current officers and directors of St. Bernard have interests in the merger that are different from, or in addition to, your interest as a Sand Hill or St. Bernard stockholder. These interests include, among other things:

- After the completion of the merger, several of the present directors of St. Bernard, specifically, Messrs. John E. Jones, Bart van Hedel and a third person yet to be named will remain as directors of the combined company;

- After the completion of the merger, the current officers of St. Bernard will remain as officers of the combined company; and

- The directors and executive officers of St. Bernard hold stock options granted to them under various St. Bernard Stock Option Plans. Under the terms of the merger agreement, at the effective time of the merger, each outstanding option to purchase shares of St. Bernard common stock that has been granted under St. Bernard's 1992, 2000 and 2005 Stock Option Plans, whether vested or unvested, will be fully accelerated pursuant to its terms, and assumed by Sand Hill and become an option to acquire, on the same terms and conditions as were applicable under the applicable stock option plan immediately prior to the effective time of the merger, an option to purchase shares of Sand Hill common stock. The number of shares of Sand Hill common stock for which each option will be exercisable will be determined by multiplying the number of shares of St. Bernard common stock for which such option was exercisable by a conversion ratio of 0.421419. The exercise price per share of Sand Hill common stock at which each such option will be exercisable will be determined by dividing the exercise price per share of St. Bernard common stock at which such option was exercisable by the conversion ratio of 0.421419.

The table below sets forth, as of December 31, 2005, information with respect to options under the 1992 Stock Option Plan, 2000 Stock Option Plan and 2005 Stock Option Plan held by each of St. Bernard's current executive officers and directors.

STOCK OPTIONS ISSUED TO OFFICERS AND DIRECTORS OF ST. BERNARD SOFTWARE[1]

Name	Number of Options Held	Number of Options Vested	Number of Unvested Options Held
Mr. John E. Jones, Chief Executive Officer, President and Director	170,000	165,833	4,167
Mr. Bart A.M. van Hedel, Director	95,000	86,111	8,889
Mr. Robert G. Copeland, Director	95,000	86,111	8,889
Mr. Mel Lavitt, Director	34,723	25,834	8,889
Mr. Al Riedler, Chief Financial Officer	90,167	61,128	29,039

[1] The table sets forth the aggregate total number of options granted by St. Bernard to the individuals listed. Each of the individuals listed received multiple option grants from St. Bernard, at various exercise prices depending on the date of grant. The exercise prices for the option grants range from $0.11 per share to $0.50 per share.

Conditions to the Completion of the Merger

Each of Sand Hill's and St. Bernard's obligation to effect the merger is subject to the satisfaction or waiver of specified conditions before completion of the merger, including the following:

Conditions to Sand Hill's and St. Bernard's obligation

- The receipt of the Sand Hill stockholder approval;
- The receipt of the St. Bernard stockholder approval;
- the effectiveness of the registration statement pursuant to which the shares of Sand Hill's common stock have been registered with the U.S. Securities and Exchange Commission, and the absence of a stop order suspending the effectiveness of the registration statement or the use of this joint proxy statement/prospectus, or any proceedings for such purposes;
- the absence of any order or injunction preventing consummation of the merger;
- the absence of any suit or proceeding by any governmental entity or any other person challenging the merger or seeking to obtain from St. Bernard, Sand Hill or Sand Hill Merger Corp. any damages;
- at the Sand Hill special meeting, holders of less than 20% of the shares of common stock issued in Sand Hill's initial public offering will have voted against the adoption of the merger proposal and demanded that Sand Hill convert their shares into a pro rata portion of the trust account in which a substantial portion of the net proceeds of Sand Hill's initial public offering are held;
- at the time of consummation of the merger, the board of directors of Sand Hill must determine that the fair market value of St. Bernard is at least 80% of the net assets of Sand Hill; and
- at the time of consummation of the merger Sand Hill must have in the trust account at least $21,350,000, plus accrued interest from July 31, 2005, less any amounts required to redeem shares of Sand Hill common stock properly converted. At December 31, 2005, Sand Hill had $20,025,000 in the trust account, and accreted interest of $705,543.

Conditions to Sand Hill's obligation

The obligation of Sand Hill and Sand Hill Merger Corp. to effect the merger are further subject to the following conditions:

- St. Bernard's representations and warranties in the merger agreement that are qualified as to materiality must be true and correct and those not qualified as to materiality must be true and correct in all material respects, as of the date of completion of the merger, except for representations and warranties in the merger agreement that address matters as of another date, which must be true and correct as of that other date, and Sand Hill must have received a certificate from the chief executive officer and the chief financial officer of St. Bernard to that effect;

- St. Bernard must have performed in all material respects all obligations required to be performed by it under the merger agreement and Sand Hill must have received a certificate from the chief executive officer and the chief financial officer of St. Bernard to that effect;

- there must not have occurred since the date of the merger agreement any material adverse effect on St. Bernard;

- St. Bernard, the escrow agent and the other parties signatory to the Escrow Agreement shall have executed and delivered the Escrow Agreement;

- each of the affiliates of St. Bernard shall have executed and delivered a written agreement substantially in the form attached to the merger agreement;

- each of the executive officers and directors of St. Bernard shall have executed a lock-up agreement;

- counsel for St. Bernard shall have delivered a legal opinion substantially in the form attached to the merger agreement; and

- St. Bernard shall have obtained any necessary third-party consents to the merger.

Conditions to St. Bernard's obligation

The obligation of St. Bernard to effect the merger is further subject to the following conditions:

- Sand Hill's and Sand Hill Merger Corp.'s representations and warranties in the merger agreement that are qualified as to materiality must be true and correct and those not qualified as to materiality must be true and correct in all material respects, as of the date of completion of the merger, except for representations and warranties that address matters as of another date, which must be true and correct as of that date, and St. Bernard must have received a certificate from the chief executive officer and the chief financial officer of Sand Hill to that effect;

- Sand Hill and Sand Hill Merger Corp. must have performed in all material respects all obligations required to be performed by them under the merger agreement and St. Bernard must have received a certificate from the chief executive officer and the chief financial officer of Sand Hill to that effect;

- there must not have occurred since the date of the merger agreement any material adverse effect on Sand Hill;

- Sand Hill, the escrow agent, and the other parties to be signatory to the Escrow Agreement shall have executed and delivered the Escrow Agreement; and

- St. Bernard shall have received a written opinion from Duane Morris LLP, counsel to St. Bernard, dated on or before the closing date, to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

If permitted under applicable law, either St. Bernard or Sand Hill may waive conditions for the benefit of itself and its stockholders and complete the merger even though one or more of these conditions have not been met. We cannot assure you that all of the conditions will be satisfied or waived or that the merger will occur.

No Solicitation

The merger agreement contains detailed provisions prohibiting each of St. Bernard and Sand Hill from seeking an alternative transaction. The no solicitation covenant of St. Bernard generally prohibits St. Bernard, as well as its officers, directors, employees, representatives or agents, from taking any action to solicit an acquisition proposal as described on pages 42-43 of the merger agreement. The merger agreement does not, however, prohibit St. Bernard from considering a superior proposal from a third party in the circumstances described under "*The Merger Agreement—No Solicitation by St. Bernard*" on page ___. The no solicitation covenant of Sand Hill generally prohibits Sand Hill, as well as its stockholders, officers, directors, employees, representatives or agents, from taking any action to solicit an acquisition proposal as described on pages 46-47 of the merger agreement. The merger agreement does not, however, prohibit Sand Hill from engaging in discussions or issuing indications of interest to parties in the IT security industry under certain conditions, as long as Sand Hill does not enter into or negotiate the terms of a letter of intent or similar agreement related to a business combination until after certain conditions have been met as described under "*The Merger Agreement - No Solicitation by Sand Hill*" on page _____.

Termination

The merger agreement may be terminated at any time prior to the consummation of the merger, whether before or after receipt of the Sand Hill stockholder approval, by mutual written consent of Sand Hill, Sand Hill Merger Corp. and St. Bernard.

Termination by either St. Bernard or Sand Hill

Either St. Bernard or Sand Hill may terminate the merger agreement if:

- the merger is not consummated on or before June 30, 2006;
- any governmental entity issues an order, decree or ruling or takes any other action permanently enjoining, restraining or otherwise prohibiting the merger and such order, decree, ruling or other action will have become final and nonappealable;
- any condition to the obligation of such party to consummate the merger becomes incapable of satisfaction prior to June 30, 2006; or
- at the special meeting, the Sand Hill stockholder approval is not obtained or the holders of 20% or more of the shares of common stock issued in Sand Hill's initial public offering have voted against the merger and demanded that Sand Hill convert their shares into cash pursuant to the terms of Sand Hill's certificate of incorporation.

Termination by Sand Hill

Sand Hill may terminate the merger agreement if:

- St. Bernard breaches or fails to perform in any material respect any of its representations, warranties or covenants contained in the merger agreement which breach or failure to perform would give rise to the failure of specified conditions in the merger agreement and cannot be or has not been cured within 30 days after the giving of written notice to St. Bernard of such breach or by June 30, 2006, if earlier;
- a special meeting of the St. Bernard stockholders is not held within 25 days after the effective date of the registration statement of which this joint proxy statement/prospectus is a part;
- at the special meeting of St. Bernard's stockholders, the St. Bernard stockholders do not approve the merger;

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- St. Bernard's board of directors has withdrawn or adversely modified its recommendation in favor of the merger;

- St. Bernard's board of directors has failed to include its recommendation in favor of the merger in its proxy statement to its stockholders;

- St. Bernard's board of directors has approved an alternative acquisition proposal, which is a transaction where any person has or will acquire 15% or more of St. Bernard's voting power or assets that account for 15% or more of St. Bernard's net revenues, net income or assets; or

- St. Bernard's board of directors determines that it has received a superior proposal, which is an alternative acquisition proposal that St. Bernard's board of directors determines in good faith is superior to the merger with Sand Hill and that it is required to submit such alternative proposal to its stockholders in the exercise of its fiduciary duties.

Termination by St. Bernard

St. Bernard may terminate the merger agreement if:

- Sand Hill breaches or fails to perform in any material respect any of its representations, warranties or covenants contained in the merger agreement which breach or failure to perform would give rise to the failure of specified conditions in the merger agreement and cannot be or has not been cured within 30 days after the giving of written notice to Sand Hill of such breach or by June 30, 2006, if earlier;

- A special meeting of the Sand Hill stockholders is not held within 60 days after the effective dates of the registration statement of which this joint proxy statement/prospectus is a part;

- At the special meeting of the Sand Hill stockholders, the Sand Hill stockholders do not approve the merger;

- Sand Hill's board of directors has withdrawn or adversely modified its recommendation in favor of the merger;

- Sand Hill's board of directors has failed to include its recommendation in favor of the merger in its proxy statement to its stockholders;

- Sand Hill's board of directors has approved an alternative acquisition proposal, which is a transaction where any person has or will acquire 15% or more of Sand Hill's voting power or assets that account for 15% or more of sand Hill's net revenues, net income or assets; or

- Sand Hill's board of directors determines that it has received a superior proposal, which is an alternative acquisition proposal that Sand Hill's board of directors determines in good faith is superior to the merger with St. Bernard and that it is required to submit such alternative proposal to its stockholders in the exercise of its fiduciary duties.

Termination Fee; Expenses

St. Bernard has agreed to pay Sand Hill a termination fee of $1,750,000, net of any expenses already reimbursed by St. Bernard to Sand Hill if the merger agreement is terminated by Sand Hill for specified reasons and St. Bernard completes an alternative acquisition proposal within one year of that termination. Each of Sand Hill and St. Bernard has agreed to pay the expenses of the other incurred in connection with the merger agreement, up to $300,000, if the merger agreement is terminated in the circumstances described under the "*The Merger Agreement—Termination Fee and Expenses*" on page ____ hereof.

Quotation or Listing

Sand Hill's outstanding common stock, warrants and units are currently quoted on the Over-the-Counter Bulletin Board. Sand Hill will use its best efforts to cause its outstanding shares of common stock and warrants and the shares of common stock to be issued in the merger to be approved for quotation on the Nasdaq Stock Market or, if they are not eligible for quotation on Nasdaq, to be listed on the American Stock Exchange, prior to the consummation of the merger.

Amendment and Restatement of Sand Hill Certificate of Incorporation

As part of the merger agreement Sand Hill agreed to amend and restate the Sand Hill certificate of incorporation to, among other things, remove the provisions related to the protective provisions related to a business combination put in place when Sand Hill completed its initial public offering as a result of Sand Hill being a Targeted Acquisition Corporation. The amended and restated Sand Hill certificate of incorporation is attached to this document as *Annex B*. The changes to the Sand Hill certificate of incorporation will not be effective unless the merger is completed.

Officers and Directors After the Merger

The combined company will be managed by the current management of St. Bernard. John E. Jones, who is currently the President and Chief Executive Officer of St. Bernard, will become the President and Chief Executive Officer of the combined company. Alfred Riedler, who is currently the Chief Financial Officer of St. Bernard, will become the Chief Financial Officer of the combined company. Bart van Hedel, who is currently on the board of directors of St. Bernard, will continue as a board member of the combined company. Humphrey P. Polanen, who is currently the Chairman of the Board and Chief Executive Officer of Sand Hill, will continue as Chairman of the Board of the combined company. Scott R. Broomfield, who is currently the Executive Vice President of Corporate Development and on the board of directors of Sand Hill, will continue as a board member of the combined company. Sand Hill and St. Bernard will agree on who the other members of the board of directors of the combined company will be prior to the effective time of the merger.

Indemnification and Stock Escrow Agreement

At the time of the consummation of the merger, Sand Hill will deposit with a mutually acceptable escrow agent ten percent (10%) of the shares of common stock of Sand Hill to be issued in the merger. If, within 270 days of the date of the consummation of the merger, Sand Hill asserts a claim that St. Bernard breached any representation or warranty in the merger agreement, or covenant requiring performance prior to the consummation of the merger, then, subject to the resolution or arbitration of such claim in favor of Sand Hill, the escrow agent will return to Sand Hill a portion of the shares of Sand Hill common stock held in escrow with a value equal to the damages caused by such breach, up to a maximum of the total number of shares of Sand Hill common stock held in escrow. The number of shares to be returned will be based on a per share price of $5.10. The escrowed shares will only be available to satisfy Sand Hill claims that are made within 270 days after the completion of the merger. Two hundred seventy days after completion of the merger any remaining escrowed shares that have not been used to satisfy indemnification claims by Sand Hill will be released to the former stockholders of St. Bernard. The complete text of the stock escrow agreement that will govern these matters is attached as Exhibit E of Annex A. We encourage all stockholders to read the stock escrow agreement in its entirety.

Material United States Federal Income Tax Consequences of the Merger

The merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

A St. Bernard stockholder's receipt of Sand Hill common stock in the merger will be tax-free for United States federal income tax purposes. The receipt in the merger of warrants or options to purchase common stock of Sand Hill by a holder of St. Bernard warrants or options to purchase St. Bernard common stock will be tax-free for United States federal income tax purposes. However, an St. Bernard stockholder who exercises his or her appraisal rights and who receives cash in exchange for his or her shares of St. Bernard common stock generally will recognize gain or loss measured by the difference between the amount of cash received and the tax basis of such stockholders shares of St. Bernard common stock.

A stockholder of Sand Hill who exercises conversion rights and effects a termination of the stockholder's interest in Sand Hill will generally be required to recognize capital gain or loss upon the exchange of that stockholder's shares of common stock of Sand Hill for cash, if such shares were held as a capital asset on the date of the merger. Such gain or loss will be measured by the difference between the amount of cash received and the tax basis of that stockholder's shares of Sand Hill common stock. No gain or loss will be recognized by non-converting stockholders of Sand Hill.

No gain or loss will be recognized by Sand Hill or St. Bernard as a result of the merger. For a description of the material federal income tax consequences of the merger, please see the information set forth in "*Material Federal Income Tax Consequences of the Merger*" on page ___.

Accounting Treatment

The merger will be accounted for under the reverse acquisition application of the equity recapitalization method of accounting in accordance with U.S. generally accepted accounting principles for accounting and financial reporting purposes. Under this method of accounting, Sand Hill will be treated as the "acquired" company for financial reporting purposes. In accordance with guidance applicable to these circumstances, the merger will be considered to be a capital transaction in substance. Accordingly, for accounting purposes, the merger will be treated as the equivalent of St. Bernard issuing stock for the net monetary assets of Sand Hill, accompanied by a recapitalization. The net monetary assets of Sand Hill will be stated at their fair value, essentially equivalent to historical costs, with no goodwill or other intangible assets recorded. The accumulated deficit of St. Bernard will be carried forward after the merger. Operations prior to the merger will be those of St. Bernard and subsequent to the merger will be those of the combined company.

Regulatory Matters

The merger and the transactions contemplated by the merger agreement are not subject to any federal or state regulatory requirement or approval, including the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or HSR Act, except for filings necessary to effectuate the transactions contemplated by the merger proposal with the Secretary of State of the State of Delaware.

SELECTED HISTORICAL AND UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

We are providing the following financial information to assist you in your analysis of the financial aspects of the merger. We derived the St. Bernard historical information from the audited consolidated financial statements of St. Bernard as of and for each of the years ended December 31, 2005, 2004 and 2003. The information as of and for the years ended December 31, 2002, 2001 and 2000 was derived from St. Bernard's unaudited consolidated financial statements which are not contained in this joint proxy statement/prospectus. We derived the Sand Hill historical information from the audited financial statements of Sand Hill for the period from April 15, 2004 (inception) to December 31, 2004, and from the audited financial statements as of and for each of the years ended December 31, 2005 and 2004 (from inception). The information is only a summary and should be read in conjunction with each company's historical consolidated financial statements and related notes contained elsewhere herein. The historical results included below and elsewhere in this document are not indicative of the future performance of St. Bernard, Sand Hill or the combined company.

Sand Hill Selected Historical Financial Data

The following table sets forth selected historical financial data of Sand Hill. The information presented below was derived from Sand Hill's audited consolidated financial statements as of December 31, 2005 and 2004 and for the period from April 15, 2004 (inception) to December 31, 2005 and 2004. This information is only a summary. You should read it together with Sand Hill's historical consolidated financial statements and accompanying notes in this joint proxy statement/prospectus.

(Dollars in thousands except share information)

Consolidated Statement of Operations Data:	Twelve Months Ended December 31, 2005	Period from April 15, 2004 (inception) to December 31, 2005	Period from April 15, 2004 (inception) to December 31, 2004
Net revenue	$ 0	$ 0	$ 0
Operating income (loss)	$ (1,107)	$ (1,299)	$ (192)
Interest income	$ 638	$ 780	$ 142
Net income (loss)	$ (469)	$ (518)	$ (50)
Net loss per share - basic and diluted	$ (0.09)	$ (0.12)	$ (0.01)
Shares used - basic and diluted	5,110,000	4,433,893	3,468,786

	December 31, 2005	December 31, 2004
Consolidated Balance Sheet Data:		
Cash and cash equivalents	$ 21,804	$ 21,884
Working capital	$ 21,561	$ 22,000
Total assets	$ 21,816	$ 22,016
Common stock subject to possible conversion	$ 4,344	$ 4,218
Stockholder equity	$ 17,217	$ 17,782

St. Bernard Selected Historical Financial Data

The following table sets forth selected historical financial data of St. Bernard. The information presented below was derived from St. Bernard's audited consolidated financial statements as of December 31, 2005, 2004 and 2003. The information as of and for the years ended December 31, 2002 and 2001 was derived from St. Bernard's unaudited consolidated financial statements which are not contained in this joint proxy statement/prospectus. The information is only summary. You should read it together with St. Bernard's historical consolidated financial statements and accompanying notes in this joint proxy statement/prospectus.

Dollars and shares in thousands

	Year Ended December 31,				
Consolidated Statement of Operations Data:	2005	2004	2003	2002 (1)	2001
Net revenue	$ 23,985	$ 21,174	$ 19,790	$ 14,351	$ 11,287
Operating loss	$ (2,670)	$ (7,774)	$ (530)	$ (868)	$ (1,913)
Interest expense	$ 263	$ 240	$ 285	$ 301	$ 111
Net loss	$ (2,961)	$ (7,962)	$ (309)	$ (1,277)	$ (1,772)
Net loss per share - basic and diluted	$ (0.13)	$ (0.39)	$ (0.02)	$ (0.07)	$ (0.10)
Weighted average shares outstanding	22,157	20,503	19,434	18,316	18,206

	As of December 31,				
Consolidated Balance Sheet Data:	2005	2004	2003	2002	2001
Cash and equivalents	$ 9	$ 557	$ 1,111	$ 5	$ 51
Working capital (deficit)	$ (9,700)	$ (9,420)	$ (2,556)	$ (1,320)	$ (784)
Total assets	$ 12,192	$ 11,454	$ 11,481	$ 8,015	$ 7,663
Deferred revenue	$ 16,071	$ 13,200	$ 8,479	$ 4,370	$ 2,965
Long term obligation less current portion	$ 5	$ 40	$ 33	$ 0	$ 300
Stockholder equity (deficit)	$ (8,555)	$ (6,812)	$ 650	$ 1,136	$ 2,274

(1) Effective January 1, 2002, St. Bernard adopted the provisions of SFAS No. 142.

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SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The merger will be accounted for as a reverse acquisition application of the equity recapitalization method of accounting. Accordingly, although the merger is structured such that St. Bernard will become a wholly-owned subsidiary of Sand Hill at closing, St. Bernard will be treated as the acquirer for accounting and financial reporting purposes. The assets and liabilities of Sand Hill will be recorded, as of completion of the merger, at their respective historical cost, which is considered to be the equivalent of fair value and added to those of St. Bernard. For a more detailed description of purchase accounting, see "*The Merger Proposal—Anticipated Accounting Treatment*" on page ___.

We have presented below selected unaudited pro forma combined financial information that reflects the equity recapitalization method of accounting and is intended to provide you with a better picture of what our business might have looked like had St. Bernard and Sand Hill actually combined. The combined financial information may have been different had the companies actually been combined. The selected unaudited pro forma combined financial information does not reflect the effect of asset dispositions, if any, or cost savings that may result from the merger. You should not rely on the selected unaudited pro forma combined financial information as being indicative of the historical results that would have occurred had the companies been combined or the future results that may be achieved after the merger. The following selected unaudited pro forma combined financial information has been derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and related notes thereto included elsewhere in this document.

The selected unaudited pro forma combined financial data is based on estimates and assumptions that are preliminary. The data is presented for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial condition of St. Bernard Software that would have been reported had the proposed merger been completed as of the date presented, and should not be taken as representative of future consolidated results of operations or financial condition of St. Bernard Software.

Pro Forma Condensed
Consolidated Statement of Operations Data:
Dollars and shares in thousands

		Year Ended December 31, 2005
Assumes no conversions (1)		
Net revenue	$	23,985
Operating loss	$	(3,776)
Interest expense	$	(263)
Net loss	$	(3,430)
Net loss per share - basic	$	(0.23)
Shares used - basic and diluted		14,867

Pro Forma Condensed
Consolidated Balance Sheet Data:
Dollars in thousands

		December 31, 2005
Cash and cash equivalents	$	20,113
Working capital	$	10,162
Total assets	$	32,308
Deferred Revenue	$	16,071
Long-term obligations less current portion	$	5
Stockholder equity	$	11,306

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	Year ended December 31, 2005 Assuming No Conversions (1)	Year ended December 31, 2005 Assuming Maximum Conversions (2)
	(In thousands, except per share data)	
Revenues	$ 23,985	$ 23,985
Net loss	(3,430)	(3,517)
Net loss per share	(0.23)	(0.25)
Shares used basic and diluted	14,867	14,049

	December 31, 2005 Assuming No Conversions (1)	December 31, 2005 Assuming Maximum Conversions (2)
	(in thousands)	
Total assets	$ 32,308	$ 27,964
Total liabilities	21,002	21,002
Stockholders' equity	11,306	6,962

Notes:

(1) Assumes that no Sand Hill stockholders seek conversion of their Sand Hill stock into their pro rata share of the trust fund.

(2) Assumes that 19.9% shares of Sand Hill common stock were redeemed into their pro rata share of the trust fund.

COMPARATIVE PER SHARE INFORMATION

The following table sets forth selected historical per share information of St. Bernard and Sand Hill and unaudited pro forma combined per share information after giving effect to the merger between St. Bernard and Sand Hill, under the reverse acquisition application of the equity recapitalization method of accounting, assuming a maximum level and a minimum level of approval of the merger by Sand Hill stockholders. You should read this information in conjunction with the selected historical financial information, included elsewhere in this document, and the historical financial statements of St. Bernard and Sand Hill and related notes that are included elsewhere in this document. The unaudited St. Bernard pro forma combined per share information is derived from, and should be read in conjunction with, the Unaudited Pro Forma Condensed Combined Financial Statements and related notes included elsewhere in this proxy statement. The historical per share information is derived from financial statements as of and for the year ended December 31, 2005, and the period from April 15, 2004 (inception) to December 31, 2005 with respect to Sand Hill.

The unaudited pro forma combined per share information does not purport to represent what the actual results of operations of St. Bernard and Sand Hill would have been had the companies been combined or to project St. Bernard and Sand Hill's results of operations that may be achieved after the merger.

Number of shares of common stock outstanding upon consummation of the merger:	**St. Bernard**	**Sand Hill(1)**		**Combined Company**
Assuming no conversions	9,756,839	5,110,000		14,866,839
	65.6%	34.4%		100%
Assuming maximum conversions	9,756,839	4,292,110		14,048,949
	69.4%	30.6%		100%
Net (loss) per share—historical:				
Year ended December 31, 2005:	($0.13)	($0.09)	(2)	
Book value per share— Historical December 31, 2005	($0.37)	$ 4.22	(4)	
Net loss per share—pro forma: (2)				
Year ended December 31, 2005:				
No conversions				($0.23)
Maximum conversions (3)				($0.25)
Book value per share—pro forma December 31, 2005				
No conversions				$ 0.76
Maximum conversions (3)				$ 0.51

Notes:

(1) Operations of Sand Hill for 2004 are for the period from April 15, 2004 (inception) to December 31, 2005.

(2) Consolidated pro forma per share amounts for Sand Hill and St. Bernard were determined based upon the assumed number of shares to be outstanding under the two different levels of conversion rights.

(3) This calculation includes shares of common stock subject to conversion only in the event that minimum approval of the merger is obtained.

(4) Historical book value per share for Sand Hill was computed based on the book value of Sand Hill at December 31, 2005 $17,217,036 plus common stock, subject to possible conversion $4,343,935 divided by the 5,110,000 issued and outstanding shares of Sand Hill common stock at December 31, 2005.

PER SHARE MARKET PRICE INFORMATION

The closing price for the common stock, warrants and units of Sand Hill on Wednesday, October 26, 2005, the last trading day before announcement of the execution of the merger agreement was $5.27, $1.51 and $8.35, respectively. Sand Hill's common stock, warrants and units are each quoted on the Over-the-Counter Bulletin Board under the symbols SHQC, SHQCW and SHQCU, respectively. Sand Hill's units commenced public trading on July 27, 2004 and its common stock and warrants commenced public trading on August 24, 2004.

In connection with the merger, application will be made for the quotation of the combined company's common stock and warrants on the Nasdaq Stock Market or, if they are not eligible for quotation on Nasdaq, to be listed on the American Stock Exchange.

As of ________, 2006, there were ____ holders of record of the units, ________ holders of record of the common stock and ____ holders of record of the warrants. Sand Hill believes the beneficial holders of the units, common stock and warrants to be in excess of ______ persons each.

The capital stock of St. Bernard is not publicly traded, and no market information related to its capital stock is available.

Neither Sand Hill nor St. Bernard have paid any cash dividends on their common stock to date and do not intend to pay dividends prior to the completion of the merger. The payment of dividends in the future will be contingent upon revenues and earnings, if any, capital requirements and general financial condition subsequent to completion of a business combination. The payment of any dividends subsequent to the merger will be within the discretion of the then board of directors. It is the present intention of the board of directors to retain all earnings, if any, for use in the business operations and, accordingly, the board does not anticipate declaring any dividends in the foreseeable future.

The table below sets forth, for the calendar quarters indicated, the high and low bid prices of the Sand Hill common stock, warrants and units as reported on the Over-the-Counter Bulletin Board. The over-the-counter market quotations reported below reflect inter-dealer prices, without markup, markdown or commissions and may not represent actual transactions.

	Common Stock		Warrants		Units	
Quarter Ended	**High**	**Low**	**High**	**Low**	**High**	**Low**
December 31, 2004	$4.95	$4.55	$0.70	$0.43	$6.20	$5.42
March 31, 2005	$5.25	$4.80	$0.95	$0.55	$7.25	$6.00
June 30, 2005	$5.47	$4.91	$0.96	$0.56	$7.25	$6.00
September 30, 2005	$5.50	$5.10	$1.60	$0.75	$8.51	$6.45
December 31, 2005	$5.50	$5.10	$1.70	$0.77	$8.80	$6.60
Through March 10, 2006	$5.35	$5.19	$1.13	$0.77	$7.50	$6.95

RISK FACTORS

You should carefully consider the following risk factors, together with all of the other information included in this joint proxy statement/prospectus, before you decide whether to vote or instruct your vote to be cast to adopt the merger proposal, the stock option plans proposal and the adjournment proposal.

Risks Related to St. Bernard's Business

Because St. Bernard derives a majority of its license revenue from sales of a few product lines, any decline in demand for these products could severely harm its ability to generate revenue and its results of operations.

St. Bernard derives a majority of its revenue from a small number of software products, including its iPrism, ePrism, Update Expert and Open File Manager and related subscription and maintenance services. In particular, St. Bernard's future success depends in part on achieving substantial revenue from customer renewals for subscriptions. St. Bernard's customers have no obligation to renew their subscriptions upon expiration. If St. Bernard's products fail to meet the needs of its existing and target customers, or if they do not compare favorably in price and performance to competing products, St. Bernard's growth will be limited. Subscriptions typically have durations of 12, 24 or 36 months. As a result, a majority of the revenue it reports in each quarter is deferred revenue from subscription agreements entered into and paid for during previous quarters. Because of this financial model, the revenue it reports in any quarter or series of quarters may mask significant downturns in sales and the market acceptance of its products. In addition, its products are concentrated on the small and medium enterprise, or SME, environment. St. Bernard is particularly vulnerable to fluctuations in demand for these products, whether as a result of competition, product obsolescence, technological change, budget constraints of its potential customers or other factors. If St. Bernard's revenue derived from these software products were to decline significantly, including as a result of customers not renewing subscriptions, its business and operating results would be adversely affected.

St. Bernard has a history of losses and negative cash flow and there can be no assurance that St. Bernard will become profitable or achieve consistently positive cash flow.

St. Bernard has a history of operating losses and negative cash flow. As of December 31, 2005, St. Bernard had an accumulated deficit of approximately $29.0 million. There can be no assurance that St. Bernard will achieve profitability and that losses will not occur or that it will not have negative cash flow in the future.

If St. Bernard fails to manage its direct sales and OEM distribution channels effectively its sales could decline.

St. Bernard markets its products and related services both directly to end-users and through a variety of indirect sales channels, which include VARs, distributors, system integrators and OEMs.

Direct Sales. A significant portion of St. Bernard's revenue is derived from sales by its direct sales force to end-users. This sales channel involves a number of special risks, including:

- longer sales cycles associated with direct sales efforts;
- difficulty in hiring, training, retaining and motivating a direct sales force; and
- the requirement of a substantial amount of training for sales representatives to become productive, and training that must be updated to cover new and revised products.

OEMs. A portion of St. Bernard's revenue is derived from sales through its OEM partners that incorporate St. Bernard's products into their products. St. Bernard's reliance on this sales channel involves a number of special risks, including:

- its lack of control over the shipping dates or volume of systems shipped;

- its OEM partners are not subject to minimum sales requirements or any obligation to market its products to their customers;

- its OEM partners may terminate or renegotiate their arrangements with St. Bernard and new terms may be less favorable in recognition of its increasingly competitive relationship with certain partners;

- the development work that St. Bernard must generally undertake under its agreements with its OEM partners may require St. Bernard to invest significant resources and incur significant costs with little or no associated revenue;

- the time and expense required for the sales and marketing organizations of its OEM partners to become familiar with its products may make it more difficult to introduce those products to the market;

- St. Bernard's OEM partners may develop, market and distribute their own products and market and distribute products of St. Bernard's competitors, which could reduce its sales; and

- if St. Bernard fails to manage its distribution channels successfully, its distribution channels may conflict with one another or otherwise fail to perform as St. Bernard anticipates, which could reduce its sales and increase its expenses, as well as weaken its competitive position.

If the combined company is unable to maintain and expand, or enter into new, indirect sales channels relationships its operating results would decline.

St. Bernard's indirect sales channels accounted for approximately 28.9% and 33.4% of its revenue in 2005 and 2004. The combined company intends to continue to rely on St. Bernard's indirect sales channels for a significant portion of its revenue. St. Bernard depends on its indirect sales channels, including value-added resellers, distributors, and providers of managed Internet services, to offer its products to a larger customer base than can be reached through a direct sales effort. None of these parties is obligated to continue selling St. Bernard's products or to make any purchases from St. Bernard. If they are unsuccessful in their efforts or are unwilling or unable to market and sell St. Bernard's new product offerings, St. Bernard's operating results will suffer. St. Bernard cannot control the level of effort these parties expend or the extent to which any of them will be successful in marketing and selling its products. Some of St. Bernard's indirect sales channels also market and sell products that compete with its products or may decide to do so in the future. St. Bernard may not be able to prevent these parties from devoting greater resources to support its competitors' products and/or eliminating their efforts to sell its products.

St. Bernard's international sales and operations involve special risks that could increase its expenses, adversely affect its operating results and require increased time and attention of its management.

St. Bernard derives less than 10% of its revenue from customers located outside of the U.S. and has operations outside of the U.S., including sales and customer support. The combined company plans to expand St. Bernard's international operations and St. Bernard's planned growth is contingent upon the successful expansion of its international revenue. St. Bernard's international operations are subject to risks in addition to those faced by its domestic operations, including:

- potential loss of proprietary information due to piracy, misappropriation or laws that may be less protective of St. Bernard's intellectual property rights than those in the U.S.;

- imposition of foreign laws and other governmental controls, including trade and employment restrictions;

- fluctuations in currency exchange rates and economic instability such as higher interest rates and inflation, which could reduce its customers' ability to obtain financing for software products or which could make its products more expensive in those countries;

- limitations on future growth or inability to maintain current levels of revenue from international sales if the combined company does not invest sufficiently in its international operations;

· difficulties in hedging foreign currency transaction exposures;

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- longer payment cycles for sales in foreign countries and difficulties in collecting accounts receivable;
- difficulties in staffing, managing and operating international operations, including difficulties related to administering stock plans in some foreign countries;
- difficulties in coordinating the activities of its geographically dispersed and culturally diverse operations;
- seasonal reductions in business activity in the summer months in Europe and in other periods in other countries;
- costs and delays associated with developing software in multiple languages; and
- war or terrorism, particularly in areas in which St. Bernard has facilities.

The market for St. Bernard's products continues to emerge, and if it is not successful in promoting awareness of the need for its products and of the St. Bernard brand, its growth may be limited.

Based on St. Bernard's experience with potential customers, St. Bernard believes that many corporations do not recognize or acknowledge the existence or scope of problems caused by misuse or abuse of the Internet or of network computers, creating significant barriers to sales. In addition, there may be a time-limited opportunity to achieve and maintain a significant share of the market for web filtering and email filtering and St. Bernard's other products due in part to the emerging nature of these markets and the substantial resources available to its existing and potential competitors. If companies do not recognize or acknowledge these problems, then the market for St. Bernard's products may develop more slowly than it expects, which could adversely affect its operating results. Developing and maintaining awareness of the St. Bernard brand is critical to achieving widespread acceptance of St. Bernard's existing and future products. Furthermore, St. Bernard believes that the importance of brand recognition will increase as competition in its market develops. Successful promotion of the St. Bernard brand will depend largely on the effectiveness of the combined company's marketing efforts and on its ability to develop reliable and useful products at competitive prices. If the combined company fails to successfully promote the St. Bernard brand, or if its expenses to promote and maintain the St. Bernard brand are greater than anticipated, its results of operations and financial condition could suffer.

If the combined company is not able to develop new and enhanced products that achieve widespread market acceptance, it may be unable to recover product development costs, and its earnings and revenue may decline.

St. Bernard's future success depends on its ability to address the rapidly changing needs of its customers by developing, acquiring and introducing new products, product updates and services on a timely basis. St. Bernard must also extend the operation of its products to new platforms and keep pace with technological developments and emerging industry standards. The combined company intends to commit substantial resources to developing new software products and services, including software products and services for the secure content management small and medium enterprise market. Products being developed are new and unproven, and industry standards for these markets are evolving and changing. They also may require development of new sales channels. If these markets do not develop as anticipated, or if demand for its products and services in these markets does not materialize or occurs more slowly than St. Bernard expects, the combined company will have expended substantial resources and capital without realizing sufficient revenue, and its business and operating results could be adversely affected.

St. Bernard incurs considerable expenses to develop products for operating systems that are either owned by others or that are part of the Open Source Community. If it does not receive cooperation in its development efforts from others and access to operating system technologies, St. Bernard may face higher expenses or fail to expand its product lines and revenues.

Many of St. Bernard’s products operate primarily on the Linux, UNIX and Windows computer operating systems. As part of St. Bernard’s efforts to develop products for operating systems that are part of the Open Source Community, St. Bernard may have to license portions of its products on a royalty free basis or may have to expose its source code. Open Source describes general practices in production and development which promote access to the end product’s sources. The Open Source Community emphasizes collaborative development and requires licensing that allows modifications and enhancements of registered open source code be made available to whoever would like to use it. Developers who use open source code in proprietary products risk exposing the intellectual property developed in conjunction with the open source code to the public. St. Bernard continues to develop new products for these operating systems. It may not accomplish its development efforts quickly or cost-effectively, and it is not clear what the relative growth rates of these operating systems will be. St. Bernard’s development efforts require substantial capital investment, the devotion of substantial employee resources and the cooperation of the owners of the operating systems to or for which the products are being ported or developed. If the market for a particular operating system does not develop as anticipated, or demand for St. Bernard’s products and services in such market does not materialize or occurs more slowly than it expects, the combined company may have expended substantial resources and capital without realizing sufficient revenue, and its business and operating results could be adversely affected.

In addition, for some operating systems, St. Bernard must obtain from the owner of the operating system a source code license to portions of the operating system software to port some of its products to or develop products for the operating system. Operating system owners have no obligation to assist in these porting or development efforts. If they do not grant St. Bernard a license or if they do not renew its license, St. Bernard may not be able to expand its product lines into other areas.

St. Bernard faces increasing competition, which places pressure on its pricing and which could prevent St. Bernard from increasing revenue or maintaining profitability. In addition, St. Bernard may face competition from better-established companies that have significantly greater resources.

The market for St. Bernard’s products is intensely competitive and is likely to become even more so in the future. St. Bernard’s current principal competitors frequently offer their products at a significantly lower price than St. Bernard’s products, which has resulted in pricing pressures on sales of St. Bernard’s products. St. Bernard also faces increasing competition from security solutions providers who may add security modules or features to their product offerings. In addition, pricing pressures and increased competition generally could result in reduced sales, reduced margins or the failure of St. Bernard’s products to achieve or maintain more widespread market acceptance, any of which could have a material adverse effect on its business, results of operations and financial condition.

St. Bernard also faces current and potential competition from vendors of operating systems and networking hardware, many of which now, or may in the future, develop and/or bundle security, file backup, patch management or other competitive products with their products. St. Bernard competes against, and expects increased competition from, anti-virus software developers, traditional network management software developers and Web management service providers. If security or file backup functions become standard features of internet-related hardware or software, the demand for St. Bernard’s products will decrease. Furthermore, even if St. Bernard’s products provide greater functionality and are more effective than certain other competitive products, potential customers might accept limited functionality as part of an unbundled solution in lieu of purchasing separate products which require more administration. In addition, St. Bernard’s own indirect sales channels may decide to develop or sell competing products instead of its products. Many of St. Bernard’s potential competitors have substantial competitive advantages, such as:

- greater name recognition and larger marketing budgets and resources;
- established marketing relationships and access to larger customer bases; and
- substantially greater financial, technical and other resources.

As a result, they may be able to respond more quickly and effectively than St. Bernard can to new or changing opportunities, technologies, standards or customer requirements. For all of the foregoing reasons, the combined company may not be able to compete successfully against St. Bernard’s current and future competitors, and its results of operations could be adversely affected.

St. Bernard's database categories and its process for classifying websites and software applications within those categories are subjective, and it may not be able to categorize websites and software applications in accordance with its customers' expectations.

St. Bernard may not succeed in accurately categorizing Internet and application content to meet its customers' expectations. St. Bernard relies upon a combination of automated filtering technology and human review to categorize websites and software applications in its proprietary databases. St. Bernard's customers may not agree with its determinations that particular websites and software applications should be included or not included in specific categories of its databases. In addition, it is possible that the filtering processes may place objectionable material in categories that are generally unrestricted by St. Bernard's users' Internet and computer access policies, which could result in employees having access to such material in the workplace. Any miscategorization could result in customer dissatisfaction and harm St. Bernard's reputation. Furthermore, St. Bernard selects its categories based on content it believes employers want to manage. St. Bernard may not now, or in the future, succeed in properly identifying the categories of content that employers want to manage. Any failure to effectively categorize and filter websites and software applications according to its customers' expectations will impair the growth of St. Bernard's business and its efforts to increase brand acceptance.

