



St. Bernard Software,  
Inc.

Sand Hill IT Security  
Acquisition Corp.

**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 June 23, 2006, and is first being mailed to Sand Hill stockholders on or about July 6, 2006 and St. Bernard stockholders on or about June 28, 2006.

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**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.

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**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 10:00 a.m. on July 26, 2006, at 3000 Sand Hill Road, Building 1, Suite 240, Menlo Park, California 94025.

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, as amended, 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;
- 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 protective provisions related to a business combination that were put in place as a result of our being a Targeted Acquisition Corporation that, amongst other things, require stockholder approval of a business combination in all cases, provide for the conversion of up to 19.9% of Sand Hill's common stock for cash in the event of a business combination and require Sand Hill to liquidate if a business combination is not completed by July 27, 2006;
- 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, but in no event to a date later than July 27, 2006.

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 65.7% 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 May 26, 2006. 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. 1,700,000 of these shares will be issued to a stockholders representative that will hold these shares on behalf of the persons who held shares of St. Bernard common stock as of the closing of the merger. These shares will be released, pro rata, to the persons who held shares of St. Bernard common stock as of the closing of the merger, if, after the merger, the price of the combined company's common stock closes at \$8.50 or more per share for 20 trading days during any 30-day trading period prior to July 25, 2009 or the consideration to be received by the combined company or its stockholders in a sale of the majority of the ownership or business of the combined company prior to July 25, 2009 equals or exceeds \$8.50 per share, excluding the dilutive effects of the exercise of any of the Sand Hill warrants issued in its initial public offering. If, after the merger, neither of these thresholds are achieved prior to July 25, 2009, then the 1,700,000 shares will be returned to the combined company for no consideration and will be cancelled. Holders of St. Bernard common stock, options and warrants are entitled to receive their pro rata portion of this 10,880,000 figure, subject to the potential return of the 1,700,000 shares to be issued to the stockholders representative. Unless otherwise indicated, this joint proxy statement/prospectus assumes that one of these thresholds is achieved and the shares held by the stockholders representative will be released. 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 May 26, 2006, Sand Hill will issue approximately 9,782,357 shares of

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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 1,097,643 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 145.

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 34.3% 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 34.3% 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 May 26, 2006, the closing sale price of Sand Hill common stock, warrants and units, was \$5.23, \$0.63, and \$6.40, 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,  
/s/ Humphrey P. Polanen  
Humphrey P. Polanen  
*Chairman of the Board and  
Chief Executive Officer*

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**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 34 for a discussion of various factors that you should consider in connection with the merger.**

This joint proxy statement/prospectus is dated June 23, 2006 and is first being mailed to Sand Hill stockholders on or about July 6, 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 July 19, 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 JULY 26, 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 10:00 a.m. on July 26, 2006, at 3000 Sand Hill Road, Building 1, Suite 240, Menlo Park, California 94025 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, as amended, 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;

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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;

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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

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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, but in no event to a date later than July 27, 2006.

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 June 29, 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 the merger proposal and the amendment proposal. 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. Shares that are not voted or that are broker non-voted or where the stockholder abstains from voting are not eligible to be converted into cash upon the completion of the merger.

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**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*

June 23, 2006

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**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 9:00 a.m. on July 18 2006, at 15015 Avenue of Science, San Diego, California 92128.

