

ST. BERNARD SOFTWARE, INC.  
Form 10-Q  
November 12, 2008

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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008.
- TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_.

Commission File Number 000-50813

St. Bernard Software, Inc.  
(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware  
(State or other Jurisdiction of  
incorporation)

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

15015 Avenue of Science  
San Diego, California  
(Address of Principal Executive Office)

(858) 676-2277  
(Issuer's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

As of November 12, 2008 there were 14,783,090 shares of the registrant's common stock outstanding.

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## PART I – FINANCIAL INFORMATION

### Forward-Looking Statements

This Quarterly Report on Form 10-Q includes “forward-looking statements”. To the extent that the information presented in this Quarterly Report discusses financial projections, information or expectations about our business plans, results of operations, products or markets, or otherwise makes statements about future events, such statements are forward-looking.

Certain statements contained in this report including, but not limited to, statements that can be identified by the use of forward-looking terminology such as “may,” “expect,” “anticipate,” “predict,” “believe,” “plan,” “estimate” or “continue” or the negative thereof or other variations thereon or comparable terminology, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and involve a number of risks and uncertainties. The actual results of the future events described in such forward-looking statements in this interim report could differ materially from those stated in such forward-looking statements due to various factors, including but not limited to, the fact that we derive a majority of our revenue from sales of a few product lines, our ability to manage our direct sales and OEM distribution channels effectively, our ability to successfully promote awareness of our brand and the need for our products, risks associated with the IT security industry and those other risks and uncertainties detailed in filings with the Securities and Exchange Commission, including this Quarterly Report on Form 10-Q.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Form 10-Q.

All forward-looking statements included herein attributable to any of us, or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, we undertake no obligations to update these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

Item 1.

## Consolidated Financial Statements

St. Bernard Software, Inc.

## Consolidated Balance Sheets

	September 30, 2008 (Unaudited)	December 31, 2007
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 722,000	\$ 1,297,000
Accounts receivable - net of allowance for doubtful accounts of \$83,000 and \$59,000 at September 30, 2008 and December 31, 2007, respectively	3,580,000	3,255,000
Inventories - net	384,000	158,000
Prepaid expenses and other current assets	508,000	440,000
<b>Total current assets</b>	<b>5,194,000</b>	<b>5,150,000</b>
<b>Fixed Assets - Net</b>	<b>884,000</b>	<b>1,301,000</b>
<b>Other Assets</b>	<b>174,000</b>	<b>215,000</b>
<b>Goodwill</b>	<b>7,568,000</b>	<b>7,568,000</b>
<b>Total Assets</b>	<b>\$ 13,820,000</b>	<b>\$ 14,234,000</b>
<b>Liabilities and Stockholders' Deficit</b>		
<b>Current Liabilities</b>		
Short-term borrowings	\$ 2,462,000	\$ 1,566,000
Accounts payable	1,565,000	3,026,000
Accrued compensation expenses	898,000	1,188,000
Accrued expenses and other current liabilities	356,000	406,000
Current portion of capitalized lease obligations	159,000	153,000
Deferred revenue	10,439,000	9,589,000
<b>Total current liabilities</b>	<b>15,879,000</b>	<b>15,928,000</b>
<b>Deferred Rent</b>	<b>138,000</b>	<b>232,000</b>
<b>Capitalized Lease Obligations, Less Current Portion</b>	<b>51,000</b>	<b>170,000</b>
<b>Deferred Revenue</b>	<b>6,537,000</b>	<b>5,860,000</b>

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Total liabilities	22,605,000	22,190,000
Commitments and Contingencies		
Stockholders' Deficit		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$0.01 par value; 50,000,000 shares authorized; 14,783,090 and 14,760,052 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	148,000	148,000
Additional paid-in capital	40,093,000	39,079,000
Accumulated deficit	(49,026,000)	(47,183,000)
Total stockholders' deficit	(8,785,000)	(7,956,000)
Total Liabilities and Stockholders' Deficit		