St. Bernard's databases may fail to keep pace with the rapid growth and technological change of the Internet.

The success of St. Bernard's products depends, in part, on the breadth and accuracy of its databases. Although its databases currently catalog more than six million websites, they contain only a portion of such material that exists. In addition, the total number of websites is growing rapidly, and St. Bernard expects this rapid growth rate to continue in the future. St. Bernard's databases and database technologies may not be able to keep pace with the growth in the number of websites and software applications, especially the growing amount of content utilizing foreign languages. Further, the ongoing evolution of the Internet and computing environments will require it to continually improve the functionality, features and reliability of its databases. Because its products primarily can only manage access to websites included in its databases, if St. Bernard's databases do not contain a meaningful portion of relevant content, the effectiveness of iPrism and ePrism will be significantly diminished. Any failure of St. Bernard's databases to keep pace with the rapid growth and technological change of the Internet will impair the market acceptance of its products, which in turn will harm its business, results of operations and financial condition.

The combined company's business strategy includes possible growth through acquisitions, which involve special risks that could increase the combined company's expenses, and divert the time and attention of management.

As part of its business strategy, St. Bernard has in the past acquired product, technology and companies and the combined company expects in the future to acquire other businesses, business units and technologies. Acquisitions involve a number of special risks and challenges, including:

· diversion of management's attention from St. Bernard's business;

· integration of acquired business operations and employees into its existing business, including coordination of geographically dispersed operations, which can take longer and be more complex than initially expected;

· incorporation of acquired products and business technologies into existing product lines, including consolidating technology with duplicative functionality or designed on different technological architecture, and the ability to sell the acquired products through existing or acquired sales channels;

· loss or termination of employees, including costs associated with the termination of those employees;

· dilution of then-current stockholders' percentage ownership;

· dilution of earnings if synergies with the acquired businesses are not achieved;

· inability to generate sufficient revenue to offset acquisition or investment costs;

- assumption of liabilities of the acquired businesses, including costly litigation related to alleged liabilities of the acquired businesses;
- presentation of a unified corporate image to customers and employees;
- increased costs and efforts in connection with compliance with Section 404 of the Sarbanes-Oxley Act; and
- risk of impairment charges related to potential write-down of acquired assets in future acquisitions.

Acquisitions of businesses, business units and technologies are inherently risky and create many challenges. The combined company cannot provide any assurance that any future acquisitions will achieve the desired objectives. If the combined company fails to properly evaluate and execute acquisitions or investments, its business and prospectus may be seriously harmed.

St. Bernard's growth could strain its personnel and infrastructure resources, and if it is unable to implement appropriate controls and procedures to manage its growth, St. Bernard may not be able to successfully implement its business plan.

St. Bernard continues to experience rapid growth in its operations, which has placed, and will continue to place, a significant strain on its management, administrative, operational and financial infrastructure. St. Bernard's future success will depend in part upon the ability of its senior management to manage growth effectively. This will require the combined company to hire and train additional personnel to manage its expanding operations. In addition, the combined company will be required to continue to improve its operational, financial and management controls and its reporting systems and procedures. If the combined company fails to successfully manage its growth, it will be unable to execute its business plan.

St. Bernard products may contain significant errors and failures, which may subject it to liability for damages suffered by end-users.

Software products frequently contain errors or failures, especially when first introduced or when new versions are released. St. Bernard's end-user customers use its products in applications that are critical to their businesses, including for data protection and recovery, and may have a greater sensitivity to defects in St. Bernard's products than to defects in other, less critical software products. If a customer loses critical data as a result of an error in or failure of St. Bernard's software products or as a result of the customer's misuse of St. Bernard's software products, the customer could suffer significant damages and seek to recover those damages from St. Bernard. Although St. Bernard's software licenses generally contain protective provisions limiting its liability, a court could rule that these provisions are unenforceable. If a customer is successful in proving its damages and a court does not enforce St. Bernard's protective provisions, St. Bernard could be liable for the damages suffered by its customers and other related expenses, which could adversely affect its operating results.

Product errors or failures could cause delays in new product releases or product upgrades, or St. Bernard's products might not work in combination with other hardware or software, which could adversely affect market acceptance of St. Bernard's products. If St. Bernard's customers were dissatisfied with product functionality or performance, or if St. Bernard were to experience significant delays in the release of new products or new versions of products, it could lose competitive position and revenue and its business and operating results could be adversely affected.

Failure to protect its intellectual property rights could impair St. Bernard's ability to protect its proprietary technology and establish the St Bernard brand.

Intellectual property is critical to St. Bernard’s success, and it relies upon trademark, copyright and trade secret laws in the United States and other jurisdictions as well as confidentiality procedures and contractual provisions to protect its proprietary technology and the St. Bernard brand. Any of its trademarks may be challenged by others or invalidated through administrative process or litigation. St. Bernard currently has only two issued patents in the United States and one corresponding issued patent internationally, and it may be unable to obtain further patent protection in the future. In addition, any issued patents may not provide St. Bernard with any competitive advantages, or may be challenged by third parties. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to St. Bernard in every country in which its products are available. The laws of some foreign countries may not be as protective of intellectual property rights as United States laws, and mechanisms for enforcement of intellectual property rights may be inadequate. As a result St. Bernard’s means of protecting its proprietary technology and brands may not be adequate. Furthermore, despite its efforts, St. Bernard may be unable to prevent third parties from infringing upon or misappropriating its intellectual property, including the misappropriation or misuse of the content of its proprietary database of websites. Any such infringement or misappropriation could have a material adverse effect on St. Bernard’s business, results of operations and financial condition.

If St. Bernard is sued by third parties for alleged infringement of their proprietary rights its results of operations could suffer.

The software and internet industries are characterized by the existence of a large number of patents, trademarks and copyrights and by frequent litigation based on allegations of patent infringement or other violations of intellectual property rights. As the number of entrants into St. Bernard's market increases, the possibility of an intellectual property claim against it grows. St. Bernard's technologies and products may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming and expensive to litigate or settle, and could divert management attention from executing its business plan. There can be no assurance that St. Bernard would be successful in any such suit.

St. Bernard's systems may be vulnerable to security risks or service disruptions that could harm its business.

Although it has taken measures to secure its systems against security risks and other causes of disruption of electronic services, St. Bernard's servers are vulnerable to physical or electronic break-ins and service disruptions, which could lead to interruptions, delays, loss of data or the inability to process customer requests. Such events could be very expensive to remedy, could damage St. Bernard's reputation and could discourage existing and potential customers from using its products.

Evolving regulation of the Internet may affect St. Bernard adversely.

As Internet commerce continues to evolve, increasing regulation by federal, state or foreign agencies becomes more likely. Such regulation is likely in the areas of user privacy, pricing, content and quality of products and services. Taxation of Internet use or other charges imposed by government agencies or by private organizations for accessing the Internet may also be imposed. Laws and regulations applying to the solicitation, collection or processing of personal or consumer information could affect St. Bernard's activities. Furthermore, any regulation imposing fees for Internet use could result in a decline in the use of the Internet and the viability of Internet commerce, which could have a material adverse effect on St. Bernard's business, results of operations and financial condition.

The market price of the combined company's securities is likely to be highly volatile and subject to wide fluctuations.

The market price of Sand Hill's securities prior to the merger has been and likely will continue to be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond its control, including:

- announcements of technological innovations or new products or services by its competitors;
- demand for its products, including fluctuations in subscription renewals;
- fluctuations in revenue from indirect sales channels;
- changes in the pricing policies of its competitors; and

· changes in government regulations.

In addition, the market price of the combined company's securities could be subject to wide fluctuations in response to a number of factors, including:

· announcements of technological innovations or new products or services by St. Bernard;

· changes in its pricing policies;

· quarterly variations in its revenues and operating expenses; and

· its technological capabilities to accommodate the future growth in its operations or its customers.

Further, the stock market has experienced significant price and volume fluctuations that have particularly affected the market price of the stock of many Internet-related companies, and that often have been unrelated or disproportionate to the operating performance of these companies. A number of publicly traded Internet-related companies have current market prices below their initial public offering prices. Market fluctuations such as these may seriously harm the market price of the combined company's securities. In the past, securities class action suits have been filed following periods of market volatility in the price of a company's securities. If such an action were instituted, the combined company would incur substantial costs and a diversion of management attention and resources, which would seriously harm its business, results of operations and financial condition.

Risks Related to the Merger

If 20% or more of the holders of Sand Hill's public securities decide to vote against the proposed acquisition, Sand Hill may be forced to liquidate, stockholders may receive less than $6.00 per share and the warrants may expire worthless.

Under the terms of Sand Hill's certificate of incorporation, if 20% or more of the shares issued in Sand Hill's initial public offering decide to vote against the merger and opt to convert their shares to cash, Sand Hill will be unable to complete the merger and may be ultimately forced to liquidate. While Sand Hill will continue to search to acquire an operating company in the IT security industry, if it does not consummate a business combination by July 27, 2006, it will be forced to liquidate. In any liquidation, the net proceeds of Sand Hill's initial public offering held in the trust account, plus any interest earned thereon, will be distributed pro rata to the holders of Sand Hill's common stock issued in its initial public offering. If Sand Hill is forced to liquidate its assets, the per-share liquidation to such stockholders will be approximately $5.25, plus interest accrued thereon until the date of any liquidation, as of October 26, 2005. Furthermore, there will be no distribution with respect to Sand Hill's outstanding warrants and, accordingly, the warrants will expire worthless.

The combined company's working capital could be reduced, and Sand Hill stockholders could own less than 34.4% of the combined company's outstanding common stock, if Sand Hill stockholders exercise their right to convert their shares into cash.

Pursuant to Sand Hill's certificate of incorporation, holders of shares issued in Sand Hill's initial public offering may vote against the merger and demand that Sand Hill convert their shares into cash. Sand Hill and St. Bernard will not consummate the merger if holders of 20% or more shares of common stock issued in Sand Hill's initial public offering exercise these conversion rights. To the extent the merger is consummated and holders of less than 20% of Sand Hill's common stock issued in its initial public offering have demanded to convert their shares, there will be a corresponding reduction in the amount of funds available to the combined company following the merger and a reduction in the aggregate percentage of the combined company that is owned by Sand Hill's stockholders after the merger.

Additionally, if holders demand to convert their shares, there may be a corresponding reduction in the value of each share of common stock held in the combined company. As of October 26, 2005, assuming the merger proposal is adopted, the maximum amount of funds that could be disbursed to Sand Hill's stockholders upon the exercise of the conversion rights is approximately $4,315,500, or approximately 20% of the funds currently held in trust. If the maximum amount of funds were disbursed, the percentage of the combined company's common stock that would be owned by the Sand Hill stockholders who did not exercise their conversion right would be 30.6%.

A substantial number of the combined company's shares will become eligible for future resale in the public market after the merger which could result in dilution and an adverse effect on the market price of those shares.

If the merger is consummated, warrants to purchase 8,760,000 shares of common stock issued in connection with the Sand Hill initial public offering will become exercisable on the date the merger is consummated, as described under "Description of Sand Hill's Securities Following the Merger--Warrants." Moreover, 1,000,000 shares of Sand Hill common stock purchased by stockholders prior to Sand Hill's initial public offering will be held in escrow until July 26, 2007, at which time they will be released from escrow and be eligible for resale in the public market subject to compliance with applicable law. Consequently, at various times after completion of the merger, a substantial number of additional shares of Sand Hill common stock will be eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of such shares and of the warrants.

If Sand Hill is unable to receive a listing of its securities on a national securities exchange or NASDAQ, then it may be more difficult for its stockholders to sell their securities.

The listing of the Sand Hill common stock, warrants and units on the Nasdaq Stock Market or on the American Stock Exchange is not a condition to the merger and the possible quotation of Sand Hill's securities on a national securities exchange or NASDAQ is uncertain. If Sand Hill is unable to receive a listing or approval of trading of its securities on a national securities exchange or NASDAQ, then it may be more difficult for its stockholders to sell their securities. Shares of Sand Hill common stock, warrants and units are currently traded in the over-the-counter market and quoted on the Over-the-Counter Bulletin Board. The merger agreement provides that Sand Hill will file an application to list the shares of Sand Hill common stock and warrants outstanding prior to completion of the merger, as well as all the shares of common stock to be issued in the merger, for listing on the Nasdaq Stock Market or on the American Stock Exchange and will use commercially reasonable efforts to cause such listing to be accomplished as soon as practicable after the date of the merger agreement. There is no assurance that this approval will occur on or prior to consummation of the merger or at all.

Sand Hill directors and executive officers have interests in the merger that are different from yours because if the merger is not approved then the shares held by them may become worthless.

In considering the recommendation of the board of directors of Sand Hill to vote for the proposal to adopt the merger agreement you should be aware that a number of Sand Hill's executives and members of Sand Hill's board have interests in the merger that are different from, or in addition to, your interests as a stockholder. These interests include, among other things:

- if the merger is not approved and Sand Hill fails to consummate an alternative transaction within the time allotted pursuant to its certificate of incorporation and Sand Hill is therefore required to liquidate, the shares of common stock purchased prior to its initial public offering and held by Sand Hill's executives and directors may be worthless because Sand Hill's executives and directors are not entitled to receive any of the net proceeds of Sand Hill's initial public offering that may be distributed upon liquidation of Sand Hill with respect to these shares. In addition, the warrants held by such persons, which as of March 10, 2006 are exercisable for 296,500 shares of common stock (108,500 of which are held by Mr. Polanen) will expire without value in the event of a liquidation;

- after the completion of the merger, Humphrey P. Polanen will remain as the chairman of the board of directors of the combined company and Scott R. Broomfield will remain as a director of the combined company; and

- if Sand Hill liquidates prior to the consummation of a business combination, Humphrey P. Polanen, chairman of the board and chief executive officer, will be personally liable to pay debts and obligations, if any, to vendors and other entities that are owed money by Sand Hill for services rendered or products sold to Sand Hill in excess of the net proceeds of Sand Hill's initial public offering not held in the trust account. As of the date of this joint proxy statement/prospectus such amounts are estimated to be approximately $400,000 at the close of the merger.

The amount of stock held by executive officers, directors and other affiliates of the combined company may limit your ability to influence the outcome of director elections and other matters requiring stockholder approval.

Upon consummation of the merger, executive officers, directors and affiliates of the combined company will own approximately 38.5% of the combined company's voting stock. These stockholders can have a substantial influence on all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions. This concentration of ownership could have the effect of delaying or preventing a change in our control or discouraging a potential acquiror from attempting to obtain control of us, which in turn could have a material adverse effect on the market price of the common stock or prevent our stockholders from realizing a premium over the market price for their shares of common stock.

The lack of diversification in the business of the combined company affects Sand Hill's ability to mitigate the risks that it may face or to offset possible losses that it may incur as a result of competing in the IT security industry.

The prospects for Sand Hill's success will be entirely dependent upon the future performance of a single business. Sand Hill will not have the resources to diversify its operations or benefit from the possible spreading of risks or offsetting of losses. By consummating a business combination with only a single entity, Sand Hill's lack of diversification may subject Sand Hill to numerous economic, competitive and regulatory developments, any or all of which may have a substantial adverse impact upon the particular industry in which Sand Hill operates subsequent to the business combination, and result in Sand Hill's dependency upon the development or market acceptance of a single or limited number of products, processes or services.

If you do not vote your shares at the Sand Hill special meeting or give instructions to your broker to vote or abstain from voting you will not be eligible to convert your shares of Sand Hill common stock into cash and receive a portion of the trust fund upon consummation of the merger.

Pursuant to Sand Hill's certificate of incorporation, a holder of shares of Sand Hill's common stock issued in its initial public offering may, if the stockholder votes against the merger, demand that Sand Hill convert such shares into cash. **This demand must be made on the proxy card or by telephone or through the Internet as described on the proxy card at the same time that the stockholder votes against the merger proposal.** If so demanded, Sand Hill will convert each share of common stock into a pro rata portion of the trust account in which a substantial portion of the net proceeds of Sand Hill's initial public offering are held, plus all interest earned thereon. If you exercise your conversion rights, then you will be exchanging your shares of Sand Hill common stock for cash and will no longer own these shares. You will only be entitled to receive cash for these shares if you continue to hold these shares through the effective time of the merger and then tender your stock certificate to the combined company. If the merger is not completed, then these shares will not be converted into cash at this time and Sand Hill will need to liquidate if a business combination is not completed by July 27, 2006. Shares that are not voted or are broker non-voted or where the stockholder abstains from voting shall not in any event be eligible to be converted into cash upon completion of the merger.

FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus contains statements referring to Sand Hill or St. Bernard that are not historical facts and are considered “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements may be made directly in this joint proxy statement/prospectus, including the Annexes attached to this joint proxy statement/prospectus and made part of this joint proxy statement/prospectus, and may include statements regarding the period following completion of the merger. These statements are intended to take advantage of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

These forward-looking statements are based on current projections about operations, industry conditions, financial condition, and liquidity. Words such as “may,” “will,” “should,” “plan,” “predict,” “potential,” “anticipate,” “estimate,” “expec “intend,” “believe,” “may impact,” “on track,” and words and terms of similar substance used in connection with any discussion of future operating or financial performance, the merger, or our businesses, identify forward-looking statements. You should note that the discussion of Sand Hill’s reasons for the merger, as well as other portions of this joint proxy statement/prospectus, contain many forward-looking statements that describe beliefs, assumptions, and estimates as of the indicated dates and those forward-looking expectations may have changed as of the date of this joint proxy statement/prospectus. In addition, any statements that refer to expectations, projections, or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Those statements are not guarantees and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results could differ materially and adversely from these forward-looking statements. These risks and uncertainties include, but are not limited to, the following:

§ difficulties encountered in integrating merged businesses;

§ uncertainties as to the timing of the merger;

§ approval of the transactions by the stockholders of the companies;

§ the number and percentage of Sand Hill stockholders voting against the merger;

§ the satisfaction of closing conditions to the transaction, including the receipt of regulatory approvals, if any;

§ whether certain market segments grow as anticipated; and

§ the competitive environment in the software industry and competitive responses to the proposed merger.

The above list is not intended to be exhaustive and there may be other factors that would preclude Sand Hill and St. Bernard from realizing the predictions made in the forward-looking statements. St. Bernard operates in a continually changing business environment and new factors emerge from time to time. Sand Hill and St. Bernard cannot predict such factors or assess the impact, if any, of such factors on their respective financial positions or results of operations. Accordingly, Sand Hill stockholders are cautioned not to place undue reliance on such statements, which speak only as of the date of this joint proxy statement/prospectus.

ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS CONCERNING THE MERGER OR OTHER MATTERS ADDRESSED IN THIS JOINT PROXY STATEMENT/PROSPECTUS AND ATTRIBUTABLE TO SAND HILL, ST. BERNARD, OR ANY PERSON ACTING ON THEIR BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS CONTAINED OR REFERRED TO IN THIS SECTION. EXCEPT TO THE EXTENT REQUIRED BY APPLICABLE LAW OR REGULATION, NEITHER SAND HILL NOR ST. BERNARD UNDERTAKES ANY OBLIGATION TO RELEASE PUBLICLY ANY REVISIONS OR UPDATES TO SUCH FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE OF THIS JOINT PROXY STATEMENT/PROSPECTUS OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

THE SAND HILL SPECIAL MEETING

Sand Hill Special Meeting

We are furnishing this document to you as part of the solicitation of proxies by the Sand Hill board of directors for use at the Sand Hill special meeting in connection with the proposed merger. This document provides you with the information you need to know to be able to vote or instruct your vote to be cast at the Sand Hill special meeting.

Date, Time and Place

We will hold the Sand Hill special meeting at _________________, on _____________, 2006 at ______________________, Suite _____, ______________________, California __________, to vote on the merger proposal, the amendment proposal, the stock option plans proposal and the adjournment proposal.

Purpose of the Sand Hill Special Meeting

At the special meeting, we are asking holders of Sand Hill common stock to:

- adopt the merger agreement and the transactions contemplated by the merger agreement;
- adopt the amendment and restatement of Sand Hill's certificate of incorporation;
- adopt the stock option plans proposal; and
- adopt the adjournment proposal.

Recommendation of the Sand Hill Board of Directors

The Sand Hill board of directors:

- has unanimously determined that the merger proposal, the amendment proposal, the stock option plans proposal and the adjournment proposal are fair to and in the best interests of Sand Hill and its stockholders;
- has unanimously approved and declared advisable the merger agreement and the transactions contemplated by the merger agreement, the amendment proposal, the stock option plans proposal and the adjournment proposal;
- unanimously recommends that Sand Hill common stockholders vote "**FOR**" the proposal to adopt the merger agreement and the transactions contemplated by the merger agreement;
- unanimously recommends that Sand Hill common stockholders vote "**FOR**" the proposal to adopt the amendment and restatement of the Sand Hill certificate of incorporation;
- unanimously recommends that Sand Hill common stockholders vote "**FOR**" the proposal to adopt the stock option plans; and
- unanimously recommends that Sand Hill common stockholders vote "**FOR**" the adjournment proposal.

Record Date; Who is Entitled to Vote

The record date for the Sand Hill special meeting is ___________, 2006. Record holders of Sand Hill common stock at the close of business on the record date are entitled to vote or have their votes cast at the Sand Hill special meeting.

On the record date, there were 5,110,000 outstanding shares of Sand Hill common stock.

Each share of Sand Hill common stock is entitled to one vote per share at the Sand Hill special meeting.

Pursuant to letter agreements with Sand Hill, any shares of Sand Hill common stock held by stockholders who purchased their shares of common stock prior to Sand Hill's initial public offering will be voted on the merger proposal in the same manner as how the majority of the shares of common stock held by all other Sand Hill stockholders are voted on the merger proposal. The holders of such common stock are free to vote their shares acquired in Sand Hill's initial public offering or afterwards as they see fit and are free to vote all of their common stock, however obtained, on the other proposals as they see fit.

Sand Hill's issued and outstanding warrants do not have voting rights and record holders of Sand Hill warrants will not be entitled to vote at the Sand Hill special meeting.

Quorum

The presence, in person or by proxy, of a majority of all the outstanding shares of Sand Hill common stock constitutes a quorum at the special meeting. Abstentions and broker non-votes will count as present for purposes of establishing a quorum.

Voting Your Shares

Each share of Sand Hill common stock that you own in your name entitles you to one vote. Your proxy card shows the number of shares of Sand Hill common stock that you own.

There are three ways to vote your shares of Sand Hill common stock at the Sand Hill special meeting:

- *You can vote by signing and returning the enclosed proxy card.* If you vote by proxy card, your "proxy," whose name is listed on the proxy card, will vote your shares as you instruct on the proxy card. If you sign and return the proxy card but do not give instructions on how to vote your shares, your shares will be voted as recommended by the Sand Hill board "**FOR**" the adoption of the merger proposal, the amendment proposal, the stock option plans proposal and the adjournment proposal.

- *You can vote by telephone or on the Internet* by following the telephone or Internet voting instructions that are included with your proxy card. If you vote by telephone or by the Internet, you should not return the proxy card. The deadline for voting by telephone or electronically is 11:59 p.m., Eastern Standard Time, on _______________, 2006.

- *You can attend the Sand Hill special meeting and vote in person.* We will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or another nominee, you must get a proxy from the broker, bank or other nominee. That is the only way we can be sure that the broker, bank or nominee has not already voted your shares.

IF YOU DO NOT VOTE YOUR SHARES OF SAND HILL COMMON STOCK IN ANY OF THE WAYS DESCRIBED ABOVE, IT WILL HAVE THE SAME EFFECT AS A VOTE AGAINST THE ADOPTION OF THE MERGER PROPOSAL, BUT WILL NOT HAVE THE EFFECT OF A DEMAND OF CONVERSION OF YOUR SHARES INTO CASH.

Who Can Answer Your Questions About Voting Your Shares

If you have any questions about how to vote or direct a vote in respect of your Sand Hill common stock, you may call Humphrey P. Polanen, Sand Hill's chairman and chief executive officer, at (650) 926-7022.

No Additional Matters May Be Presented at the Sand Hill Special Meeting

The Sand Hill special meeting has been called only to consider the adoption of the merger proposal, the amendment proposal, the stock option plans proposal and the adjournment proposal. Under Sand Hill's bylaws, other than procedural matters incident to the conduct of the meeting, no other matters may be considered at the Sand Hill special meeting if they are not included in the notice of the Sand Hill meeting.

Revoking Your Proxy

If you give a proxy, you may revoke it at any time before it is exercised by doing any one of the following:

- You may send another proxy card with a later date;
- You may notify Humphrey P. Polanen, Sand Hill's chairman and chief executive officer, in writing before the Sand Hill special meeting that you have revoked your proxy; or
- You may attend the Sand Hill special meeting, revoke your proxy, and vote in person.

Vote Required

The adoption of the merger agreement and the transactions contemplated by the merger agreement will require the affirmative vote of the majority of the outstanding shares of Sand Hill common stock on the Sand Hill record date.

The adoption of the amendment and restatement of Sand Hill's certificate of incorporation will require the affirmative vote of the majority of the outstanding shares of Sand Hill common stock on the Sand Hill record date.

The adoption of the stock option plans proposal will require the affirmative vote of a majority of the shares of Sand Hill common stock present in person or represented by proxy at the Sand Hill special meeting.

The adoption of the adjournment proposal will require the affirmative vote of a majority of the shares of Sand Hill common stock present in person or represented by proxy at the Sand Hill special meeting.

The adoption of the merger proposal is conditioned on the adoption of the amendment proposal and the adoption of the amendment proposal is conditioned on the adoption of the merger proposal. The adoption of neither the merger proposal nor the amendment proposal is conditioned on the adoption of the stock option plans proposal or the adjournment proposal. The adoption of the stock option plans proposal, however, is conditioned upon the adoption of the merger proposal and the amendment proposal.

Abstentions and Broker Non-Votes

If your broker holds your shares in its name and you do not give the broker voting instructions, under the rules of the NASD, your broker may not vote your shares on the proposals to adopt the merger agreement and the amendment and restatement of the Sand Hill certificate of incorporation. If you do not give your broker voting instructions and the broker does not vote your shares, this is referred to as a "broker non-vote." Abstentions will have the same effect as a vote "against" the merger proposal, the amendment proposal, the stock option plans proposal and the adjournment proposal. Broker non-votes, while considered present for the purposes of establishing a quorum, will have the effect of a vote against the merger proposal and the amendment proposal, but will have no effect on the stock options plan proposal or the adjournment proposal. Shares that are broker non-voted or where the stockholder abstains from voting are not be eligible to be converted into cash upon completion of the merger.

Conversion Rights

Any stockholder of Sand Hill holding shares of common stock issued in Sand Hill's initial public offering who votes against the merger proposal may, at the same time, demand that Sand Hill convert their shares into a pro rata portion of the trust account holding a substantial portion of the net proceeds of Sand Hill's initial public offering. If so demanded, Sand Hill will convert these shares into a pro rata portion of the funds held in a trust account, which consist of $21,025,000 of the net proceeds from the initial public offering deposited into the trust account plus interest earned thereon, if the merger is consummated. If the holders of 20%, or 822,000, or more of the shares of common stock issued in Sand Hill's initial public offering vote against the merger and demand conversion of their shares into a pro rata portion of the trust account, Sand Hill will not be able to consummate the merger and Sand Hill will need to liquidate if a business combination is not completed by July 27, 2006. If you exercise your conversion rights, then you will be exchanging your shares of Sand Hill common stock for cash and will no longer own these shares. You will only be entitled to receive cash for these shares if you continue to hold these shares through the effective time of the merger and then tender your stock certificate to the combined company. The closing price of Sand Hill's common stock on October 26, 2005 was $5.27 and the amount of cash held in the trust account on that date was $21,565,509.96. If a Sand Hill stockholder would have elected to exercise its conversion rights on such date, then it would have been entitled to receive approximately $5.25 per share, or $0.75 less than the per-unit offering price of $6.00 for which the Sand Hill stockholder purchased units of the initial public offering. Prior to exercising conversion rights, Sand Hill stockholders should verify the market price of Sand Hill's common stock as they may receive higher proceeds from the sale of their common stock in the public market than from exercising their conversion rights if the market price per share is higher than the conversion price.

Solicitation Costs

Sand Hill is soliciting proxies on behalf of the Sand Hill board of directors. This solicitation is being made by mail but also may be made by telephone or in person. Sand Hill and its respective directors, officers and employees may also solicit proxies in person, by telephone or by other electronic means. These persons will not be paid for doing this. Sand Hill has not hired a firm to assist in the proxy solicitation process but may do so if it deems this assistance necessary. Sand Hill will pay all fees and expenses related to the retention of any proxy solicitation firm.

Sand Hill will ask banks, brokers and other institutions, nominees and fiduciaries to forward its proxy materials to their principals and to obtain their authority to execute proxies and voting instructions. Sand Hill will reimburse them for their reasonable expenses.

Stock Ownership

At the close of business on the record date, Humphrey P. Polanen, Sand Hill Security, LLC, an affiliate of the officers and directors of Sand Hill, Keith Walz, Scott Broomfield, Cary Grossman, Daniel Johnson and Alberto Micalizzi beneficially owned and were entitled to vote approximately 1,000,000 shares of Sand Hill common stock, or approximately 19.6% of the then outstanding shares of Sand Hill common stock, which includes all of the shares held by the directors and executive officers of Sand Hill and their affiliates. These shares have a market value of $5,290,000 based on Sand Hill’s common stock price of $5.29 per share as of December 31, 2005. Those persons, who were stockholders of Sand Hill prior to its initial public offering of securities, have agreed pursuant to letter agreements with Sand Hill to vote their shares of Sand Hill common stock purchased prior to the initial public offering in the same manner as how a majority of the shares of common stock held by all other Sand Hill stockholders are voted on the merger proposal. They are entitled to vote the shares acquired by them in or subsequent to the initial public offering as they see fit and have indicated that they will vote any shares acquired by them in or subsequent to the initial public offering in favor of the merger proposal. As of March 10, 2006, none of the officers or directors of Sand Hill had acquired any shares of common stock in or subsequent to the initial public offering. Mr. Polanen is currently chairman of the board of directors and chief executive officer of Sand Hill. Messrs. Broomfield and Walz are directors and executive officers of Sand Hill and Messrs. Grossman, Johnson and Micalizzi are directors of Sand Hill. In addition, Sand Hill Security, LLC is an affiliate of the directors and officers of Sand Hill and Mr. Polanen is its sole manager. Based solely upon information contained in public filings, as of December 12, 2005, the following stockholders beneficially owned greater than five percent of Sand Hill’s issued and outstanding common stock:

- Humphrey P. Polanen and his affiliates beneficially owned 559,441 shares of Sand Hill common stock, representing approximately 10.9% of the Sand Hill common stock outstanding on the Sand Hill record date;

- Sapling, LLC beneficially owned 400,000 shares of Sand Hill common stock, representing approximately 7.8% of the Sand Hill common stock outstanding on the Sand Hill record date;

- Roger Feldman and Harvey Hanerfeld beneficially owned 385,000 shares of Sand Hill common stock, representing approximately 7.5% of the shares of Sand Hill common stock outstanding on the Sand Hill record date; and

- Amaranth, LLC beneficially owned 287,098 shares of Sand Hill common stock, representing approximately 5.6% of the shares of Sand Hill common stock outstanding on the Sand Hill record date.

THE ST. BERNARD SPECIAL MEETING

St. Bernard Special Meeting

We are furnishing this document to you as part of the solicitation of proxies by the St. Bernard board of directors for use at the St. Bernard special meeting in connection with the proposed merger. This document provides you with the information you need to know to be able to vote or instruct your vote to be cast at the St. Bernard special meeting.

Date, Time and Place

We will hold the St. Bernard special meeting at ________________, on ____________, 2006 at ______________________, Suite _____, ______________________, California __________, to vote on the merger proposal and the adjournment proposal.

Purpose of the St. Bernard Special Meeting

At the special meeting, we are asking holders of St. Bernard common stock to:

- adopt the merger agreement and the transactions contemplated by the merger agreement; and
- adopt the adjournment proposal.

Recommendation of the St. Bernard Board of Directors

The St. Bernard board of directors:

- has unanimously determined that the merger proposal and the adjournment proposal are fair to and in the best interests of St. Bernard and its stockholders;
- has unanimously approved and declared advisable the merger agreement and the transactions contemplated by the merger agreement, the amendment proposal and the adjournment proposal;
- unanimously recommends that St. Bernard common stockholders vote "**FOR**" the proposal to adopt the merger agreement and the transactions contemplated by the merger agreement; and
- unanimously recommends that St. Bernard common stockholders vote "**FOR**" the adjournment proposal.

Record Date; Who is Entitled to Vote

The record date for the St. Bernard special meeting is ___________, 2006. Record holders of St. Bernard common stock at the close of business on the record date are entitled to vote or have their votes cast at the St. Bernard special meeting. On the record date, there were _________ outstanding shares of St. Bernard common stock.

Each share of St. Bernard common stock is entitled to one vote per share at the St. Bernard special meeting.

St. Bernard's issued and outstanding warrants do not have voting rights and record holders of St. Bernard warrants will not be entitled to vote at the St. Bernard special meeting.

Quorum

The presence, in person or by proxy, of a majority of all the outstanding shares of St. Bernard common stock constitutes a quorum at the St. Bernard special meeting. Abstentions will be counted as present for purposes of establishing a quorum.

Voting Your Shares

Each share of St. Bernard common stock that you own in your name entitles you to one vote. Your proxy card shows the number of shares of St. Bernard common stock that you own.

There are two ways to vote your shares of St. Bernard common stock at the St. Bernard special meeting:

- *You can vote by signing and returning the enclosed proxy card.* If you vote by proxy card, your "proxy," whose name is listed on the proxy card, will vote your shares as you instruct on the proxy card. If you sign and return the proxy card but do not give instructions on how to vote your shares, your shares will be voted as recommended by the St. Bernard board "**FOR**" the adoption of the merger proposal and the adjournment proposal.

- *You can attend the St. Bernard special meeting and vote in person.* We will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or another nominee, you must get a proxy from the broker, bank or other nominee. That is the only way we can be sure that the broker, bank or nominee has not already voted your shares.

IF YOU DO NOT VOTE YOUR SHARES OF ST. BERNARD COMMON STOCK IN ANY OF THE WAYS DESCRIBED ABOVE, IT WILL HAVE THE SAME EFFECT AS A VOTE AGAINST THE ADOPTION OF THE MERGER PROPOSAL.

Who Can Answer Your Questions About Voting Your Shares

If you have any questions about how to vote or direct a vote in respect of your St. Bernard common stock, you may call John E. Jones, St. Bernard's chief executive officer, at (858) 676-2277.

No Additional Matters May Be Presented at the St. Bernard Special Meeting

The St. Bernard special meeting has been called only to consider the adoption of the merger proposal and the adjournment proposal. Under St. Bernard's bylaws, other than procedural matters incident to the conduct of the meeting, no other matters may be considered at the St. Bernard special meeting if they are not included in the notice of the St. Bernard meeting.

Revoking Your Proxy

If you give a proxy, you may revoke it at any time before it is exercised by doing any one of the following:

- You may send another proxy card with a later date;

- You may notify John E. Jones, St. Bernard's chief executive officer, in writing before the St. Bernard special meeting that you have revoked your proxy; or

- You may attend the St. Bernard special meeting, revoke your proxy, and vote in person.

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Vote Required

The adoption of the merger agreement and the transactions contemplated by the merger agreement will require the affirmative vote of the majority of the outstanding shares of St. Bernard common stock on the St. Bernard record date.

The adoption of the adjournment proposal will require the affirmative vote of a majority of the shares of St. Bernard common stock present in person or represented by proxy at the St. Bernard special meeting.

Abstentions

Abstentions have the same effect as a vote "against" the merger proposal and the adjournment proposal.

Solicitation Costs

St. Bernard is soliciting proxies on behalf of the St. Bernard board of directors. This solicitation is being made by mail but also may be made by telephone or in person. St. Bernard and its respective directors, officers and employees may also solicit proxies in person, by telephone or by other electronic means. These persons will not be paid for doing this. St. Bernard has not hired a firm to assist in the proxy solicitation process but may do so if it deems this assistance necessary. St. Bernard will pay all fees and expenses related to the retention of any proxy solicitation firm.

Stock Ownership

On the record date, directors and executive officers of St. Bernard and their affiliates beneficially owned and were entitled to vote approximately 11,529,115 shares of St. Bernard common stock that have a market value of approximately $14,411,394 based on the per share value of St. Bernard's common stock as of December 31, 2005. The total of these shares represented approximately 49.7% of St. Bernard's issued and outstanding common stock as of the record date. Based solely upon St. Bernard's records, as of December 31, 2005, the following stockholders beneficially owned greater than five percent of St. Bernard's issued and outstanding common stock:

- John E. Jones beneficially owned 3,155,565 shares of St. Bernard common stock, representing approximately 13.6% of the St. Bernard common stock outstanding on the record date;

- Bob Crowe beneficially owned 970,053 shares of St. Bernard common stock, representing approximately 4.2% of the St. Bernard common stock outstanding on the record date; and

- Bart van Hedel and affiliates beneficially owned 6,705,801 shares of St. Bernard common stock, representing approximately 28.9% of the St. Bernard common stock outstanding on the record date.

THE MERGER PROPOSAL

The discussion in this document of the merger and the principal terms of the merger agreement, as amended, by and among Sand Hill, Sand Hill Merger Corp., a wholly-owned subsidiary of Sand Hill, and St. Bernard is subject to, and is qualified in its entirety by reference to, the merger agreement. A copy of the merger agreement, as amended, is attached as Annex A to this joint proxy statement/prospectus and is incorporated herein by reference. We urge you to read this agreement in its entirety.

General Description of the Merger

Pursuant to the merger agreement, Sand Hill Merger Corp. will merge with and into St. Bernard, with St. Bernard surviving as a wholly-owned subsidiary of Sand Hill, and the separate corporate existence of Sand Hill Merger Corp. shall cease. We refer to St. Bernard and Sand Hill, after giving effect to completion of the merger, as the combined company. It is expected that holders of St. Bernard common stock will hold approximately 65.6% of the outstanding shares of Sand Hill common stock immediately following the closing of the merger, based on the number of shares of Sand Hill and St. Bernard common stock outstanding as of October 26, 2005. In the merger, Sand Hill will issue a combination of shares of common stock, replacement options and replacement warrants to holders of St. Bernard common stock, options and warrants. The total amount of shares of Sand Hill common stock to be issued or that will underlie replacement options and replacement warrants is 10,880,000. Holders of St. Bernard common stock, options and warrants are entitled to receive their pro rata portion of this 10,880,000 figure. This results in an exchange ratio of 0.421419 shares of Sand Hill common stock, replacement options or replacement warrants for each share of St. Bernard common stock or options or warrants to purchase St. Bernard common stock outstanding. Based upon the number of shares of St. Bernard common stock outstanding and the number of shares issuable for St. Bernard common stock pursuant to outstanding options and warrants as of October 26, 2005, Sand Hill will issue approximately 9,759,600 shares of common stock at the close of the merger. The holders of options and warrants to purchase shares of the common stock of St. Bernard will receive, in exchange for those options and warrants, replacement options and replacement warrants to purchase approximately 1,120,400 shares of Sand Hill common stock. To the extent that outstanding St. Bernard options or replacement warrants are exercised prior to the closing of the merger, the number of shares of Sand Hill common stock that would be issued at the closing of the merger would increase and the number of the shares of Sand Hill common stock that would be subject to replacement options or warrants to be issued at the closing of the merger would decrease by a like amount. For a complete description of the post-closing fully diluted capitalization of Sand Hill please see “Beneficial Ownership of Securities” on page ____.

Background of the Merger

The terms of the merger agreement are the result of arm’s-length negotiations between representatives of Sand Hill and St. Bernard.

Sand Hill was formed on April 15, 2004 to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business in a specified industry. Sand Hill completed an initial public offering on July 30, 2004, in which it raised net proceeds of approximately $22,022,462. Approximately $20,961,000 of these net proceeds were placed in a trust account and, in accordance with Sand Hill’s certificate of incorporation, will be released either upon the consummation of a business combination or upon the liquidation of Sand Hill. Sand Hill must liquidate promptly after July 27, 2006 if a business combination has not been consummated by that date. As of October 26, 2005, approximately $21,565,510 was held in deposit in the trust account. Subsequent to its initial public offering, Sand Hill’s officers and directors commenced an active search for a prospective operating business.

Trusted Strategies, a consultancy specializing in the IT security industry, was engaged by Sand Hill in September of 2004 to conduct a survey of the IT software security industry. Trusted Strategies’ survey resulted in the identification of approximately 40 companies, out of over 750, that met the financial criteria set forth by Sand Hill. The survey was delivered to Sand Hill on October, 2004. Trusted Strategies was paid $4,995 for the survey. Sand Hill began evaluating companies that had been identified to it by Trusted Strategies in the survey. The survey identified St Bernard as a potentially attractive candidate for a business combination with Sand Hill.

In November of 2004, Mr. Polanen telephoned Mr. van Hedel of St. Bernard, to explain the Sand Hill vehicle and discuss whether St. Bernard had any interest in beginning initial discussions regarding a possible business combination. Mr. van Hedel informed Mr. Polanen that St. Bernard was not interested in pursuing strategic discussions with Sand Hill at that time, but that the parties should remain in contact. The management of Sand Hill continued to evaluate numerous other companies for a possible business combination.