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, as amended, 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; 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 65.7% 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 May 26, 2006. 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. 1,700,000 of these shares will be issued to a stockholders representative that will hold these shares on behalf of the persons who held shares of St. Bernard common stock as of the closing of the merger. These shares will be released, pro rata, to the persons who held shares of St. Bernard common stock as of the closing of the merger, if, after the merger, the price of the combined company's common stock closes at \$8.50 or more per share for 20 trading days during any 30-day trading period prior to July 25, 2009 or the consideration to be received by the combined company or its stockholders in a sale of the majority of the ownership or business of the combined company prior to July 25, 2009 equals or exceeds \$8.50 per share, excluding the dilutive effects of the exercise of any of the Sand Hill warrants issued in its initial public offering. If, after the merger, neither of these thresholds are achieved prior to July 25, 2009, then the 1,700,000 shares will be returned to the combined company for no consideration and will be cancelled. Holders of St. Bernard common stock, options and warrants are entitled to receive their pro rata portion of this 10,880,000 figure, subject to the potential return of the 1,700,000 shares to be issued to the stockholders representative. Unless otherwise indicated, this joint proxy statement/prospectus assumes that one of these thresholds is achieved and the shares held by the stockholders representative will be released. 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 May 26, 2006, Sand Hill will issue approximately 9,782,357 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 1,097,643 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 145.

The affirmative vote of a majority of the outstanding 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

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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 34.3% 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 34.3% 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 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 May 26, 2006, the closing sale price of Sand Hill common stock, warrants and units, was \$5.23, \$0.63 and \$6.40, 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,  
/s/ John E. Jones  
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.**

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**See Risk Factors beginning on page 34 for a discussion of various factors that you should consider in connection with the merger.**

This proxy statement is dated June 23, 2006 and is first being mailed to St. Bernard stockholders on or about June 28, 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 July 11, 2006.**



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

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JULY 18, 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 9:00 a.m. on July 18, 2006, at 15015 Avenue of Science, San Diego, California 92128, 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, as amended, 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; 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 June 27, 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 and you will not be able to exercise your dissent and appraisal rights.

**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*

June 23, 2006



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ANNEXES

A Agreement and Plan of Merger, dated as of October 26, 2005, by and among Sand Hill IT Security Acquisition Corp., Sand Hill Merger Corp. and St. Bernard Software, Inc., First Amendment to Agreement and Plan of Merger, dated as of December 15, 2005, by and among Sand Hill IT Security Acquisition Corp., Sand Hill Merger Corp. and St. Bernard Software, Inc. and Second Amendment to Agreement and Plan of Merger, dated as of May 31, 2006, by and among Sand Hill IT Security Acquisition Corp., Sand Hill Merger Corp. and St. Bernard Software, Inc. All references to the merger agreement contained in this joint proxy statement/prospectus refer to the Agreement and Plan of Merger, as amended by the First Amendment and the Second Amendment.

B Form of Amended and Restated Certificate of Incorporation of Sand Hill IT Security Acquisition Corp.

C St. Bernard Software, Inc. 1992 Stock Option Plan

D St. Bernard Software, Inc. 2000 Stock Option Plan

E St. Bernard Software, Inc. 2005 Stock Option Plan

F Section 262 of the Delaware General Corporation Law

## 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 small to medium size businesses, or the SME market, with 50 to 1000 employees. The SME market for IT security products is experiencing growth. AMI Partners projects greater than 15% of all SME s will purchase IT security products in 2006 (Sources: AMI Partners, *2005-2006 U.S. Medium Business Overview and Comprehensive Market Opportunity Assessment* (September 2005) and *2005-2006 U.S. Small Business Overview and Comprehensive Market Opportunity Assessment*; available at [ask\\_ami@ami-partners.com](mailto:ask_ami@ami-partners.com));

- 

Sand Hill believes that St. Bernard has a strong management team; and

- 

Sand hill believes that the revision to the merger agreement to provide for 1,700,000 of the shares of Sand Hill common stock to be initially issued in the merger to be held by a stockholders representative of St. Bernard pending their release if the combined company s stock reaches certain price thresholds after the merger helps to adjust the timing of the merger consideration to take into

account changes in public company comparables and St. Bernard's first quarter revenue performance.

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.

**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 May 26, 2006, Sand Hill had \$22,109,631 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, but in no event to a date later than July 27, 2006. 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's Reasons for the Merger* on page 55.

