

ST. BERNARD SOFTWARE, INC.
Form 10-Q
May 06, 2009

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

OR

TRANSITION REPORT PURSUANT TO 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 registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

15015 Avenue of Science, San Diego, CA 92128
(Address of principal executive offices)

(858) 676-2277
(Registrant'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 definition of "accelerated

filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (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

The registrant had 14,838,940 shares of its common stock, par value \$0.01 per share, outstanding at May 5, 2009.

ST. BERNARD SOFTWARE, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

St. Bernard Software, Inc.

Consolidated Balance Sheets

	March 31, 2009 (Unaudited)	December 31, 2008
Assets		
Current Assets		
Cash and cash equivalents	\$ 930,000	\$ 2,051,000
Accounts receivable - net of allowance for doubtful accounts of \$50,000 and \$52,000 at March 31, 2009 and December 31, 2008, respectively	2,599,000	3,170,000
Inventories - net	437,000	364,000
Prepaid expenses and other current assets	607,000	381,000
Total current assets	4,573,000	5,966,000
Fixed Assets - Net	787,000	828,000
Other Assets	439,000	281,000
Goodwill	7,568,000	7,568,000
Total Assets	\$ 13,367,000	\$ 14,643,000
Liabilities and Stockholders' Deficit		
Current Liabilities		
Short-term borrowings	\$ 2,100,000	\$ 2,462,000
Accounts payable	1,537,000	1,270,000
Accrued compensation expenses	951,000	1,361,000
Accrued expenses and other current liabilities	603,000	518,000
Warranty liability	179,000	195,000
Current portion of capitalized lease obligations	124,000	147,000
Deferred revenue	10,178,000	10,469,000
Total current liabilities	15,672,000	16,422,000
Deferred Rent	89,000	118,000
Capitalized Lease Obligations, Less Current Portion	3,000	22,000
Deferred Revenue	6,982,000	7,152,000
Total liabilities	22,746,000	23,714,000
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; 14,838,940 and 14,783,090 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	148,000	148,000
Additional paid-in capital	40,633,000	40,308,000
Accumulated deficit	(50,160,000)	(49,527,000)
Total stockholders' deficit	(9,379,000)	(9,071,000)
Total Liabilities and Stockholders' Deficit	\$ 13,367,000	\$ 14,643,000

The accompanying notes are an integral part of these consolidated financial statements.

St. Bernard Software, Inc.

Unaudited Consolidated Statements of Operations

	Three months ended March	
	31,	
	2009	2008
Revenues		
Subscription	\$ 3,689,000	\$ 3,304,000
Appliance	754,000	601,000
License	6,000	4,000
Total Revenues	4,449,000	3,909,000
Cost of Revenues		
Subscription	574,000	556,000
Appliance	536,000	425,000
License	2,000	1,000
Total Cost of Revenues	1,112,000	982,000
Gross Profit	3,337,000	2,927,000
Operating Expenses		
Sales and marketing	1,660,000	1,816,000
Research and development	1,035,000	753,000
General and administrative	1,194,000	1,198,000
Total Operating Expenses	3,889,000	3,767,000
Loss from Operations	(552,000)	(840,000)
Other Income		
Interest expense - net	92,000	143,000
Gain on sale of assets	-	(320,000)
Other income	(16,000)	(264,000)
Total Other Income	76,000	(441,000)
Loss Before Income Taxes	(628,000)	(399,000)
Income tax expense	(5,000)	-
Net Loss	\$ (633,000)	\$ (399,000)
Loss Per Common Share - Basic and Diluted	\$ (0.04)	\$ (0.03)
Weighted Average Shares Outstanding	14,837,699	14,771,825

The accompanying notes are an integral part of these consolidated financial statements.

St. Bernard Software, Inc.

Unaudited Consolidated Statement of Stockholders' Deficit

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	
Balance at December 31, 2008	14,783,090	\$ 148,000	\$ 40,308,000	\$ (49,527,000)	\$ (9,071,000)
Common stock issued under the employee stock purchase plan	55,850	-	9,000	-	9,000
Stock-based compensation expense	-	-	357,000	-	357,000
Reclassification of warrants to warrant derivative liability	-	-	(41,000)	-	(41,000)
Net loss	-	-	-	(633,000)	(633,000)
Balance at March 31, 2009	14,838,940	\$ 148,000	\$ 40,633,000	\$ (50,160,000)	\$ (9,379,000)

The accompanying notes are an integral part of these consolidated financial statements.

St. Bernard Software, Inc.

Unaudited Consolidated Statements of Cash Flows

	Three months ended March 31,	
	2009	2008
Cash Flows From Operating Activities		
Net loss	\$ (633,000)	\$ (399,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	104,000	164,000
Allowance for doubtful accounts	(2,000)	(22,000)
Gain on sale of assets	-	(320,000)
Gain on change in fair value of warrant derivative liability	(16,000)	-
Stock-based compensation expense	357,000	58,000
Noncash interest expense	38,000	61,000
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	573,000	717,000
Inventories	(73,000)	(113,000)
Prepaid expenses and other assets	(421,000)	(172,000)
Accounts payable	267,000	(921,000)
Accrued expenses and other current liabilities	(361,000)	(148,000)
Deferred rent	(19,000)	115,000
Warranty liability	(16,000)	12,000
Deferred revenue		