St. Bernard Software has regularly evaluated its long-term strategy and potential strategic options, including periodically conducting in-depth operations and strategic reviews of the company with senior management. During the latter part of 2004 and early 2005, St. Bernard undertook an evaluation of the appropriate long-term strategy for its business. As a result of that process, St. Bernard determined that, in conjunction with other strategic initiatives, it should also began to investigate possible business combinations and other strategic transactions that would allow it to expand its security products and service offerings into one or more other key areas of the small and medium enterprise secure content management market

In February 2005, Mr. van Hedel sent Mr. Polanen an update on the business of St. Bernard. On March 25, 2005, Sand Hill and St. Bernard executed a mutual non-disclosure agreement and on March 30 and April 1, 2005, exchanged initial information packages.

On March 30, 2005, Sand Hill entered into an M&A Advisory Services Agreement with Software Equity Group, LLC (“SEG”). Pursuant to this agreement, SEG was engaged to assist and advise Sand Hill in identifying and qualifying privately held software companies in the IT security industry and to supplement the list of companies provided to Sand Hill by Trusted Strategies. The contract with SEG specified a retainer of $25,000, plus a percentage success fee in the event Sand Hill closes a transaction. If the merger with St. Bernard is completed, SEG will be entitled to a fee of approximately $825,000, or 1.3% of the transaction value, assuming a stock price of Sand Hill at the closing of the merger of $5.75.

On May 3, 2005, Mr. Polanen and Mr. van Hedel met in Los Angeles to discuss the parties’ interest in pursuing a possible business combination and agreed to have further discussions. In early June 2005, St. Bernard sent Sand Hill updated business and financial information. On June 10 and June 13, 2005, Mr. Polanen and Mr. van Hedel had various telephone conversations regarding St. Bernard’s business and aspects of a possible business combination, in preliminary and general terms. On June 13, 2005, Sand Hill sent a non-binding, preliminary letter of interest to Mr. van Hedel, which Mr. van Hedel forwarded on to St. Bernard’s board of directors on June 14, 2005. Furthermore, in early June representatives of SEG met with members of the management of St. Bernard for purposes of helping Sand Hill conduct due diligence with respect to St. Bernard.

From late June 2005 until early September 2005, Mr. Polanen, Mr. van Hedel and representatives and advisors of both Sand Hill and St. Bernard, met and had various telephone conversations regarding due diligence, the business of St. Bernard, the assets of Sand Hill and the possible terms of a letter of intent for a potential business combination. In August 2005, SEG issued an initial report to Sand Hill management, which report outlined preliminary observations and findings regarding St. Bernard.

On September 6, 2005, Sand Hill and St. Bernard executed a non-binding letter of intent related to a business combination. Sand Hill’s counsel began legal due diligence investigations in early September 2005. On September 7, 2005, SEG, Sand Hill’s financial advisor, met with management of St. Bernard to assess additional St. Bernard business and financial due diligence items.

The parties and their counsel met in San Diego on October 7, 2005 to begin negotiating the terms of a draft merger agreement and ancillary documentation. Between this date and the date the merger agreement was executed, representatives of Sand Hill and St. Bernard and their counsel had numerous phone conversations, teleconferences and meetings to discuss the terms of the merger agreement and the ancillary documentation and exchanged numerous document drafts via email. Due diligence continued to be conducted by both parties during this time.

On October 24, 2005, the Sand Hill board of directors met by teleconference to discuss the proposed business combination. At that meeting the Sand Hill board of directors approved the business combination and the form of the merger agreement presented to them and authorized the officers of Sand Hill to proceed to complete the merger agreement.

On October 25, 2005, the St. Bernard board of directors met by teleconference to discuss the proposed business combination. At that meeting the St. Bernard board of directors approved the business combination and the form of the merger agreement presented to them and authorized the officers of St. Bernard to proceed to complete the merger agreement.

From October 24, 2005 through October 26, 2005, counsel for Sand Hill and St. Bernard negotiated the terms of the merger agreement and the ancillary documentation through a series of telephone conference calls and email exchanges.

On October 26, 2005, the parties executed the merger agreement.

Sand Hill Reasons for the Merger

The Sand Hill board of directors has concluded that the merger with St. Bernard is in the best interests of Sand Hill and its stockholders. As a Targeted Acquisition Corporation, or TAC, Sand Hill was formed based on the premise that there would be attractive investment opportunities in the IT security industry. In seeking out a candidate for a business combination within the IT security industry, the Sand Hill board felt that the following considerations should be of primary importance:

- the business combination candidate should be in an attractive segment within the IT security industry;
- that market segment should have attractive growth characteristics;
- the business combination candidate should be a company that is well positioned in the industry, with a scalable business model and at least $20 million in annual sales and near breakeven profitability;
- the business combination candidate should be a company with a number of customers in at least two segments;
- the business combination candidate should be a company with a strong management team;
- that the valuation of the business be priced below industry norms for publicly traded companies of a similar nature as measured by Enterprise Value to Sales, or EV/S;
- the business combination candidate should be a company well positioned to take advantage of market consolidation; and
- the business combination should be documented with an agreement that contains customary provisions.

The Sand Hill board of directors considered a wide variety of factors in connection with its evaluation of the merger. In light of the complexity of those factors, the Sand Hill board of directors did not consider it practicable to quantify or otherwise assign relative weights to the specific factors it considered in reaching its decision. In addition, individual members of the Sand Hill board of directors may have given different weight to different factors. The analysis of the Sand Hill board of directors in reaching this conclusion is described in more detail below. In considering the merger with St. Bernard, the Sand Hill board gave considerable weight to the following positive factors:

St. Bernard operates in the SCM industry and has a SME market focus, both of which are attractive.

An important criterion to Sand Hill's board of directors in identifying a candidate for a business combination was that the company be positioned in an expanding portion of the IT security industry with the potential for continued growth. Sand Hill's board of directors believes that the markets in which St. Bernard operates are strong and growing. Although the overall security market characteristics continue to be attractive, in particular the Sand Hill board of directors believes that the Secure Content Management, or SCM, segment is especially attractive. The worldwide secure content management market addressed by St. Bernard, according to IDC, was $4.5 billion in 2004 and is expected to grow at an average annual rate of 18% through 2009. Moreover, IDC reports that the web and email filtering portion of the SCM market was $433 million in 2004, with the appliances portion of this segment anticipated to grow at an average annual rate of 47% through 2009. With the recent major releases of the iPrism and ePrism product lines, Sand Hill's board of directors believes that St. Bernard has the ability to attract customers and to capitalize on this market opportunity.

St. Bernard focuses on the relatively underserved and high growth Small to Medium Enterprises, or SME, segment of the market. As estimated by AMI Partners, an SME oriented research firm, there are 232,000 small to medium sized businesses in the U.S. SME is defined by AMI as businesses ranging from 50 to 1,000 employees. According to a study by AMI conducted in 2005, the SME segment is underserved, or under penetrated, in that only 22% of all small to medium businesses have installed comprehensive security management solutions. Sand Hill believes that this indicates that there is a real opportunity for growth in this segment. According to this same AMI report, a total of an additional 15% of the SME market, or 35,000 businesses, plan to purchase security management solutions in 2006, representing a growth rate of 73% year over year. Sand Hill additionally believes that the focus on SME is beneficial because security appliances tend to serve the market well. Brian Burke, an analyst with IDC research recently stated, "… security appliance sales will grow fast in the SME market because IT resources are scarce."

St. Bernard has solid size and has experienced solid growth.

St. Bernard reached $28.7 million in gross billings and $24.0 million in revenues for the calendar year ended 2005. St. Bernard has recently experienced attractive growth in its market. From 2000 through 2004 St. Bernard has grown 182% based on annual revenues and was awarded a San Diego Deloitte "Technology Fast 50 of San Diego" award in both 2004 and 2005. In 2005, St. Bernard grew annual revenues 13.2% as compared with 2004.

St. Bernard has an attractive business model and solid financial results.

Another important factor in identifying a candidate for a business combination was that the candidate have established business operations, that it was generating meaningful revenues and that it had the strong potential to experience rapid additional growth in the IT security markets. Sand Hill's board of directors believes that St. Bernard has in place the infrastructure for strong business operations, a large and growing customer base, and significant technological capabilities. St. Bernard has been in operation since 1984 and for the year ended December 31, 2005 generated approximately $24.0 million in revenues. St. Bernard has demonstrated the ability to introduce new products into the marketplace addressing new customer requirements and segments of the security software industry. Sand Hill's board of directors believes that St. Bernard has the ability to continue expanding and accelerate its growth rate because:

- St. Bernard has over 8,000 active customers supporting over 3.5 million device licenses;
- St. Bernard has strong customer renewal rates of between 80-95%;
- St. Bernard had gross profit margins of 72.5% in 2005;
- St. Bernard is positioned in the underserved SME market; and
- St. Bernard has attractive new business opportunities in the SCM market.

In addition, Sand Hill's board of directors believes that as St. Bernard generates increased revenues its net margins will increase as it believes that because of St. Bernard's cost structure and the scalability of those costs that St. Bernard's costs will not rise proportionately with its revenues.

The subscription element of St. Bernard's business is particularly attractive because it operates as a "Software as a Service", or a "SaaS" model. Sand Hill believes that this represents a stable portion of St. Bernard's revenue base. As an example, customers subscribe to a URL database service for periods of anywhere from one to three years. This URL database is organized into more than 60 categories and encompasses more than 6.5 million websites as of December 31, 2005. This database is updated each business day using a proprietary process of automated content assessment and classification, with manual verification. Subscribers to the update service receive updates each night. It is this security update subscription that Sand Hill believes helps create long term customer relationships, as well as providing for better predictability of future revenue. St. Bernard had deferred revenues of $16.1 million as of December 31, 2005. Although the cash is received up front, this deferred revenue is generally recognized over the life of the contract. The result is that billings for the business are greater than the revenue booked in any quarter. For example, revenue for the year ended December 31, 2005 was $24.0 million, whereas gross billings were $28.7 million. The result is an increase to deferred revenue, as recorded on the balance sheet, and, Sand Hill believes, an enhanced predictability to the business.

St. Bernard has a strong management team.

Another important criterion to Sand Hill's board of directors in identifying a candidate for a business combination was that the company must have a seasoned management team with specialized knowledge of the markets within which it operates and the ability to lead a company in a rapidly changing environment. St. Bernard's management has been in place and working together for a number of years. This team has demonstrated the ability to address new markets, develop new products and deliver a high level of customer satisfaction. St. Bernard's management team has shown a strong ability to adjust its business plan to changing market factors and to develop additional business opportunities. Sand Hill's board of directors believes that John E. Jones, who will be the President and Chief Executive Officer of the combined company, has the experience and strong understanding of the software security market and of potential needs of customers and how to best satisfy those needs.

The terms of the merger agreement contain customary provisions for transactions of this type.

The Sand Hill board of directors believes that the merger agreement contains customary provisions for transactions of this type, including provisions to protect Sand Hill in the event an alternative transaction is proposed to St. Bernard. It was important to Sand Hill's board of directors that the merger agreement include customary provisions as it believed that such provisions would allow for a more efficient closing process and lower transaction expenses.

Sand Hill's board of directors believes that each of the above factors supports its determination and recommendation to approve the merger. The Sand Hill board of directors did, however, consider the following potentially negative factors, among others, in its deliberations concerning the merger:

- The IT Security market is intensely competitive;
- There may be significant industry consolidation;
- The technologies used in the industry adjust and upgrade quickly;
- St. Bernard is smaller than the industry leaders;
- St. Bernard has a relatively small footprint internationally;
- St. Bernard has a limited reseller channel;
- St. Bernard has a history of losses; and

- Not all of St. Bernard's products lines are growing at the same rate.

Additionally, Sand Hill's board of directors considered the risk that some of the current public stockholders of Sand Hill would vote against the merger and demand to redeem their shares for cash upon consummation of the merger, thereby depleting the amount of cash available to the combined company following the merger. Sand Hill's board of directors deemed this risk to be no worse with regard to St. Bernard than it would be for other target companies and believes that St. Bernard will still be able to implement its business plan even if the maximum number of public stockholders exercised their conversion rights and the combined company received only 80% of the funds deposited in the trust account.

After deliberation, the Sand Hill board of directors determined that these potentially negative factors were outweighed by the potential benefits of the merger described above, including the opportunity for Sand Hill stockholders to share in St. Bernard's future possible growth, anticipated profitability, and the potential for increased stockholder value.

Due Diligence and Valuation

A majority of the members of Sand Hill's board of directors have extensive experience in performing due diligence of acquisition targets and in valuing companies. Humphrey Polanen and Scott Broomfield have held chief executive officer positions at companies that have acquired businesses and performed business valuations assessing the merits of merger and acquisition transactions. Moreover, in his capacity as a Managing Director for 12 years with Hickey and Hill, Mr. Broomfield either performed or supervised numerous valuations in the context of either buying or selling distressed businesses. In arriving at its determination to approve the merger agreement with St. Bernard, the board of directors of Sand Hill relied on the financial, market, product and business information relating to St. Bernard compiled during the due diligence phase of the merger process. The board of directors of Sand Hill further relied on key industry and market analyst reports specifically drafted to assess the dynamics in, and the valuations of companies within the IT security industry. In addition, Sand Hill retained the services of the SEG, as advisors to assist Sand Hill with respect to a business combination. SEG assisted Sand Hill management with due diligence, competitive analyses, market and industry information and valuation assistance. Based on Sand Hill's belief that its directors had the skill and experience to properly evaluate the fairness of a proposed transaction, Sand Hill determined that its assets should not be used to pay for a fairness opinion.

In determining that the proposed merger was fair to and in the best interests of Sand Hill and its stockholders, in addition to reviewing financial information on St. Bernard and the IT security industry, the board reviewed publicly available information related to software companies that the board felt were similar to St. Bernard and publicly available information related to merger transactions that the board felt were similar to the merger. None of the companies reviewed were identical to St. Bernard and none of the merger transactions reviewed were identical to the merger. Accordingly, analyses of comparable companies and comparable transactions are not purely mathematical, but involve making judgments concerning the differences between those companies and transactions and St. Bernard and the merger.

In reviewing publicly available information, the board focused its valuation efforts on the Enterprise Value/Sales, or EV/S, multiples that have been accorded public companies in the software industry, as reflected in stock prices and in prices paid in purchase transactions. The board felt that this valuation metric was the most relevant metric for valuing St. Bernard, and assessing the appropriateness of the exchange ratio in the merger. The board did not focus on a price/earnings analysis, as it was felt that this methodology was not necessarily indicative of the value of St. Bernard, based on the current operating characteristics of the company. The board also analyzed St. Bernard using various discounted cash flow analyses. The Board also weighed additional factors related to its due diligence review, and the due diligence review and valuation observations of SEG.

In reviewing publicly available information the board looked at EV/S for the following public companies, based on their stock prices in the fall of 2005:

- Blue Coat
- Check Point
- Entrust
- McAfee

- RSA
- Secure Computing
- Sonic Wall
- Symantec
- Trend Micro
- Tumbleweed
- VeriSign
- WatchGuard
- WebSense

In reviewing publicly available information the board looked at EV/S for the following companies, based on prices paid in recent purchase transactions (Target - Acquirer):

- Bindview - Symantec
- Brightmail - Symantec
- Foundstone - McAfee
- iDefense - VeriSign
- Intermute - Trend Micro
- Pedestal - Altiris
- SourceFire - Check Point
- Sygate - Symantec
- Webwasher - Cyber Guard
- Whole - Symantec

The board attempted to analyze St. Bernard as a public company on a post-merger basis and then compare that valuation to the valuation being paid to the stockholders of St. Bernard in the merger. At the time of the analysis, the average EV/S multiple, based on stock prices from the above list of companies was 4.5x and the average EV/S multiple, based on prices paid in the purchase transactions listed above was 6.3x. The board used the EV/S multiple, based on stock prices, to arrive at a range of values for St. Bernard as a public company of between $71 and $89 million. The board then used the same analysis to value St. Bernard as a private company, applying a significant discount, to arrive at a range of values for St. Bernard as a private company of between $42 and $62 million. The board determined that the use of purchase transaction multiples was not as relevant a metric for valuing St. Bernard, given that they would have most likely placed an even higher value on St. Bernard. All of these analyses resulted in St. Bernard being valued at in excess of 80% of the monies from Sand Hill's initial public offering held in trust.

Based upon the proposed exchange ratio in the merger, assuming the issuance of 9,759,600 shares of Sand Hill common stock in the merger and using a Sand Hill stock price of $5.25 per share (the cash value per common share held in escrow of Sand Hill common stock on October 25, 2005), the board felt that it would be issuing consideration to the stockholders of St. Bernard of approximately $51.2 million in the merger. This equated to an EV/S multiple of approximately 2.1x. Given that the public company comparables reviewed by the Sand Hill board at the time were approximately 4.5x EV/S and that the average of the industry acquisition prices reviewed by the Sand Hill board were approximately 6.3x EV/S, along with the other analyses performed by Sand Hill, including discounted cash flow analysis and the percentage of the combined company that Sand Hill stockholders were retaining in the merger, the Sand Hill board believed that the merger was fair to Sand Hill and its stockholders.

St. Bernard's Reasons for the Merger

The St. Bernard board of directors believes that the proposed merger between Sand Hill and St. Bernard is in the best interests of St. Bernard and its stockholders for the following primary reasons:

As of October 26, 2005, Sand Hill had $21,565,510 in escrow, representing the net proceeds from its initial public offering. If the merger is consummated, at least 80% of the funds in the Sand Hill escrow account, less expenses of the merger, will be available for operations of the combined company. St. Bernard believes that because the combined company will have substantially greater capitalization than St. Bernard alone, the combined company will be in a better position than St. Bernard alone, to compete in the SCM marketplace.

St. Bernard believes that the skills and expertise of the officers and directors of Sand Hill, their collective access to acquisition opportunities and ideas, their contacts, and, in particular, Mr. Polanen's expertise in the IT security market, will provide the combined company with increased opportunities for future acquisitions and growth.

Interests of Sand Hill Directors and Officers in the Merger

In considering the recommendation of the board of directors of Sand Hill that you vote in favor of the adoption of the merger proposal, you should be aware that a number of Sand Hill's executives, and members of Sand Hill's board have interests in the merger that differ from, or are in addition to, those of Sand Hill stockholders generally. In particular if the merger is not approved and Sand Hill fails to consummate an alternative transaction within the time allotted pursuant to its certificate of incorporation and Sand Hill is therefore required to liquidate, the shares of common stock purchased prior to Sand Hill's initial public offering and held by Sand Hill's executives and directors may be worthless because Sand Hill's executives and directors are not entitled to receive any of the net proceeds of Sand Hill's initial public offering that may be distributed upon liquidation of Sand Hill with respect to these shares. In addition, the warrants held by such persons, which as of March 10, 2006 are exercisable for 296,500 shares of common stock (108,500 of which are held by Mr. Polanen), will expire without value in the event of a liquidation. On the record date, directors and executive officers of Sand Hill and their affiliates beneficially owned and were entitled to vote approximately 1,000,000 shares of Sand Hill's common stock that have a market value of $5,290,000 based on Sand Hill's common stock price of $5.29 per share as of December 31, 2005. The total of these shares represented approximately 19.6% of Sand Hill's issued and outstanding common stock. However, as Sand Hill's executive officers and directors are contractually prohibited from selling their shares prior to July 26, 2007 during which time the value of these shares may increase or decrease, it is impossible to determine what the financial impact of the merger will be on Sand Hill's officers and directors. In addition, after the completion of the merger, Humphrey P. Polanen will remain as the chairman of the board of directors of the combined company and Scott R. Broomfield will remain as a director of the combined company. Finally, if Sand Hill liquidates prior to the consummation of a business combination, Humphrey P. Polanen, chairman of the board and chief executive officer will be personally liable to pay debts and obligations to vendors or other entities that are owed money by Sand Hill for services rendered or products sold to Sand Hill in excess of the net proceeds of Sand Hill's initial public offering not held in the trust account. As of the date of this joint proxy statement/prospectus such amounts are estimated to be approximately $400,000 at the close of the merger.

The Sand Hill board of directors was aware of these interests during its deliberations on the merits of the merger and in determining to recommend to the stockholders of Sand Hill that they vote for the adoption of the merger proposal.

Interests of St. Bernard Directors and Officers in the Merger

You should understand that some of the current officers and directors of St. Bernard have interests in the merger that are different from, or in addition to, your interest as a Sand Hill or St. Bernard stockholder. These interests include, among other things:

- After the completion of the merger, several of the present directors of St. Bernard, specifically, Messrs. John E. Jones, Bart van Hedel and a third person yet to be named will remain as directors of the combined company;

- After the completion of the merger, the current officers of St. Bernard will remain as officers of the combined company; and

- The directors and executive officers of St. Bernard hold stock options granted to them under various St. Bernard Stock Option Plans. Under the terms of the merger agreement, at the effective time of the merger, each outstanding option to purchase shares of St. Bernard common stock that has been granted under St. Bernard's 1992, 2000 and 2005 Stock Option Plans, whether vested or unvested, will be fully accelerated pursuant to its terms, and assumed by Sand Hill and become an option to acquire, on the same terms and conditions as were applicable under the applicable stock option plan immediately prior to the effective time of the merger, an option to purchase shares of Sand Hill common stock. The number of shares of Sand Hill common stock for which each option will be exercisable will be determined by multiplying the number of shares of St. Bernard common stock for which such option was exercisable by a conversion ratio of 0.421419. The exercise price per share of Sand Hill common stock at which each such option will be exercisable will be determined by dividing the exercise price per share of St. Bernard common stock at which such option was exercisable by the conversion ratio of 0.421419.

The table below sets forth, as of December 31, 2005, information with respect to options under the 1992 Stock Option Plan, 2000 Stock Option Plan and 2005 Stock Option Plan held by each of St. Bernard's current executive officers and directors.

STOCK OPTIONS ISSUED TO OFFICERS AND DIRECTORS OF ST. BERNARD SOFTWARE[1]

Name	Number of Options Held	Number of Options Vested	Number of Unvested Options Held
Mr. John E. Jones, Chief Executive Officer, President and Director	170,000	165,833	4,167
Mr. Bart A.M. van Hedel, Director	95,000	86,111	8,889
Mr. Robert G. Copeland, Director	95,000	86,111	8,889
Mr. Mel Lavitt, Director	34,723	25,834	8,889
Mr. Al Riedler, Chief Financial Officer	90,167	61,128	29,039

[1] The table sets forth the aggregate total number of options granted by St. Bernard to the individuals listed. Each of the individuals listed received multiple option grants from St. Bernard, at various exercise prices depending on the date of grant. The exercise prices for the option grants range from $0.11 per share to $0.50 per share.

Appraisal or Dissenters Rights

No appraisal or dissenters rights are available under the Delaware General Corporation Law for the stockholders of Sand Hill in connection with the merger proposal.

Holders of St. Bernard capital stock who hold their shares of St. Bernard capital stock of record and continue to own those shares through the effective time of the merger and who properly demand appraisal of their shares in writing on or before ____________, 2006 in accordance with the requirements of Section 262 of the General Corporation Law of the State of Delaware, or the DGCL, are entitled to appraisal rights as set forth in Section 262. A copy of Section 262 of the DGCL is attached to this proxy statement/prospectus as Annex F.

Under Section 262, St. Bernard stockholders who comply with the procedures set forth in Section 262 will be entitled to have their shares appraised by the Delaware Court of Chancery and to receive cash payment of the fair value of the shares, exclusive of any element of the value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, as determined by the court. St. Bernard will send notice pursuant to Section 262 of the DGCL to the St. Bernard stockholders who are entitled to appraisal rights when St. Bernard mails this prospectus to the St. Bernard stockholders. See "*AppraisalRights*" on page ___.

Material United States Federal Income Tax Consequences of the Merger

The following describes the material U.S. federal income tax considerations of the merger that are generally applicable to the holders of St. Bernard common stock and the holders of Sand Hill common stock. This discussion is based on the Internal Revenue Code of 1986, as amended (referred to as the Code), existing, temporary, and proposed Treasury regulations thereunder, current administrative rulings and judicial decisions, all as currently in effect and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. This discussion applies only to St. Bernard that hold their St. Bernard common stock and Sand Hill stockholders that hold their Sand Hill common stock as a capital asset within the meaning of Section 1221 of the Code. Further, this discussion does not address all aspects of United States federal taxation that may be relevant to a particular holder of St. Bernard common stock or Sand Hill common stock in light of such holder's personal circumstances or to holders subject to special treatment under the United States federal income tax laws, including:

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· financial institutions,

· investors in pass-through entities,

· insurance companies,

· tax-exempt organizations,

· dealers in securities or currencies,

· traders in securities that elect to use a mark to market method of accounting,

· persons that hold Sand Hill common stock or St. Bernard common stock as part of a straddle, hedge, constructive sale or conversion transaction,

· persons who are not citizens or residents of the United States, and

· stockholders who acquired their shares of Sand Hill common stock or their shares of St. Bernard common stock through the exercise of an employee stock option or otherwise as compensation.

In addition, this discussion does not address any alternative minimum or any state, local or foreign tax consequences of the merger.

Neither Sand Hill nor St. Bernard intends to request a ruling from the Internal Revenue Service as to the United States federal income tax consequences of the merger.

Each holder of Sand Hill common stock or St. Bernard common stock should consult its tax advisor with respect to the particular tax consequences of the merger to such holder based on the holder's specific circumstances, applicable state, local, and foreign tax consequences and potential changes in applicable tax laws.

Reorganization. It is a condition to the obligation of St. Bernard to complete the merger that it receives an opinion from its counsel, Duane Morris LLP, dated as of the closing date of the merger, that the merger will constitute a reorganization within the meaning of Section 368(a) of the Code. In rendering this opinion, St. Bernard's counsel will rely on representations and covenants made by St. Bernard, Sand Hill, Sand Hill Merger Corp. and others. This opinion will also rely on assumptions, including assumptions regarding the absence of changes in existing facts and the completion of the merger in the manner contemplated by the merger agreement. If any of these representations, covenants or assumptions is inaccurate, St. Bernard's counsel may not be able to render the required opinion and the tax consequences of the merger may differ from those discussed below. Opinions of counsel are not binding on either the Internal Revenue Service or the courts and do not preclude the Internal Revenue Service from adopting a contrary position. In addition, neither St. Bernard nor Sand Hill intends to request a ruling from the Internal Revenue Service regarding the United States federal income tax consequences of the merger. Consequently, no assurance can be given that the Internal Revenue Service will not assert, or a court would not sustain, a position contrary to any of those set forth below. The following discussion is based on the assumption that the merger will qualify as a reorganization for federal income tax purposes.

Tax Consequences of the Merger to St. Bernard Stockholders.

The merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. As a consequences:

· no gain or loss will be recognized by stockholders of St. Bernard who receive solely shares of Sand Hill common stock in exchange for shares of St. Bernard common stock;

· the aggregate tax basis of the shares of Sand Hill common stock received in the merger will be equal to the aggregate tax basis of the shares St. Bernard common stock exchanged therefor; and

· the holding period of the Sand Hill common stock received in the merger will include the holding period of the St. Bernard common stock exchanged therefor.

· any St. Bernard stockholder who exercises his or her appraisal rights and who receives cash in exchange for his or her shares of St. Bernard common stock generally will recognize gain or loss measured by the difference between the amount of cash received and the tax basis of such stockholder’s shares of St. Bernard common stock exchanged therefor. This gain or loss will generally be long-term capital gain or loss if the holder’s holding period with respect to the St. Bernard common stock surrendered is more than one year at the effective time of the merger.

Tax Consequences of the Merger to Sand Hill Stockholders.

No gain or loss will be recognized by the stockholders of Sand Hill pursuant to the merger who do not exchange their shares of Sand Hill common stock pursuant to the merger, continue to own such shares of Sand Hill, and do not exercise their conversion rights.

A stockholder of Sand Hill who exercises their conversion rights and effects a termination of the stockholder’s interest in Sand Hill will generally be required to recognize gain or loss upon the exchange of that stockholder’s shares of Sand Hill common stock for cash. Such gain or loss will be measured by the difference between the amount of cash received and the tax basis of that stockholder’s shares of Sand Hill common stock. This gain or loss will generally be capital gain or capital loss if the stockholder held the exchanged shares as a capital asset on the date of the merger and that capital gain or loss and will be a long-term capital gain or loss if the holding period for the shares of Sand Hill common stock is more than one year.

Tax Consequences of the Merger Generally to Sand Hill and St. Bernard.

No gain or loss will be recognized by Sand Hill or St. Bernard as a result of the merger.

Reporting and Recordkeeping

A holder of St. Bernard common stock receiving Sand Hill common stock as a result of the merger, is required to retain records relating to such holder’s St. Bernard common stock and file with its United States federal income tax return a statement setting forth facts relating to the merger and with respect to the holder’s nonrecognition of gain or loss upon the exchange of their shares of St. Bernard common stock for shares of Sand Hill common stock pursuant to the merger. At a minimum, the statement must include (1) the holder’s tax basis in the St. Bernard common stock surrendered and (2) the amount of cash (if any) and the fair market value, as of the effective date of the merger, of the Sand Hill common stock received in exchange therefor.

Backup Withholding and Information Reporting.

Payments of cash to a holder of St. Bernard common stock as a result of an exercise of their dissenters rights and payments of cash to a holder of Sand Hill common stock as a result of an exercise of their conversion rights may, under certain circumstances, be subject to information reporting and backup withholding at a rate of 28% of the cash payable to the holder, unless the holder provides proof of an applicable exemption satisfactory to Sand Hill and the exchange agent or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the holder's United States federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

To ensure compliance with requirements imposed by the IRS in Circular 230, you are hereby informed that (i) any tax advice contained in this registration statement is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under the Code, (ii) any such advice is written to support the matters addressed herein, and (iii) each stockholder should seek tax advice based on its particular circumstances from an independent tax advisor.

BECAUSE THE COMPLEXITY OF THE TAX LAWS, AND BECAUSE THE TAX CONSEQUENCES TO ANY PARTICULAR STOCKHOLDER MAY BE AFFECTED BY MATTERS NOT DISCUSSED ABOVE, EACH SAND HILL STOCKHOLDER IS URGED TO CONSULT A TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT TO HIM, HER OR IT, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS, AS WELL AS FEDERAL TAX LAWS.

Anticipated Accounting Treatment

The merger will be accounted for under the reverse acquisition application of the equity recapitalization method of accounting in accordance with U.S. generally accepted accounting principles for accounting and financial reporting purposes. Under this method of accounting, Sand Hill will be treated as the “acquired” company for financial reporting purposes. In accordance with guidance applicable to these circumstances, the merger will be considered to be a capital transaction in substance. Accordingly, for accounting purposes, the merger will be treated as the equivalent of St. Bernard issuing stock for the net monetary assets of Sand Hill, accompanied by a recapitalization. The net monetary assets of Sand Hill will be stated at their fair value, essentially equivalent to historical costs, with no goodwill or other intangible assets recorded. The accumulated deficit of St. Bernard will be carried forward after the merger. Operations prior to the merger will be those of St. Bernard.

Regulatory Matters

The merger and the transactions contemplated by the merger agreement are not subject to the HSR Act or any federal or state regulatory requirement or approval except for filings necessary to effectuate the transactions contemplated by the merger proposal with the Secretary of State of the State of Delaware.

Consequences if Merger Proposal is Not Approved

If the merger proposal is not approved by the stockholders, Sand Hill Merger Corp. will not merge with St. Bernard, Sand Hill will continue to seek other potential business combinations with an operating business in the IT security industry. However, Sand Hill will be liquidated if it does not consummate a business combination by July 27, 2006.

If the merger is not consummated, St. Bernard will continue to operate as a private company.

Required to Adopt the Merger Proposal

The adoption of the merger agreement and the transactions contemplated by the merger agreement will require the affirmative vote of the holders of a majority of the outstanding shares of Sand Hill common stock on the Sand Hill record date. However, Sand Hill will not be able to complete the merger if the holders of 20% or more of the shares of common stock issued in Sand Hill’s initial public offering vote against the merger and demand that Sand Hill convert their shares into a pro rata portion of the trust account in which a substantial portion of the net proceeds of Sand Hill’s initial public offering are held.

The adoption of the merger proposal is conditioned on the adoption of the amendment proposal and the adoption of the amendment proposal is conditioned on the adoption of the merger proposal. The adoption of neither the merger proposal nor the amendment proposal is conditioned on the adoption of the stock option plans proposal or the adjournment proposal. The adoption of the stock option plans proposal, however, is conditioned upon the adoption of the merger proposal and the amendment proposal.

Recommendation of the Sand Hill Board of Directors

After careful consideration, Sand Hill's board of directors has determined unanimously that the merger is fair to and in the best interests of Sand Hill and its stockholders. Sand Hill's board of directors has approved and declared advisable the merger agreement and the transactions contemplated by the merger agreement and unanimously recommends that you vote or give instructions to vote "FOR" the proposal to adopt the merger proposal.

The discussion of the information and factors considered by the Sand Hill board of directors is not meant to be exhaustive, but includes the material information and factors considered by the Sand Hill board of directors.

Recommendation of the St. Bernard Board of Directors

After careful consideration, St. Bernard's board of directors has determined unanimously that the merger is fair to and in the best interests of St. Bernard and its stockholders. St. Bernard's board of directors has approved and declared advisable the merger agreement and the transactions contemplated by the merger agreement and unanimously recommends that you vote or give instructions to vote "FOR" the proposal to adopt the merger proposal.

The discussion of the information and factors considered by the St. Bernard board of directors is not meant to be exhaustive, but includes the material information and factors considered by the St. Bernard board of directors.

THE MERGER AGREEMENT

The following summary of the material provisions of the merger agreement, as amended, is qualified by reference to the complete text of the merger agreement, as amended, a copy of which is attached as Annex A to this joint proxy statement/prospectus. The merger agreement was executed on October 26, 2005 and amended on December 15, 2005. The following summary describes the merger agreement. All stockholders are encouraged to read the merger agreement in its entirety for a more complete description of the terms and conditions of the merger.

Structure of the Merger

At the effective time of the merger, Sand Hill Merger Corp. will be merged with and into St. Bernard. St. Bernard will continue as the surviving company and become a wholly-owned subsidiary of Sand Hill.

Closing and Effective Time of the Merger

The closing of the merger will take place on the second business day following the satisfaction of the conditions described below under "*The Merger Agreement—Conditions to the Completion of the Merger*", or, if on that day any condition to the respective obligations of either Sand Hill or St. Bernard has not been satisfied or waived, as soon as practicable after all the conditions described below under "*The Merger Agreement—Conditions to the Completion of the Merger*" have been satisfied, unless Sand Hill and St. Bernard agree in writing to another time.

The merger will become effective at the time the articles of merger are filed with the Delaware Secretary of State, or at a later time agreed to by Sand Hill and St. Bernard in the articles of merger. The articles of merger will be filed at the time of the closing or as soon as practicable thereafter.

Amendment and Restatement of Sand Hill Certificate of Incorporation

Following consummation of the merger, Sand Hill's amended and restated certificate of incorporation will be amended and restated to remove certain provisions related to a business combination that were put in place as a result of Sand Hill being a Targeted Acquisition Corporation.

Name; Headquarters; Stock Symbol; Listing

After completion of the merger:

- Sand Hill will change its name to St. Bernard Software, Inc. and the surviving company will change its name to _________________;

- the corporate headquarters and principal executive offices will be located at 15015 Avenue of Science, San Diego, California, which is currently St. Bernard's corporate headquarters;

- Sand Hill will cause the symbols under which Sand Hill's units, common stock, and warrants outstanding prior to the merger and traded on the OTC Bulletin Board to be changed to symbols as determined by St. Bernard and Sand Hill that, if available, are reasonably representative of the corporate name or business of St. Bernard; and

- Sand Hill's outstanding common stock, warrants and units are currently quoted on the Over-the-Counter Bulletin Board. Sand Hill will use its best efforts to cause its outstanding shares of common stock and warrants and the shares of common stock to be issued in the merger to be approved for quotation on the Nasdaq Stock Market or, if they are not eligible for quotation on Nasdaq, to be listed on the American Stock Exchange, prior to the consummation of the merger.

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Merger Consideration

It is expected that holders of St. Bernard common stock will hold approximately 65.6% of the outstanding shares of Sand Hill common stock immediately following the closing of the merger, based on the number of shares of Sand Hill and St. Bernard common stock outstanding as of October 26, 2005. In the merger, Sand Hill will issue a combination of shares of common stock, replacement options and replacement warrants to holders of St. Bernard common stock, options and warrants. The total amount of shares of Sand Hill common stock to be issued or that will underlie replacement options and replacement warrants is 10,880,000. Holders of St. Bernard common stock, options and warrants are entitled to receive their pro rata portion of this 10,880,000 figure. This results in an exchange ratio of 0.421419 shares of Sand Hill common stock, replacement options or replacement warrants for each share of St. Bernard common stock or options or warrants to purchase St. Bernard common stock outstanding. Based upon the number of shares of St. Bernard common stock outstanding and the number of shares issuable for St. Bernard common stock pursuant to outstanding options and warrants as of October 26, 2005, Sand Hill will issue approximately 9,759,600 shares of common stock at the close of the merger. The holders of options and warrants to purchase shares of the common stock of St. Bernard will receive, in exchange for those options and warrants, replacement options and replacement warrants to purchase approximately 1,120,400 shares of Sand Hill common stock. To the extent that outstanding St. Bernard options or warrants are exercised prior to the closing of the merger, the number of shares of Sand Hill common stock that would be issued at the closing of the merger would increase and the number of the shares of Sand Hill common stock that would be subject to replacement options or replacement warrants to be issued at the closing of the merger would decrease by a like amount. For a complete description of the post-closing fully diluted capitalization of Sand Hill please see “Beneficial Ownership of Securities” on page _____.

The aggregate number of shares of Sand Hill common stock to be issued in the merger will be adjusted upwards or downwards by the number of shares obtained by dividing the amount by which the working capital of St. Bernard at the closing of the merger is greater than $1,900,000 or less than $1,700,000, by $5.10. In calculating the working capital of St. Bernard, expenses incurred by St. Bernard in relation to this transaction will not be taken into account.

Sand Hill shall file, as soon as practicable after the closing date and as permitted by applicable securities regulations, a registration statement on Form S-8 under the Securities Act of 1933, as amended, and shall use its reasonable efforts to cause such registration statement to become effective as soon thereafter as practicable and to maintain such registration in effect until the exercise or expiration of the assumed outstanding options.

Exchange of Certificates

Immediately prior to the consummation of the merger, Sand Hill will deposit with American Stock Transfer & Trust Company, as exchange agent, certificates representing the shares of Sand Hill common stock issuable to the holders of St. Bernard common stock, less the amount to be escrowed, in exchange for outstanding shares of St. Bernard common stock. Immediately following the consummation of the merger, the exchange agent will deliver to each record holder of St. Bernard common stock instructions and a letter of transmittal for exchanging their St. Bernard stock certificates for Sand Hill stock certificates. In order to effectuate the exchange of St. Bernard common stock for Sand Hill common stock, the stockholders must comply with the instructions set forth in the letter of transmittal.

No fraction of a share of Sand Hill common stock will be issued in the merger. In lieu of any fractional shares, the fractional amount of Sand Hill common stock to which any holder of St. Bernard common stock is entitled to receive will be rounded up to the nearest whole number, and such holder shall receive a whole share of Sand Hill common stock in lieu of a fractional share.

Representations and Warranties

The merger agreement contains a number of generally reciprocal representations and warranties that each of St. Bernard and Sand Hill made to the other. These generally reciprocal representations and warranties relate to:

- organization, standing, and power;
- subsidiaries and equity interests;
- capital structure;
- authorization, execution, delivery, and enforceability of the merger agreement;
- absence of conflicts or violations under organizational documents, certain agreements and applicable laws or decrees, as a result of the contemplated transaction, and receipt of all required consents and approvals;
- information supplied for inclusion in this joint proxy statement/prospectus;
- absence of certain changes or events since December 31, 2004, in the case of St. Bernard, or June 30, 2005, in the case of Sand Hill;
- taxes;
- employee benefit plans;
- litigation;
- compliance with applicable laws;
- contracts, debt instruments;
- absence of brokers;
- real property;
- related party transactions;
- permits;
- insurance;
- intellectual property; and
- completeness and truthfulness of the information and provisions in the merger agreement.

St. Bernard also makes representations to Sand Hill regarding:

- accuracy of the information contained in the financial statements, and the absence of undisclosed liabilities;
- labor relations;
- environmental liability;
- customers and suppliers; and

- product warranties.

Sand Hill also makes representations to St. Bernard regarding:

- filings with the Securities and Exchange Commission and the accuracy and completeness of the information contained in those filings, including the financial statements and the lack of undisclosed liabilities;

- amount of funds contained in the trust account, and the termination after the merger of the obligation to liquidate; and

- no status as an investment company.

Materiality and Material Adverse Effect

Many of the representations and warranties made by St. Bernard are qualified by materiality or material adverse effect. For the purposes of the merger agreement, a material adverse effect means a material adverse effect with respect to St. Bernard on the business, financial condition or results of operations of St. Bernard and every subsidiary of St. Bernard. A change or effect is excluded from having a material adverse effect with respect to St. Bernard if it arises out of or is related to:

- changes in general economic conditions relating to the market in which St. Bernard operates;

- any effect directly resulting from the public announcement or pendency of the transactions contemplated by the merger agreement; or

- terrorist attack, act of war or other event beyond St. Bernard's control.