**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's Reasons for the Merger* on page 65.

**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 65.7% 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 May 26, 2006. 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. 1,700,000 of these shares will be issued to a stockholders representative that will hold these shares on behalf of the persons who held shares of St. Bernard common stock as of the closing of the merger. These shares will be released, pro rata, to the persons who held shares of St. Bernard common stock as of the closing of the merger, if, after the merger, the price of the combined company's common stock closes at \$8.50 or more per share for 20 trading days during any 30-day trading period prior to July 25, 2009 or the consideration to be received by the combined company or its stockholders in a sale of the majority of the ownership or business of the combined company prior to July 25, 2009 equals or exceeds \$8.50 per share, excluding the dilutive effects of the exercise of any of the Sand Hill warrants issued in its initial public offering. If, after the merger, neither of these thresholds are achieved prior to July 25, 2009, then the 1,700,000 shares will be returned to the combined company for no consideration and will be cancelled. Holders of St. Bernard common stock, options and warrants are entitled to receive their pro rata portion of this 10,880,000 figure, subject to the potential return of the 1,700,000 shares to be issued to the stockholders representative. 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 May 26, 2006, Sand Hill will issue approximately 9,782,357 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 1,097,643 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 145.

- 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.

- 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 34.3% 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 34.3% 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, subject to the potential return of the 1,700,000 shares to be issued to the stockholders' representative.
- 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 May 26, 2006, Sand Hill had \$22,109,631 in escrow, which would equate to \$5.38 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 that was held in the trust account on May 26, 2006, you will be entitled to convert each share of

Sand Hill common stock that you hold into approximately \$5.38. 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.

**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.**

**What are the expected United States federal income tax consequences to the merger?**

**A.**

It is the opinion of Duane Morris LLP, counsel to St. Bernard, that 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. 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 69.

- 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 be liquidated in accordance with the provisions of Delaware law. 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. Please see *Information About Sand Hill Liquidation if No Business Combination* on page 123.
- 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.
- Holder 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 July 17, 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 Appraisal or Dissenters Rights* on page 67.

**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.

**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 July 25, 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.**

**A.**

**What will happen if I abstain from voting or fail to vote at the St. Bernard special meeting?**

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.**

**A.**

**What do I do if I want to change my vote prior to the St. Bernard special meeting?**

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 July 17, 2006.

**Q.**

**A.**

**If my shares of Sand Hill stock are held in street name by my broker, will my broker vote my shares for me?**

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.



## 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 May 26, 2006, Sand Hill had \$22,109,631 in escrow, which equates to \$5.38 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 122.

#### *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 kernel 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) 676-2277. 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. While St. Bernard has yet to have a profitable fiscal year, Sand Hill believes St. Bernard's revenue base, industry and market focus, business model and management team continue to make it an attractive company.

#### *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.

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 URLs. St. Bernard's iPrism product employs a database of URLs 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 7.4 million websites as of March 31, 2006. 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 also believes that the price Sand Hill is paying for St. Bernard represents an attractive Enterprise Value/Sales, or EV/Sales, valuation. Sand Hill believes that the revision to the merger agreement to provide for 1,700,000 of the shares of Sand Hill common stock to be initially issued in the merger to be held by a stockholders representative of St. Bernard pending their release if the combined company's stock reaches certain price thresholds after the merger helps to spread the risk of St. Bernard's performance after the merger among the St. Bernard and Sand Hill stockholders. 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.

In addition to the primary reasons set forth above, Sand Hill's board did also consider certain potentially negative factors in its deliberations, including St. Bernard's history of losses. Please see *The Merger Proposal Sand Hill's Reasons for the Merger* on page 55 for a more detailed description of the factors, both positive and negative, considered by the Sand Hill board of directors in determining to recommend the merger to the Sand Hill stockholders.

#### **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 May 26, 2006, Sand Hill had \$22,109,631 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 and May 31, 2006. 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 65.7% 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 May 26, 2006. 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, subject to the potential return of 1,700,000 shares to be issued to the stockholders representative, as described below. 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 May 26, 2006, Sand Hill will issue approximately 9,782,357 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 1,097,643 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 145.

Of the 9,782,357 shares of Sand Hill common stock to be issued in the merger, 1,700,000 of these shares will be released, pro rata, to the persons who held shares of St. Bernard common stock as of the closing of the merger, if, after the merger, the price of the combined company's common stock closes at \$8.50 or more per share for 20 trading days during any 30-day trading period prior to July 25, 2009 or the consideration to be received by the combined company or its stockholders in a sale of the majority of the ownership or business of the combined company prior to July 25, 2009 equals or exceeds \$8.50 per share, excluding the dilutive effects of the exercise of any of the Sand Hill warrants issued in its initial public offering. If, after the merger, neither of these thresholds are achieved prior to July 25, 2009, then the 1,700,000 shares will be returned to the combined company for no consideration and will be cancelled.

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

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Sand Hill's and St. Bernard's stockholders have adopted the merger agreement;

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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 74.

## **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 784,270 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, but in no event to a date later than July 27, 2006.

### **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's Reasons for the Merger* on page 55.

### **Special Meetings of Stockholders**

The special meeting of the stockholders of Sand Hill will be held at 10:00 a.m. on July 26, 2006, at 3000 Sand Hill Road, Building 1, Suite 240, Menlo Park, California 94025, 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 9:00 a.m. on July 18, 2006, at 15015 Avenue of Science, San Diego, California 92128, to vote on the merger proposal and an adjournment 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 June 29, 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 June 29, 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 June 27, 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 June 27, 2006, there were 23,251,068 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.

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 July 17, 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 or Dissenters Rights* on page 67.

## **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.

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To vote in person, come to the Sand Hill special meeting, and you will be given a ballot when you arrive.

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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.

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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 July 25, 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.

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To vote in person, come to the St. Bernard special meeting, and you will be given a ballot when you arrive.

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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**

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 \$5,230,000 based on Sand Hill's common stock price of \$5.23 per share as of May 26, 2006. These shares were purchased for an aggregate of \$25,000. 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 May 26, 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 May 26, 2006, the following stockholders beneficially owned greater than five percent of Sand Hill's issued and outstanding common stock:

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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;

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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 \$25,410,416 based on converting such shares using the merger exchange ratio of 0.421419 and multiplying that by Sand Hill's common stock price of \$5.23 on May 26, 2006. The total of these shares represented approximately 49.7% of St. Bernard's issued and outstanding common stock as of the record date. These shares were acquired by St. Bernard directors and executive officers at various times for aggregate consideration of approximately \$2.8 million. Based solely upon St. Bernard's records, as of March 31, 2006, 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 28.8% 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 May 26, 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;

- Humphrey P. Polanen, The Broomfield Family Trust and Sand Hill Security LLC, have loaned Sand Hill approximately \$10,000, \$25,000 and \$20,000, respectively, for operating expenses. Each of these loans bears interest at the rate of 10% and matures on July 26, 2006. Each of these lenders have waived any claims they have against the trust fund with respect to these loans. If the merger is not completed and Sand Hill is forced to liquidate these loans will remain as unsecured claims against Sand Hill;

- The Broomfield Family Trust, an affiliate of Scott Broomfield, a director and officer of Sand Hill, and BeeBird Beheer B.V., an affiliate of Bart van Hedel a director of St. Bernard, have made available \$125,000 and \$375,000, respectively, to St. Bernard, as a bridge loan pursuant to secured promissory notes. Amounts borrowed under the notes are due on November 25, 2006 and bear interest at 12%. In connection with the execution of the notes, the Broomfield Family Trust and BeeBird Beheer B.V. received warrants for an aggregate of 25,000 shares of common stock of St. Bernard (which equates to 10,535 shares of the combined company's stock after the merger) exercisable at a price equal to the last reported sale price on the day prior to the maturity date of the notes on the primary market on which the shares of the combined company are traded or, if the merger does not occur, at the fair market value of the shares as determined by

the board of directors of St. Bernard. These notes are secured by a lien on substantially all of the assets of St. Bernard, subject to the lien of St. Bernard's existing senior lender; 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 creditors that are owed money by 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;