Several of the representations and warranties made by Sand Hill are qualified by materiality. However, only Sand Hill's representations and warranties related to the absence of certain changes from June 30, 2005, and the completeness and truthfulness of the information and provisions in the merger agreement are qualified by material adverse effect. A change or effect is excluded from having a material adverse effect with respect to Sand Hill for purposes of the latter representation and warranty if it relates to:

- changes in general economic conditions relating to the market in which Sand Hill operates;

- any effect directly resulting from the public announcement or pendency of the transactions contemplated by the merger agreement; or

- terrorist attack, act of war or other event beyond Sand Hill's control.

Interim Operations of Sand Hill and St. Bernard

Interim covenants relating to Sand Hill and St. Bernard. Under the merger agreement, each of Sand Hill and St. Bernard has agreed, and has agreed to cause their respective subsidiaries, prior to completion of the merger, to conduct its business in the usual, regular and ordinary course in substantially the same manner as previously conducted, except as expressly permitted by the merger agreement or related agreements. In addition to this agreement regarding the conduct of business generally, subject to specified exceptions, each of St. Bernard and Sand Hill has agreed that it:

- will not declare, set aside or pay any dividends on, or make any other distributions in respect of, any of its capital stock;

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will not split, combine or reclassify any of its shares of capital stock or issue or authorize the issuance of any other securities in respect of, or in lieu of or in substitution for its capital stock;

- will not purchase, redeem or otherwise acquire shares of its capital stock or any other securities thereof or any rights, warrants or options to acquire any such interests or other securities;

- will not adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, recapitalization, or other reorganization, or alter through merger, liquidation, reorganization or restructuring or in any other fashion the corporate structure or ownership of Sand Hill or St. Bernard;

- will not pledge any shares of its capital stock;

- will not issue, deliver, sell or grant any shares of its capital stock, any securities convertible into or exchangeable for, or any options, warrants or rights to acquire, any shares of capital stock, or any "phantom" rights or interest-based performance units;

- will not amend its organizational documents, except, in the case of Sand Hill, as required by the merger agreement;

- will not acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any equity interest in or business of any corporation, partnership, joint venture, association or other business organization or division thereof, or any assets in excess of $50,000 in the aggregate;

- will not sell, transfer, deliver, lease, license, sublicense, mortgage, pledge, encumber or otherwise dispose of, in whole or in part, or create, incur, assume or allow any lien on, any of its assets, including any intellectual property, other than in the ordinary course of business consistent with past practice, but in no event shall such dispositions exceed $50,000 individually or $150,000 in the aggregate, or pursuant to the terms of contracts entered into as of October 26, 2005, and which were disclosed at the time the merger agreement was executed;

- will not enter into or amend any contract, transaction, indebtedness or other arrangement in which any of its directors or other affiliates, or any of their respective affiliates or family members have a direct or indirect financial interest;

- will not make any change in its accounting methods, principles or practices, except as required by a change in general accepted accounting principles;

- will not incur any indebtedness for borrowed money or guarantee any such indebtedness of another person, issue or sell any debt securities or warrants or other rights to acquire any debt securities, guarantee any debt securities of another person, enter into any "keep well" or other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing, or make any loans, advances or capital contributions to, or investments in, any other person;

- will not make or agree to make any new capital expenditure or expenditures, except that St. Bernard may make such an expenditure so long as the expenditure does not exceed $25,000 in an individual case and $50,000 in the aggregate for all cases;

- will not make any material tax election or settle or compromise any material tax liability or refund;

- will not enter into any transaction with, or enter into any agreement, arrangement, or understanding with any of its affiliates that would be required to be disclosed pursuant to Item 404 of SEC Regulation S-B;

- will not take, authorize, commit or agree to take any of the foregoing actions; or

- will not take any action that would, or that could reasonably be expected to, result in any of its representations and warranties in the merger agreement and related agreements becoming untrue or any condition described below under "*The Merger Agreement—Conditions to the Completion of the Merger*," not being satisfied; and

- will promptly advise the other party orally and in writing of any change or event that has or could reasonably be expected to result in a breach of its respective representations, warranties, covenants or agreements contained in the agreements to be signed by them in connection with the merger.

Interim covenants relating to St. Bernard. The merger agreement restricts, among other things, the ability of St. Bernard to:

- pay, discharge, satisfy or settle any litigation, except any settlement that would not (i) impose any injunctive or similar order on St. Bernard or any of its subsidiaries, or restrict in any way the business of St. Bernard or any of its subsidiaries, or (ii) exceed $50,000 in cost or value to St. Bernard or any of its subsidiaries in the aggregate for all such settlements;

- hire or terminate any employee or consultant where the annual salary or fee associated with such employment or consulting agreement is in excess of $150,000 or has a term of more than one year, or grant to any of the employees, officers or directors of St. Bernard or any of its subsidiaries any increase in compensation, fringe benefits, severance in excess of $50,000 or termination pay, except in the ordinary course of business or to the extent required under employment agreements or policies in effect as of October 26, 2005;

- enter into any employee benefit agreement, trust, plan, fund award or other arrangement for the benefit or welfare of any director, officer or employee; or

- enter into or modify in any respect any labor or collective bargaining agreement or any other agreement or commitment to or relating to any labor union, except as otherwise required by law.

Interim covenants relating to Sand Hill. The merger agreement restricts, among other things, the ability of Sand Hill to:

- grant to any employee, executive officer or director of Sand Hill any increase in compensation;

- grant to any employee, executive officer or director of Sand Hill any increase in severance or termination pay;

- enter into any employment, consulting, indemnification, severance or termination agreement with any employee, executive officer or director of Sand Hill;

- establish adopt, enter into or amend in any respect any collective bargaining agreement, any other agreement or commitment to or relating to any labor union; or

- make any determination under any collective bargaining agreement, any other agreement or commitment to or relating to any labor union or any employee benefit plan.

No Solicitation by St. Bernard

Except as described below, St. Bernard will not:

- solicit, initiate, encourage, induce or facilitate the making, submission or announcement of any acquisition proposal;

- furnish any information regarding St. Bernard to any person in connection with or in response to an acquisition proposal;

- engage in discussions or negotiations with any person with respect to any acquisition proposal;

- approve, endorse or recommend any acquisition proposal; or

- enter into any letter of intent or similar document or any contract contemplating or otherwise relating to any acquisition transaction.

The above restrictions also apply to St. Bernard's officers, directors, employees, representatives or agents.

However, if St. Bernard receives a bona fide written acquisition proposal which was not solicited by St. Bernard, it may, before the merger agreement is adopted by its stockholders, furnish information regarding itself to the person making the acquisition proposal and participate in discussions, with the person regarding the acquisition proposal, if:

- neither St. Bernard, nor any of its officers, directors, employees, representatives or agents has violated any of the no solicitation provisions described above;

- the board of directors of St. Bernard determines in good faith, after having taken into account the advice of its outside legal counsel, that such action is required in order for the board to comply with its fiduciary obligations to St. Bernard's stockholders under applicable law;

- at least two business days prior to furnishing any such nonpublic information to, or entering into discussions with, such person, St. Bernard gives Sand Hill written notice of the identity of such person and of St. Bernard's intention to furnish nonpublic information to, or enter into discussions with, such person, and St. Bernard receives from such person an executed confidentiality agreement on terms substantially similar to the one entered into between St. Bernard and Sand Hill, containing customary limitations on the use and disclosure of all nonpublic written and oral information furnished to such person by or on behalf of St. Bernard; and

- at least one business day prior to furnishing any such nonpublic information to such person, St. Bernard furnishes such nonpublic information to Sand Hill, to the extent that such nonpublic information has not been previously furnished by St. Bernard to Sand Hill.

St. Bernard has agreed not to withdraw or modify, or propose to withdraw or modify, in a manner adverse to Sand Hill, the approval by its board of directors of the merger agreement or the merger or the recommendation by the board of directors of St. Bernard of the transactions contemplated by the merger agreement. However, the board of directors of St. Bernard may withdraw or modify its approval or recommendation of the merger agreement and the transactions contemplated thereby in a manner adverse to Sand Hill if:

- any offer, proposal, inquiry or indication of interest contemplating an acquisition of St. Bernard, other than by Sand Hill, is made to St. Bernard and not withdrawn;

- St. Bernard provides Sand Hill with at least two business days prior notice of any meeting of St. Bernard's board of directors at which such board will consider and determine whether such acquisition proposal is superior to the transactions contemplated by the merger agreement;

- St. Bernard's board of directors determines in good faith, after taking into account the advice of St. Bernard's independent financial advisors, that such acquisition proposal is superior to the transactions contemplated by the merger agreement;

- St. Bernard's board of directors determines in good faith, after having taken into account the written advice of St. Bernard's outside legal counsel, that, in light of the superior proposal, the withdrawal or modification of the board's recommendation is required in order for the board of directors to comply with its fiduciary obligations to St. Bernard's stockholders under applicable law; and

- neither St. Bernard nor any of its representatives has violated any of the no solicitation provisions described above.

St. Bernard must promptly advise Sand Hill orally and in writing of any acquisition proposal, inquiry or indication of interest that could lead to an acquisition proposal, or any request for nonpublic information relating to St. Bernard (including the identity of the person, group or entity making or submitting such proposal, inquiry, indication of interest or request, and the terms thereof) that is made or submitted by any person group or entity. St. Bernard must keep Sand Hill fully informed on a current basis with respect to the status of any discussions or indications of interest that St. Bernard is engaged in or has issued.

St. Bernard may be required to pay Sand Hill certain fees and expenses if the board of directors of St. Bernard withdraws or modifies its approval or recommendation of the merger agreement. Please see *"Termination Fee and Expenses"* on page _____.

No Solicitation by Sand Hill

Except as described below, Sand Hill will not:

- solicit, initiate, encourage, induce or facilitate the making, submission or announcement of any acquisition proposal;
- furnish any information regarding Sand Hill to any person in connection with or in response to an acquisition proposal;
- engage in discussions or negotiations with any person with respect to any acquisition proposal;
- approve, endorse or recommend any acquisition proposal; or
- enter into any letter of intent or similar document or any contract contemplating or otherwise relating to any acquisition transaction.

The above restrictions also apply to Sand Hill's officers, directors, employees, representatives or agents.

However, Sand Hill may, before the merger agreement is adopted by its stockholders, engage in discussions with and issue indications of interest to parties in the IT security industry if:

- neither Sand Hill nor any of its stockholders, officers, directors, employees, representative or agents have otherwise breached the no solicitation provisions described above;
- at least two business days prior to issuing any indication of interest, Sand Hill gives St. Bernard written notice of the identity of such person and of Sand Hill's intention to issue an indication of interest to such person; and
- at least one business day prior to issuing such indication of interest, Sand Hill furnishes St. Bernard a copy of the indication of interest.

Sand Hill may not enter into or negotiate the terms of any letter of intent or similar document or any contract contemplating or relating to an acquisition transaction until after Sand Hill has received from St. Bernard notice that St. Bernard has received an acquisition proposal that St. Bernard's board of directors determines in good faith constitutes a proposal superior to the transactions contemplated by the merger agreement.

Sand Hill must promptly advise St. Bernard orally and in writing of any acquisition proposal, inquiry or indication of interest that could lead to an acquisition proposal, or any request for nonpublic information relating to Sand Hill (including the identity of the person, group or entity making or submitting such proposal, inquiry, indication of interest or request, and the terms thereof) that is made or submitted by any person group or entity. Sand Hill must keep St. Bernard fully informed on a current basis with respect to the status of any discussions or indications of interest that

Sand Hill is engaged in or has issued.

Sand Hill Stockholders' Meeting

Sand Hill has agreed to call and hold a meeting of its stockholders, as soon as practicable after the date of the merger agreement for the purpose of seeking the adoption of the merger proposal by its stockholders. Sand Hill has also agreed that it will, through its board of directors, recommend to its stockholders that they approve and adopt the merger proposal.

St. Bernard Stockholders' Meeting

St. Bernard has agreed to call and hold a meeting of its stockholders, as soon as practicable after the date of the merger agreement for the purpose of seeking the adoption of the merger proposal by its stockholders. St. Bernard has also agreed that it will, through its board of directors, recommend to its stockholders that they approve and adopt the merger proposal.

Access to Information; Confidentiality

Sand Hill and St. Bernard will, and will cause their respective subsidiaries to, afford to the other party and its representatives prior to completion of the merger reasonable access during normal business hours to all of their respective properties, books, contracts, personnel and records and will promptly provide to the other party a copy of each document filed pursuant to the requirements of the securities laws of any state or the United States, and all other information concerning its business, properties and personnel as the other party reasonably requests. The information will be held in confidence to the extent required by the provisions of the confidentiality agreement between the two parties.

St. Bernard has agreed to provide Sand Hill:

- within 30 days after the date of the merger agreement, unaudited financial statements for the months of August and September 2005, without notes; and

- thereafter within 30 days after the end of each calendar month, unaudited financial statements, without notes, for each such calendar month.

Reasonable Efforts; Notification

Sand Hill and St. Bernard have agreed that they will use all reasonable efforts to take all actions, and to do all things necessary, proper or advisable to consummate the merger and the transactions contemplated by the merger agreement in the most expeditious manner practicable. This includes:

- obtaining all necessary actions or nonactions, waivers, consents and approvals from governmental entities and making all necessary registrations and filings, including filings with governmental entities, if any, and taking all reasonable steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any governmental entity;

- obtaining all necessary consents, approvals or waivers from third parties;

- defending any lawsuits or other legal proceedings, whether judicial or administrative, challenging the merger agreement or any other agreement contemplated by the merger agreement or the consummation of the merger or other transactions contemplated by the merger agreement, including seeking to have any stay or temporary restraining order entered by any court or other governmental entity vacated or reversed; and

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executing and delivering any additional instruments necessary to consummate the merger or other transactions contemplated by the merger and to fully carry out the purposes of the merger agreement and the transaction agreements contemplated by the merger agreement.

In addition, Sand Hill and St. Bernard will take all action necessary so that no takeover statute or similar statute or regulation is or becomes applicable to the merger, any transaction contemplated by the merger agreement or any agreement contemplated by the merger agreement. If any takeover statute or similar statute or regulation becomes so applicable, Sand Hill and St. Bernard will take all action necessary so that the merger and the other transactions contemplated by the merger agreement may be consummated as promptly as practicable on the terms contemplated by the merger agreement and the agreements contemplated by the merger agreement.

St. Bernard will give prompt notice to Sand Hill, and Sand Hill or Sand Hill Merger Corp. will give prompt notice to St. Bernard, of:

- any representation or warranty made by it or contained in the merger agreement that is qualified as to materiality becoming untrue or inaccurate in any respect or any representation or warranty that is not qualified by materiality becoming untrue or inaccurate in any material respect; or

- the failure by it to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under the merger agreement.

However, no notification will affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under the merger agreement or the agreements contemplated thereby.

Fees and Expenses

Except as specifically provided in the merger agreement, all fees and expenses incurred in connection with the merger and the other transactions contemplated by the merger agreement will be paid by the party incurring such expenses, whether or not the merger is consummated.

Public Announcements

Sand Hill and Sand Hill Merger Corp., on the one hand, and St. Bernard, on the other hand, have agreed:

- to consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press release or other public statements with respect to the merger and the other transactions contemplated by the merger agreement; and

- not to issue any press release or make any public statement prior to this consultation, except as may be required by applicable laws or court process.

Quotation or Listing

Sand Hill's outstanding common stock, warrants and units are currently quoted on the Over-the-Counter Bulletin Board. Sand Hill will use its commercially reasonable efforts to cause its outstanding shares of common stock and warrants and the shares of common stock to be issued in the merger to be approved for quotation on the Nasdaq Stock Market or, if they are not eligible for quotation on Nasdaq, to be listed on the American Stock Exchange, prior to the consummation of the merger.

Tax Treatment

Sand Hill and St. Bernard intend the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Each of Sand Hill, Sand Hill Merger Corp., and St. Bernard and each of their respective affiliates will not take any action and will not fail to take any action or suffer to exist any condition which action or failure to act or condition would prevent, or would be reasonably likely to prevent, the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

Pre-Closing Confirmation

Promptly after the date of the merger agreement, Sand Hill gave notice of the merger to the trustee holding in trust certain of the proceeds of Sand Hill's initial public offering. Not later than 48 hours prior to the closing:

- Sand Hill is required to give the trustee advance notice of the completion of the merger; and
- Sand Hill will cause the trustee to provide a written confirmation to St. Bernard confirming the dollar amount of the account balance held by the trustee in the trust account that will be released to Sand Hill upon consummation of the merger.

Conditions to the Completion of the Merger

Each of Sand Hill's and St. Bernard's obligations to effect the merger is subject to the satisfaction or waiver of specified conditions before completion of the merger, including the following:

Conditions to Sand Hill's and St. Bernard's obligation

- The receipt of the Sand Hill stockholder approval;
- The receipt of the St. Bernard stockholder approval;
- the effectiveness of the registration statement pursuant to which the shares of Sand Hill's common stock have been registered with the U.S. Securities and Exchange Commission, and the absence of a stop order suspending the effectiveness of the registration statement or the use of this joint proxy statement/prospectus, or any proceedings for such purposes;
- the absence of any order or injunction preventing consummation of the merger;
- the absence of any suit or proceeding by any governmental entity or any other person challenging the merger or seeking to obtain from St. Bernard, Sand Hill or Sand Hill Merger Corp. any damages;
- at the Sand Hill special meeting, holders of less than 20% of the shares of common stock issued in Sand Hill's initial public offering will have voted against the adoption of the merger proposal and demanded that Sand Hill convert their shares into a pro rata portion of the trust account in which a substantial portion of the net proceeds of Sand Hill's initial public offering are held;
- at the time of consummation of the merger, the board of directors of Sand Hill must determine that the fair market value of St. Bernard is at least 80% of the net assets of Sand Hill; and
- At the time of consummation of the merger, Sand Hill must have in the trust account at least \$21,350,000, plus accrued interest from July 31, 2005, less any amounts required to redeem shares of Sand Hill common stock property converted. At December 31, 2005, Sand Hill had \$21,025,000 in the trust account, and accreted interest of \$705,543.

Conditions to Sand Hill's obligation

The obligation of Sand Hill and Sand Hill Merger Corp. to effect the merger are further subject to the following conditions:

- St. Bernard's representations and warranties in the merger agreement that are qualified as to materiality must be true and correct and those not qualified as to materiality must be true and correct in all material respects, as of the date of completion of the merger, except for representations and warranties in the merger agreement that address matters as of another date, which must be true and correct as of that other date, and Sand Hill must have received a certificate from the chief executive officer and the chief financial officer of St. Bernard to that effect;

- St. Bernard must have performed in all material respects all obligations required to be performed by it under the merger agreement and Sand Hill must have received a certificate from the chief executive officer and the chief financial officer of St. Bernard to that effect;

- there must not have occurred since the date of the merger agreement any material adverse effect on St. Bernard;

- St. Bernard, the escrow agent and the other parties signatory to the Escrow Agreement shall have executed and delivered the Escrow Agreement;

- each of the affiliates of St. Bernard shall have executed and delivered a written agreement substantially in the form attached to the merger agreement;

- each of the executive officers and directors of St. Bernard shall have executed a lock-up agreement;

- each of the executive officers and directorsof St. Bernard shall have executed a lock-up agreement;

- counsel for St. Bernard shall have delivered a legal opinion substantially in the form attached to the merger agreement; and

- St. Bernard shall have obtained any necessary third-party consents to the merger.

Conditions to St. Bernard's obligation

The obligation of St. Bernard to effect the merger is further subject to the following conditions:

- Sand Hill's and Sand Hill Merger Corp.'s representations and warranties in the merger agreement that are qualified as to materiality must be true and correct and those not qualified as to materiality must be true and correct in all material respects, as of the date of completion of the merger, except for representations and warranties that address matters as of another date, which must be true and correct as of that date, and St. Bernard must have received a certificate from the chief executive officer and the chief financial officer of Sand Hill to that effect;

- Sand Hill and Sand Hill Merger Corp. must have performed in all material respects all obligations required to be performed by them under the merger agreement and St. Bernard must have received a certificate from the chief executive officer and the chief financial officer of Sand Hill to that effect;

- there must not have occurred since the date of the merger agreement any material adverse effect on Sand Hill;

- Sand Hill, the escrow agent, and the other parties to be signatory to the Escrow Agreement shall have executed and delivered the Escrow Agreement; and

- St. Bernard shall have received a written opinion from Duane Morris LLP, counsel to St. Bernard, dated on or before the closing date, to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

If permitted under applicable law, either St. Bernard or Sand Hill may waive conditions for the benefit of itself and its stockholders and complete the merger even though one or more of these conditions have not been met. We cannot assure you that all of the conditions will be satisfied or waived or that the merger will occur.

Termination

The merger agreement may be terminated at any time prior to the consummation of the merger, whether before or after receipt of the Sand Hill stockholder approval, by mutual written consent of Sand Hill, Sand Hill Merger Corp. and St. Bernard.

Termination by either St. Bernard or Sand Hill

Either St. Bernard or Sand Hill may terminate the merger agreement if:

- the merger is not consummated on or before June 30, 2006;
- any governmental entity issues an order, decree or ruling or takes any other action permanently enjoining, restraining or otherwise prohibiting the merger and such order, decree, ruling or other action will have become final and nonappealable;
- any condition to the obligation of such party to consummate the merger becomes incapable of satisfaction prior to June 30, 2006; or
- at the special meeting, the Sand Hill stockholder approval is not obtained or the holders of 20% or more of the shares of common stock issued in Sand Hill's initial public offering have demanded that Sand Hill convert their shares into cash pursuant to the terms of Sand Hill's certificate of incorporation.

Termination by Sand Hill

Sand Hill may terminate the merger agreement if:

- St. Bernard breaches or fails to perform in any material respect any of its representations, warranties or covenants contained in the merger agreement which breach or failure to perform would give rise to the failure of specified conditions in the merger agreement and cannot be or has not been cured within 30 days after the giving of written notice to St. Bernard of such breach or by June 30, 2006, if earlier;
- a special meeting of the St. Bernard stockholders is not held within 25 days after the effective date of the registration statement of which this joint proxy statement/prospectus is a part;
- at the special meeting of St. Bernard's stockholders, the St. Bernard stockholders do not approve the merger;
- St. Bernard's board of directors has withdrawn or adversely modified its recommendation in favor of the merger;
- St. Bernard's board of directors has failed to include its recommendation in favor of the merger in its proxy statement to its stockholders;
- St. Bernard's board of directors has approved an alternative acquisition proposal, which is a transaction where any person has or will acquire 15% or more of St. Bernard's voting power or assets that account for 15% or more of St. Bernard's net revenues, net income or assets; or
- St. Bernard's board of directors determines that it has received a superior proposal, which is an alternative acquisition proposal that St. Bernard's board of directors determines in good faith is superior to the merger that it is required to submit to its stockholders in the exercise of its fiduciary duties.

Termination by St. Bernard

St. Bernard may terminate the merger agreement if:

- Sand Hill breaches or fails to perform in any material respect any of its representations, warranties or covenants contained in the merger agreement which breach or failure to perform would give rise to the failure of specified conditions in the merger agreement and cannot be or has not been cured within 30 days after the giving of written notice to Sand Hill of such breach or by June 30, 2006, if earlier;

- A special meeting of the Sand Hill stockholders is not held within 60 days after the effective date of the registration statement of which this joint proxy statement/prospectus is a part;

- At the special meeting of Sand Hill's stockholders, the Sand Hill stockholders do not approve the merger;

- Sand Hill's board of directors has withdrawn or adversely modified its recommendation in favor of the merger;

- Sand Hill's board of directors has failed to include its recommendation in favor of the merger in its proxy statement to its stockholders;

- Sand Hill's board of directors has approved an alternative acquisition proposal, which is a transaction where any person has or will acquire 15% or more of Sand Hill's voting power or assets that account for 15% or more of Sand Hill's net revenues, net income or assets; or

- Sand Hill's board of directors determines that it has received a superior proposal, which is an alternative acquisition proposal that Sand Hill's board of directors determines in good faith is superior to the merger that it is required to submit to its stockholders in the exercise of its fiduciary duties.

Effect of Termination

In the event of termination by either St. Bernard or Sand Hill, the merger agreement will become void and have no effect, without any liability or obligation on the part of Sand Hill, Sand Hill Merger Corp. or St. Bernard, except in connection with:

- the confidentiality obligations set forth in a confidentiality agreement signed among the parties to the merger agreement;

- the indemnification provisions;

- the provisions described under "Fees and Expenses" to be paid upon termination; and

- the general provisions of the agreement.

These provisions will survive termination, except to the extent that the termination results from the willful and material breach by a party of any representation, warranty or covenant set forth in the merger agreement.

Termination Fee and Expenses

St. Bernard will pay Sand Hill a termination fee of $1.75 million if any of the following events occur:

- Sand Hill terminates the merger agreement as a result of the merger not being consummated by June 30, 2006 or St. Bernard breaches or fails to perform in any material respect any of its representations, warranties or covenants contained in the merger agreement, and prior to such termination an alternative acquisition proposal has been communicated to St. Bernard, and within one year of such termination St. Bernard enters into a definitive agreement with respect to such alternative acquisition proposal; or

- Sand Hill terminates the merger agreement as a result of St. Bernard not holding a meeting of its stockholders within 25 days of the effectiveness of the registration statement that this joint proxy statement/prospectus is a part of, or at such St. Bernard stockholders meeting the stockholders fail to approve the merger agreement, or if a Company Triggering Event has occurred, and, within one year of such termination St. Bernard enters into a definitive agreement with respect to an alternative acquisition proposal.

St. Bernard will pay such termination fee within ten business days after the consummation of the alternative acquisition proposal. The termination fee will be net of any expenses reimbursed by St. Bernard to Sand Hill, as described in the next paragraph.

St. Bernard will reimburse Sand Hill for fees and expenses incurred by Sand Hill, up to $300,000, in relation to this transaction if Sand Hill terminates the merger agreement as a result of St. Bernard not holding a meeting of its stockholders within 25 days of the effectiveness of the registration statement that this joint proxy statement/prospectus is a part of, or at such St. Bernard stockholders meeting the stockholders fail to approve the merger agreement.

Sand Hill will reimburse St. Bernard for fees and expenses incurred by St. Bernard, up to $300,000, in relation to this transaction if St. Bernard terminates the merger agreement as a result of Sand Hill not holding the special meeting within 60 days of the effectiveness of the registration statement that this joint proxy statement/prospectus is a part of, or at such special meeting the stockholders fail to approve the merger agreement.

A “Company Triggering Event” is generally any of the following:

- St. Bernard’s board of directors has withdrawn or adversely modified its recommendation in favor of the merger;

- St. Bernard’s board of directors has failed to include its recommendation in favor of the merger in its proxy statement to its stockholders;

- St. Bernard’s board of directors has approved an alternative acquisition proposal, which is a transaction where any person has or will acquire 15% or more of St. Bernard’s voting power or assets that account for 15% or more of St. Bernard’s net revenues, net income or assets; or

- St. Bernard’s board of directors determines that it has received a superior proposal, which is an alternative acquisition proposal that St. Bernard’s board of directors determines in good faith is superior to the merger that it is required to submit to its stockholders in the exercise of its fiduciary duties.

Assignment

The merger agreement may not be assigned by any party without prior written consent.

Amendment

The merger agreement may be amended by the parties at any time before or after receipt of the approval from Sand Hill’s or St. Bernard’s stockholders. However, after receipt of the approval from Sand Hill’s and St. Bernard’s stockholders, the parties will not, without further stockholder approval, amend the merger agreement in a manner that by law requires further approval by the stockholders of Sand Hill or St. Bernard. The merger agreement may not be amended except by an instrument in writing signed on behalf of each of St. Bernard and Sand Hill.

Extension; Waiver

At any time prior to the consummation of the merger, St. Bernard and Sand Hill may extend the time for the performance of any of the obligations or other acts, waive any inaccuracies in the representations and warranties or other documents, or waive compliance with any of the conditions in the merger agreement. Any agreement on the part of either St. Bernard and Sand Hill to any such extension or waiver will be valid only if set forth in an instrument in writing signed on behalf of it. The failure of St. Bernard or Sand Hill to assert any of its rights will not constitute a waiver.

Indemnification

Upon closing of the merger agreement, each of Sand Hill and its respective directors, officers, stockholders, accountants, agents and employees, affiliates and their respective heirs, successors and assigns will be indemnified, held harmless and reimbursed from and against any and all proceedings, charges, complaints, judgments, damages, dues, penalties, fines, costs, amounts paid in settlement, liabilities, taxes, liens, losses, expenses and fees, including court costs and reasonable attorneys' fees and expenses, caused by or arising, directly or indirectly, out of:

- any inaccuracy in or breach of any representation or warranty made by St. Bernard in the merger agreement or other agreements contemplated by the merger agreement, St. Bernard's disclosure letter to Sand Hill, or any other certificate or document delivered by St. Bernard pursuant to the merger agreement;

- any breach by St. Bernard of any covenant or obligation in the merger agreement or other agreements contemplated by the merger agreement; and

- any claim by any person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by any such person with St. Bernard, or any person acting on its behalf, in connection with the merger.

However, no indemnification payable shall be required until the aggregate amount of the damages incurred exceeds $500,000. In the event that the damages exceed $500,000, the indemnification obligations will include all damages from the first dollar. In no event will the aggregate liability for which the indemnified parties may seek indemnification exceed the amount escrowed pursuant to the stock escrow agreement. The payment of indemnification obligations will be made pursuant to the stock escrow agreement.

Exclusive Remedy

Except in the case of fraud or willful misrepresentation, the indemnification provisions represent the exclusive remedy of Sand Hill stockholders for losses incurred in connection with the breach by St. Bernard of any of its representations and warranties or its covenants requiring performance prior to the merger contained in the merger agreement.

Survival Period

For the purpose of the stock escrow agreement and the indemnification provisions of the merger agreement, all of the representations, warranties, covenants and obligations of St. Bernard contained in the merger agreement and other documents contemplated by the merger agreement will survive the merger agreement and remain in force for a period of 270 days following the closing of the merger agreement. Any claim must be made prior to the expiration of the appropriate period in order for the indemnification claim to be paid with respect to any losses.

Stockholders Representative

The St. Bernard stockholders have designated Mr. Bart A.M. van Hedel as stockholders' representative with authority to make all decisions and determinations and to take all actions (including giving consents and waivers) required or permitted under the merger agreement on behalf of the St. Bernard stockholders with respect to indemnity claims against St. Bernard.

Mr. Humphrey P. Polanen and Mr. Scott R. Broomfield have been designated as the representatives of Sand Hill after the merger, with authority to make all decisions and determinations and to take all actions (including giving consents and waivers) required or permitted under the merger agreement with respect to indemnity claims by Sand Hill.

Stock Escrow Agreement

At the time of the consummation of the merger, Sand Hill will deposit with a mutually acceptable escrow agent ten percent (10%) of the shares of common stock of Sand Hill to be issued in the merger. If within 270 days of the consummation of the merger, Sand hill asserts a claim that St. Bernard breached any representation or warranty in the merger agreement, or covenant requiring performance prior to the consummation of the merger, then, subject to the resolution or arbitration of such claim in favor of Sand Hill, the escrow agent will return to Sand Hill a portion of the shares of Sand Hill common stock held in escrow with a value equal to the damages caused by such breach, up to a maximum of the total number of shares of Sand Hill common stock held in escrow. The number of shares to be returned will be based on a per share price of $5.10. The escrowed shares will only be available to satisfy claims that are made within 270 days after the completion of the merger. Two hundred seventy days after completion of the merger any remaining escrowed shares that have not been used to satisfy indemnification claims by Sand Hill will be released to the former stockholders of St. Bernard. The complete text of the stock escrow agreement that will govern these matters is attached as Exhibit E of Annex A. We encourage all stockholders to read the stock escrow agreement in its entirety.

THE AMENDMENT PROPOSAL

General Description of the Amendment and Restatement of the Certificate of Incorporation of Sand Hill

The amendment and restatement of the certificate of incorporation of Sand Hill involves changing the name of Sand Hill to St. Bernard Software, Inc. and to remove the preamble and sections A through E of Article Sixth from the certificate of incorporation from and after the closing of the merger. The provisions being removed related to the protective provisions related to a business combination put in place when Sand Hill completed its initial public offering as a result of Sand Hill being a Targeted Acquisition Corporation. These provisions will no longer be applicable to Sand Hill and Section F of Article Sixth will be redesignated as Article Sixth. The provisions being removed:

- require the submission of a business combination proposal for approval to Sand Hill's stockholders regardless of whether it is of a type that would require such approval under the Delaware General Corporation Law;

- provide that a business combination may not be consummated if 20% or more of the shares of common stock issued in Sand Hill's initial public offering vote against the business combination and demand that Sand Hill convert their shares into a pro rata portion of the trust account;

- prevent Sand Hill from issuing any shares of preferred stock prior to the consummation of a business combination without the consent of the managing underwriters of Sand Hill's initial public offering;

- provide for up to 19.9% of the shares of Sand Hill common stock issued in its initial public offering to be converted into a pro rata portion of the trust fund, if a business combination is approved; and

- provide for Sand Hill to be liquidated, and the holders of shares of Sand Hill common stock issued in its initial public offering to receive a pro rata portion of the trust fund, if Sand Hill does not consummate a business combination by January 27, 2006 or by July 27, 2006, if a letter of intent, agreement in principle or definitive agreement to complete a business combination has not been executed by January 27, 2006.

Sand Hill's Reasons for the Amendment and Restatement of the Certificate of Incorporation and Recommendation of Sand Hill's Board of Directors

Sand Hill's Board of Directors has concluded that the amendment and restatement of its certificate of incorporation is in the best interests of Sand Hill's stockholders. Sand Hill's Board of Directors believes that the name St. Bernard Software, Inc. more accurately reflects the business the combined company will conduct after the acquisition, and will enable industry and financial market participants to more closely associate the combined company with its operating business. Since the combined company will be an operating business, the protective provisions related to Sand Hill being a Targeted Acquisition Corporation will no longer be necessary.

Consequences if Amendment Proposal is Not Approved

If the merger proposal is not approved by the stockholders, Sand Hill will not amend and restate its certificate of incorporation and Sand Hill's name will remain "Sand Hill IT Security Acquisition Corp." and the protective provisions related to Sand Hill being a Targeted Acquisition Corporation will remain in place.

Vote Required to Adopt the Amendment Proposal

The adoption of the amendment proposal will require the affirmative vote of a majority of the outstanding shares of Sand Hill's common stock on the Sand Hill record date.

The adoption of the merger proposal is conditioned on the adoption of the amendment proposal and the adoption of the amendment proposal is conditioned on the adoption of the merger proposal. The adoption of neither the merger proposal nor the amendment proposal is conditioned on the adoption of the stock option plans proposal or the adjournment proposal. The adoption of the stock option plans proposal, however, is conditioned upon the adoption of the merger proposal and the amendment proposal.

Sand Hill's Board of Directors' Recommendation

After careful consideration, Sand Hill's Board of Directors has determined unanimously that the amendment proposal is in the best interests of Sand Hill and its stockholders. Sand Hill's Board of Directors has approved and declared advisable the amendment proposal and unanimously recommends that you vote or instruct your vote to be cast "**FOR**" the amendment proposal.

THE STOCK OPTION PLANS PROPOSAL

St. Bernard 1992 Stock Option Plan

Administration

The plan is administered by St. Bernard's board or a board committee. Subject to the provisions of the plan, the board or committee determines, among other things, the persons to whom from time to time awards may be granted, the specific type of awards to be granted, the number of shares subject to each award, share prices, any restrictions or limitations on the, and any vesting, exchange, deferral, surrender, cancellation, acceleration, termination, exercise or forfeiture provisions related to the awards.

Stock Subject to the Plan

The plan reserves a maximum of 2,103,070 shares of St. Bernard common stock. Shares of stock subject to options that are forfeited or terminated, will be available for future option grants under the plan.

Under the plan, on a change in the number of shares of common stock as a result of a stock split, stock dividend, combination of shares or other change affecting the outstanding common stock as a class without receipt of consideration, the board or committee may determine whether the change requires equitably adjusting the terms of the award or the aggregate number of shares reserved for issuance under the plan.

Eligibility

St. Bernard may grant options under the plan to key employees, officers, directors and consultants who are deemed to have rendered, or to be able to render, significant services to us and who provide valuable services to St. Bernard.

Options

The plan provides both for "incentive" stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and for options not qualifying as incentive options. Only employees of St. Bernard may receive incentive stock options. The board or committee determines the exercise price per share of common stock purchasable under an incentive or non-qualified stock option.

The exercise price of stock options may not be less than 100% of the fair market value on the day of the grant or, if greater, the par value of a share of common stock. However, the exercise price of an incentive stock option granted to a person possessing more than 10% of the total combined voting power of all classes of St. Bernard stock may not be less than 110% of the fair market value on the date of grant. The number of shares covered by incentive stock options which may be exercised by any participant during any calendar year cannot have an aggregate fair market value in excess of $100,000, measured at the date of grant.

Subject to any limitations or conditions the board or committee may impose, stock options may be exercised, in whole or in part, at any time during the term of the stock option by giving written notice of exercise to St. Bernard specifying the number of shares of common stock to be purchased. The notice must be accompanied by payment in full of the purchase price.

Generally, stock options granted under the plan may not be transferred other than by will or by the laws of descent and distribution and all stock options are exercisable during the holder's lifetime, or in the event of legal incapacity or incompetency, the holder's guardian or legal representative.

Generally, if the holder is an employee, stock options granted under the plan may be exercised by the holder while he or she is employed by us or a subsidiary of ours at the time of the exercise, and for a period of 3 months, or such other greater period as the board or committee may determine, after the holder ceases to be an employee for reasons other than death or permanent disability. In the event the holder's employment is terminated due to permanent disability, the holder may still exercise his or her vested stock options for a period of 12 months or such other greater period as the board or committee may determine, from the date of termination or until the expiration of the stated term of the stock option, whichever period is shorter. Similarly, should a holder die while employed by us or a subsidiary of ours, his or her legal representative or legatee under his or her will may exercise the decedent holder's vested stock options for a period of 12 months from the date of his or her death, or such other greater period as the board or committee may determine or until the expiration of the stated term of the stock option, whichever period is shorter.

Accelerated Vesting and Exercisability

In the event of (i) a merger or consolidation in which St. Bernard is not the surviving entity; (ii) the sale, transfer, or other disposition of all or substantially all of the assets of St. Bernard in liquidation or dissolution of St. Bernard; (iii) a reverse merger in which St. Bernard is the surviving entity but in which fifty percent or more of the St. Bernard outstanding voting stock is transferred to holders different from those who held the securities immediately prior to the merger; or (iv) if any "person," is or becomes the owner, directly or indirectly, of St. Bernard securities representing 50% or more of the combined voting power of St. Bernard in one or more transactions, then the vesting periods with respect to options and awards granted and outstanding under the plan will be accelerated and will immediately vest, and each participant of an option and award will have the immediate right to purchase and receive all shares of our common stock subject to the option and award in accordance with the terms set forth in the plan and in the corresponding award agreements. Upon consummation of any transaction described in this paragraph, the options under the plan shall terminate, unless assumed by the successor corporation or parent thereof.

Term and Amendments

Unless terminated by the board, the plan shall continue to remain effective until no further awards may be granted and all awards granted under the plan are no longer outstanding. The board may at any time, and from time to time, amend the plan, provided that no amendment will be made that would impair the rights of a holder under any agreement entered into pursuant to the plan without the holder's consent.

Federal Income Tax Consequences for the Plans

The following discussion of the federal income tax consequences of participation in the plans is only a summary of the general rules applicable to the grant and exercise of stock options and other awards and does not give specific details or cover, among other things, state, local and foreign tax treatment of participation in the plan. The information contained in this section is based on present law and regulations, which are subject to being changed prospectively or retroactively.

Incentive Stock Options

Participants will recognize no taxable income upon the grant or exercise of an incentive stock option. The participant will realize no taxable income when the incentive stock option is exercised if the participant has been an employee of our company or our subsidiaries at all times from the date of the grant until three months before the date of exercise, one year if the participant is disabled. The excess, if any, of the fair market value of the shares on the date of exercise of an incentive stock option over the exercise price will be treated as an item of adjustment for a participant's taxable year in which the exercise occurs and may result in an alternative minimum tax liability for the participant. St. Bernard will not qualify for any deduction in connection with the grant or exercise of incentive stock options. Upon a disposition of the shares after the later of two years from the date of grant or one year after the transfer of the shares to a participant, the participant will recognize the difference, if any, between the amount realized and the exercise price as long-term capital gain or long-term capital loss, as the case may be, if the shares are capital assets.

If common stock acquired upon the exercise of an incentive stock option is disposed of prior to the expiration of the holding periods described above: the participant will recognize ordinary compensation income in the taxable year of disposition in an amount equal to the excess, if any, of the lesser of the fair market value of the shares on the date of exercise or the amount realized on the disposition of the shares, over the exercise price paid for the shares; and St. Bernard will qualify for a deduction equal to any amount recognized, subject to the limitation that the compensation be reasonable.