•

The Broomfield Family Trust, an affiliate of Scott Broomfield, a director and officer of Sand Hill, and BeeBird Beheer B.V., an affiliate of Bart van Hedel a director of St. Bernard, have made available \$125,000 and \$375,000, respectively, to St. Bernard, as a bridge loan pursuant to secured promissory notes. Amounts borrowed under the notes are due on November 25, 2006 and bear interest at 12%. In connection with the execution of the notes, the Broomfield Family Trust and BeeBird Beheer B.V. received warrants for an aggregate of 25,000 shares of common stock of St. Bernard (which equates to 10,535 shares of the combined company's stock after the merger) exercisable at a price equal to the last reported sale price on the day prior to the maturity date of the notes on the primary market on which the shares of the combined company are traded or, if the merger does not occur, at the fair market value of the shares as determined by the board of directors of St. Bernard. These notes are secured by a lien on substantially all of the assets of St. Bernard, subject to the lien of St. Bernard's existing senior lender; 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 March 31, 2006, 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
<i>Mr. John E. Jones</i> , Chief Executive Officer, President and Director	170,000	170,000	
<i>Mr. Bart A.M. van Hedel</i> , Director	95,000	88,889	6,111
<i>Mr. Robert G. Copeland</i> , Director	95,000	88,889	6,111
<i>Mr. Mel Lavitt</i> , Director	34,723	28,612	6,111
<i>Mr. Al Riedler</i> , Chief Financial Officer	90,167	67,504	22,663

(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*

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The receipt of the Sand Hill stockholder approval;

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The receipt of the St. Bernard stockholder approval;

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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;

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the absence of any order or injunction preventing consummation of the merger;

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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;

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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;

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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

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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 May 26, 2006, Sand Hill had \$21,025,000 in the trust account, and accreted interest of \$1,084,631.

*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:

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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;



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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;

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

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

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

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

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

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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:

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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;

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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 79. 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 80.

## 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. Sand Hill and St. Bernard have agreed to extend the date on which the merger agreement may be terminated from June 30, 2006 to July 28, 2006.

### *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;

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

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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:

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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 86 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 and Mel Lavitt, who are currently on the board of directors of St. Bernard, will continue as board members 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. In addition, Lou Ryan has agreed to serve on the board of directors of the combined company upon the consummation of the merger. Mr. Ryan is currently an advisor to Sand Hill.

## **Indemnification and Stock Escrow Agreement**

At the time of the consummation of the merger, Sand Hill will deposit with American Stock Transfer & Trust Company, as escrow agent, 800,000 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**

It is the opinion of Duane Morris LLP, counsel to St. Bernard, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

It is the opinion of Duane Morris LLP, counsel to St. Bernard, that St. Bernard stockholder's receipt of Sand Hill common stock in the merger 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 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 69.

## **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 and from the unaudited consolidated financial statements as of and for the three months ended March 31, 2006. 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 as of and for each of the years ended December 31, 2005 and 2004 (from inception) and from the unaudited financial statements as of and for the three months ended March 31, 2006. 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 and from the unaudited financial statements as of and for the three months ended March 31, 2006. 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)

<b>Consolidated Statement of Operations Data:</b>	<b>(unaudited) Three Months Ended March 31, 2006</b>	<b>(unaudited) Three Months Ended March 31, 2005</b>	<b>Period from April 15, 2004 (inception) to March 31, 2006</b>	<b>Period from April 15, 2004 (inception) to December 31, 2005</b>	<b>Period from April 15, 2004 (inception) to December 31, 2004</b>
Net revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Operating income (loss)	\$ (171 )	\$ (172 )	\$ (1,469 )	\$ (1,299 )	\$ (192 )
Interest income	\$ 222	\$ 124	\$ 1,003	\$ 780	\$ 142
Warrant liability expense	\$ (896 )	\$ 411	\$ (1,972 )	\$ (1,077 )	\$ 0
Net income (loss) income	\$ (845 )	\$ 363	\$ (2,439 )	\$ (1,595 )	\$ (50 )
Net income (loss) income per share basic	\$ (0.17 )	\$ 0.10	\$ (0.54 )	\$ (0.36 )	\$ (0.01 )
Net income (loss) per share diluted	\$ (0.17 )	\$ 0.00	\$ (0.54 )	\$ (0.36 )	\$ (0.01 )
Shares used basic	5,110,000	3,468,784	4,518,884	4,433,893	3,468,786
Shares used diluted	5,110,000	11,688,784	4,518,884	4,433,893	3,468,786