In the case of a disposition of shares earlier than two years from the date of the grant or in the same taxable year as the exercise, where the amount realized on the disposition is less than the fair market value of the shares on the date of exercise, there will be no adjustment since the amount treated as an item of adjustment, for alternative minimum tax purposes, is limited to the excess of the amount realized on the disposition over the exercise price, which is the same amount included in regular taxable income.

Non-Incentive Stock Options

With respect to non-incentive stock options: upon grant of the stock option, the participant will recognize no income provided that the exercise price was not less than the fair market value of St. Bernard common stock on the date of grant; upon exercise of the stock option, if the shares of common stock are not subject to a substantial risk of forfeiture, the participant will recognize ordinary compensation income in an amount equal to the excess, if any, of the fair market value of the shares on the date of exercise over the exercise price, and St. Bernard will qualify for a deduction in the same amount, subject to the requirement that the compensation be reasonable; and St. Bernard will be required to comply with applicable federal income tax withholding requirements with respect to the amount of ordinary compensation income recognized by the participant.

On a disposition of the shares, the participant will recognize gain or loss equal to the difference between the amount realized and the sum of the exercise price and the ordinary compensation income recognized. The gain or loss will be treated as capital gain or loss if the shares are capital assets and as short-term or long-term capital gain or loss, depending upon the length of time that the participant held the shares.

If the shares acquired upon exercise of a non-incentive stock option are subject to a substantial risk of forfeiture, the participant will recognize ordinary income at the time when the substantial risk of forfeiture is removed, unless the participant timely files under the Code, Section 83(b), to elect to be taxed on the receipt of shares, and St. Bernard will qualify for a corresponding deduction at that time. The amount of ordinary income will be equal to the excess of the fair market value of the shares at the time the income is recognized over the amount, if any, paid for the shares.

St. Bernard 2000 Stock Option Plan

Administration

The plan is administered by St. Bernard’s board or a board committee. Subject to the provisions of the plan, the board or committee determines, among other things, the persons to whom from time to time awards may be granted, the specific type of awards to be granted, the number of shares subject to each award, share prices, any restrictions or limitations on the, and any vesting, exchange, deferral, surrender, cancellation, acceleration, termination, exercise or forfeiture provisions related to the awards.

Stock Subject to the Plan

The plan reserves a maximum of 1,777,631 shares of St. Bernard common stock. Shares of stock subject to options that are forfeited or terminated, will be available for future option grants under the plan.

Under the plan, the number of shares of common stock covered by each outstanding option, and the exercise price thereof, shall be proportionately adjusted for any increase or decrease in the number of issued shares of common stock resulting from a subdivision or consolidation of shares, including, but not limited to, a stock split, reverse stock split, recapitalization, continuation or reclassification, or the payment of a stock dividend, or other change increasing or decreasing the outstanding common stock without receipt of consideration. The total number of shares of common stock issuable upon exercise of all outstanding options and under any stock bonus or similar plan may not exceed thirty percent of the total number of shares outstanding.

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Eligibility

St. Bernard may grant options under the plan to key employees, officers, directors and consultants who are deemed to have rendered, or to be able to render, significant services to us and who provide valuable services to St. Bernard.

Options

The plan provides both for "incentive" stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and for options not qualifying as incentive options. Only employees of St. Bernard may receive incentive stock options. The board or committee determines the exercise price per share of common stock purchasable under an incentive or non-qualified stock option.

The exercise price of stock options may not be less than 100% of the fair market value on the day of the grant or, if greater, the par value of a share of common stock. However, the exercise price of an incentive stock option granted to a person possessing more than 10% of the total combined voting power of all classes of St. Bernard stock may not be less than 110% of the fair market value on the date of grant. The number of shares covered by incentive stock options which may be exercised by any participant during any calendar year cannot have an aggregate fair market value in excess of $100,000, measured at the date of grant.

Subject to any limitations or conditions the board or committee may impose, stock options may be exercised, in whole or in part, at any time during the term of the stock option by giving written notice of exercise to St. Bernard specifying the number of shares of common stock to be purchased. The notice must be accompanied by payment in full of the purchase price.

Generally, stock options granted under the plan may not be transferred other than by will or by the laws of descent and distribution and all stock options are exercisable during the holder's lifetime, or in the event of legal incapacity or incompetency, the holder's guardian or legal representative.

Generally, if the holder is an employee, stock options granted under the plan may be exercised by the holder while he or she is employed by us or a subsidiary of ours at the time of the exercise, and for a period of 3 months, or such other greater period as the board or committee may determine, after the holder ceases to be an employee for reasons other than death or disability as "disabled" is defined in Section 22(e)(3) of the Internal Revenue Code. In the event the holder's employment is terminated due to disability, the holder may still exercise his or her vested stock options for a period of 12 months or such other greater period as the board or committee may determine, from the date of termination or until the expiration of the stated term of the stock option, whichever period is shorter. Similarly, should a holder die while employed by us or a subsidiary of ours, his or her legal representative or legatee under his or her will may exercise the decedent holder's vested stock options for a period of 12 months from the date of his or her death, or such other greater period as the board or committee may determine or until the expiration of the stated term of the stock option, whichever period is shorter.

Accelerated Vesting and Exercisability

Upon (i) a sale or exchange of all or substantially all of the assets of St. Bernard; (ii) a merger or consolidation in which St. Bernard is not the surviving corporation; (iii) a merger, reorganization or consolidation in which St. Bernard is the surviving entity and stockholders of St. Bernard exchange their stock for securities or property; (iv) a liquidation of St. Bernard, or similar transaction as determined by the board or committee, then the vesting periods with respect to options and awards granted and outstanding under the plan will be accelerated and will immediately vest, and each participant of an option and award will have the immediate right to purchase and receive all shares of our common stock subject to the option and award in accordance with the terms set forth in the plan and in the corresponding award agreements. Upon consummation of any transaction described in this paragraph, the options under the plan shall terminate, unless assumed by the successor corporation or parent thereof.

Term and Amendments

Unless terminated by the board, the plan shall continue to remain effective until no further awards may be granted and all awards granted under the plan are no longer outstanding. The board may at any time, and from time to time, amend the plan, provided that no amendment will be made that would impair the rights of a holder under any agreement entered into pursuant to the plan without the holder's consent.

St. Bernard 2005 Stock Option Plan

Administration

The plan is administered by St. Bernard's board or a board committee. Subject to the provisions of the plan, the board or committee determines, among other things, the persons to whom from time to time awards may be granted, the specific type of awards to be granted, the number of shares subject to each award, share prices, any restrictions or limitations on the, and any vesting, exchange, deferral, surrender, cancellation, acceleration, termination, exercise or forfeiture provisions related to the awards.

Stock Subject to the Plan

The plan reserves a maximum of 5,000,000 shares of St. Bernard common stock. Shares of stock subject to options that are forfeited or terminated, will be available for future option grants under the plan.

Under the plan, the number of shares of common stock covered by each outstanding option, and the exercise price thereof, shall be proportionately adjusted for any increase or decrease in the number of issued shares of common stock resulting from a subdivision or consolidation of shares, including, but not limited to, a stock split, reverse stock split, recapitalization, continuation or reclassification, or the payment of a stock dividend, or other change increasing or decreasing the outstanding common stock without receipt of consideration. The total number of shares of common stock issuable upon exercise of all outstanding options and under any stock bonus or similar plan may not exceed thirty percent of the total number of shares outstanding.

Eligibility

St. Bernard may grant options under the plan to key employees, officers, directors and consultants who are deemed to have rendered, or to be able to render, significant services to us and who provide valuable services to St. Bernard.

Options

The plan provides both for "incentive" stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and for options not qualifying as incentive options. Only employees of St. Bernard may receive incentive stock options. The board or committee determines the exercise price per share of common stock purchasable under an incentive or non-qualified stock option.

The exercise price of stock options may not be less than 100% of the fair market value on the day of the grant or, if greater, the par value of a share of common stock. However, the exercise price of an incentive stock option granted to a person possessing more than 10% of the total combined voting power of all classes of St. Bernard stock may not be less than 110% of the fair market value on the date of grant. The number of shares covered by incentive stock options which may be exercised by any participant during any calendar year cannot have an aggregate fair market value in excess of $100,000, measured at the date of grant.

Subject to any limitations or conditions the board or committee may impose, stock options may be exercised, in whole or in part, at any time during the term of the stock option by giving written notice of exercise to St. Bernard specifying the number of shares of common stock to be purchased. The notice must be accompanied by payment in full of the purchase price.

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Generally, stock options granted under the plan may not be transferred other than by will or by the laws of descent and distribution and all stock options are exercisable during the holder's lifetime, or in the event of legal incapacity or incompetency, the holder's guardian or legal representative.

Generally, if the holder is an employee, stock options granted under the plan may be exercised by the holder while he or she is employed by us or a subsidiary of ours at the time of the exercise, and for a period of 3 months, or such other greater period as the board or committee may determine, after the holder ceases to be an employee for reasons other than death or disability as "disabled" is defined in Section 22(e)(3) of the Internal Revenue Code. In the event the holder's employment is terminated due to disability, the holder may still exercise his or her vested stock options for a period of 12 months or such other greater period as the board or committee may determine, from the date of termination or until the expiration of the stated term of the stock option, whichever period is shorter. Similarly, should a holder die while employed by us or a subsidiary of ours, his or her legal representative or legatee under his or her will may exercise the decedent holder's vested stock options for a period of 12 months from the date of his or her death, or such other greater period as the board or committee may determine or until the expiration of the stated term of the stock option, whichever period is shorter.

Accelerated Vesting and Exercisability

Upon (i) a sale or exchange of all or substantially all of the assets of St. Bernard; (ii) a merger or consolidation in which St. Bernard is not the surviving corporation; (iii) a merger, reorganization or consolidation in which St. Bernard is the surviving entity and stockholders of St. Bernard exchange their stock for securities or property; (iv) a liquidation of St. Bernard, or similar transaction as determined by the board or committee, then the vesting periods with respect to options and awards granted and outstanding under the plan will be accelerated and will immediately vest, and each participant of an option and award will have the immediate right to purchase and receive all shares of our common stock subject to the option and award in accordance with the terms set forth in the plan and in the corresponding award agreements. Upon consummation of any transaction described in this paragraph, the options under the plan shall terminate, unless assumed by the successor corporation or parent thereof.

Term and Amendments

Unless terminated by the board, the plan shall continue to remain effective until no further awards may be granted and all awards granted under the plan are no longer outstanding. The board may at any time, and from time to time, amend the plan, provided that no amendment will be made that would impair the rights of a holder under any agreement entered into pursuant to the plan without the holder's consent.

Accounting

Historically the combined company has accounted for stock-based compensation following Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations, in accounting for the stock options to be issued under the stock option plan, rather than the alternative fair value accounting allowed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation (SFAS No. 123)." Accounting Principles Board Opinion No. 25 provides that the compensation expense relative to the stock options be measured based on the intrinsic value of the stock option. Statement of Financial Accounting Standards No. 123 requires companies that continue to follow Accounting Principles Board Opinion No. 25 to provide a pro forma disclosure of the impact of applying the fair value method of SFAS No. 123; the combined company intends to provide such pro forma disclosure. Options granted to non-employees will be reported as compensation expense as required by SFAS No. 123.

The Financial Accounting Standards Board has issued a Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment." This Statement eliminates the ability to account for share-based compensation transactions using Accounting Principles Board Opinion No. 25, and generally requires instead that such transactions be accounted for using a fair-value-based method. The combined company intends to implement the provisions of SFAS No. 123(R) on January 1, 2006, which will require, in general terms, the combined company to apply fair value based methods for measuring an equity awards granted after that date, as well as to any previously granted, unvested awards existing at that date. The exact impact of adopting the provisions of SFAS No. 123(R) has not been determined by the combined company as yet; however, due to the underlying change in the fundamental nature of measuring and accounting for such awards, its impact on the combined company's financial statements in the future may be significant.

Federal Tax Treatment

Under current law, the following are U.S. federal income tax consequences generally arising with respect to awards under the stock option plan.

A participant who is granted an incentive stock option does not recognize any taxable income at the time of the grant or at the time of exercise. Similarly, the combined company is not entitled to any deduction at the time of grant or at the time of exercise. If the participant makes no disposition of the shares acquired pursuant to an incentive stock option before the later of two years from the date of grant and one year from the date of exercise, any gain or loss realized on a subsequent disposition of the shares will be treated as a long-term capital gain or loss. Under these circumstances, the combined company will not be entitled to any deduction for federal income tax purposes.

A participant who is granted a non-qualified stock option will not have taxable income at the time of grant but will have taxable income at the time of exercise equal to the difference between the exercise price of the shares and the market value of the shares on the date of exercise. The combined company is entitled to a tax deduction for the same amount.

Limitation on the Combined Company's Deduction

Under Section 162(m) of the Internal Revenue Code, the combined company may not deduct otherwise deductible compensation paid to covered employees (i.e., generally, the chief executive officer and the four highest compensated officers of the combined company) to the extent that the compensation exceeds $1 million. An exception applies, however, for performance-based compensation if the terms under which the compensation is paid are approved by the combined company's stockholders and certain other requirements are satisfied. Although the combined company intends that awards under the stock option plan (other than awards not based on Performance Criteria) will satisfy the requirements to be considered performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code, there is no assurance awards will satisfy these requirements, and, accordingly, Section 162(m) of the Internal Revenue Code may limit the amount of deductions otherwise available to the combined company with respect to awards to covered employees under the stock option plan. The inclusion of the limits on individual awards satisfy the requirements of Section 162(m) by establishing a maximum number of shares that may be represented by awards granted to any employee and by specifying the factors that may be used by the compensation committee with respect to awards made under the stock option plan.

Effect of Approval of the Stock Option Plans Proposal

Approval by the Sand Hill stockholders of the stock option plans proposal will permit the compensation committee of the combined company the ability to make equity compensation awards in the form of stock options to non-employee directors, consultants, officers and other key employees. If the stock option plans proposal is not approved, the compensation committee will not have sufficient shares to make grants of equity compensation settled in stock to key employees for 2006.

Vote Required to Adopt the Stock Option Plans Proposal

The adoption of the stock option plans proposal will require the affirmative vote of the holders of a majority of the shares of Sand Hill common stock present in person or represented by proxy at the Sand Hill special meeting.

The adoption of neither the merger proposal nor the amendment proposal is conditioned on the adoption of the stock option plans proposal or the adjournment proposal. The adoption of the stock option plans proposal, however, is conditioned upon the adoption of the merger proposal and the amendment proposal.

Sand Hill's Board of Directors' Recommendation

After careful consideration, Sand Hill's board of directors has determined unanimously that the stock option plans proposal is fair to, and in the best interests of, Sand Hill and its stockholders. Sand Hill's board has unanimously approved and declared advisable the stock option plans proposal and unanimously recommends that you vote or instruct your vote to be cast "**FOR**" the stock option plans proposal.

INFORMATION ABOUT ST. BERNARD

Overview

St. Bernard Software is a recognized independent supplier of IT security software products and services, with a special emphasis on Secure Content Management, or SCM, including messaging security, with $28.7 million in gross billings for 2005. St. Bernard's products protect businesses, government organizations and educational institutions from cyber attack, improve worker productivity, reduce legal liability and assist in meeting regulatory requirements for data/privacy protection. St. Bernard's network-attached security products are delivered as appliances that connect into the data path between the Internet gateway and a company's local area network. Similar to a traditional household appliance, a security appliance is a dedicated computer with a specially configured 'kernal level' operating system that is plugged into the server stack, in front of a company's firewall and, therefore, sees all inbound Internet traffic. St. Bernard's system security products consist of software that is installed on workstations and servers. St. Bernard has approximately 8,000 customers supporting over 3.5 million device licenses, primarily comprised of small to medium sized businesses, educational institutions and governmental organizations. The products offered by St. Bernard include Open File Manager, a data protection product; UpdateEXPERT, a patch and settings management product; iPrism, SCM, Internet access management product; and ePrism, SCM, a messaging security, e-mail filtering product. According to IDC, in September 2005, St. Bernard's iPrism product line was the leading Internet filtering appliance, enabling customers to manage and control employee access to millions of web sites that are updated continuously as part of St. Bernard's fee-based Software as a Service, or SaaS, business model subscription service. St. Bernard's products have a subscription component, which results in adding positive cash flow, via deferred revenue, to St. Bernard's business thereby increasing revenue predictability. St. Bernard's principal offices are located at 15015 Avenue of Science, San Diego, California 92128 and its telephone number at that location is (858) 524-2299. St. Bernard's home page on the Internet is at http://www.stbernard.com. The information on the St. Bernard website is not a part of this joint proxy statement/prospectus.

All of St. Bernard's products are designed to protect companies from IT security threats. The secure content management products, iPrism and ePrism, are dedicated appliances that provide perimeter security, with iPrism targeting internet access security and ePrism targeting email security. Certain ePrism implementations also provide active firewall protection. The iPrism and ePrism products are self-contained appliances which use St. Bernard's proprietary threat databases to identify security risks. St. Bernard subscription holders receive daily, and sometimes hourly, updates to these databases to ensure response to the latest threats. UpdateEXPERT and Open File Manage operate to maintain smooth system operation by assisting with the application of the latest patches and allowing for backup of open files, ensuring business continuity and protection of mission critical data. St. Bernard products work in conjunction with other commonly used security devices, such as network firewalls, to provide protection and security that common security devices do not provide.

St. Bernard began using the name St. Bernard Software, Inc. in 1995 and in May of that year introduced Open File Manager, a data security backup product. In 2000, St. Bernard added a patch management product today known as UpdateEXPERT (UE) and acquired Internet Products, Inc. adding the iPrism, Internet access management product. Also in 2000, St. Bernard modified its strategy from being a company focused on data security to one focused on security products. In 2003, St. Bernard began providing ePrism, a messaging security e-mail filtering product. In 2005, St. Bernard began to focus on Secure Content Management (SCM). Open File Manager and UE remain as stand alone security products provided by St. Bernard.

System Security: St. Bernard products harden workstations and servers against cyberattack by keeping systems patched and configured properly. Its products defend against viruses and spyware entering the network, a growing threat to corporate systems. Access to instant messaging and peer-to-peer services is regulated to prevent malicious programs from being transferred through attachments or file transfers. E-mail attachments are checked for viruses before reaching the mail server as well as outgoing messages. Phishing sites can be blocked from access by Web browsers.

Employee Productivity: St. Bernard products control access to the Internet which allows enforcement of enterprise Internet usage policies. These policies when enforced allow an enterprise to insure that employees are not involved in non work related Internet usage.

Network Bandwidth Conservation: St. Bernard products assist companies in managing in managing the type of content that is on their networks. Items such as streaming video or audio consume significant network bandwidth which negatively impacts the performance of the network for business related activity.

Data Protection: Data recovery from backup media is central to an effective disaster recovery process. St. Bernard products work with major third party backup products to ensure a complete backup of data by managing files that are constantly changing.

St. Bernard focuses on the relatively underserved and high growth Small to Medium Enterprises (or SME) segment of the market. As estimated by AMI Partners, an SME oriented research firm, there are 232,000 small to medium sized businesses in the U.S. The SME segment is defined by AMI as businesses ranging from 50 to 999 employees. According to a study by AMI conducted in 2005, the SME segment is underserved, or under penetrated, in that only 22% of all small to medium sized businesses have installed comprehensive security management solutions. St. Bernard believes that this indicates that there is real opportunity for growth in this segment. According to this same AMI report, a total of an additional 15% of the SME market, or 35,000 businesses, plan to purchase security management solutions in 2006, representing a growth rate of 73% year over year. St. Bernard also additionally believes that the focus on SME is beneficial because security appliances tend to serve the market well because of their ease of installation and use. Brian Burke, an analyst with IDC research recently stated, "… security appliance sales will grow fast in the SME market because IT resources are scarce."

St. Bernard had gross billings of $28.7 million in 2005 and revenue of $24.0 million and $21.2 million in 2005 and 2004, respectively, and as of December 31, 2005 had 159 employees in three countries. St. Bernard is a corporation that was founded in 1984 as Emerald Systems, Inc. In 1995, the corporation sold substantially all of its operating assets, changed its name to St. Bernard Software, Inc., and began its current operations to take advantage of its existing personnel and infrastructure. The St. Bernard operations rapidly moved into the data protection and IT security market. Its principal offices are located at 15015 Avenue of Science, San Diego, California 92128. Its telephone number at that location is (858) 524-2299. St. Bernard's home page on the Internet is at http://www.stbernard.com. Information on the website is not a part of this joint proxy statement/prospectus.

Upon completion of the merger, St. Bernard intends to use its existing cash resources, along with funds released from the Sand Hill trust, to (1) enhance its SCM product offering, (2) further develop its products, (3) increase its international presence, and (4) improve its VAR and indirect sales channels, in addition to using its cash resources for working capital and for general corporate purposes.

Products

St. Bernard offers a wide range of IT security products. Demand for its products is driven by continually increasing threats to IT assets, employee productivity and company proprietary data. Other factors driving demand are the scarcity of IT resources and the need to reduce IT costs. Power tools for system administrators that protect systems and data, improve employee productivity and assist in meeting regulatory requirements are increasing in demand. St. Bernard products address these important needs.

Secure Content Management (SCM)

iPrism	iPrism is a dedicated internet filtering appliance that delivers perimeter protection from emerging internet threats in HTTP websites, IM (instant messaging) and P2P (peer 2 peer) traffic including spyware, malware and phishing. In addition, iPrism allows customers to enforce their Internet usage policy to reduce potential legal liability, improve employee

productivity and reduce saturation of network bandwidth. iPrism combines hardware, OS, Free BSD and applications into a single appliance.

iPrism's proprietary kernel-level filtering technology delivers superior internet traffic throughput performance. iPrism uses iGuard, St. Bernard's proprietary URL database, which is 100% human-reviewed for accuracy. iGuard uses 63 URL classifications and tracks and monitors over 6 million web sites, worldwide. The iGuard database is updated daily and certain critical security categories such as spyware, malware and phishing sites are updated hourly. The first version of iPrism was released in 1999 by Internet Products, Inc., which was acquired by St. Bernard in 2000.

ePrism	The ePrism appliance product group provides perimeter email security for small and medium businesses and larger enterprises. This is the messaging security component of the St. Bernard product family. The ePrism M500 is an email filtering appliance targeted at small and medium sized businesses, that combines spam filtering technology with award-winning Kaspersky Labs Anti-Virus to provide superior perimeter defense against spam and email borne malicious code. ePrism uses eGuard, St. Bernard's proprietary database, which is 100% human-reviewed and contains spam profiles and customized anti-spam heuristics,. The eGuard database is updated daily. The ePrism Enterprise includes three appliance models that provide business organizations with a total perimeter defense solution. ePrism Enterprise is a EAL4+ certified firewall that delivers advanced features, and is available in three models. EAL4 is one of the Common Criteria Evaluation Assurance Levels for evaluating the security of IT products and systems. EAL4 provides a high level of assurance and guarantees that the certified product is methodically designed, tested and reviewed to be secure. St. Bernard's ePrism Enterprise models combine spam filtering technology with award-winning Kaspersky Labs Anti-Virus to provide superior perimeter defense against spam and email borne malicious code. The first version of ePrism was released in 2003.
Secure System Management	
UpdateEXPERT	UpdateEXPERT offers system administrators simplified patch and settings management. System administrators face the daunting challenge of keeping systems up to date and ensuring that the operating systems and applications are current. This includes deploying patches and settings to systems that are vulnerable. UpdateEXPERT is patch management software that addresses the administrative challenge of deploying numerous complex patches that may interact with one another in unexpected and undesirable ways. UpdateEXPERT discovers applicable patches for customer's installed software that are missing and applicable and deploys them. By encouraging continual updating of patches, UpdateEXPERT enforces software security policies and provides a superior way of managing hotfixes, patches and service packs. UpdateEXPERT can function automatically by assessing security risk factors and establishing enforcement policies based its internal criteria based on input from industry experts. Customers can create and edit their own policies, as

	well. The first version of UpdateEXPERT was released in 2000.
Open File Manager (OFM)	OFM is enterprise-class software that enables backup applications to back up open files, ensuring business continuity and protection of mission critical data. We believe it is a reliable, easy-to-use, disk-level open file solution that is cost-effective and scalable from workstations to servers.
.	The rich feature set of OFM helps IT professionals automate backup of open files through system-wide synchronization, improve application availability and lower operating costs. St. Bernard has designed OFM to integrate with leading backup software, including Computer Associates BrightStor ARCserve, VERITAS Backup Exec and NetBackup, IBM Tivoli Storage Manager, Hewlett-Packard Data Protector, EMC/LEGATO NetWorker and many more. OFM has three license levels - Enterprise Server, Server and Workstation. It is also available for OEM applications as an embedded feature. The first version of Open File Manager (OFM) was released in 1995

Marketing, Sales and Distribution

St. Bernard sells and markets its products and related services both directly to end-users and through a variety of indirect sales channels, which include value-added resellers (VAR), distributors, system integrators (SI) and original equipment manufacturers (OEM). St. Bernard's customers include many leading global corporations and small and medium sized enterprises around the world operating in a wide variety of industries.

Direct Sales to End-Users, and VARs. One of St. Bernard's primary methods of distribution to end-users is through its direct sales, services and technical support organizations that market products and services throughout the world. Many of St. Bernard's products involve a consultative, solution-oriented tele-sales model that uses the collaboration of technical and sales personnel to demonstrate how our solutions fit specific customer requirements. St. Bernard's focuses its initial sales effort on system administrators and IT department personnel who are responsible for a customer's business initiatives and data center management. St. Bernard complements its direct sales efforts with indirect sales channels such as resellers, VARs, distributors and SIs. Single and multiple tier distribution channels are important in its expansion strategy and are the one of the primary channels for addressing the small to medium-sized enterprise market. St. Bernard designed its VAR program with the participation of its VARs, and because of this St. Bernard believes that its VAR partner program provides one of the best programs for VARs that the industry has to offer. St. Bernard will continue to invest in programs that train and enable its channel partners to market its technologies. St. Bernard provides its software products to its channel partners and customers under non-exclusive reseller license agreements, including shrink-wrap or click-wrap licenses for some products, without transferring title of our software products.

Other Indirect Channels. An important element of St. Bernard's sales and marketing strategy is to continue to expand St. Bernard's relationships with third parties, including St. Bernard's strategic partners, to increase market awareness, demand and acceptance of its products. St. Bernard's strategic partners generate and qualify sales leads, recommend St. Bernard solutions which interoperate with their products or are related to their value-added services and complete transactions through distribution rights granted by St. Bernard. St. Bernard may enter into distribution arrangements for its products with its strategic partners, including granting rights to integrate or bundle its products with its partners' products and services. Some of its strategic partner relationships include:

System Integrators and Managed Services Providers: St. Bernard collaborates with SIs, who may refer its customers to St. Bernard, utilize St. Bernard as a subcontractor in some situations, build standard and customized solutions with its products or use products to deliver hosted services as well as outsourced services. SIs use St. Bernard's products and services in conjunction with optimizing their client's investment in transactional applications and related hardware. St. Bernard's SI relationships include Electronic Data Systems Corporation, Update Technology Corporation, Hitachi Data Systems, Attix5 and Novarra, Inc. Some SIs are authorized resellers of its products and some use St. Bernard products and services to deliver consultative services or managed services to their customers. Under these arrangements, SIs and managed services providers are not obligated to use or sell St. Bernard's products or services. In general, St. Bernard receives a fee for each sublicense of its products granted by its partners. In some cases, St. Bernard grants rights to distribute promotional versions of its products, which have limited functionality or limited use periods, on a non-fee basis. St. Bernard enters into both object-code only licenses and, when appropriate, source-code licenses of its products. St. Bernard does not transfer title of software products to its customers.

Original Equipment Manufacturers (‘OEMs’). Another important element of its sales and marketing strategy involves its strategic relationships with OEM partners. These OEM partners may incorporate St. Bernard’s products into their products, bundle its products with their products, endorse St. Bernard’s products in the marketplace or serve as authorized resellers of its products. St. Bernard’s OEM partners with whom St. Bernard generates the greatest distribution and sales of its products include Hewlett Packard, Veritas/Symantec, Legato/EMC and Altiris, Inc. In general, the OEM partners are not obligated to sell St. Bernard’s products or services under these arrangements and are not obligated to continue to include its products in future versions of their products.

Software as a Service (SaaS) and Deferred Revenue

A typical sale of a St. Bernard product consists of a software license or an appliance accompanied by a subscription component. The subscription component includes traditional maintenance support (telephone support, product upgrades, bug fixes) as well as database updates, some as frequent as hourly. The subscription component percentage of the original sale varies from 25% to 100% depending on the product line. The subscriptions are generally available for one to three years. Renewal of the subscriptions are an important and growing part of St. Bernard’s business. Due to high customer satisfaction and high product value, St. Bernard enjoys renewal rates greater than 80% and as high as 95% depending on product line which results in very significant recurring revenue opportunity. Even though the full payment for the subscription or the renewal, as the case may be, is received at the time of renewal, the revenue is recognized over the subscription or renewal period resulting in deferred revenue on the balance sheet. Deferred revenue was approximately $16.1 million, $13.2 million and $8.5 million at December 31, 2005, 2004 and 2003, respectively. Deferred revenue represents subscription and product maintenance orders for St. Bernard’s software products that have been billed to and paid by its customers and for which revenue will generally be earned within the next few years. Deferred revenue also includes subscription and maintenance orders that have not been paid by St. Bernard’s customers, are included in accounts receivable, and that do not otherwise satisfy its revenue recognition criteria.

Subscription and product maintenance revenue recognized was approximately $14.0 million, $10.2 million and $7.0 million for the twelve months ended December 31, 2005, 2004 and 2003, respectively. Subscription and maintenance are generally recognized over the subscription and maintenance period of twelve to thirty-six months.

Maintenance and Technical Support

St. Bernard believes that providing a high level of customer service and technical support is critical to customer satisfaction and its success in increasing the adoption rate of its solutions. Most of its customers have maintenance and technical support agreements with St. Bernard that provide for fixed fee, renewable annual maintenance and technical support, consisting of technical and emergency support, bug fixes and product upgrades. St. Bernard offers seven-day a week, 24-hour a day telephone support, as well as e-mail customer support. In addition St. Bernard provides its enterprise customers with support account management, emergency fly-to-site capability. Some of the value-added resellers, system integrators and original equipment manufacturers that offer St. Bernard’s products also provide customer technical support for its products through a Tier1/Tier2 arrangement whereby the partner handles the initial customer contact, Tier1, and St. Bernard provides secondary support and engineering assistance, Tier 2.

Seasonality

As is typical for many software companies, St. Bernard’s business is seasonal. Product sales are generally higher in its fourth fiscal quarter and lower in its first fiscal quarter, with a decline in sales orders in the first quarter of a fiscal year when compared to sales orders in the fourth quarter of the prior fiscal year. In addition, St. Bernard generally receives a higher volume of sales orders in the last month of a quarter, with orders concentrated in the later part of that month. St. Bernard believes that this seasonality primarily reflects customer spending patterns and budget cycles, as well as the impact of compensation incentive plans for its sales personnel. Product revenue generally reflects similar seasonal patterns but to a lesser extent than sales orders because product revenue is not recognized until an order is shipped and other revenue recognition criteria are met.

Customers

St. Bernard’s software solutions are used by customers in a wide variety of industries, including many leading global corporations and small and medium-sized enterprises around the world, as well as by various governmental entities. As of December 31, 2005, St. Bernard had over 8,000 customers supporting over 3.5 million device licenses. For the years ended December 31, 2005, 2004 and 2003, no end-user customer or distributor accounted for more than 10% of St. Bernard's net revenue.

Competition

The market for St. Bernard’s products is intensely competitive and is likely to become even more so in the future. St. Bernard’s current principal competitors frequently offer their products at a significantly lower price than St. Bernard’s products, which has resulted in pricing pressures on sales of St. Bernard’s products and potentially could result in the commoditization of web filtering and email filtering products. St. Bernard also faces increasing competition from security solutions providers who may add security modules or features to their product offerings. If St. Bernard is unable to maintain the current pricing on sales of its products or increase its pricing in the future, St. Bernard’s profitability could be negatively impacted. In addition, pricing pressures and increased competition generally could result in reduced sales, reduced margins or the failure of St. Bernard’s products to achieve or maintain more widespread market acceptance, any of which could have a material adverse effect on its business, results of operations and financial condition. St. Bernard’s current principal competitors include:

- companies offering web filtering products, such as Websense, SurfControl plc, Secure Computing, Symantec Corporation, CyberGuard, Websense and Trend Micro;
- companies integrating web filtering into specialized security appliances, such as SonicWALL, 8e6 Technologies, Postini, Tumbleweed, Blue Coat Systems, Watchguard and Internet Security Systems;
- companies offering web security solutions, such as Computer Associates and Symantec Corporation; and
- companies offering desktop security solutions such as Microsoft Corporation, Cisco Systems, Internet Security Systems, and Check Point Software.

The principal competitive factors in St. Bernard’s industry include product functionality, product integration, platform coverage, price, ability to scale, worldwide sales and marketing infrastructure and technical support. Although some of its competitors have greater financial, technical, sales, marketing and other resources than St. Bernard does, as well as greater name recognition and a larger installed customer base, St. Bernard believes it competes favorably on the basis of each of these competitive factors relative to its competitors.

St. Bernard’s future anticipated growth and success will depend on its ability to continue to develop products more rapidly than and equal to or superior to those of its competitors, educate potential customers as to the benefits of licensing its products rather than purchasing or using competing technologies and develop additional channels to market. St. Bernard’s future and existing competitors could introduce products with superior features, scalability and functionality at lower prices than its products, and could also bundle existing or new products with other more established products to compete with its products. St. Bernard’s competitors could also gain market share by acquiring or forming strategic alliances with its other competitors. Finally, because new distribution methods offered by the Internet and electronic commerce have removed many of the barriers to entry historically faced by start-up companies in the software industry, St. Bernard may face additional competition from these companies in the future. Increased competition may result in price reductions, reduced gross margins and loss of market share, any of which could adversely affect St. Bernard’s business and operating results.

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Material Supplier

St. Bernard's iPrism products are sold with computer hardware appliances designed by Dedicated Computing, located in Waukesha, Wisconsin. If Dedicated Computing unexpectedly stops supplying the appliances, St. Bernard would experience an interruption in its ability to supply customers with the iPrism product.

Research and Development

St. Bernard's research and development efforts have been directed toward continual improvement of its secure content management appliances and system protection products. St. Bernard's products are designed to be simple and powerful security tools tailored specifically to the needs of small and medium size businesses.

St. Bernard's recent major research and development initiatives include, but are not limited to:

- *Data protection over an expanding list of operating platforms.* St. Bernard has successfully ported the enterprise data protection products to Linux, NetWare and Windows and is seeing good acceptance of the new platform offerings in the marketplace.

- *New SCM products.* St. Bernard has successfully launched two major products and two major product version upgrades in 2005. The product releases include e-mail filtering and Web filtering products and product improvements.

- *Local language support.* St. Bernard continues to focus on providing local language support for system security products and secure content management products to increase the acceptance of these products in international markets.

- *Scalability improvements for system protection products.* A major architectural upgrade to St. Bernard's patch management product has been completed. The upgrade provides patch and security settings management for large and small segmented networks gaining clear differentiation over competitive products.

- *Subscription database expansion.* The majority of St. Bernard's products are driven by data. St. Bernard engineers keep these databases up to date. Presently, the database keeps track of over 6 million web sites, worldwide. Customers pay an annual subscription fee for access to the latest data. The quality and quantity of this data is a key differentiator for St. Bernard's products.

St. Bernard had research and development expenses of $6.7 million in 2005, $8.1 million in 2004 and $4.5 million in 2003. This equates to 27.9%, 38.2% and 22.5% of net revenues over those same periods. St. Bernard believes that technical leadership is essential to its success and expects to continue to commit substantial resources to research and development. St. Bernard's future success will depend in large part on its ability to enhance existing products, respond to changing customer requirements and develop and introduce new products in a timely manner that keep pace with technological developments and emerging industry standards. St. Bernard continues to make substantial investments in new products. All research and development expenses are included in technical operations.

Intellectual Property Rights

Protective Measures

St. Bernard regards some of the features of its internal operations, software and documentation as proprietary and relies on copyright, patent, trademark and trade secret laws, confidentiality procedures, contractual and other measures to protect its proprietary information. St. Bernard's intellectual property is an important and valuable asset that helps enable us to gain recognition for its products, services and technology and enhance its competitive position. St. Bernard's intellectual property is further protected by using encryption security and product activation keys.

As part of St. Bernard's confidentiality procedures, it generally enters into non-disclosure agreements with its employees, distributors and corporate partners and license agreements with respect to software, documentation and other proprietary information. These license agreements are generally non-transferable without St. Bernard's consent and have a perpetual term. St. Bernard also employs measures to protect its facilities, equipment and networks.

Trademarks, Patents and Copyrights

St. Bernard and the St. Bernard logo are trademarks or registered trademarks in the United States and other countries. In addition to "St. Bernard" and the St. Bernard logo, it has used, registered and/or applied to register other specific trademarks and service marks to help distinguish its products, technologies and services from those of its competitors in the U.S. and foreign countries and jurisdictions. St. Bernard enforces its trademark, service mark and trade name rights in the U.S. and abroad. The duration of St. Bernard's trademark registrations varies from country to country and in the U.S. St. Bernard generally is able to maintain its trademark rights and renew any trademark registrations for as long as the trademarks are in use.

St. Bernard has one U.S. issued patent and pending patent applications which relate to various aspects of its products and technology. The duration of its patent for the U.S. is typically 17 years from the date of issuance of the patent or 20 years from the date of filing of the patent application resulting in the patent, which St. Bernard believes is adequate relative to the expected lives of its products.

A summary of the patents and patent applications is as follows.

Patent or Application Number	Dated Filed	Date of Patent	Description of Patent/Application	Product
5557747	June 22, 1993	September 17, 1996	Network policy implementation system for performing network control operations on response to changes in network state.	Technology not in use by current products.
11/266528	November 3, 2005	Application	Malware and Spyware attack recovery system and method.	Technology being internally evaluated and is not in use.
11/006410	December 6, 2004	Application	Method for logically consistent backup of open computer files.	Technology is used with Open File Manager to perform consistent backups under Windows VSS.

St. Bernard's products are protected under U.S. and international copyright laws and laws related to the protection of intellectual property and proprietary information. St. Bernard generally takes measures to label such products with the appropriate proprietary rights notices and actively is enforcing such rights in the U.S. and abroad. However, these measures may not provide sufficient protection, and St. Bernard's intellectual property rights may not be of commercial benefit to St. Bernard or the validity of these rights may be challenged. While St. Bernard believes that its ability to maintain and protect its intellectual property rights is important to its success, it also believes that its business as a whole is not materially dependent on any particular patent, trademark, license or other intellectual property right.

Employees

As of December 31, 2005, St. Bernard had 159 employees, including 70 employees in technical operations, 72 in sales, marketing, consulting, customer support and strategic initiatives and 17 in general and administrative services. St. Bernard has not entered into any collective bargaining agreements with its employees and believes that relations with its employees are good. St. Bernard believes that its future success will depend in part upon the continued service of its key employees and on its continued ability to hire and retain qualified personnel.

Other Information

St. Bernard's website is located at http://www.stbernard.com. The information on the St. Bernard website is not a part of this joint proxy statement/prospectus.

Properties

St. Bernard's properties consist of leased office facilities for sales, research and development, and administrative personnel. St. Bernard's corporate headquarters consist of approximately 56,000 square feet located in San Diego, California. St. Bernard's facilities are occupied under leases that expire at various times through 2008. In Europe it leases approximately 2,000 square feet of space in Camberly, UK. St. Bernard has an office suite in France.

St. Bernard believes its existing and facilities will be suitable for its needs. See St. Bernard's historical consolidated financial statements and accompanying notes included in this joint proxy statement/prospectus for information regarding St. Bernard's operating lease obligations.

Legal Proceedings

St. Bernard has no litigation other than that incurred in the normal course of business, none of which is material. St. Bernard uses a third party collection agency to pursue unpaid accounts receivable. The collection agency is authorized to use legal proceedings as part of its collection effort.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ST. BERNARD

The following discussion should be read in conjunction with St. Bernard's financial statements and accompanying notes, which appear elsewhere in this joint proxy statement/prospectus.

Overview

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, is intended to help the reader understand St. Bernard's historical results and anticipated future outlook prior to the close of the proposed merger with Sand Hill IT Security. MD&A is provided as a supplement to — and should be read in conjunction with — St. Bernard's consolidated financial statements and accompanying notes.

St. Bernard's Business

St. Bernard Software is an independent supplier of IT security software products and services, with a special emphasis on Secure Content Management, or SCM, including messaging security, with $28.7 million in gross billings for 2005. St. Bernard's products protect businesses, government organizations and educational institutions from cyber attack, improve worker productivity, reduce legal liability and assist in meeting regulatory requirements for data/privacy protection. St. Bernard's network-attached security products are delivered as appliances that connect into the data path between the Internet gateway and a company's local area network. St. Bernard's system security products consist of software that is installed on workstations and servers. St. Bernard has approximately 8,000 customers supporting over 3.5 million device licenses, primarily comprised of small to medium sized businesses, educational institutions and governmental organizations. The products offered by St. Bernard include Open File Manager, a data protection product; UpdateEXPERT, a patch and settings management product; iPrism, Internet access management product; and ePrism, a messaging security, e-mail filtering product. According to IDC, in September 2005, St. Bernard's iPrism product line was the leading Internet filtering appliance based on annual revenue, enabling customers to manage and control employee access to millions of web sites that are updated continuously as part of St. Bernard's fee-based subscription service. All St. Bernard products have a subscription component, which results in adding positive cash flow, via deferred revenue, to St. Bernard's business thereby increasing revenue predictability.

St. Bernard generates revenues, income and cash flows by licensing products and subscription and maintenance services to its customers, which include many leading global corporations and small and medium -sized enterprises around the world operating in a wide variety of industries. Although St. Bernard's marketing and sales focus is small and medium businesses, sales are made to large global corporations usually at a departmental or branch level. St. Bernard markets its products and related services both directly to end-users and through a variety of indirect sales channels, which include value added resellers, or VARs, distributors, system integrators, or SIs, and original equipment manufacturers, or OEMs.

St. Bernard invests significantly in research and development activities and for the years ended December 31, 2005 and 2004 it spent $6.7 million and $8.1 million, respectively, on research and development. St. Bernard's research and development efforts have been directed toward developing new products for Linux, NetWare, UNIX and Windows, developing new features and functionality for existing products, integrating products across its existing product lines, porting new and existing products to different operating systems and expanding its product portfolio into new secure content management markets such as messaging security and consolidation of products under a common console. Research and development costs are included in technical operations expenses.

St. Bernard's Strategy

During 2005, St. Bernard undertook an evaluation of the appropriate long-term strategy for its business. As a result of that process, St. Bernard determined that it should continue to build on the company's existing small and medium enterprise security business by increasing its penetration of the secure content management security business, and also seek to expand into broader security segments; such as messaging security. St. Bernard also believed that the software industry was undergoing a trend towards consolidation, and that the areas of security, and content management were beginning to converge. Commencing in the first half of calendar year 2005, St. Bernard began to investigate business combinations and other strategic transactions that would allow it to expand the security products and service offerings into one or more other key areas of the small and medium enterprise secure content management market. St. Bernard's acquisitions including anti-phishing, instant messaging management, anti-spyware and e-mail filtering technologies were the company's initial steps in pursuing the expansion of the security business with the adjacent secure content management software products.

St. Bernard has historically grown the company organically and through acquisitions.

St. Bernard's Financial Results

Net revenue and net income per share are key measurements of St. Bernard's financial results. For the year ended December 31, 2005, net revenue was $24.0 million, an increase of 13.2% over 2004. The net loss for the year ended December 31, 2005 was $3.0 million, a decrease from 2004 of 62.8%. Basic and diluted net loss per share was $0.13 for the year ended December 31, 2005, down from a net loss per share of $0.39 for the year ended December 31, 2004, primarily as a result of increased revenue and reduced operating expenses due to reduced staffing and decrease in the use of offshore development resources.

For fiscal 2004, net revenue was $21.2 million, an increase of 6% from 2003. The net loss for the year ended December 31, 2004 was $8.0 million. Basic and diluted net loss per share was $0.39 in 2004, up from $0.02 in 2003, as a result of increased investment in research and development for new product releases and functionality enhancements to existing products.

Cash used in operations for the twelve months ended December 31, 2005 was $1.0 million compared to cash used during 2004 of $0.6 million. The use of cash was due primarily to an increase in accounts receivable. St. Bernard utilizes cash in ways that management believes provides an optimal return on investment. Principal uses of its cash for investing and financing activities include new product development, marketing, acquisition of technologies and purchases of property and equipment.

In 2005, St Bernard continued to invest in product development. Two significant product releases occurred during the year. iPrism version 4.0 was released in September and UpdateEXPERT v7.0 was released in November. St. Bernard used its development staff and contract development engineers to complete the development efforts. The contract development engineering effort was largely discontinued in the second half of 2005. The development effort in 2005 contributed significantly to the reported loss for the year because there was no significant revenue attributable to the developed products during the period.

In 2004, St Bernard continued to invest in product development. Three significant product development efforts were initiated during the year. The development efforts were for settings management, a new functionality for UpdateEXPERT, a re-architecture of UpdateEXPERT, and a re-architecture of iPrism. St. Bernard added development engineers to its staff and also used contract development engineers for two of the three development efforts. The development programs were not scheduled to be completed until late 2004 or in 2005 and therefore did not contribute to revenue during the year. The development effort in 2004 contributed significantly to the reported loss for the year.

Critical Accounting Policies and Estimates

There are several accounting policies that are critical to understanding St. Bernard's historical and future performance, because these policies affect the reported amounts of revenue and other significant areas in St. Bernard's reported financial statements and involve management's judgments and estimates. These critical accounting policies and estimates include:

- revenue recognition;
- allowance for doubtful accounts;
- impairment of goodwill and long-lived assets;
- accounting for income taxes; and

- accounting for stock options.

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These policies and estimates and St. Bernard's procedures related to these policies and estimates are described in detail below and under specific areas within the discussion and analysis of its financial condition and results of operations. Please refer to Note 1, "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements of St. Bernard for the year ended December 31, 2005 included herein for further discussion of St. Bernard's accounting policies and estimates.

Revenue Recognition

St. Bernard makes significant judgments related to revenue recognition. For each arrangement, St. Bernard makes significant judgments regarding the fair value of multiple elements contained in its arrangements, judgments regarding whether its fees are fixed or determinable and judgments regarding whether collection is probable. St. Bernard also makes significant judgments when accounting for potential product returns. These judgments, and their effect on revenue recognition, are discussed below.

Multiple Element Arrangements

St. Bernard typically enters into arrangements with customers that include perpetual software licenses, database subscriptions, hardware appliances, maintenance and technical support. Software licenses are on a per copy basis. Per copy licenses give customers the right to use a single copy of licensed software. St. Bernard makes judgments regarding the fair value of each element in the arrangement and generally accounts for each element separately.

Assuming all other revenue recognition criteria are met, license and appliance and product revenue is recognized upon delivery in accordance with Statement of Position, or SOP, 97-2 *Software Revenue Recognition*. Under 97-2 St. Bernard has established vendor specific objective evidence, or VSOE, on each element of multiple element arrangements using the price charged when the same element is sold separately. Undelivered elements typically include subscription, maintenance and technical support and are recognized ratably over the term.

If St. Bernard cannot establish fair value for any undelivered element, St. Bernard would be required to recognize revenue for the whole arrangement at the time revenue recognition criteria for the undelivered element is met using SOP 98-9, *Modification of SOP 97-2 Software Revenue Recognition, with respect to Certain Transactions.*

The Fee is Fixed or Determinable

Management makes judgments, at the outset of an arrangement, regarding whether the fees are fixed or determinable. St. Bernard's customary payment terms are generally within 30 days after the invoice date. Arrangements with payment terms extending beyond 120 days after the effective date of the license agreement are not considered to be fixed or determinable, in which case revenue is recognized as the fees become due and payable.

Collection is Probable

Management also makes judgments at the outset of an arrangement regarding whether collection is probable. Probability of collection is assessed on a customer-by-customer basis. St. Bernard typically sells to customers with whom it has a history of successful collections. New customers can be subjected to a credit review process to evaluate the customer's financial position and ability to pay. If it is determined at the outset of an arrangement that collection is not probable, then revenue is recognized upon receipt of payment.

Indirect Channel Sales

St. Bernard generally recognizes revenue from licensing of software products through its indirect sales channel upon sell-through or when evidence of an end-user exists. For certain types of customers, such as distributors, St. Bernard recognizes revenue upon receipt of a point of sales report, which is its evidence that the products have been sold through to an end-user. For resellers, St. Bernard recognizes revenue when it obtains evidence that an end-user exists, which is usually when the software is delivered. For licensing of St. Bernard’s software to original equipment manufacturers, or OEMs, royalty revenue is recognized when the OEM reports the sale of software to an end-user customer, in some instances, on a quarterly basis.

Delivery of Software Products

St. Bernard’s software may be physically delivered to its customers with title transferred upon shipment to the customer. St. Bernard primarily delivers its software electronically, by making it available for download by its customers or by installation at the customer site. Delivery is considered complete when the software products have been shipped and the customer has access to license keys. If an arrangement includes an acceptance provision, St. Bernard generally defers the revenue and recognizes it upon the earlier of receipt of written customer acceptance or expiration of the acceptance period.

Product Returns and Exchanges

St. Bernard's license arrangements do not typically provide customers a contractual right of return. Some of its sales programs allow customers limited product exchange rights. Management estimates potential future product returns and exchanges and reduces current period product revenue in accordance with Statement of Financial Accounting Standards, or SFAS, No. 48, *Revenue Recognition When Right of Return Exists*. The estimate is based on an analysis of historical returns and exchanges. Actual returns may vary from estimates if St. Bernard experiences a change in actual sales, returns or exchange patterns due to unanticipated changes in products, competitive or economic conditions.

Allowance for Doubtful Accounts

Management estimates potential future un-collectible accounts and recognize expense as appropriate. The estimate is based on an analysis of historical un-collectible accounts and on a review of all significant outstanding invoices. Actual bad debts may vary from estimates if St. Bernard experiences a change in actual sales, returns or exchange patterns due to unanticipated changes in products, competitive or economic conditions.

Impairment of Goodwill and Long-Lived Assets

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, management tests St. Bernard's goodwill for impairment annually and whenever events or changes in circumstances suggest that the carrying amount may not be recoverable.

St. Bernard compares the implied fair value of its reporting unit's goodwill to its carrying amount. If the carrying amount of its reporting unit's goodwill exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess.

St. Bernard completed this test during the fourth quarter of 2005 and was not required to record an impairment loss on goodwill.

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, management reviews St. Bernard's long-lived asset groups, including property and equipment and other intangibles, for impairment and whenever events indicate that their carrying amount may not be recoverable. When management determines that one or more impairment indicators are present for an asset group, it compares the carrying amount of the asset group to net future undiscounted cash flows that the asset group is expected to generate. If the carrying amount of the asset group is greater than the net future undiscounted cash flows that the asset group is expected to generate, it would compare the fair value to the book value of the asset group. If the fair value is less than the book value, it would recognize an impairment loss. The impairment loss would be the excess of the carrying amount of the asset group over its fair value.

Some of the events that St. Bernard considers as impairment indicators for its long-lived assets, including goodwill, are:

- significant under performance of St. Bernard relative to expected operating results;
- significant adverse change in legal factors or in the business climate;
- an adverse action or assessment by a regulator;
- unanticipated competition;

- a loss of key personnel;
- significant decrease in the market value of a long-lived asset; and

- significant adverse change in the extent or manner in which a long-lived asset is being used or its physical condition.

Significant assumptions and estimates are made when determining if St. Bernard’s goodwill or other long-lived assets have been impaired or if there are indicators of impairment. Management bases its estimates on assumptions that it believes to be reasonable, but actual future results may differ from those estimates as its assumptions are inherently unpredictable and uncertain. Management’s estimates include estimates of future market growth and trends, forecasted revenue and costs, expected periods of asset utilization, appropriate discount rates and other variables.

Accounting for Income Taxes

St. Bernard is required to estimate its income taxes in each federal, state and international jurisdiction in which it operates. This process requires that management estimate the current tax exposure as well as assess temporary differences between the accounting and tax treatment of assets and liabilities, including items such as accruals and allowances not currently deductible for tax purposes. The income tax effects of the differences identified are classified as current or long-term deferred tax assets and liabilities in St. Bernard’s consolidated balance sheets. Management’s judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, its interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax laws or management’s interpretation of tax laws, including the provisions of the American Jobs Creation Act of 2004, and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in St. Bernard’s balance sheet and results of operations. St. Bernard must also assess the likelihood that deferred tax assets will be realized from future taxable income and, based on this assessment, establish a valuation allowance if required. As of December 31, 2005, management determined the valuation allowance to be approximately $9.1 million based upon uncertainties related to St. Bernard’s ability to recover certain deferred tax assets. These deferred tax assets are net operating losses and may be subject to significant annual limitation under certain provisions of the Internal Revenue Code. Management’s determination of valuation allowance is based upon a number of assumptions, judgments and estimates, including forecasted earnings, future taxable income and the relative proportions of revenue and income before taxes in the various domestic and international jurisdictions in which St. Bernard operates. Future results may vary from these estimates, and at this time, it can not be determined if St. Bernard will need to establish an additional valuation allowance and if so, whether it would have a material impact on its financial statements.

Miscellaneous Contingency

In January of 2006, an enterprise wide review of job descriptions and employee classifications was conducted by the company. Based upon current responsibilities, certain exempt/non exempt classifications were updated. Any changes in classifications will be implemented going forward.

As a result of the update in employee classifications, there could be potential assertions from current and former employees that they were entitled to certain benefits under a non exempt classification pursuant to the Fair Labor Standards Act and state law.

In accordance with SFAS No. 5, “Accounting for Contingencies”, the Company has not recorded a provision since there are no pending claims and it is not probable that a claim will be asserted. The amount of any potential loss cannot be reasonably estimated.

Results of Operations of St. Bernard

Costs for maintenance and technical support have been reclassified to cost of sales in the following financial tables for all periods presented.

Comparison of Fiscal Years Ended December 31, 2005 and 2004

Net Revenues

	For the Year Ended December 31,		
	2005	**2004**	**% Change**
	(In millions, except percentages)		
Total net revenue	$ 24.0	$ 21.2	13.2%

Net revenues increased $2.8 million during the twelve months ended December 31, 2005 as compared to the comparable period in the prior year. The revenue increase was primarily due to a $0.8 million net increase in new customer acquisitions and an increase in customer renewal revenue of $2.0 million.

Net License Revenues

	For the Year Ended December 31,		
	2005	2004	% Change
	(In millions, except percentages)		
Net license revenue	$ 6.4	$ 7.5	(14.7)%
As a percent of net revenue	26.7%	35.4%	

For the twelve months ended December 31, 2005, St. Bernard's net license revenue decreased by $1.1 million over 2004. $1.0 million of the year over year drop in revenue resulted from a shift from product sales with a large license component of revenue to products with a greater subscription component of revenue. During 2005, there was a shift from direct license sales to end users to license sales through original equipment manufacturers ("OEM") resulting in significantly larger sales discounts that reduced license revenue by approximately $0.1 million.

Net Hardware Revenues

	For the Year Ended December 31,		
	2005	2004	% Change
	(In millions, except percentages)		
Net hardware revenue	$ 3.6	$ 3.5	2.9%
As a percent of net revenue	15.0%	16.5%	

For the twelve months ended December 31, 2005, hardware sales increased by $0.1 million. The year over year increase in hardware sales was due to an equipment upgrade to the customer base and new customer acquisition. Approximately 180 more hardware units were shipped in 2005 than in 2004.

Net Subscription Revenues

	For the Year Ended December 31,		
	2005	2004	% Change
	(In millions, except percentages)		
Net subscription revenue	$ 14.0	$ 10.2	37.3%
As a percent of net revenue	58.3%	48.1%	

For the twelve months ended December 31, 2005, St. Bernard's subscription revenue increased by $3.8 million over 2004. $2.0 million of the year over year net subscription revenue increase was from an increase in subscription renewals and $1.8 million of the year over year net subscription revenue increase was from new customer acquisition of subscription products. Renewal rates for St. Bernard's products ranged from 80% to 95%. The Company believes these are very good renewal rates and an indication of customer satisfaction regarding the products.

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Cost of Revenue

	The Year Ended December 31,		
	2005	2004	% Change
	(In millions, except percentages)		
Total cost of revenue	$ 6.6	5.8	13.8%
Margin as a percentage of total net revenue	72.5%	72.6%	

Cost of revenue consists primarily of the cost of contract manufactured hardware, royalties paid to third parties under technology licensing agreements, packaging costs, fee-based technical support costs and freight. Cost of revenue increased $0.8 million for the twelve months ended December 31, 2005 compared to 2004. Cost of revenue decreased 0.1% as a percentage of total net revenue primarily due to an increase in hardware related sales.

Cost of License Revenue

	The Year Ended December 31,		
	2005	2004	% Change
	(In millions, except percentages)		
Cost of license revenue	$ 0.0	$ 0.1	(100.0%)
Gross margin percent	100.0%	98.8%	

Cost of license revenue includes license royalties, consumable media, packaging materials and freight. There was no significant cost of license revenue for the twelve months ended December 31, 2005. The decrease in the cost of license revenue is a result of delivering licensed products electronically.

Cost of Hardware Revenue

	The Year Ended December 31,		
	2005	2004	% Change
	(In millions, except percentages)		
Cost of hardware revenue	$ 3.2	$ 2.6	23.1%
Gross margin percent	11.1%	25.7%	

The cost of hardware revenue includes contract manufactured equipment, packaging and freight. The cost of hardware for the twelve months ended December 31, 2005 increased $0.6 million from 2004. The increase was due to a $0.2 million increase in hardware costs due to selling 2,270 units, an increase of approximately 180 units more than 2004. The average cost of a hardware unit increased approximately $110 resulting in a cost of revenue increase of approximately $0.3 million. The average increase in the cost of hardware is due to a customer shift to more expensive units. Gross margin percent decreased 14.6% in 2005 compared to 2004 because of an increase in hardware related sales through the reseller channel.

Cost of Subscription Revenue

	The Year Ended December 31,		
	2005	2004	% Change
	(In millions, except percentages)		
Cost of subscription revenue	$ 3.4	$ 3.1	9.7%
Gross margin percent	75.7%	69.6%	

The cost of subscription revenue includes the technical operation group that maintains the various databases and the technical support group. The cost of subscription revenue increased $0.3 million for the twelve months ended December 31, 2005 compared to 2004. The increased cost is due to three additional staff added to the database group and five additional staff added to the technical support group.

Selling and Marketing

	The Year Ended December 31,		
	2005	2004	% Change
	(In millions, except percentages)		
Selling and marketing	$ 10.4	$ 12.2	(14.8%)
As a percentage of net revenue	43.3%	57.5%	

Selling and marketing expenses consist primarily of salaries, related benefits, commissions, consultant fees, advertising, lead generation and other costs associated with St. Bernard's sales and marketing efforts. For the twelve months ended December 31, 2005, the selling and marketing expense decreased 14.8% or $1.8 million over 2004. The decrease is a result of $0.3 million less spent on marketing programs, $0.7 million less sales salary expense due to twenty three less staff primarily in large account sales, account managers and channel sales and $0.8 million less commission expense than 2004. Selling and marketing expenses are incurred to generate billing, a portion of which is included in deferred revenue. The deferred revenue balance at December 31, 2005 grew 22.0% over the balance at December 31, 2004.

Technical Operations

	The Year Ended December 31,		
	2005	2004	% Change
	(In millions, except percentages)		
Technical Operations	$ 7.0	$ 8.4	(16.7)%
As a percentage of net revenue	29.2%	39.6%	

Technical operations includes research and development expenses and consist primarily of salaries, related benefits, third-party consultant fees and other engineering related costs. The decrease of $1.4 million for the year ended December 31, 2005 over 2004 was primarily the result of $0.5 million decreases in compensation costs, realized through the reduction of approximately eighteen development engineers and a decrease in the offshore development expense of $0.9 million. Management believes that a significant level of research and development investment is required to remain competitive and it expects to continue to invest in research and development activities.

General and Administrative

	The Year Ended December 31,		
	2005	2004	% Change
	(In millions, except percentages)		
General and administrative	$ 2.7	$ 2.5	(8.0)%
As a percentage of net revenue	11.3%	11.8%	

General and administrative expenses consist primarily of salaries, related benefits and fees for professional services, such as legal and accounting services. General and administrative expenses increased $0.2 million for the year ended December 31, 2005 compared to 2004, due to an increase in facility expense and the impairment of an asset. Management expects general and administrative expenses to increase as a percentage of net revenue as a result of the merger activity.

Interest and Other Income, Net

	For the Years Ended December 31,		
	2005	2004	% Change
	(In millions, except percentages)		
Interest and other income, net	$ (.3)	$ (.2)	50.0%
As a percentage of net revenue	1.3%	.9%	

Interest and other income, net, includes interest expenses and interest income. The increase in interest and other income of $0.1 million for the year ended December 31, 2005 over 2004 was due to an increased utilization of the line of credit.

Comparison of Fiscal Years Ended December 31, 2004 and 2003

Net Revenues

	Years Ended December 31,		
	2004	2003	% Change
	(In millions, except percentages)		
Total net revenue	$ 21.2	$ 20.0	6.0%

For the year ended December 31, 2004, St. Bernard's total net revenue increased by $1.2 million or 6.0% over the same period a year ago. Revenue for the period ending December 31, 2004 is $1.2 million higher than the same period for 2003 primarily due to the planned replacement of a discontinued appliance. There were no price increases during the period. During 2004 and 2003, as part of its strategy to increase net revenue, St. Bernard continued expanding its product portfolio and offerings, expanded its capabilities across the multiple platforms its software supports and began to invest in sales and service capacity internationally.

Net License Revenues

	For the Year Ended December 31,		
	2004	2003	% Change
	(In millions, except percentages)		
Net license revenue	$ 7.5	$ 10.8	(30.6%)
As a percent of net revenue	35.4%	54.0%	

For the twelve months ended December 31, 2004, St. Bernard's net license revenue decreased by $3.3 million over 2003. $2.5 million of the year over year drop in revenue resulted from a shift from product sales with a large license component of revenue to products with a greater subscription component of revenue. During 2004, there was a shift from direct license sales to end users to license sales through original equipment manufacturers ("OEM") resulting in significantly larger sales discounts that reduced license revenue by approximately $0.8 million.

Net Hardware Revenues

	For the Year Ended December 31,		
	2004	2003	% Change
	(In millions, except percentages)		
Net hardware revenue	$ 3.5	$ 2.2	59.1%
As a percent of net revenue	16.5%	11.0%	

For the twelve months ended December 31, 2004, hardware sales increased by $1.3 million. The year over year increase in hardware sales was due to an equipment upgrade to the customer base and new customer acquisition. Approximately 1,200 more hardware units were shipped in 2004 than in 2003.

Net Subscription Revenues

	For the Year Ended December 31,		
	2004	2003	% Change
	(In millions, except percentages)		
Net subscription revenue	$ 10.2	$ 7.0	45.7%
As a percent of net revenue	48.1%	35.0%	

For the twelve months ended December 31, 2004, St. Bernard's subscription revenue increased by $3.2 million over 2004. $1.6 million of the year over year net subscription revenue increase was from an increase in subscription renewals and $1.6 million of the year over year net subscription revenue increase was from new customer acquisition of subscription products. Renewal rates for St. Bernard's products ranged from 80% to 95%. The company believes these are very good renewal rates and an indication of customer satisfaction regarding the products.

Cost of Revenue

	The Year Ended December 31,		
	2004	2003	% Change
	(In millions, except percentages)		
Cost of revenue	$ 5.8	$ 3.7	56.8%
Margin as a percentage of net revenue	72.6%	81.5%	

Cost of revenue consists primarily of the cost of contract manufactured hardware, royalties paid to third parties under technology licensing agreements, packaging costs, fee-based technical support costs and freight. Cost of revenue increased $2.1 million for the twelve months ended December 31, 2004 compared to 2003. Cost of revenue increased 8.9% as a percentage of total net revenue primarily due to increased sales related to hardware products.

Cost of License Revenue

	The Year Ended December 31,		
	2004	2003	% Change
	(In millions, except percentages)		
Cost of license reveue	$ .1	$ .2	(50.0)%
Gross Margin percent	98.8%	98.3%	

Cost of license revenue includes license royalties, consumable media, packaging materials and freight. The cost of license revenue for the twelve months ended December 31, 2004 was $0.1 million, a decrease of $0.1 million over 2003. The decrease is a result of an increase in electronic delivery of license products.

Cost of Hardware Revenue

	The Year Ended December 31,		
	2004	2003	% Change
	(In millions, except percentages)		
Cost of hardware revenue	$ 2.6	$ 1.3	100.0%
Gross margin percent	25.7%	40.9%	

The cost of hardware revenue includes contract manufactured equipment, packaging and freight. The cost of hardware for the twelve months ended December 31, 2004 increased $1.3 million from 2003. The increase was due to a $1.3 million increase in hardware costs due to selling approximately 2,090 units, an increase of approximately 1,200 units more than 2003. Approximately 300 of the increased unit sales resulted from an equipment upgrade program. Gross margin percent decreased 15.2% in 2004 compared to 2003 because of the incentive discounts to encourage customers to upgrade their hardware.

Cost of Subscription Revenue

	The Year Ended December 31,		
	2004	2003	% Change
	(In millions, except percentages)		
Cost of subscription revenue	$ 3.1	$ 2.2	40.9%
Gross margin percent	69.6%	63.3%	

The cost of subscription revenue includes the technical operation group that maintains the various databases and the technical support group. The cost of subscription revenue increased $.9 million for the twelve months ended December 31, 2004 compared to 2003. The increased cost was a result of adding four additional people to the database staff and five additional people to the technical support staff.

Selling and Marketing

	Years Ended December 31,		
	2004	2003	% Change
	(In millions, except percentages)		
Selling and marketing	$ 12.2	$ 9.4	29.8%
As a percentage of net revenue	57.6%	47.0%	

Selling and marketing expenses consist primarily of salaries, related benefits, commissions, consultant fees and other costs associated with St. Bernard's sales and marketing efforts. The increase for the year ended December 31, 2004 over 2003 of $2.8 million was primarily the result of an increase in sales compensation of $1.9 million due to an increase of approximately eighteen sales staff and related expense and an increase of $0.9 in discretionary marketing expenditures. Selling and marketing expenses increased 10.6% when measured as a percentage of net revenue, however, the increase in selling and marketing expense more directly relates to billing than revenue. At December 31 2004, the deferred revenue balance grew 55.3% over the balance at December 31, 2003.

Technical Operations

	Years Ended December 31,		
	2004	2003	% Change
	(In millions, except percentages)		
Technical Operations	$ 8.4	$ 4.2	100.0%
As a percentage of net revenue	39.6%	21.0%	

Technical operations includes research and development expenses and consist primarily of salaries, related benefits, third-party consultant fees and other engineering related costs. The increase of $4.2 million for the year ended December 31, 2004 over 2003 was primarily the result of an increase of $1.5 million in third party consulting fees and $2.7 million in increased compensation for technical operations staffing costs. As of December 31, 2004, the technical operations staff increased by fifteen compared to staffing at December 31, 2003 but the staffing during 2004 had been as many as thirty greater during the year.

General and Administrative

	Years Ended December 31,				
		2004		2003	% Change
	(In millions, except percentages)				
General and administrative	$	2.5	$	3.2	(21.9)%
As a percentage of net revenue		11.8%		16.0%	

General and administrative expenses consist primarily of salaries, related benefits and fees for professional services, such as legal and accounting services. The Company consolidated its facilities costs in 2004 resulting in a savings of $.7 million.

Interest and Other Income, Net

	Years Ended December 31,				
		2004		2003	% Change
	(In millions, except percentages)				
Interest and other income, net	$	(.2)	$	(.3)	(33.3)%
As a percentage of net revenue		0.9%		1.5%	

Interest and other income, net, includes interest expense and interest income. The decrease in interest and other income and expense, net of $0.1 million for the year ended December 31, 2004 over 2003 was primarily due to a decreased utilization of the line of credit.

Recent Accounting Pronouncements

In December 2004 the FASB issued SFAS No. 123R, Share-Based Payment, an amendment of SFAS Nos. 123 and 95. SFAS No. 123R eliminates the ability to account for share-based compensation transactions using APB 25 and requires that such transactions be accounted for using a fair-value-based method and recognized as expenses in the statement of operations. SFAS No. 123R allows for the use of a modified version of prospective application, which requires that the fair value of new awards, granted after the effective date of SFAS no. 123R, plus unvested awards at the date of adoption, be expensed over the applicable vesting period. The provisions of SFAS No. 123R will be effective for interim or annual reporting period beginning after December 15, 2005. The Company is currently evaluating the impact the implementation guidance and revisions included in SFAS No. 123R will have on its consolidated financial statements.

In November 2004, FASB issued SFAS No. 151 “Inventory Costs, an Amendment of ARB No. 43 Chapter 4” (“FAS 151”). FAS 151 requires that items such as idle facility expense, excessive spoilage, double freight, and re-handling be recognized as current-period charges rather than be included in inventory regardless of whether the costs meet the criterion of abnormal as defined in ARB 43. FAS 151 is applicable for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company will adopt this standard beginning in the first quarter of fiscal year 2006 and does not believe the adoption will have a material impact on the financial statements as such costs have historically been expensed as incurred.

On June 7, 2005, the FASB issued Statement No. 154, “Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20, Accounting Changes, and Statement No. 3, Reporting Accounting Changes in Interim Financial Statements.” FAS No. 154 changes the requirements for the accounting for, and reporting of, a change in accounting principle. Previously, most voluntary changes in accounting principles were required to be recognized by way of a cumulative effect adjustment within net income during the period of the change. FAS No. 154 requires retrospective application to prior periods’ financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

Liquidity and Capital Resources

Cash Flows

St. Bernard's largest source of operating cash flows is cash collections from its customers for purchases of products and subscription, maintenance and technical support. St. Bernard's standard payment terms for both license and support invoices are net 30 days from the date of invoice. The recurring revenue subscription portion of the business is a mainstay of the cash flow the company generates. Its primary uses of cash for operating activities include personnel and facilities related expenditures, income tax payments and technology costs as well as costs associated with outside support and services.

Cash flows used in operating activities increased $0.4 million for the year ended December 31, 2005 over 2004 primarily due to the reduced operating loss.

Cash flows provided by operating activities decreased $3.6 million for 2004 compared to 2003, due to losses and an increase in inventory and other prepaid marketing expenses.

Cash flows used for investing activities consist primarily of purchases of property and equipment, purchases of technology and investments in partnerships. Cash flows used in investing activities for the year ended December 31, 2005 for purchases of property, equipment and other assets decreased by $0.9 million from the same period in 2004 to $0.1 million.

Cash flows used in investing activities in 2004 decreased by $0.3 million . In 2003 investing consisted primarily of office furniture and equipment related to the change in facilities. Investing activity in 2004 related primarily to purchases of software.

Cash flows provided by financing activities for the year ended December 31, 2005 consist primarily of an advance of $0.1 million of St. Bernard's revolving line of credit and $0.7 in merger costs offset by proceeds related to the issuance of common stock under a private placement agreement of $1.0 million and the exercise of stock option and stock warrants of $0.2 million.

Cash flows from financing activities consisted of proceeds related to the issuance of common stock due to exercise of employee options under St. Bernard's employee stock option plans of $0.5 million in 2004 compared to minimal activity in 2003 and an increase in the revolving line of credit of $0.6 million in 2004 compared to repayment of the revolving line of credit of $0.5 million in 2003.

Credit Facility

During 2001, St. Bernard entered into a short-term credit facility with an asset-based lender in the amount of $0.5 million. During 2003, the short-term credit facility was renewed and increased to $1.3 million. There was $0.9 million and $0.8 million outstanding at December 31, 2005 and December 31, 2004, respectively. The revolving credit facility is secured by accounts receivable and other assets of St. Bernard.

St. Bernard's credit facility availability is $1.3 million and is with an asset based lending finance company. The credit facility automatically renews every six months. The line of credit provides for advances of up to 80% of eligible accounts receivable. Eligible accounts receivable are determined solely by the finance company. Interest is payable monthly at 1.5% per month (18% per annum). The agreement provides a provision for a 1% annual renewal fee and a 1% per annum charge for the daily average unused portion of the line. The agreement may be terminated without penalty but requires thirty days notice. The line of credit is secured by all of the assets of St. Bernard's and all of the assets acquired during the term of the agreement. St. Bernard is required to apply all accounts receivable proceeds against the outstanding line of credit balance upon receipt.

Contractual Commitments

The following table is a summary of the contractual lease commitments for operating facilities and certain equipment under non-cancelable operating leases with various expiration dates through December 2008. Future minimum payments as of December 31, 2005 are as follows.

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Year Ending December 31, (In thousands)	
2006	1,153,841
2007	1,177,234
2008	1,156,689
2009	1,195,887
2010	1,236,364
Total	$ 5,920,015

Losses from Operations - Liquidity

During 2004 and 2005 St. Bernard has reported losses from operations and the use of cash in operating activity. During 2005 St. Bernard raised $1.0 million dollars through a private placement of common stock. At December 31, 2005, the Company’s current liabilities exceeded its current assets by approximately $9,700,000 and the Company had a stockholder’s deficit of approximately $8,600,000. The Company expects sufficient cash flows from operation during 2006, along with its available line of credit financing to cover its anticipated 2006 operating expenses. The Company’s expenses consist primarily of variable costs such as payroll and related expenses that can be modified to meet the operating needs of the Company. In addition, approximately $10,700,000 of the current liability balance at December 31, 2005, consists of deferred revenues, which represents amounts that will be amortized into revenue over time, as they are earned. While there are costs that will be incurred as these revenues are earned, these costs are far less than the approximately $16,100,000 recorded as a liability. In addition to focusing on cost containment, St. Bernard has also raised additional funds in 2005, as well as entering into an agreement through which it will be acquired by a blank check company. However, while the likelihood of a liquidity crisis is considered remote, should one occur there are no guarantees that the Company would obtain sufficient cash from outside sources on a timely basis. Management does not believe the situation represents a significant risk to the Company.

Off-Balance Sheet Arrangements

Except for the commitments arising from our operating leases arrangements disclosed in the preceding section, we have no other off-balance sheet arrangements that are reasonably likely to have a material effect on our financial statements.

INFORMATION ABOUT SAND HILL

Business of Sand Hill

General

Sand Hill was incorporated in Delaware on April 15, 2004, to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business in a specified industry. As a "Targeted Acquisition Corporation" or "TAC," Sand Hill's objective is to acquire an operating business in the IT security industry. To date, Sand Hill's efforts have been limited to organizational activities, completion of its initial public offering and the evaluation of possible business combinations. Sand Hill intends to utilize cash derived from the proceeds of its initial public offering, its capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination.

Offering Proceeds Held in Trust

The net proceeds of Sand Hill's initial public offering consummated on July 30, 2004, after payment of underwriting discounts and expenses were $22,022,462. $20,961,000, or approximately 85% of such amount was placed in the trust account and invested in government securities. The remaining proceeds have been used by Sand Hill in its pursuit of a business combination. The trust account will not be released until the earlier of the consummation of a business combination or the liquidation of Sand Hill. The trust account contained $21,730,543 as of December 31, 2005. If the merger with St. Bernard is consummated, the trust account will be released to Sand Hill, less amounts paid to stockholders of Sand Hill who do not approve the merger and elect to convert their shares of common stock into their pro-rata share of the trust account. See "Indemnification and Escrow Agreement."

Fair Market Value of Target Business

Pursuant to Sand Hill's certificate of incorporation, the initial target business that Sand Hill acquires must have a fair market value equal to at least 80% of Sand Hill's net assets at the time of such acquisition. The fair market value will be determined by Sand Hill's board of directors based upon standards generally accepted by the financial community, such as actual and potential sales, earnings and cash flow and book value. Sand Hill will not be required to obtain an opinion from an investment banking firm as to the fair market value if Sand Hill's board of directors independently determines that the target business does have sufficient fair market value. Sand Hill has not obtained any opinion from an investment banking firm in connection with the merger.

Stockholder Approval of Business Combination

Sand Hill will proceed with a business combination only if a majority of all of the outstanding shares of Sand Hill are voted in favor of the business combination. In addition, the stockholders existing prior to the initial public offering have agreed to vote their common stock in accordance with the vote of the majority in interest of the stockholders participating in the initial public offering with respect to any business combination. If the holders of 20% or more of Sand Hill's common stock issued in its initial public offering vote against the merger proposal and demand that Sand Hill convert their shares into, their pro rata share of the trust account, then Sand Hill will not consummate the merger. In this case, Sand Hill would be able to present another potential business combination to its stockholders, subject to the time limitations set forth below.

Conversion Rights

Each stockholder who holds shares of Sand Hill common stock issued in the initial public offering has the right to have his, her or its shares of common stock converted to cash if he votes against the merger and the merger is approved and completed.

The actual per-share conversion price will be equal to the amount in the trust account, inclusive of any interest, as of the record date for determination of stockholders entitled to vote on the business combination, divided by the number of shares sold in Sand Hill's initial public offering. The initial per-share conversion price would be $5.25 as of October 26, 2005, for each share that is eligible to participate in the funds held in the trust account. An eligible stockholder may request conversion at the time the vote is taken with respect to the merger at the special meeting, but the request will not be granted unless the stockholder votes against the merger and the merger is approved and completed. Any request for conversion, if made by proxy prior to the date of the special meeting, may be withdrawn at any time up to the date of the meeting. It is anticipated that the funds to be distributed to stockholders who elect conversion will be distributed promptly after completion of the merger. Any public stockholder who converts her stock into her share of the trust account still has the right to exercise the warrants that she received as part of the units in the initial public offering. Sand Hill will not complete the merger if the eligible stockholders, owning 20% or more of the shares sold in the initial public offering, exercise their conversion rights.

Liquidation if No Business Combination

If Sand Hill does not complete a business combination by July 27, 2006, Sand Hill will be dissolved and will distribute to all of its public stockholders, in proportion to their respective equity interests, an aggregate sum equal to the amount in the trust fund, inclusive of any interest, plus any remaining net assets. Sand Hill's existing stockholders have waived their rights to participate in any liquidation distribution with respect to shares of common stock owned by them immediately prior to the initial public offering. There will be no distribution from the trust fund with respect to Sand Hill's warrants.

If Sand Hill were to expend all of the net proceeds of the initial public offering, other than the proceeds deposited in the trust account, the per-share liquidation price as of December 31, 2005 would be $5.29, or $0.71 less than the per-unit offering price of $6.00 in Sand Hill's initial public offering. The proceeds deposited in the trust account could, however, become subject to the claims of Sand Hill's creditors that could be prior to the claims of Sand Hill's public stockholders. There is no assurance that the actual per-share liquidation price will not be less than $5.29, due to claims of creditors. If Sand Hill liquidates prior to the consummation of a business combination, Humphrey P. Polanen, chairman of the board and chief executive officer, will be personally liable to pay debts and obligations to vendors or other entities that are owed money by Sand Hill for services rendered or products sold to Sand Hill in excess of the net proceeds of Sand Hill's initial public offering not held in the trust account. There is no assurance, however, that he would be able to satisfy those obligations.

If Sand Hill is unable to complete a business combination by July 27, 2006, upon notice from Sand Hill, the trustee of the trust account will commence liquidating the investments constituting the trust fund and will turn over the proceeds to the transfer agent for distribution to the stockholders. Sand Hill anticipates that the instruction to the trustee would be given promptly after July 27, 2006.

The stockholders holding shares of Sand Hill common stock issued in the initial public offering will be entitled to receive funds from the trust fund only in the event of Sand Hill's liquidation or if the stockholders seek to convert their respective shares into cash and the merger is actually completed. In no other circumstances shall a stockholder have any right or interest of any kind to or in the trust fund.

Competition

If the merger is completed, Sand Hill will become subject to competition from competitors of St. Bernard. See "Business of St. Bernard—Competition."

Facilities

Sand Hill maintains executive offices at 3000 Sand Hill Road, Building 1, Suite 240, Menlo Park, California 94025. The cost for this space is included in a $7,500 per-month fee that Sand Hill Security LLC, an affiliate of Humphrey P. Polanen, charges Sand Hill for general and administrative services pursuant to a letter agreement between Sand Hill and Sand Hill Security LLC. Sand Hill believes, based on rents and fees for similar services in the Menlo Park, California area, that the fee charged by Sand Hill Security LLC is at least as favorable as Sand Hill could have obtained from an unaffiliated person. Sand Hill considers its current office space adequate for current operations.

Employees

Sand Hill has six directors and three officers who are also directors. These individuals are not obligated to contribute any specific number of hours per week and intend to devote only as much time as they deem necessary to Sand Hill's affairs. Sand Hill has no employees.

Periodic Reporting and Audited Financial Statements

Sand Hill has registered its securities under the Securities Exchange Act of 1934 and has reporting obligations, including the requirement to file annual and quarterly reports with the Securities and Exchange Commission. In accordance with the requirements of the Securities Exchange Act of 1934, Sand Hill's annual reports will contain financial statements audited and reported on by Sand Hill's independent accountants. Sand Hill has filed a form 10-KSB and 10-KSB/A with the Securities and Exchange Commission covering the fiscal year ended December 31, 2004, a form 10-QSB and 10-QSB/A covering the three-month period ended March 31, 2005, a form 10-QSB and 10-QSB/A covering the three-month period ended June 30, 2005, and a form 10-QSB and 10-QSB/A covering the three-month period ended September 30, 2005.

Legal Proceedings

There are no legal proceedings pending against Sand Hill.

Plan of Operations

The following discussion should be read in conjunction with Sand Hill's financial statements and related notes thereto included elsewhere in this joint proxy statement/prospectus.

Sand Hill was formed on April 15, 2004, to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business in the IT security industry. Sand Hill intends to utilize cash derived from the proceeds of its initial public offering, its capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination.

Sand Hill consummated its initial public offering on July 30, 2004. Operations commenced July 31, 2004. The net loss of $49,907 reported for the period from April 15, 2004 (inception) through December 31, 2004 consists primarily of $51,408 for director and officer liability and other insurance, $37,500 for facilities, $32,500 for professional fees, $34,360 for travel and travel related costs, and $36,178 for other operating expenses. Total interest income was $142,039.