<b>Consolidated Balance Sheet Data:</b>	<b>(unaudited) March 31, 2006</b>	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Cash and cash equivalents	\$ 21,953	\$ 21,804	\$ 21,884
Working capital	\$ 14,304	\$ 15,141	\$ 16,657
Total assets	\$ 21,964	\$ 21,816	\$ 22,016
Warrant liability	\$ 7,316	\$ 6,420	\$ 5,343
Common stock subject to possible conversion	\$ 4,369	\$ 4,344	\$ 4,218
Stockholder equity	\$ 9,935	\$ 10,797	\$ 12,439
Common stock issued and outstanding	5,110,000	5,110,000	5,110,000
Book value per common share	\$ 1.94	\$ 2.11	\$ 2.43

**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 and unaudited consolidated financial statements as of and for the three months ended March 31, 2006. 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 <b>Consolidated Statement of Operations Data:</b>	<b>(unaudited) Three Months Ended March 31, 2006</b>	<b>(unaudited) Three Months Ended March 31, 2005</b>	<b>Year Ended December 31,</b>				
			<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>(unaudited) 2002(1)</b>	<b>(unaudited) 2001</b>
Net revenue	\$ 5,269	\$ 5,571	\$ 23,985	\$ 21,174	19,790	\$ 14,351	\$ 11,287
Operating loss	\$ (1,172)	\$ (1,176)	\$ (2,670)	\$ (7,774)	\$ (530)	\$ (868)	\$ (1,913)
Interest expense	\$ (79)	\$ (77)	\$ 263	\$ 240	\$ 285	\$ 301	\$ 111
Net loss	\$ (1,251)	\$ (1,252)	\$ (2,961)	\$ (7,962)	\$ (309)	\$ (1,277)	\$ (1,772)
Net loss per share basic and diluted	\$ (0.05)	\$ (0.06)	\$ (0.13)	\$ (0.39)	\$ (0.02)	\$ (0.07)	\$ (0.10)
Weighted average shares outstanding	22,231	20,875	22,157	20,503	19,434	18,316	18,206
Common stock issued and outstanding	23,251	23,197	23,197	20,860	19,434	19,432	18,205
Book value per common share	\$ (0.42)	\$ (0.37)	\$ (0.37)	\$ (0.33)	\$ 0.03	\$ 0.06	\$ 0.13

<b>Consolidated Balance Sheet Data:</b>	<b>(unaudited) March 31, 2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>(unaudited) 2002</b>	<b>(unaudited) 2001</b>
	<b>As of December 31,</b>					
Cash and equivalents	\$ 2	9	557	1,111	\$ 5	\$ 51
Working capital (deficit)	\$ (11,081)	\$ (9,700)	\$ (9,420)	\$ (2,556)	\$ (1,320)	\$ (784)
Total assets	\$ 11,031	\$ 12,192	\$ 11,454	\$ 11,481	\$ 8,015	\$ 7,663
	\$ 15,620	\$ 16,071	\$ 13,200	\$ 8,479	\$ 4,370	\$ 2,965

Deferred revenue							
Long term obligation less current portion	\$ 0	\$ 5	\$ 40	\$ 33	\$ 0	\$ 300	
Stockholder equity (deficit)	\$ (9,793 )	\$ (8,555 )	\$ (6,812 )	\$ 650	\$ 1,136	\$ 2,274	