As of December 31, 2005, Sand Hill had cash of $73,596, and treasury securities in its trust account (including interest) of $21,730,543. From inception through December 31, 2005, Sand Hill had negative cash flow from operations of $948,866 from the net proceeds that were not deposited into the trust fund. The cumulative net loss of $518,301 reported for the period from April 15, 2004 (inception) through December 31, 2005 consists primarily of $174,772 for director and officer liability and other insurance, $127,800 for facilities, $562,657 for professional fees, $147,052 for travel and travel related costs, $103,733 for taxes and $183,079 for other operating expenses. The net proceeds deposited into the trust fund remain on deposit in the trust fund and have earned $780,492 in interest through December 31, 2005.

For the twelve months ended December 31, 2005, Sand Hill earned interest income of $638,453. Sand Hill incurred operating expenses of approximately $1,106,847 for that same period. These expenses consist primarily of $123,364 for director and officer liability and other insurance, $90,000 for facilities, $530,157 for professional fees, $112,692 for travel and travel related costs, $103,733 for taxes and $146,901 for other operating expenses and costs associated with being a public company.

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Over the 24-month period subsequent to the consummation of Sand Hill's initial public offering, Sand Hill had anticipated approximately $250,000 of expenses for legal, accounting and other expenses related to the due diligence investigations, and structuring and negotiating of a business combination, $180,000 for the administrative fee payable to Sand Hill Security, LLC ($7,500 per month for two years), $100,000 of expenses for the due diligence and investigation of a target business, $75,000 of expenses in legal and accounting fees relating to its SEC reporting obligations and $475,000 for general working capital to be used for miscellaneous expenses and reserves, including approximately $180,000 for director and officer liability insurance premiums, inclusive of the amounts set out in the preceding paragraph. Sand Hill does not believe that it has sufficient available cash resources outside of the trust fund to operate until the merger is consummated, without accruing for certain professional expenses, such as legal and accounting costs and, therefore, it may need to raise additional funds through a private offering of debt or equity securities if such funds are required to consummate the business combination with St. Bernard. As of December 31, 2005, Sand Hill had accounts payable of $254,955. Anticipating closure of the merger by the end of May, 2006, Sand Hill estimates total costs to consummation of approximately $15,000 for the administrative fee payable to Sand Hill Security LLC, $10,000 for accounting fees relating to quarterly SEC reporting obligations, $40,000 for legal costs related to the joint proxy statement/prospectus, $25,000 in printing costs for the joint proxy statement/prospectus, plus an additional $30,000 in travel costs, investor relations costs and general corporate working capital requirements. This is a total estimate of $120,000 to operate until the consummation of a business combination. To the extent that these costs exceed amounts available outside the trust fund, trust fund assets will be used to fund the excess costs of the merger if the merger is completed and the trust fund assets are released to the Company. It is estimated that these costs will approximate $400,000 upon completion of the merger, exclusive of any fees payable to SEC upon successful completion of the merger.

Sand Hill is obligated, commencing July 26, 2004, to pay to Sand Hill Security LLC, an affiliate of Humphrey P. Polanen, its chairman of the board, chief executive officer and president, a monthly fee of $7,500 for general and administrative services. In addition, in April 2004, Sand Hill security, LLC advanced $40,000 to Sand Hill, on a non-interest bearing basis, for payment on Sand Hill’s behalf of offering expenses. This loan was repaid in July 2004 out of proceeds of the initial public offering.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the period from April 15, 2004 (inception) through September 30, 2005, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to Sand Hill.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated balance sheet combines the consolidated historical balance sheet of St. Bernard and the historical balance sheet of Sand Hill as of December 31, 2005 giving effect to the merger of St. Bernard and Sand Hill pursuant to the merger agreement, as if the merger had been consummated on December 31, 2005. The following unaudited pro forma condensed consolidated statements of operations combine the historical statements of operations of St. Bernard and Sand Hill for the year ended December 31, 2005, giving effect to the merger, as if it had occurred on January 1, 2005.

We are providing the following information to aid you in your analysis of the financial aspects of the merger. We derived this information for the year ended December 31, 2005 from the audited financial statements of St. Bernard and Sand Hill for that year. Neither St. Bernard nor Sand Hill assumes any responsibility for the accuracy or completeness of the information provided by the other party. This information should be read together with the St. Bernard audited financial statements and related notes included in this document under St. Bernard Consolidated Financial Statements and the Sand Hill audited financial statements included in this document under Sand Hill Consolidated Financial Statements.

The historical financial information has been adjusted to give effect to pro forma events that are directly attributable to the merger, factually supportable, and expected to have a continuing impact on the combined results.

The unaudited pro forma consolidated information is for illustrative purposes only. The financial results may have been different had the companies always been combined. Because the plans for these activities have not been finalized, we are not able to reasonably quantify the cost of such activities. You should not rely on the pro forma consolidated financial information as being indicative of the historical results that would have been achieved had the companies always been consolidated or the future results that the combined company will experience.

The following information should be read in conjunction with the pro forma condensed consolidated statements:

· Accompanying notes to the unaudited pro forma condensed consolidated financial statements.

· Separate historical consolidated financial statements of St. Bernard for the year ended December 31, 2005 included elsewhere in this document.

· Separate historical financial statements of Sand Hill for the year ended December 31, 2005 included elsewhere in this document.

The unaudited pro forma condensed consolidated balance sheet as of December 31, 2005 and the consolidated statement of operations for the year ended December 31, 2005 have been prepared using two different levels of approval of the merger by the Sand Hill stockholders as follows:

· Assuming No Conversions: This presentation assumes that no stockholders of Sand Hill seek to convert their shares into a pro rata share of the trust account; and

· Assuming Maximum Conversions: This presentation assumes the Sand Hill stockholders owning 19.9% of the stock seek conversion. See Note 4 to the Unaudited Pro Forma Condensed Consolidated Financial Statements.

The unaudited pro forma condensed consolidated financial statements were prepared using the reverse acquisition application of the equity recapitalization method of accounting with St. Bernard treated as the acquirer in accordance with U.S. generally accepted accounting principles for accounting and financial reporting purposes. Accordingly, the assets and liabilities of Sand Hill have been presented at their historical cost with no goodwill or other intangible assets recorded and no increment in stockholders equity.

**UNAUDITED PRO FORMA CONDENSED
COMBINED STATEMENT OF OPERATIONS
OF
ST. BERNARD SOFTWARE AND SAND HILL IT SECURITY
FOR THE YEAR ENDED DECEMBER 31, 2005**

(IN THOUSANDS)

	Historical St. Bernard Software	Historical Sand Hill IT Security	Pro-forma Adjustment	Combined
Net revenues	$ 23,985	$ --	$ -	$ 23,985
Cost of sales	6,590	-	-	6,590
Gross profit	17,395	--	--	17,395
Operating expenses:				
Sales and marketing	10,399	-	-	10,399
Technical operations	6,987	-	-	6,987
General and administrative	2,678	1,107	-	3,785
Total operating expenses	20,064	1,107	-	21,171
Loss from operations	(2,669)	(1,107)	-	(3,776)
Interest and other income, net	-	638	-	638
Interest expense	(263)	-	-	(263)
Income tax expense	(29)			(29)
Net loss	$ (2,961)	$ (469)	$ -	$ (3,430)
Pro forma net loss per share -				
Basic and Diluted				$ (0.23)
Pro forma shares used to compute net loss per share				
Basic and Diluted				14,867

This Combined Statement of Operations assumes 100.0% conversion by Sand Hill IT Security common stock holders. See Note 4 to the Unaudited Pro forma Condensed Combined Financial Statements.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET OF ST. BERNARD SOFTWARE AND SAND HILL IT SECURITY DECEMBER 31, 2005

(IN THOUSANDS)

	Historical St. Bernard Software	Historical Sand Hill IT Security	Pro Forma Adjustments		Pro Forma Combined
Current Assets					
Cash and cash equivalents	$ 9	$ 73	$ 21,731	a.	$ 20,113
			(1,200)	b.	
			(500)	c.	
Treasury bill held in trust		21,731	(21,731)	a.	-
Accounts receivable - net of allowance for doubtful accounts	4,460				4,460
Inventories	567	-	-		567
Prepaid expenses and other current assets	208	12	-		220
Deferred income taxes	473	-	-		473
Total current assets	5,717	21,816	(1,700)		25,833
Fixed Assets - Net	1,457	-	-		1,457
Other Assets	1,147	-	-		1,147
Goodwill	3,285	-	-		3,285
Deferred Income Taxes	586	-	-		586
	$ 12,192	$ 21,816	$ (1,700)		$ 32,308
Current Liabilities					
Line of credit	$ 940	$ -	$ -		$ 940
Note payable	178	-	-		178
Current portion of capitalized lease obligations	39	-	-		39
Accounts payable	2,092	255	-		2,353
Accrued Compensation	1,240	-	-		1,240
Accrued expenses and other current liabilities	183	-	-		177
Deferred revenue	10,744	-	-		10,744
Total current liabilities	15,416	255	-		15,671

Capitalized Lease Obligations, Less Current Portion		5						5
-					-			
Deferred Revenue		5,326		-	-			5,326
Total liabilities		20,747		255	-			21,002
Common stock subject to possible conversion (821,589 shares of conversion value)		-		4,344	(4,344)	h.		-
Stockholders' (Deficit) Equity								
Preferred stock								
Common stock		2,320		43	(2,219)	d.		144
Additional paid-in capital		18,138		17,692				40,175
					2,219	d.		
					(1,200)	b.		
					(1,018)	e.		
					4,344	h.		
Accumulated deficit		(29,013)		(518)	1,018	e.		(29,013)
					(500)	c.		
Total stockholders' (deficit) equity		(8,555)		17,217	2,644			11,306
	$	12,192	$	21,816	$ (1,700)		$	32,308

This Combined Balance Sheet assumes 100.0% conversion by Sand Hill IT Security common stock holders.
See Note 4 to the Unaudited Pro forma Condensed Combined Financial Statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS OF ST. BERNARD SOFTWARE AND SAND HILL IT SECURITY YEAR ENDED DECEMBER 31, 2005

(IN THOUSANDS)

	Historical St. Bernard Software	Historical Sand Hill IT Security	Pro-forma Adjustments		Combined
Net revenues	$ 23,985	$ --	$ -		$ 23,985
Cost of sales	6,590	-	-		6,590
Gross profit	17,395	--	--		17,395
Operating expenses:					
Sales and marketing	10,399	-	-		10,399
Technical operations	6,987	-	-		6,987
General and administrative	2,678	1,107	-		3,785
Total operating expenses	20,064	1,107	-		21,171
Loss from operations	(2,669)	(1,107)	-		(3,776)
Interest and other income, net	-	638	(87)	g.	551
Interest expense	(263)	-	-		(263)
Income tax expense	(29)				(29)
Net loss	$ (2,961)	$ (469)	$ (87)		$ (3,517)
Pro forma net loss per share -					
Basic and Diluted					$ (0.25)
Pro forma shares used to compute net loss per share					
Basic and Diluted					14,049

This Combined Statement of Operations assumes 80.1% conversion by Sand Hill IT Security common stock holders. See Note 4 to the Unaudited Pro forma Condensed Combined Financial Statements.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET OF ST. BERNARD SOFTWARE AND SAND HILL IT SECURITY DECEMBER 31, 2005

(IN THOUSANDS)

	Historical St. Bernard Software	Historical Sand Hill IT Security	Pro Forma Adjustments		Pro Forma Combined
Current Assets					
Cash and cash equivalents	$ 9	$ 73	$ 21,731	a.	$ 15,769
			(1,200)	b.	
			(4,344)	f.	
			(500)	c.	
Treasury bill held in trust		21,731	(21,731)	a.	-
Accounts receivable - net of allowance for doubtful accounts of $488,600	4,460				4,460
Inventories	567	-	-		567
Prepaid expenses and other current assets	208	12	-		220
Deferred income taxes	473	-	-		473
Total current assets	5,717	21,816	(6,044)		21,489
Fixed Assets - Net	1,457	-	-		1,457
Other Assets	1,147	-	-		1,147
Goodwill	3,285	-	-		3,285
Deferred Income Taxes	586	-	-		586
	$ 12,192	$ 21,816	$ (6,044)		$ 27,964
Current Liabilities					
Line of credit	$ 940	$ -	$ -		$ 940
Note payable	178	-	-		178
Current portion of capitalized lease obligations	39	-	-		39
Accounts payable	2,098	255	-		2,353
Accrued Compensation	1,240	-	-		1,240
Accrued expenses and other current liabilities	177	-	-		177
Deferred revenue	10,744	-	-		10,744
Total current liabilities	15,416	255	-		15,671

Capitalized Lease Obligations, Less Current Portion					
	5	-	-		5
Deferred Revenue	5,326	-	-		5,326
Total liabilities	20,747	255	-		21,002
Common Stock subject to possible conversion (821,589 shares at conversion value)	-	4,344	(4,344)	f.	-
Stockholders' (Deficit) Equity					
Preferred stock					
Common stock	2,320	43	(2,230)	d.	133
Additional paid-in capital	18,138	17,692			35,842
			2,230	d.	
			(1,200)	b.	
			(1,018)	e.	
Accumulated deficit	(29,013)	(518)	1,018	e.	(29,013)
			(500)	c.	
Total stockholders' (deficit) equity	(8,555)	17,217	(1,700)		6,962
	$ 12,192	$ 21,816	$ (6,044)		$ 27,964

This Combined Balance Sheet assumes 80.1% conversion by Sand Hill IT Security common stock holders. See Note 4 to the Unaudited Pro forma Condensed Combined Financial Statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Basis of Presentation

On October 27, 2005, Sand Hill and St. Bernard entered into a definitive agreement under which Sand Hill Merger Corp. will be merged into St. Bernard in a transaction to be accounted for as a reverse acquisition of Sand Hill. As a result, the historical financial statements of St. Bernard constitute the historical financial statements of the merged companies. The transaction is considered to be a capital transaction and as such is the equivalent to the issuance of common stock by St. Bernard for the net monetary assets of Sand Hill, accompanied by a re-capitalization. For accounting purposes, St. Bernard is treated as the continuing reporting entity. The costs of the transaction incurred by St. Bernard will be charged directly to equity, those incurred by Sand Hill will be expensed.

The unaudited pro forma condensed combined financial statements assume the issuance of approximately 9.179 million shares of Sand Hill common stock based on an exchange ratio of 0.421419 shares of Sand Hill common stock for each outstanding share of St. Bernard common stock as of December 31, 2005. The actual number of shares of Sand Hill common stock to be issued will be determined based on the actual number of shares of St. Bernard common stock outstanding at the completion of the merger.

The following information should be read in conjunction with the pro forma condensed combined financial statements:

*Accompanying notes to the unaudited pro forma combined condensed financial statements.

*Separate historical financial statements of St. Bernard for the year ended December 31, 2005 included elsewhere in this document.

*Separate historical financial statements of Sand Hill for the year ended December 31, 2005 included elsewhere in this document.

The unaudited pro forma condensed combined balance sheet has been prepared using two different levels of approval of the merger by Sand Hill stockholders, as follows:

*Assuming Maximum Approval: This presentation assumes that 100% of Sand Hill stockholders approve the merger; and

*Assuming Minimum Approval: This presentation assumes that only 80.1% of Sand Hill stockholders approve the merger.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only. The pro forma information is not necessarily indicative of what the financial position or results of operations actually would have been had the merger been completed at the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company.

The unaudited pro forma condensed combined financial statements were prepared using the reverse acquisition application of the equity recapitalization method of accounting with St. Bernard treated as the acquirer in accordance with US generally accepted accounting principles for accounting and financial reporting purposes. Accordingly, the assets and liabilities of Sand Hill have been presented at their historical cost (which is considered to be the equivalent of estimated fair value), with no goodwill or other intangible assets recorded and no increment in combined stockholders’ equity.

2. Pro Forma Adjustments

There were no inter-company balances and transactions between Sand Hill and St. Bernard as of the dates and for the periods of these pro forma condensed combined financial statements.

The pro forma combined provision for income taxes does not necessarily reflect the amounts that would have resulted had Sand Hill and St. Bernard filed consolidated income tax returns during the periods presented The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows:

a)Release of funds held in trust by Sand Hill IT Security to operating cash account.

b)Estimated transaction costs in the amount of $1,200,000 for St. Bernard Software.

c)Estimated transaction costs in the amount of $500,000 were included in the pro-forma adjustments for Sand Hill IT Security. It is assumed the transaction expenses for Sand Hill IT Security will be paid in conjunction with the closing of the merger.

d)Common stock adjustment to reflect the decrease in par value from $0.10 per share to $0.01 per share.

e)The elimination of the Sand Hill IT Security accumulated deficit.

f)To reflect the payment of cash to the maximum amount of dissenting Sand Hill IT Security stockholders as consideration for their shares of common stock.

g)Record an estimate of reduced interest income assuming minimum approval by the Sand Hill IT Security stockholders.

h)To reclassify common stocks subject to possible conversion to stockholders equity.

3. Pro Forma Net Loss Per Share

The pro forma basic and diluted net loss per share are based on the number of shares of St. Bernard common stock, options and warrants adjusted for the re-capitalization and conversion ratio and the issuance of the common stock to Sand Hill.

4. Pro Forma Conversion Assumptions

The adoption of the merger agreement will require the affirmative vote of over 80% of the outstanding shares of Sand Hill's common stock on the record date. The unaudited pro forma condensed combined financial statements assume that 100.0% of the outstanding shares of Sand Hill's common stock on the record date vote affirmatively, 100.0% conversion. A second presentation of the unaudited pro forma condensed combined financial statements assume that 80.1% of the outstanding shares of Sand Hill's common stock on the record date vote affirmatively, 80.1% conversion.

DIRECTORS AND MANAGEMENT OF THE COMBINED COMPANY FOLLOWING THE MERGER

At the effective time of the merger, the board of directors and executive officers of the combined company will be as follows:

Name	Age	Position
Humphrey P. Polanen	55	Chairman of the Board
John E. Jones	60	President and Chief Executive Officer
Gary Stowell, Ph.D.	57	Vice President, Business Development/Product Management
Bob Crowe	42	Vice President, Engineering
Steve Yin	39	Vice President, Sales and Marketing
Alfred Riedler	56	Chief Financial Officer
Jeannie Moravits	39	Vice President, Human Resources
Scott R. Broomfield	49	Director
Bart A.M. van Hedel	61	Director

HUMPHREY P. POLANEN has been the chairman of the board and chief executive officer of Sand Hill IT Security Acquisition Corp. since April 2004. He has had a career as an entrepreneur in technology, a global executive for leading technology companies and as an international corporate lawyer. From January 2004 until March 2004 Mr. Polanen worked on preparations for Sand Hill's initial public offering. From January 2000 until December 2003, Mr. Polanen served as Managing Director of Internet Venture Partners, a strategic consulting and venture capital management firm for technology companies. From February 1998 through February 1999, he was President and CEO of Trustworks Systems, a network security software company. Between 1995 and 1998 he was General Manager of two divisions of Sun Microsystems where he led the Internet Commerce Group and the Network Security Division. From 1981 to 1995, he was with Tandem Computers (acquired by Compaq/Hewlett-Packard), where he held several executive positions and was director of worldwide business development and a director of several subsidiaries. Mr. Polanen has been a member of the board of directors of Heritage Bank of Commerce since the bank's inception and has been chair of the board's audit committee for ten years. Mr. Polanen is a graduate of Hamilton College and the Harvard Law School.

JOHN E. JONES has been the Chief Executive Officer and President of St. Bernard Software, Inc. since 1995. Mr. Jones is responsible for the strategic and operational performance of the company. His career spans more than 25 years in engineering, product management, business management and as an executive officer with a number of high technology organizations. His previous positions include CEO/President of Emerald Systems, President of Irwin Magnetics, President of ComputerX (a Motorola Subsidiary), Executive Vice President of Gould Inc. and multiple management assignments within IBM. Mr. Jones holds a Bachelor of Science degree in Mechanical Engineering from Indiana Institute of Technology.

GARY STOWELL, Ph.D., has been the Vice President, Business Development/Product Management of St. Bernard Software, Inc. since 2000. Dr. Stowell is responsible for St. Bernard Software's business development programs and product management. Prior to joining St. Bernard Software, he was a Business Unit Director at Accel Technology from 1996 to 2000. Prior positions included engineering, marketing and operations management within high technology companies for 20 years. He received his academic degrees from Purdue University, where he was subsequently appointed to the engineering faculty.

BOB CROWE has been the Vice President, Internet Appliance Technology of St. Bernard Software, Inc. since 2000 Mr. Crowe is responsible for the development and engineering of Internet Appliance Technology, and leads the related research, product development and customer support teams. Mr. Crowe is an expert in operating system development, protocol design and numerous programming languages, and has led software development teams in database, simulation, imaging, speech recognition, and advanced TCP/IP network design. His expertise in object oriented and structured design methodologies have resulted in many award-winning products. Prior to joining St. Bernard, he was VP Engineering at Internet Products from 1992 to 2000.

STEVE YIN has been the Vice President, Sales and Marketing of St. Bernard Software, Inc. since 2004 Mr. Yin joined St. Bernard in 2004 bringing over a dozen years of management experience in marketing, product management, and software technology. His responsibilities include both strategic and tactical marketing leadership for the company. Recently, Mr. Yin served as senior vice president of marketing and product management for Mitchell International, a leading information and software technology company for insurance-related industries from 1997 to 2004. His broad background ranges from consulting with Accenture to being a principal in an emerging technology start-up. Mr. Yin graduated cum laude from the University of Arizona's Eller School of Business and later received a fellowship to the University of Southern California where he received a Master of Business Administration.

ALFRED RIEDLER has been the Chief Financial Officer of St. Bernard Software, Inc. since 2000. A certified public accountant, Mr. Riedler has more than 20 years of management experience in the areas of public accounting, finance and operations within technical companies. He is responsible for finance and administrative operations for St. Bernard Software. Most recently, Mr. Riedler was the chief financial officer of Bluebird Systems, a software development company from 1993 to 2000. He is the former Industrial Group Controller for Ramada Inns and Vice President of Finance of STARNET Corporation (a subsidiary of Ford Motor Company). He holds a Bachelor of Science in Business Administration from the University of Nebraska.

JEANNIE MORAVITS joined St. Bernard Software in February 2006 as Vice President, Human Resources. Ms. Moravits is responsible for managing St. Bernard's most valuable asset, it's employees. She is responsible for leading all corporate Human Resources activities, developing and driving company wide initiates to include compensation, benefits, training, organizational development, employee relations, staffing, and performance management programs. She has 15 years of hands-on experience managing corporate Human Resource activities, developing and implementing policies, procedures, vision, and strategies. Ms. Moravits held Human Resource leadership positions at SeaSpace, Macromedia and eHelp Corporation/Blue Sky Software. She holds a Bachelor's Degree from San Diego State University and a Master's of Science Degree in Human Resources from Chapman University.

SCOTT R. BROOMFIELD has been a member of the board of directors of Sand Hill IT Security Acquisition Corp. and EVP of Corporate Development since April 2004 and has been working full time on Sand Hill since August 2005. Previously, from April of 2004 to August of 2005, Mr. Broomfield was the CEO of Xtegra Corporation, a private enterprise information integration (EII) company that he sold to SAP, AG in August 2005. From September 2001 to April of 2004, Mr. Broomfield was the CEO of Visuale, a private business process software (BPMS) company that he sold to Onyx Software Corporation in April of 2004. Prior to joining Visuale and from 1997 until 2001, Mr. Broomfield was the CEO of Centura Software Corporation (formerly Gupta Technologies, a NASDAQ traded company), a $50 million software business specializing in secure, embedded and mobile databases and application development tools. During his tenure as CEO of Centura, Mr. Broomfield completed the acquisition of Raima Corporation and in three years built its market capitalization from $6 million to $700 million by early 2000. Prior to Centura, he was a Managing Director of Hickey & Hill, Inc., a turnaround consultancy. At Hickey & Hill he was in charge of the high technology restructuring practice. Mr. Broomfield structured the acquisition of Polyscan and the equity recapitalization for ETEC Corporation. He was also instrumental in the following company divestitures: Dazix, Domain Technologies, Priam, Everex and Zitel, where he acquired two businesses to reposition Zitel in the market. Prior to Hickey & Hill, Mr. Broomfield was the CFO of Trilogy Technology Corporation which was sold to Digital Equipment Corporation. Mr. Broomfield holds an MBA from Santa Clara University and is a member of Business Executives for National Security (BENS), where he was the co-chair of BENS' cyber security task force and Y2K initiatives.

BART A.M. VAN HEDEL has been a Director of St. Bernard since 1996. He has been a Partner of BeeBird corporate finance c. v. since 1992. Mr. van Hedel has been a non-executive member of the board of Ai-Investments N.V. from 1997 until December 2005, when he was named an executive board member. He was an executive board member of venture capital firm Paribas Participations N.V., from 1990 to 1992 and was an executive board member for Kempen & Co., Investment Bank in Amsterdam from 1981 to 1990. Mr. van Hedel graduated in 1973 from Eramus University of Rotterdam with a Master in economics and tax.

Independence of Directors

In anticipation of being listed on Nasdaq, Sand Hill will adhere to the rules of Nasdaq in determining whether a director is independent. The board of directors of Sand Hill also will consult with the company's counsel to ensure that the board's determinations are consistent with those rules and all relevant securities and other laws and regulations regarding the independence of directors. The Nasdaq listing standards define an "independent director" generally as a person, other than an officer of the company, who does not have a relationship with the company that would interfere with the director's exercise of independent judgment. Consistent with these considerations, the board of directors of Sand Hill has affirmatively determined that, upon appointment to the board of directors of Sand Hill on the closing of the merger, Messrs. ________, ________, _______ and _________ will be the independent directors of Sand Hill for the ensuing year. The other directors are not independent.

Sand Hill currently does not have an independent board of directors and is not required to have one.

Board of Directors Committees

Audit Committee and Audit Committee Financial Expert

Sand Hill's board of directors presently does not have an audit committee. Upon adoption and consummation of the merger proposal, the board of directors of Sand Hill will create an audit committee and adopt a charter that will govern its responsibilities and actions. In addition, Sand Hill will designate an audit committee financial expert to serve on its audit committee. As its plan of operations involves identifying a target business and completing a business combination with such business, Sand Hill presently does not have material operations and does not experience complex accounting issues. Accordingly, Sand Hill's board of directors has determined that it is not necessary for it to have an audit committee or an audit committee financial expert at this time. Upon adoption and consummation of the merger proposal, the board of directors will appoint an audit committee financial expert.

Compensation Committee Information

Upon consummation of the merger, the board of directors of Sand Hill will establish a compensation committee. The purpose of the compensation committee will be to review and approve compensation paid to our officers and to administer the company's equity compensation plans, including authority to make and modify awards under such plans. Initially, the only plans will be the St. Bernard 1992 Stock Option Plan, the St. Bernard 2000 Stock Option Plan and the St. Bernard 2005 Stock Option Plan.

Nominating Committee Information

Upon consummation of the merger, Sand Hill will form a nominating committee in connection with the consummation of the merger. The members will each be independent directors under Nasdaq listing standards. The nominating committee will be responsible for overseeing the selection of persons to be nominated to serve on Sand Hill's board of directors. The nominating committee will consider persons identified by its members, management, stockholders, investment bankers and others.

Code of Ethics

In August 2004, Sand Hill's board of directors adopted a code of ethics that applies to its directors, officers and employees. A copy of our Code of Ethics was filed as exhibit 14 to our Quarterly Report on Form 10-QSB for the period ended June 30, 2004.

Director and Officer Compensation

Sand Hill's directors and officers currently do not receive any cash or non-cash compensation for their service as members of the board of directors and officers. Commencing July 26, 2004, and ending upon the acquisition of a target business, Sand Hill has and will continue to pay Sand Hill Security, LLC, an affiliate of the directors and executive officers of Sand Hill, a fee of $7,500 per month for providing Sand Hill with office space and certain office and secretarial services. Other than this $7,500 per month fee, no compensation of any kind, including finders and consulting fees, have been or will be paid to any of Sand Hill's officers. However, Sand Hill executive officers are reimbursed for any out-of-pocket expenses incurred in connection with activities on Sand Hill's behalf such as identifying potential target businesses and performing due diligence on suitable business combination candidates.

St. Bernard Executive Officers

Executive Compensation

The following table sets forth summary information concerning the compensation paid by St. Bernard for the last three fiscal years for persons who served in the capacity of chief executive officer, were the four highest compensated executive officers as of the end of the last fiscal year or would have been included in the table if they had been serving as an executive officer during 2005.

Name	Title	Year	Salary	Bonus	Other Annual Compensation (1)	SARS/ Options Granted	All Other Compensation
John E. Jones	President and Chief Executive Officer	2005	$ 245,500	$ 30,000	$ 61,200	0	$ 0
		2004	$ 236,500	$ 150,000	$ 61,200	0	$ 0
		2003	$ 232,653	$ 30,000	$ 61,200	150,000	$ 0
Alfred F. Riedler	Chief Financial Officer	2005	$ 174,962	$ 27,855	$ 0	30,000	$ 0
		2004	$ 151,566	$ 19,926	$ 0	35,000	$ 0
		2003	$ 143,789	$ 24,186	$ 0	25,000	$ 0
Gary Stowell, Ph.D.	VP - Business Development/ Product Management	2005	$ 164,037	$ 21,761	$ 0	30,000	$ 0
		2004	$ 157,752	$ 20,738	$ 0	20,000	$ 0
		2003	$ 149,494	$ 25,636	$ 0	25,000	$ 0
Bob Crowe	VP Internet Appliance Technology	2005	$ 161,580	$ 23,423	$ 0	0	$ 0
		2004	$ 151,879	$ 19,970	$ 0	0	$ 0
		2003	$ 143,314	$ 24,620	$ 0	0	$ 0
Gary Pritchett (2)	VP Technical Operations	2005	$ 226,288	$ 31,811	$ 0	0	$ 0
		2004	$ 233,438	$ 28,063	$ 0	20,000	$ 0
		2003	$ 199,375	$ 34,183	$ 0	0	$ 0
Steve Yin	VP Sales and Marketing	2005	$ 175,069		$ 0	100,000	$
		2004	$ 30,846		$ 0	0	$ 0

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(1) Consists of automobile allowance of $750 per month, housing and utilities allowance of $3,200 per month and travel reimbursement to Chicago of $1,150 per month.

(2) As of November 4, 2005 Mr. Pritchett is no longer an executive officer of St. Bernard. Mr. Pritchett is within the definition of a named executive officer in Item 402(a)(3)(iii) of Regulation S-K.

The following table provides information concerning unexercised options held as of December 31, 2005, by each of our executive officers:

	Number of Securities Underlying Unexercised Options at December 31, 2005		Value of Unexercised In-the-Money Options at December 31, 2005 (1)	
Name	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
John E. Jones	165,833	4,167	$ 169,086	$ 4,182
Alfred F. Riedler	61,128	29,039	$ 66,010	$ 27,674
Gary Stowell, Ph.D.	50,316	22,462	$ 48,346	$ 21,182
Bob Crowe	211,346	0	$ 158,510	$ 0
Steve Yin	52,084	47,916	$ 47,396	$ 43,604
Gary Pritchett	0	0	$ 0	$ 0

(1) Based upon $1.25 (the fair market value of St. Bernard's common stock as determined by its board of directors in February 2006) minus the exercise price, multiplied by the number of shares issued upon the exercise of, or subject to the option, without taking into account any taxes that may be payable in connection with the transaction

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Option Grants During Year 2005

The following options to purchase shares of St. Bernard common stock were granted to executive officers during the year ended December 31, 2005:

Named Executive Officer	Number of Shares Subject to Options	% of Total Options Granted During Period	Date of Grant	Exercise Price	Expiration Date	Potential Realizable Value At Assumed Annual Rates of Stock Price Appreciation For Option Term 5% (1)	10% (1)
John E. Jones	0	0%				$ 0	$ 0
Alfred F. Riedler	30,000	9.6%	03/02	$ 0.3400	2/28/15	$ 6,414.73	$ 16,256.17
Gary Stowell, Ph.D.	30,000	9.6%	03/02	$ 0.3400	2/28/15	$ 6,414.73	$ 16,256.17
Bob Crowe	0	0%				$ 0.00	$ 0.00
Steve Yin	100,000	31.9%	01/01	$ 0.3400	2/28/15	$ 21,382.42	$ 54,187.24
Gary Pritchett	0	0%				$ 0	$ 0

(1) In accordance with SEC rules, these columns show gains that could accrue for the respective options, assuming that the market price of St. Bernard common stock appreciates from the date of grant over the maximum life of the option at an annualized compounded rate of 5% and 10%, respectively. If the stock price does not increase above the exercise price at the time of exercise, realized value to the named executives from these options will be zero. Rules of the Securities and Exchange Commission permit St. Bernard to use 5% and 10% in this table. There can be no assurance that the price of St. Bernard stock will increase and this table does not constitute any prediction of the future value of its stock by St. Bernard.

The directors of St. Bernard are periodically issued options for their service on the board, and they are reimbursed for their expenses incurred in connection with attending St. Bernard meetings. The directors receive no other compensation for serving on the St. Bernard board.

Sand Hill Executive Officers

No executive officer of Sand Hill has received any cash or non-cash compensation for services rendered to Sand Hill.

Commencing July 31, 2004 and ending upon the acquisition of a target business, Sand Hill has paid and will continue to pay Sand Hill Security LLC, an affiliate of the directors and officers of Sand Hill, a fee of $7,500 per month for providing it with office space and certain office and secretarial services. Other than this $7,500 per-month fee, no compensation of any kind, including finders and consulting fees, has been or will be paid to any of the Sand Hill stockholders existing prior to its initial public offering, or any of their respective affiliates, for services rendered prior to or in connection with a business combination. However, Sand Hill stockholders existing prior to its initial public offering have been and will continue to be reimbursed for any out-of-pocket expenses incurred in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. There is no limit on the amount of these out-of-pocket expenses and there will be no review of the reasonableness of the expenses by anyone other than the Sand Hill board of directors, which includes persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged.

In January 2005, Sand Hill granted options to purchase an aggregate of 60,000 shares of common stock at an exercise price of $4.75 per share to Roberto Medrano, John Garvey, Lou Ryan, and Raj Dhingra who have acted as advisors to Sand Hill. These options vest 50% one year from the date of grant and 50% two years from the date of grant and are exercisable for a period of five years from the date on which the options were granted. Other than these options and except for an option granted in connection with Sand Hill's initial public offering to I-Bankers Securities Incorporated and Newbridge Securities Corporation or their affiliates to purchase 270,000 units (consisting of one share of common stock and two warrants), Sand Hill has not granted any pension plans, warrants, stock options, stock appreciation rights or any awards under long-term incentive plans. In addition, Sand Hill has agreed to issue options to purchase 50,000 shares of common stock to Liolios Group, Inc., an investor relations consultant, upon the successful completion of the merger.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Sand Hill

Prior to the date of this document and Sand Hill's initial public offering, Sand Hill issued a total of 1,000,000 shares of common stock, which will be held in escrow until July 2007, to the individuals set forth below at a purchase price of $0.025 per share as follows:

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Approximate Percentage of Outstanding Common Stock
Humphrey Polanen	459,441	9.0%
Sand Hill Security, LLC(1)	100,000	2.0%
Keith Walz	174,825	3.4%
Scott Broomfield(2)	174,825	3.4%
Cary Grossman(3)	48,951	1.0%
Dan Johnson	20,979	*
Alberto Micalizzi	20,979	*
All directors and executive officers as a group (6 individuals)	1,000,000	19.6%

* less than 1%.

(1) Sand Hill Security, LLC Membership Interests are held by (i) the Polanen and Nicodimos Family Trust, of which Mr. Polanen is a trustee, (ii) the Broomfield Family Trust, of which Mr. Broomfield is a trustee, (iii) Dan Johnson, (iv) Keith Walz, (v) Alberto Micalizzi, and (vi) the Grossman Family Limited Partnership, of which Mr. Grossman is a general partner.

(2) Mr. Broomfield's shares are held by the Broomfield Family Trust, of which Mr. Broomfield is a Co-Trustee.

(3) Mr. Grossman's shares are held by Grossman Family Limited Partnership, of which Mr. Grossman is a general partner.

Sand Hill Security, LLC, an affiliate of the directors and officers of Sand Hill, made advances aggregating $40,000 to Sand Hill to cover expenses related to the initial public offering. The loan was payable without interest on the earlier of July 31, 2004 or the consummation of the initial public offering. The loan was repaid in July 2004 from the proceeds of the initial public offering.

Sand Hill has and will reimburse its officers and directors for any reasonable out-of-pocket business expenses incurred by them in connection with certain activities on its behalf such as identifying and investigating possible target businesses and business combinations. There is no limit on the amount of accountable out-of-pocket expenses reimbursable by Sand Hill, which will be reviewed only by its board of directors or a court of competent jurisdiction if such reimbursement is challenged.

Other than the $7,500 per-month administrative fee and reimbursable out-of-pocket expenses payable to Sand Hill officers and directors, no compensation or fees of any kind, including finders and consulting fees, will be paid to any of Sand Hill stockholders existing prior to its initial public offering, officers or directors who owned Sand Hill common stock prior to the initial public offering, or to any of their respective affiliates for services rendered to us prior to or with respect to the business combination.

All ongoing and future transactions between Sand Hill and any of its officers and directors or their respective affiliates, will be on terms believed by Sand Hill to be no less favorable than are available from unaffiliated third parties and will require prior approval in each instance by a majority of the members of Sand Hill board who do not have an interest in the transaction.

St. Bernard

At December 31, 2005 and 2004 St. Bernard owed approximately $178,000 to its chief executive officer pursuant to the terms of a promissory note. The note is unsecured, bears interest at 18%, and requires monthly interest only payments until May 2006, at which time all amounts outstanding come due.

During July 2005, Ai-Investments N.V., a Netherlands corporation, which is partially owned by Mr. Bart van Hedel, a director of St. Bernard, purchased 200,000 units for $5.00 each, or an aggregate of $1,000,000. Each unit purchased was comprised of three shares of St. Bernard common stock and one warrant which may be exercised for five shares of St. Bernard common stock for an exercise price of $1.25 per share. The warrants are exercisable from the grant date until December 31, 2008. The issuance was made in a private placement under Section 4(2) of the Securities Act of 1933, as amended.

Under the terms of the merger agreement, all options and warrants to acquire St. Bernard common stock will be converted into options and warrants to acquire Sand Hill common stock. Upon conversion, the options and warrants will allow the acquisition of that number of shares of common stock of Sand Hill calculated by multiplying the number of shares of St. Bernard common stock which could be received upon exercise by the exchange ratio of .421419 and rounding to the nearest whole share of common stock. The per share exercise price will be equal to the quotient determined by dividing the pre-merger exercise price by the exchange ratio of .421419, and rounding up to the nearest whole cent.

Upon the consummation of the merger, in connection with its unit investment, Ai-Investments N.V. would receive 252,851 shares of Sand Hill common stock and warrants for the acquisition of 421,419 shares of Sand Hill common stock, at an exercise price of $2.9662 per share.

Mr. Robert G. Copeland, a director of St. Bernard, is a partner in the law firm of Duane Morris LLP, which has provided legal services to St. Bernard during 2004 and 2005. In 2003 and 2004 Mr. Copeland was a partner in the law firm of Luce Forward Hamilton and Scripps which also provided legal services to St. Bernard.

During 2005 St. Bernard sold a product source code license to a customer in which St. Bernard is a 10% stockholder. The revenue earned on the transaction was $1,200,000. Total sales to the customer were approximately $1,331,000 and $600,000 for the years ended December 31, 2005 and 2004, respectively. There is no account receivable balance at December 31, 2005 and approximately $172,000 is included in accounts receivable from the customer at December 31, 2004.

BENEFICIAL OWNERSHIP OF SECURITIES

Security Ownership of Certain Beneficial Owners and Officers and Directors of Sand Hill

The following table sets forth information regarding the beneficial ownership of our common stock as of December 31, 2005 and after consummation of the merger by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock either on December 31, 2005 or after the consummation of the merger;
- each of our current officers and directors;
- each director nominee;
- all our current officers and directors as a group; and
- all of our officers and directors as a group after the consummation of the merger.

This table assumes that (i) no holder of shares of Sand Hill's common stock issued in its initial public offering converts such shares into cash, (ii) approximately 9,759,600 shares are issued to St. Bernard stockholders in the merger and that 14,866,600 shares of common stock will be outstanding upon consummation of the merger, (iii) options and warrants for 1,120,400 shares are issued to St. Bernard option and warrant holders in the merger, (iv) all shares held in escrow are released to the holders and not cancelled, and (v) none of the shares of Sand Hill common stock issuable upon exercise of its outstanding warrants or warrants that are part of outstanding units are issued.