(1)

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

**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 72.

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*

	<b>Three Months Ended March 31, 2006</b>	<b>Year Ended December 31, 2005</b>
<i>Assumes no conversions (1)</i>		
Net revenue	\$ 5,269	\$ 23,985
Operating loss	\$ (1,343 )	\$ (3,776 )
Warrant Liability Expense	\$ (896 )	\$ (1,077 )
Interest expense	\$ (79 )	\$ (263 )
Net loss	\$ (2,096 )	\$ (4,507 )
Net loss per share basic	\$ (0.14 )	\$ (0.30 )
Shares used basic and diluted	14,892	14,867

**Pro Forma Condensed  
Consolidated Balance Sheet Data:**

*Dollars in thousands*

	<b>March 31, 2006</b>
Cash and cash equivalents	\$ 19,431
Working capital	\$ 698
Total assets	\$ 30,470
Warrant Liability	\$ 7,316
Deferred Revenue	\$ 15,620
Long-term obligations less current portion	\$
Stockholder equity	\$ 1,986

	<b>Three months ended March 31, 2006</b>		<b>Year ended December 31, 2005</b>	
	<b>Assuming No Conversions (1)</b>	<b>Assuming Maximum Conversions (2)</b>	<b>Assuming No Conversions (1)</b>	<b>Assuming Maximum Conversions (2)</b>
	<b>(In thousands)</b>		<b>(In thousands)</b>	
Revenue	\$ 5,269	5,269	\$ 23,985	\$ 23,985
Net loss	(2,096 )	2,118	(4,507 )	(4,594 )
Net loss per share	(0.14 )	(0.15 )	(0.30 )	(0.33 )
Shares used basic and diluted	14,892	14,074	14,867	14,049

	<b>March 31, 2006</b>	
	<b>Assuming No Conversions (1)</b>	<b>Assuming Maximum Conversions (2)</b>
	<b>(In thousands)</b>	
Total assets	\$ 30,470	\$ 26,101
Total liabilities	28,484	24,484
Stockholders equity	1,986	(2,383 )

**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 three months ended March 31, 2006 and as of and for the year ended December 31, 2005, and the period from April 15, 2004 (inception to March 31, 2006 and 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.

<b>Number of shares of common stock outstanding upon consummation of the merger:</b>	<b>St. Bernard</b>	<b>Sand Hill(1)</b>	<b>Combined Company</b>
Assuming no conversions	9,782,357	5,110,000	14,892,357
	65.7 %	34.3 %	100 %
Assuming maximum conversions	9,782,357	4,292,110	14,074,467
	69.5 %	30.5 %	100 %
Net loss per share historical:			
Year ended December 31, 2005:	\$ (0.13 )	\$ (0.30 )	(2)
Book value per share Historical December 31, 2005	\$ (0.37 )	\$ 2.11	(4)
Net loss per share pro forma: (2)			
Year ended December 31, 2005:			
No conversions			\$ (0.30 )
Maximum conversions (3)			\$ (0.33 )
Three Months Ended March 31, 2006:			
No conversions			\$ (0.14 )
Maximum conversions (3)			\$ (0.16 )
Book value per share pro forma March 31, 2006			
No conversions			\$ 0.13
Maximum conversions (3)			\$ (0.17 )

**Notes:**

(1)

Operations of Sand Hill for 2005 are for the period from April 15, 2004 (inception) to December 31, 2005 and April 15, 2004 (inception) to March 31, 2006.



(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 May 26, 2006, there was one holder of record of Sand Hill units, eight holders of record of Sand Hill common stock and one holder of record of Sand Hill warrants. Sand Hill believes the beneficial holders of the units, common stock and warrants to be in excess of 100 persons each. As of May 26, 2006, there were 141 holders of record of St. Bernard common stock.

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.

<b>Quarter Ended</b>	<b>Common Stock</b>		<b>Warrants</b>		<b>Units</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>