	Beneficial Ownership of our common stock on September 30, 2005		Beneficial ownership of our common stock after the consummation of the merger	
Name and Address of Beneficial Owner[(1)]	**Number of Shares**	**Percent of Class before Merger**	**Number of Shares**	**Percent of Class after Merger**
Humphrey P. Polanen [(2)]	459,441	9.0%	459,441	3.1%
Sand Hill Security, LLC [(3)]	100,000	2.0%	100,000	*
Keith Walz	174,825	3.4%	174,825	1.1%
Scott Broomfield [(4)]	174,825	3.4%	174,825	1.1%
Cary Grossman [(5)]	48,951	1.0%	48,951	*
Daniel Johnson [(6)]	20,979	*	20,979	*
Alberto Micalizzi [(4)]	20,979	*	20,979	*
Sapling LLC [(8)]	400,000	7.8%	400,000	2.7%
Amaranth, LLC [(9)]	287,098	5.6%	287,098	1.9%
Roger Feldman and Harvey Hanerfeld [(10)]	385,600	7.5%	385,600	2.6%
John Jones [(11)]	0	0%	1,401,456	9.4%
Alfred Riedler [(12)]	0	0%	99,455	*
Gary Stowell, Ph.D. [(13)]	0	0%	122,212	*
Bob Crowe [(14)]	0	0%	497,864	3.3%
Bart van Hedel [(15)]	0	0%	2,865,987	19.6%
All current Sand Hill directors and executive officers as a group (6 individuals)	1,000,000	19.6%	1,000,000	6.7%

All post-merger directors and executive officers as a group (7 individuals)	5,721,240	38.5%

* Less than 1%.

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(1) Unless otherwise indicated, the business address of each of the following is 3000 Sand Hill Road, Building 1, Suite 240, Menlo Park, California.

(2) Does not include 108,500 shares of common stock issuable upon exercise of warrants that are not currently exercisable.

(3) Sand Hill Security, LLC Membership Interests are held by (i) the Polanen and Nicodimos Family Trust, of which Mr. Polanen is a trustee, (ii) the Broomfield Family Trust, of which Mr. Broomfield is a trustee, (iii) Dan Johnson, (iv) Keith Walz, (v) Alberto Micalizzi, and (vi) the Grossman Family Limited Partnership, of which Mr. Grossman is a general partner.

(4) Mr. Broomfield's shares are held by the Broomfield Family Trust, of which Mr. Broomfield is a Co-Trustee. Does not include 105,000 shares of common stock issuable upon exercise of warrants that are not currently exercisable.

(5) Mr. Grossman's shares are held by Grossman Family Limited Partnership, of which Mr. Grossman is a general partner. Does not include shares of common stock issuable upon exercise of warrants that are not currently exercisable.

(6) Does not include 75,000 shares of common stock issuable upon exercise of warrants that are not currently exercisable.

(7) Mr. Micalizzi's business address is Corso Italia 66, 20136, Milan, Italy.

(8) Represents shares benefically owned by Amaranth, LLC, Amaranth Advisors L.L.C., and Nicholos M. Maounis. The business address is 535 Fifth Ave., 31st Floor, New York, New York 10003.

(9) Represents shares beneficially owned by Sapling, LLC, FirTree Master Fung, LP, is the sole member of Sapling, LLC, and Fir Trees, Inc. is the manager of Sapling, LLC. The business address is One American Lane, Greenwich, Connecticut 06831.

(10) Represents shares of common stock held by West Creek Partners Fund, L.P., certain private accounts and Cumberland Investment Partners, L.L.C. Messrs. Feldman and Hanerfeld are the sole stockholders, directors and executive officers of West Creek Capital, Inc., a Delaware corporation that is the general partner of West Creek Capital, L.P., a Delaware limited partnership that is the investment adviser to (i) West Creek Partners Fund L.P., a Delaware limited partnership (the "Fund") and (ii) certain private accounts (the "Accounts"), Messrs. Feldman and Hanerfeld may be deemed to have the shared power to direct the voting and disposition of the 232,000 shares of common stock owned by the Fund and the 22,100 shares of common stock held in the Accounts. As voting members of Cumberland Investment Partners, L.L.C., a Delaware limited liability company ("Cumberland"), Messrs. Feldman and Hanerfeld may be deemed to have the shared power to direct the voting and disposition of the 131,500 shares of common stock owned by Cumberland. Neither of Messrs. Feldman or Hanerfeld has sole power to direct the voting and disposition of any of the shares of common stock beneficially owned by them. The business address for Messrs. Feldman and Hanerfeld is 1919 Pennsylvania Avenue, NW, Suite 725, Washington, DC 20006.

(11) The business address for Mr. Jones is 15015 Avenue of Science, San Diego, California 92128.

(12) The business address for Mr. Riedler is 15015 Avenue of Science, San Diego, California 92128.

(13) The business address for Mr. Stowell, Ph.D. is 15015 Avenue of Science, San Diego, California 92128

(14) The business address for Mr. Crowe is 15015 Avenue of Science, San Diego, California 92128

(15) The business address for Mr. van Hedel is Strawinsky laan 3107, 10722x, Amsterdam, The Netherlands.

Security Ownership of Certain Beneficial Owners and Officers and Directors of St. Bernard

The following table sets forth information pertaining to the beneficial ownership of the outstanding shares of St. Bernard's common stock as of December 31, 2005 by (a) persons known to St. Bernard to own more than five percent of the outstanding shares of St. Bernard's common stock, (b) each director and executive officer of St. Bernard and (c) St. Bernard's directors and executive officers as a group. The information contained herein has been obtained from St. Bernard's records and from information furnished to St. Bernard by each individual. St. Bernard knows of no person who owns, beneficially or of record, either individually or with associates, more than 5% of St. Bernard's common stock, except as set forth below.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Approximate Percentage of Outstanding Common Stock
John E. Jones[(1)]	3,325,565	12.93%
Alfred Riedler[(2)]	236,000	0.92%
Gary Stowell, Ph.D. [(3)]	290,000	1.13%
Bob Crowe[(4)]	1,181,399	4.59%
Steve Yin[(5)]	100,000	*
April Juric[(6)]	100,000	*
Bart van Hedel[(7)]	6,800,801	26.44%
Robert G. Copeland[(8)]	95,000	*
Mel Lavitt[(9)]	369,364	1.44%
All directors and executive officers as a group (9 individuals)	12,498,129	52.30%

* less than 1%.

(1) Includes 3,155,565 shares of common stock and 170,000 shares that are subject to options granted under one or more of St. Bernard's 1992 Stock Option Plan (the "1992 Plan"), 2000 Stock Option Plan (the "2000 Plan") and 2005 Stock Option Plan (the "2005 Plan"), collectively referred to in this table as (the "Plans"), of which 165,833 shares were exercisable as of December 31, 2005 and 4,167 shares which will be exercisable upon consummation of the Merger.

(2) Includes 145,833 shares of common stock and 90,167 shares that are subject to options granted under one or more of the Plans, of which 61,128 shares were exercisable as of December 31, 2005 and 29,039 shares which will be exercisable upon consummation of the Merger.

(3) Includes 217,222 shares of common stock and 72,778 shares that are subject to options granted under one or more of the Plans, of which 50,316 shares were exercisable as of December 31, 2005 and 22,462 shares which will be exercisable upon consummation of the Merger.

(4) Includes 970,053 shares of common stock and 211,346 shares that are subject to options granted under one or more of the Plans, of which 211,346 shares were exercisable as of December 31, 2005.

(5) Includes 100,000 shares that are subject to options granted under one or more of the Plans, of which 52,084 shares were exercisable as of December 31, 2005 and 47,916 shares which will be exercisable upon consummation of the Merger.

(6) Includes 36,667 shares of common stock and 39,013 shares that are subject to options granted under one or more of the Plans, of which 5,059 shares were exercisable as of December 31, 2005 and 33,954 shares which will be exercisable upon consummation of the Merger.

(7) Includes 6,705,801 shares of common stock held in trust by Stichting Trustee Ai- Investments for Ai-Investments N.V. and Perennial Investments B.V. and others and warrants exercisable for the purchase of 1,000,000 shares of common stock held by Ai- Investments N.V. and 95,000 shares that are subject to options granted under one or

more of the Plans, of which 86,111 shares were exercisable as of December 31, 2005 and 8,889 shares which will be exercisable upon consummation of the Merger. Mr. van Hedel is a board member for Stichting Trustee Ai-Investments and managing director for both Ai-Investments N.V. and Perennial Investments B.V.

(8) Includes 95,000 shares that are subject to options granted under one or more of the Plans, of which 86,111 shares were exercisable as of December 31, 2005 and 8,889 shares which will be exercisable upon consummation of the Merger.

(9) Includes 334,641 shares of common stock and 34,723 shares that are subject to options granted under one or more of the Plans, of which 25,834 shares were exercisable as of December 31, 2005 and 8,889 shares which will be exercisable upon consummation of the Merger.

PRICE RANGE OF SECURITIES AND DIVIDENDS

Sand Hill

The shares of Sand Hill common stock, warrants and units are currently traded on the Over-the-Counter Bulletin Board under the symbols “SHQC”, “SHQCW” and “SHQCU”, respectively. The closing price for each share of common stock, warrant and unit of Sand Hill on October 26, 2005, the last trading day before the announcement of the execution of the merger agreement, was $5.27, $1.51 and $8.35, respectively. Sand Hill units, common stock and warrants are each quoted on the Over-the-Counter Bulletin Board under these symbols SHQCU, SHQC and SHQCW, respectively. Sand Hill units commenced public trading on July 27, 2004, and common stock and warrants commenced public trading on August 24, 2004.

The closing price per share of Sand Hill common stock, warrants and units as reported on the Over-the-Counter Bulletin Board on March 10, 2006, the most recent trading day practicable before the printing of this document, was $5.30, $0.81 and $7.10, respectively

The table below sets forth, for the calendar quarters indicated, the high and low bid prices of the Sand Hill common stock, warrants and units as reported on the Over-the-Counter Bulletin Board. The over-the-counter market quotations reported below reflect inter-dealer prices, without markup, markdown or commissions and may not represent actual transactions.

	Common Stock		Warrants		Units	
Quarter Ended	**High**	**Low**	**High**	**Low**	**High**	**Low**
December 31, 2004	$4.95	$4.55	$0.80	$0.45	$6.20	$5.42
March 31, 2005	$5.25	$4.80	$0.95	$0.55	$7.25	$6.00
June 30, 2005	$5.47	$4.91	$0.96	$0.56	$7.25	$6.00
September 30, 2005	$5.57	$5.08	$1.59	$0.74	$8.51	$6.45
December 31, 2005	$5.50	$5.10	$1.70	$0.77	$8.80	$6.60

No cash dividends have been paid to Sand Hill’s stockholders since its inception.

Holders of Sand Hill common stock, warrants and units should obtain current market quotations for their securities. The market price of Sand Hill common stock, warrants and units could vary at any time before the merger.

In connection with the merger, application will be made for the quotation of the combined company’s common stock, warrants and units on the Nasdaq Stock Market.

The capital stock of St. Bernard is not publicly traded, and no market information related to its capital stock is available. No cash dividends have been paid to St. Bernard’s stockholders since its inception.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities and Exchange Act of 1934, as amended, requires Sand Hill directors, officers and persons owning more than 10% of Sand Hill’s common stock to file reports of ownership and changes of ownership with the Securities and Exchange Commission. Based on its review of the copies of such reports furnished to Sand Hill, or representations from certain reporting persons that no other reports were required, Sand Hill believes that all applicable filing requirements were complied with during the fiscal year dated December 31, 2004.

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Combined Company

The combined company does not intend to pay any dividends on its shares of common stock at this time. Rather, it intends to reinvest any earnings back into the combined company. At this time, the combined company anticipates that it will retain any earnings and will not pay dividends in the foreseeable future. The combined company also expects that any loan or credit facilities that it enters into will limit its ability to pay dividends.

DESCRIPTION OF SAND HILL'S SECURITIES FOLLOWING THE MERGER

The following description of the material terms of the capital stock and warrants of Sand Hill following the merger includes a summary of specified provisions of the amended and restated certificate of incorporation of Sand Hill and bylaws of Sand Hill that will be in effect upon completion of the merger. This description is subject to the relevant provisions of Delaware General Corporation Law and is qualified by reference to Sand Hill's amended and restated certificate of incorporation, a copy of which is attached as Annex B.

General

Sand Hill's authorized capital stock following the merger will consist of 55,000,000 shares of all classes of capital stock, of which 50,000,000 will be shares of common stock, par value, $0.01 per share, and 5,000,000 will be shares of preferred stock, par value of $0.01 per share.

Common Stock

The holders of Sand Hill's shares of common stock following the merger are entitled to one vote for each share on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Subject to the preferences and rights, if any, applicable to the shares of preferred stock, the holders of the shares of common stock of Sand Hill are entitled to receive dividends if and when declared by the board of directors of Sand Hill. Subject to the prior rights of the holders, if any, of the preferred shares, the holders of the Sand Hill's shares of common stock are entitled to share ratably in any distribution of the assets of Sand Hill's upon liquidation, dissolution or winding-up, after satisfaction of all debts and other liabilities.

Application will be made to quote the common stock, warrants and units of Sand Hill on the Nasdaq National Market.

Preferred Stock

Shares of preferred stock may be issued from time to time in one or more series and the board of directors of the combined company, without approval of the stockholders, is authorized to designate series of preferred stock and to fix the rights, privileges, restrictions and conditions to be attached to each such series of shares of preferred stock. The issuance of shares of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of holders of the combined company's shares of common stock.

As of the date of this document, there are no outstanding shares of preferred stock of any series.

Unissued Shares of Capital Stock

Common Stock. After the merger, and assuming that the St. Bernard options or warrants are exercised prior to the merger, Sand Hill will have outstanding approximately 14,869,600 shares of common stock assuming that none of the public stockholder elect to exercise their conversion rights. The remaining shares of authorized and unissued common stock will be available for future issuance without additional stockholder approval. While the additional shares are not designed to deter or prevent a change of control, under some circumstances the combined company could use the additional shares to create voting impediments or to frustrate persons seeking to effect a takeover or otherwise gain control by, for example, issuing those shares in private placements to purchasers who might side with the Sand Hill's board of directors in opposing a hostile takeover bid.

Preferred Stock. The certificate of incorporation will grant sand Hill's board of directors the authority, without any further vote or action by Sand Hill's stockholders, to issue preferred stock in one or more series and to fix the number of shares constituting any such series and the preferences, limitations and relative rights, including dividend rights, dividend rate, voting rights, terms of redemption, redemption price or prices, conversion rights and liquidation preferences of the shares constituting any series. The existence of authorized but unissued preferred stock could reduce Sand Hill’s attractiveness as a target for an unsolicited takeover bid since Sand Hill could, for example, issue shares of preferred stock to parties who might oppose such a takeover bid or shares that contain terms the potential acquirer may find unattractive. This may have the effect of delaying or preventing a change in control, may discourage bids for the common stock at a premium over the market price of the common stock, and may adversely affect the market price of, and the voting and other rights of the holders of, common stock.

Classified Board of Directors, Vacancies and Removal of Directors

The certificate of incorporation and bylaws will provide that Sand Hill's board of directors will be divided into three classes of even number or nearly even number, with each class elected for staggered three-year terms expiring in successive years. Any effort to obtain control of the combined company's board of directors by causing the election of a majority of the board of directors may require more time than would be required without a staggered election structure. Stockholders may only remove directors only for cause. Vacancies in the combined company's board of directors, including a vacancy created by increasing the size of the board, may only be filled by a majority of Sand Hill's directors. Any director elected to fill a vacancy, including a vacancy created by increasing the size of the board, will hold office for the remainder of the full term of the class of directors in which the vacancy occurred and until such director's successor shall have been duly elected and qualified. No decrease in the number of directors will shorten the term of any incumbent director. The combined company's certificate of incorporation and bylaws will provide that the number of directors will be fixed and increased or decreased from time to time by resolution of the board of directors. These provisions may have the effect of slowing or impeding a third party from initiating a proxy contest, making a tender offer or otherwise attempting a change in the membership of the combined company's board of directors that would effect a change of control.

Business Combination Under Delaware Law

As a Delaware corporation, Sand Hill will be subject to Section 203 of the Delaware General Corporation Law, unless it elects in its certificate of incorporation not to be governed by the provisions of Section 203. Sand Hill does not plan to make that election. Subject to specified exceptions, Section 203, as currently in effect, prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless:

- before that date, the board of directors approved either the business combination or the transaction in which such stockholder became an interested stockholder;

- upon consummation of the transaction that resulted in the stockholder's becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, other than statutorily excluded shares; or * on or after that date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the holders of at least 66^{2}/3% of the combined company's outstanding voting stock which is not owned by the interested stockholder.

- on or after that date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the holders of at least 66^{2}/3% of the combined company's outstanding voting stock which is not owned by the interested stockholder.

A "business combination", as further defined by the Delaware General Corporation Law, includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Except as otherwise described in the Delaware General Corporation Law, an "interested stockholder" is defined to include:

- any person that is the owner of 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within three years immediately before the date of determination; and

- the affiliates and associates of any such person.

Limitation of Liability of Directors

The certificate of incorporation will provide that no director will be personally liable to the combined company or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that this limitation on or exemption from liability is not permitted by the Delaware General Corporation Law and any amendments to that law. As currently enacted, the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation will not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- payments of unlawful dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

The principal effect of this limitation on liability provision is that a stockholder will be unable to recover monetary damages against a director for breach of fiduciary duty unless the stockholder can demonstrate that one of the exceptions listed in the Delaware General Corporation Law applies. This provision, however, will not eliminate or limit director liability arising in connection with causes of action brought under the federal securities laws. The combined company's certificate of incorporation will not eliminate its directors' fiduciary duties. The inclusion of this provision in the certificate of incorporation may, however, discourage or deter stockholders or management from bringing a lawsuit against directors for a breach of their fiduciary duties, even though such an action, if successful, might otherwise have benefited the combined company and its stockholders. This provision should not affect the availability of equitable remedies such as injunction or rescission based upon a director's breach of his or her fiduciary duties.

The Delaware General Corporation Law provides that a corporation may indemnify its directors and officers as well as its other employees and agents against judgments, fines, amounts paid in settlement and expenses, including attorneys' fees, in connection with various proceedings, other than an action brought by or in the right of the corporation, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if he or she had no reasonable cause to believe his or her conduct was unlawful. A similar standard is applicable in the case of an action brought by or in the right of the corporation, except that indemnification in such a case may only extend to expenses, including attorneys' fees, incurred in connection with the defense or settlement of such actions, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. Sand Hill's certificate of incorporation and, with regard to its officers, its bylaws provide that Sand Hill will indemnify its directors and officers to the fullest extent permitted by Delaware law. Under these provisions and subject to the Delaware General Corporation Law, sand Hill will be required to indemnify its directors and officers for all judgments, fines, settlements, legal fees and other expenses incurred in connection with pending or threatened legal proceedings because of the director's or officer's position with the combined company or another entity that the director or officer serves as a director, officer, employee or agent at the combined company's request, subject to various conditions, and to advance funds to the combined company's directors and officers before final disposition of such proceedings to enable them to defend against such proceedings. To receive indemnification, the director or officer must have been successful in the legal proceeding or have acted in good faith and in what was reasonably believed to be a lawful manner in the best interest of the combined company. The bylaws also specifically authorize the combined company to maintain insurance on behalf of any person who is or was or has agreed to become a director, officer, employee or agent of the combined company, or is or was serving at the combined company's request as a director, officer, employee or agent of another entity, against certain liabilities.

Warrants and Options

8,220,000 warrants are currently outstanding, which includes 829,722 warrants as part of units that were issued in our initial public offering. The warrants entitle the registered holder to purchase one share of our common stock at a price of $5.00 per share, each subject to adjustment as discussed below, at any time commencing on the later of:

- the completion of the merger; or
- one year from the date of Sand Hill's initial public offering.

The warrants will expire at 5:00 p.m., New York City time on July 25, 2009. Sand Hill may call the warrants for redemption:

- in whole and not in part;
- at a price of $.01 per warrant at any time after the warrants become exercisable;
- upon not less than 30 days' prior written notice of redemption to each warrantholder; and
- if, and only if, the reported last sale price of the common stock equals or exceeds $8.50 per share, for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrantholders.

The warrants have been issued in registered form under a warrant agreement between American Stock Transfer & Trust Company, as warrant agent, and Sand Hill.

The exercise price and number of shares of common stock issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation of the company. However, the warrants will not be adjusted for issuances of common stock at a price below their respective exercise prices.

The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified check payable to us, for the number of warrants being exercised. The warrantholders do not have the rights or privileges of holders of common stock and any voting rights until they exercise their warrants and receive common stock. After the issuance of shares of common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

The warrants may be deprived of any value and the market for the warrants may be limited if the prospectus relating to the common stock issuable upon the exercise of the warrants is not current or if the common stock is not qualified or exempt from qualification in the jurisdictions in which the holders of the warrants reside. No fractional shares will be issued upon exercise of the warrants. However, if a warrantholder exercises all warrants then owned of record by him, Sand Hill will pay to the warrantholder, in lieu of the issuance of any fractional share which is otherwise issuable to the warrantholder, an amount for such fractional share in cash based on the market value of the common stock on the last trading day prior to the exercise date.

In connection with Sand Hill's initial public offering, it issued an option for $100 to I-Bankers Securities Incorporated and Newbridge Securities Corporation to purchase 270,000 units (consisting of one share of common stock and two warrants) at an exercise price of $7.50 per unit. The option is exercisable until July 25, 2009.

60,000 options entitle the holder to purchase one share of common stock at an exercise price of $4.75 per share. These options were granted in January 2005 to Roberto Medrano, John Garvey, Lou Ryan, and Raj Dhingra who have acted as advisors to Sand Hill. These options vest 50% one year from the date of grant and 50% two years from the date of grant and are exercisable for a period of five years from the date on which the options were granted.

Quotation or Listing

Sand Hill's currently outstanding common stock, warrants and units currently are quoted on the Over-the-Counter Bulletin Board. Sand Hill will use its best efforts to list the outstanding shares of common stock and warrants and the shares of common stock to be issued in the merger on the Nasdaq Stock Market or, if they are not eligible for Nasdaq, on the American Stock Exchange.

Transfer Agent and Registrar

The Transfer Agent and Registrar for the shares of Sand Hill common stock, warrants and units is American Stock Transfer & Trust Company, 59 Maiden Lane, New York, New York 10038.

COMPARISON OF RIGHTS OF SAND HILL AND ST. BERNARD STOCKHOLDERS

This section describes material differences between the rights of holders of Sand Hill's common stock and the rights of holders of St. Bernard capital stock. This summary is not intended to be a complete discussion of Sand Hill's certificate of incorporation and bylaws and the certificate of incorporation and bylaws of St. Bernard and is qualified in its entirety by reference to the applicable document and applicable Delaware law.

Sand Hill and St. Bernard are both organized under the laws of the State of Delaware. Therefore, any differences in the rights of holders of Sand Hill's capital stock and St. Bernard's capital stock arise primarily from differences in their respective certificates of incorporation and bylaws. Upon completion of the merger, holders of St. Bernard capital stock will become holders of Sand Hill's capital stock and their rights will be governed by Delaware law and Sand Hill's amended and restated certificate of incorporation and Sand Hill's bylaws. The following discussion summarizes material differences between the rights of Sand Hill's stockholders and St. Bernard stockholders under the respective certificates of incorporation and bylaws of Sand Hill and of St. Bernard. Copies of the governing corporate instruments are available without charge, to any person, including any beneficial owner to whom this document is delivered, by following the instructions listed under *"Where You Can Find More Information"* on page ___.

Sand Hill	St. Bernard
AUTHORIZED CAPITAL STOCK	
Authorized Shares. Sand Hill is authorized under its certificate of incorporation to issue 50,000,000 shares of common stock, par value $0.01 per share, and 5,000,000 shares of preferred stock, par value $0.01 per share.	*Authorized Shares.* St. Bernard is authorized under its fifth restated certificate of incorporation to issue 37,000,000 shares of common stock, par value $0.10 per share and 10,000,000 shares of common stock, par value $1.00 per share.
Preferred Stock. Sand Hill's certificate of incorporation provides that shares of preferred stock may be issued from time to time in one or more series by the board of directors. The board can fix voting powers, full or limited, and designations, preferences and relative, participating, option or other special rights and such qualifications, limitations or restrictions. No shares of preferred stock have been issued.	*Preferred Stock.* St. Bernard's fifth restated certificate of incorporation provides that shares of preferred stock may be issued from time to time in one or more series by the board of directors. The board can determine or alter the rights, preferences, privileges and restrictions granted or imposed upon any unissued series of the preferred stock. Currently, no shares of preferred stock are issued and outstanding.

CLASSIFICATION, NUMBER AND ELECTION OF DIRECTORS

The Sand Hill board of directors is divided into three classes, with each class serving a staggered two-year term. Currently, Sand Hill has six directors, including two Class A directors, one Class B director, and three Class C directors. The Class A directors have a term expiring at the first annual meeting of stockholders, the Class B director has a term expiring at the second annual meeting of stockholders, and the Class C directors have a term expiring at the third annual meeting of stockholders. The Sand Hill bylaws provide that its board of directors will consist of a number of directors to be fixed from time to time by a resolution duly adopted by the Sand Hill board of directors.

Currently, St. Bernard’s bylaws provide that its board of directors will consist of one or more members, the exact number to be determined from time to time by the board of directors. The number of directors currently serving is four, each of whom serves a one year term.

VACANCIES ON THE BOARD OF DIRECTORS AND REMOVAL OF DIRECTORS

Generally. Delaware law provides that if, at the time of filling of any vacancy or newly created directorship, the directors then in office constitute less than a majority of the authorized number of directors, the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the voting stock of the corporation then outstanding having the right to vote for such directors, order an election to be held to fill the vacancy or replace the directors selected by the directors then in office.

Any vacancy in the Sand Hill board of directors, including vacancies resulting from any increase in the authorized number of directors may be filled by a vote of the remaining directors then in office or by a sole remaining director.

Sand Hill’s bylaws provide that the entire board of directors or any individual director may be removed from office with or without cause by a majority vote of the holders of the outstanding shares then entitled to vote at an election of directors.

A vacancy occurring in the St. Bernard’s board of directors, including a newly created directorship, may be filled by a majority of the remaining board of directors, although less than a quorum, or by a plurality of the votes cast at a stockholders’ meeting.

St. Bernard’s bylaws provide that directors may be removed from office with or without cause by a vote of stockholders holding a majority of the outstanding shares entitled to vote at an election of directors.

COMMITTEES OF THE BOARD OF DIRECTORS

Sand Hill's board of directors may, by resolution passed by a majority of the board, designate one or more committees, each committee to consist of two or more members of the board. Any such committee shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of Sand Hill, except: (i) the power to amend the certificate of incorporation; (ii) the power to adopt an agreement of merger or consolidation, (iii) recommend to stockholders the sale, lease or exchange of all or substantially all of Sand Hill's property and assets, (iv) recommend to stockholders a dissolution of Sand Hill or a revocation of a dissolution; and (v) the power to amend the bylaws. There is currently no sitting committee.	St. Bernard's board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more members of the board. Any such committee, shall have and may exercise all the powers and authority of the board of directors in the management of the business. St. Bernard currently has an audit committee and a compensation committee.

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AMENDMENTS TO THE CERTIFICATE OF INCORPORATION

General. Under Delaware law, an amendment to the certificate of incorporation of a corporation generally requires the approval of the corporation's board of directors and the approval of the holders of a majority of the outstanding stock entitled to vote upon the proposed amendment (unless a higher vote is required by the corporation's certificate of incorporation).

Sand Hill's certificate of incorporation may be amended in accordance with the general provisions of Delaware law; provided, however, that Article Sixth of Sand Hill's certificate of incorporation may not be amended prior to the consummation of any business combination, whether by merger, capital stock exchange, asset or stock acquisition or other similar type of transaction, of a company in the entertainment, media and communications industry.

St. Bernard's fifth restated certificate of incorporation may be amended in accordance with the general provisions of Delaware law.

AMENDMENTS TO BYLAWS

General. Under Delaware law, stockholders entitled to vote have the power to adopt, amend or repeal bylaws. In addition, a corporation may, in its certificate of incorporation, confer this power on the board of directors. The stockholders always have the power to adopt, amend or repeal the bylaws, even though the board of directors may also be delegated the power.

Sand Hill's bylaws provide that the bylaws may be amended by stockholders entitled to vote thereon at any regular or special meeting; provided, however, that Section 3.2 of the bylaws may not be amended without the affirmative vote of at least 80 percent of the combined voting stock of the corporation.

St. Bernard's bylaws provide that the bylaws may be amended by the stockholders of the corporation.

ABILITY TO CALL SPECIAL MEETINGS OF STOCKHOLDERS

Special meetings of the Sand Hill stockholders may be called for any purpose by the chairman of the board, the chief executive officer or the president, and shall be called by the chairman, the chief executive officer, the president or the secretary on the written request of a majority of the board of directors; or at the written request in writing of stockholders owning not less than 10% of shares of the entire capital stock of Sand Hill issued and outstanding and entitled to vote.

Special meetings of the St. Bernard stockholders may be called at any time by the board of directors, the chairman of the board, or the president.

NOTICE OF STOCKHOLDER ACTION

Pursuant to Sand Hill's bylaws, at annual meetings of the stockholders only such business shall be conducted as has been properly brought before the meeting. A written notice must be given prior to any meeting which shall state the place, date and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called. The written notice must be given no less than 10 nor more than 60 days before the date of the meeting.	Pursuant to St. Bernard's' bylaws, annual meetings of the stockholders shall be held each year for the election of directors and the transaction of such other business as may properly come before the meeting. A written notice must be given prior to any meeting which shall state the place, date and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called. The written notice must be given no less than 10 nor more than 60 days before the date of the meeting.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

General. Under Delaware law, a corporation may generally indemnify directors, officers, employees and agents in connection with any proceeding (other than an action by or in the right of the corporation):

(i) for actions taken in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of the corporation; and with respect to any criminal proceeding, if they had no reasonable cause to believe that their conduct was unlawful

In addition, Delaware law provides that a corporation may advance to a director or officer expenses incurred in defending any action upon receipt of an undertaking by the director or officer to repay the amount advanced if it is ultimately determined that he or she is not entitled to indemnification.

Sand Hill's bylaws provide that Sand Hill shall indemnify any person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suite or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was a director, officer, employee or agent of Sand Hill, or is or was servicing at the request of Sand Hill as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of Sand Hill, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Sand Hill's bylaws further provide that any indemnification shall be made by Sand Hill only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in such section. Such determination shall be made: (i) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding; (ii) if such quorum is not obtainable, or, even if

St. Bernard's' bylaws provide that St. Bernard will indemnify and hold harmless, to the fullest extent permitted by applicable law, any person who was or is a party to, is threatened to be made a party to, or is otherwise involved in, any threatened, pending or completed action, suit or proceeding, by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of St. Bernard or is or was serving at the request of St. Bernard as a director or officer of another corporation against all liability and loss suffered and expenses in any such proceeding; provided, however, that St. Bernard shall be required to indemnify a person listed above in connection with a proceeding initiated by such person only if the initiation was authorized by the board.

St. Bernard's fifth restated certificate of incorporation provides that (i) the liability of each director shall be eliminated to the fullest extent permissible under California law and (ii) no director of St. Bernard shall have personal liability for monetary damages for breach of fiduciary duty as a director: provided, however, that the foregoing shall not limit or eliminate the liability of a director (i) for any breach of the director's duty of loyalty to St. Bernard or its stockholders, (ii) for acts or omissions not in good faith or which obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by stockholders.

Sand Hill's bylaws and certificate of incorporation provide that no director or officer of Sand Hill shall be personally liable to Sand Hill or to any stockholder for monetary damages for breach of fiduciary duty as a director or officer. However, liability of an officer or director shall not be limited (i) for any breach of the director's or the officer's duty of loyalty to Sand Hill or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director or officer derived an improper personal benefit.

Sand Hill's certificate of incorporation further provides that Sand Hill, to the fullest extent permitted by Section 145 of the DGCL, shall indemnify all persons whom it may indemnify pursuant thereto.

involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or any successor provision, or (iv) for any transaction from which such director derived an improper personal benefit.

STOCKHOLDER PROPOSALS

If the merger is not consummated, the Sand Hill 2005 annual meeting of stockholders will be held on or about _______________ unless the date is changed by the Sand Hill board of directors. If you are a Sand Hill stockholder and you want to include a proposal in the proxy statement for the year 2005 annual meeting, you need to provide it to Sand Hill by no later than ______________. You should direct any proposals to Sand Hill's secretary at Sand Hill's principal office in Menlo Park, California. If you want to present a matter of business to be considered at the year 2005 annual meeting, under Sand Hill's bylaws you must give timely notice of the matter, in writing, to Sand Hill's secretary. To be timely, the notice has to be given between _____________ and _____________.

LEGAL MATTERS

Jenkens & Gilchrist, P.C. will pass upon the validity of the common stock issued in connection with the merger and certain other legal matters related to this joint proxy statement/prospectus.

EXPERTS

The financial statements of Sand Hill included in this document have been audited by Hein & Associates, LLP, independent registered public accounting firm to the extent and for the period set forth in their report included herein, and are included herein in reliance upon such report given upon authority of said firm as experts in accounting and auditing.

The consolidated financial statements of St. Bernard Software, Inc. as of and for the year ended December 31, 2005 included in this joint proxy statement/prospectus have been audited by Mayer Hoffman McCann P.C., independent registered public accounting firm, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given on the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of St. Bernard Software, Inc. as of and for the year ended December 31, 2004 included in this joint proxy statement/prospectus have been audited by Anton Collins Mitchell LLP, independent registered public accounting firm, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given on the authority of said firm as experts in accounting and auditing.

CHANGE IN ACCOUNTANTS

Anton Collins Mitchell, LLP, has acted as auditors of St. Bernard Software, Inc. since 2005. The financial statements of St. Bernard for 2003 and 2004 were previously audited by Mayer Hoffmann McCann, P.C. ("MHM") who have been appointed as St. Bernard's auditors for the year ended December 31, 2005. MHM assisted St. Bernard in its preparation of its financial statements during 2003 and 2004, which assistance, although permissible under independence standards afforded privately owned companies, is incompatible with the independence standards promulgated by the Securities and Exchange Commission. Accordingly, St. Bernard engaged Anton Collins Mitchell LLP to perform a re-audit of its 2003 and 2004 financial statements.

Since the audit of St. Bernard for the year ended December 31, 2002, St. Bernard engaged Nations Smith Hermes Diamond, which was acquired by Mayer Hoffman McCann P.C. in January 2005 to audit its consolidated financial statements as of the end of each of its fiscal years. In connection with the merger, Mayer Hoffman McCann P.C. informed St. Bernard that, as the result of certain assistance provided to St. Bernard during the course of their audits, Mayer Hoffman McCann P.C. concluded that it did not meet the independence requirements of Rule 2-01(c)(4)(i) of Regulation S-X in connection with St. Bernard's fiscal years ended December 31, 2004 and 2003. Accordingly, on October 10, 2005 St. Bernard engaged Anton Collins Mitchell LLP to re-audit its consolidated financial statements for that period in order to satisfy the requirements of the SEC. St. Bernard engaged Mayer Hoffman McCann P.C. to audit its consolidated financial statements for the year ending December 31, 2005, and Mayer Hoffman McCann P.C. has informed St. Bernard that they meet applicable independence requirements of the SEC in respect of St. Bernard's 2005 fiscal year.

The reports of Mayer Hoffman McCann P.C. and Nations Smith Hermes Diamond (the predecessor firms) on St. Bernard's consolidated financial statements for the years ended December 31, 2004 and 2003, did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles. In connection with the predecessor firms' audits of St. Bernard's consolidated financial statements for the years ended December 31, 2004 and 2003, there were no reportable events and no disagreements with the predecessor firms on any matters of accounting principles or practices, financial statement disclosure or auditing scope and procedures, which, if not resolved to the satisfaction of the predecessor firms would have caused the predecessor firms to make reference to the matter in their report. Prior to being engaged for the 2005 financial statement audits and reviews the company did not consult Mayer Hoffman McCann P.C. with respect to the application of accounting principles to a specific transaction, either completed or contemplated, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, or any other matters of reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-B. St. Bernard has requested Mayer Hoffman McCann P.C. to furnish a letter addressed to the SEC stating whether it agrees with the above statements. A copy of that letter confirming its agreement is filed as an exhibit to the registration statement of which this joint proxy statement/prospectus forms a part.

The report of Anton Collins Mitchell LLP on St. Bernard's consolidated financial statements for the years ended December 31, 2004 and 2003, did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope, or accounting principles. In connection with Anton Collins Mitchell LLP's audit of St. Bernard's consolidated financial statement for the years ended December 31, 2004 and 2003, there were no reportable events and no disagreements with Anton Collins Mitchell LLP on any matters of accounting principles or practices, financial statement disclosure or auditing scope and procedures which, if not resolved to the satisfaction of Anton Collins Mitchell LLP would have caused Anton Collins Mitchell LLP to make reference to the matter in their report. During the Company's two most recent fiscal years ended December 31, 2004, and the subsequent interim period through October 10, 2005, the Company did not consult Anton Collins Mitchell LLP with respect to the application of accounting principles to a specific transaction, either completed or contemplated, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, or any other matters of reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-B. St. Bernard has requested Anton Collins Mitchell LLP to furnish a letter addressed to the SEC stating whether it agrees with the above statements. A copy of that letter confirming its agreement is filed as an exhibit to the registration statement of which this joint proxy statement/prospectus forms a part.

WHERE YOU CAN FIND MORE INFORMATION

Sand Hill files reports, proxy statements and other information with the Securities and Exchange Commission as required by the Securities Exchange Act of 1934, as amended.

You may read and copy reports, proxy statements and other information filed by Sand Hill with the Securities and Exchange Commission at the Securities and Exchange Commission public reference room located at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549.

You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. You may also obtain copies of the materials described above at prescribed rates by writing to the Securities and Exchange Commission, Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549.

Sand Hill files its reports, proxy statements and other information electronically with the Securities and Exchange Commission. You may access information on Sand Hill at the Securities and Exchange Commission web site containing reports, proxy statements and other information at: http://www.sec.gov.

After the merger, unless you notify Sand Hill of your desire not to receive these reports, the combined company will furnish to you all periodic reports that it files with the Securities and Exchange Commission, including audited annual consolidated financial statements and unaudited quarterly consolidated financial statements, as well as proxy statements and related materials for annual and special meetings of stockholders. In addition, you will be able to request Sand Hill's Annual Report on Form 10-KSB.

Information and statements contained in this document, or any annex to this document, are qualified in all respects by reference to the copy of the relevant contract or other annex filed as an exhibit to this document.

All information contained in this document relating to Sand Hill has been supplied by Sand Hill, and all such information relating to St. Bernard has been supplied by St. Bernard. Information provided by either of us does not constitute any representation, estimate or projection of the other.

If you would like additional copies of this document, or if you have questions about the merger, you should contact:

If you are a Sand Hill stockholder:

Sand Hill IT Security Acquisition Corp.
3000 Sand Hill Road
Building 1, Suite 240
Menlo Park, California 94025

If you are a St. Bernard stockholder:

St. Bernard Software, Inc.
15015 Avenue of Science
San Diego, California 92128
(858) 676-2277

INDEX TO FINANCIAL STATEMENTS

St. Bernard Software, Inc.
and Subsidiary

Consolidated Financial Statements
Years Ended December 31, 2005 and 2004

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
St. Bernard Software, Inc.

We have audited the accompanying consolidated balance sheet of St. Bernard Software, Inc. and Subsidiary (the "Company") as of December 31, 2005, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2005, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Mayer Hoffman McCann P.C.
San Diego, California
March 15, 2006

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
St. Bernard Software, Inc.
San Diego, California

We have audited the accompanying consolidated balance sheet of St. Bernard Software, Inc. and Subsidiary as of December 31, 2004 and the related consolidated statements of operations, stockholders' deficit, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Bernard Software, Inc. and Subsidiary as of December 31, 2004, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Anton Collins Mitchell LLP
Denver, Colorado

November 11, 2005

St. Bernard Software, Inc. and Subsidiary

Consolidated Balance Sheets

December 31,		**2005**		2004
Assets				
Current Assets				
Cash and cash equivalents	**$**	**9,211**	$	556,727
Accounts receivable - net of allowance for doubtful accounts of $489,000 and $344,000 in 2005 and 2004, respectively		**4,460,116**		3,202,157
Inventories		**566,897**		629,240
Prepaid expenses and other current assets		**207,534**		235,483
Deferred income taxes		**473,000**		218,000
Total current assets		**5,716,758**		4,841,607
Fixed Assets - Net		**1,456,989**		1,867,493
Other Assets		**1,147,279**		618,086
Goodwill		**3,285,319**		3,285,319
Deferred Income Taxes		**586,000**		841,000
	$	**12,192,345**	$	11,453,505

St. Bernard Software, Inc. and Subsidiary

Consolidated Balance Sheets

December 31,		**2005**		2004
Liabilities and Stockholders' Deficit				
Current Liabilities				
Line of credit	**$**	**940,155**	$	812,714
Accounts payable		**2,092,218**		2,617,524
Accrued compensation expenses		**1,239,594**		1,297,554
Other accrued expenses and other current liabilities		**182,912**		78,518
Note payable to related party		**178,322**		178,322
Current portion of capitalized lease obligations		**39,089**		40,710
Deferred revenue		**10,744,230**		9,236,381
Total current liabilities		**15,416,520**		14,261,723
Capitalized Lease Obligations, Less Current Portion		**4,874**		39,549
Deferred Revenue		**5,326,288**		3,963,868
Total liabilities		**20,747,682**		18,265,140