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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2013

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: 0-28132

STREAMLINE HEALTH SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**31-1455414**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

1230 Peachtree Street, NE, Suite 1000,
Atlanta, GA 30309
(Address of principal executive offices) (Zip Code)
(404) 446-0050
(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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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 Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company x
		(Do not check if a 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 x

The number of shares outstanding of the Registrant's Common Stock, $.01 par value, as of September 10, 2013: 13,118,069

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

STREAMLINE HEALTH SOLUTIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	July 31, 2013	January 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,355,673	$ 7,500,256
Accounts receivable, net of allowance for doubtful accounts of $134,000 and $134,000, respectively	10,773,182	8,685,017
Contract receivables	1,769,738	1,481,819
Prepaid hardware and third party software for future delivery	22,777	22,777
Prepaid client maintenance contracts	1,176,432	1,080,330
Other prepaid assets	924,512	997,024
Other current assets	—	110,555
Total current assets	20,022,314	19,877,778
Non-current assets:		
Property and equipment:		
Computer equipment	3,481,679	3,420,452
Computer software	2,202,444	2,196,236
Office furniture, fixtures and equipment	870,079	843,274
Leasehold improvements	697,570	697,570
	7,251,772	7,157,532
Accumulated depreciation and amortization	(6,296,766)	(5,958,727)
Property and equipment, net	955,006	1,198,805
Contract receivables, less current portion	95,816	126,626
Capitalized software development costs, net of accumulated amortization of $18,861,000 and $17,465,000, respectively	12,218,230	12,816,486
Intangible assets, net	7,559,154	8,188,131
Deferred financing costs, net	331,955	541,740
Goodwill	12,166,959	12,133,304
Other	459,823	383,708
Total non-current assets	33,786,943	35,388,800
	$ 53,809,257	$ 55,266,578

See accompanying notes.

	July 31, 2013	January 31, 2013
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,605,745	$ 1,495,913
Accrued compensation	1,021,515	2,088,850
Accrued other expenses	1,318,947	1,325,039
Current portion of long-term debt	1,250,000	1,250,000
Deferred revenues	10,040,005	9,810,442
Contingent consideration for earn-out	1,358,722	1,319,559
Current portion of deferred tax liability	35,619	35,619
Total current liabilities	16,630,553	17,325,422
Non-current liabilities:		
Term loans	11,812,500	12,437,501
Warrants liability	5,981,000	3,649,349
Lease incentive liability, less current portion	79,603	99,579
Deferred income tax liability, less current portion	663,033	529,709
Total non-current liabilities	18,536,136	16,716,138
Total liabilities	35,166,689	34,041,560
Series A 0% Convertible Redeemable Preferred Stock, $.01 par value per share, $11,999,985 redemption value, 4,000,000 shares authorized, 3,999,995 shares issued and outstanding, net of unamortized preferred stock discount of $4,034,470 and $4,234,269, respectively	7,965,515	7,765,716
Stockholders' equity:		
Common stock, $.01 par value per share, 25,000,000 shares authorized; 13,039,619 and 12,643,620 shares issued and outstanding, respectively	130,396	126,436
Convertible redeemable preferred stock, $.01 par value per share, 1,000,000 shares authorized, no shares issued	—	—
Additional paid in capital	49,930,230	49,178,389
Accumulated deficit	(39,383,573)	(35,845,523)
Total stockholders' equity	10,677,053	13,459,302
	$ 53,809,257	$ 55,266,578

See accompanying notes.

STREAMLINE HEALTH SOLUTIONS, INC.

CONDENDSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three and Six Months Ended July 31,
(Unaudited)

	Three Months		Six Months	
	2013	2012	2013	2012
Revenues:				
Systems sales	$ 2,233,668	$ 75,670	$ 2,558,314	$ 429,200
Professional services	1,039,240	941,419	1,958,591	2,063,858
Maintenance and support	3,620,446	2,297,246	7,001,046	4,648,821
Software as a service	1,880,007	1,734,719	3,728,748	3,352,308
Total revenues	8,773,361	5,049,054	15,246,699	10,494,187
Operating expenses:				
Cost of systems sales	661,124	532,332	1,299,722	1,218,859
Cost of professional services	1,266,744	503,474	2,241,206	1,055,956
Cost of maintenance and support	795,476	705,713	1,780,065	1,430,995
Cost of software as a service	514,075	616,781	1,093,154	1,299,087
Selling, general and administrative	3,408,153	2,204,205	6,989,020	3,873,965
Research and development	1,160,147	510,842	2,257,157	967,205
Total operating expenses	7,805,719	5,073,347	15,660,324	9,846,067
Operating income (loss)	967,642	(24,293)	(413,625)	648,120
Other income (expense):				
Interest expense	(587,808)	(391,188)	(1,154,373)	(599,018)
Miscellaneous income (expenses)	(1,064,163)	(23,788)	(1,806,428)	12,257
Earnings (loss) before income taxes	(684,329)	(439,269)	(3,374,426)	61,359
Income tax expense	(143,874)	(24,000)	(163,624)	(33,000)
Net earnings (loss)	$ (828,203)	$ (463,269)	$ (3,538,050)	$ 28,359
Less: deemed dividends on Series A Preferred Shares	(15,510)	—	(357,146)	—
Net earnings (loss) attributable to common shareholders	$ (843,713)	$ (463,269)	$ (3,895,196)	$ 28,359
Basic net earnings (loss) per common share	$ (0.07)	$ (0.04)	$ (0.31)	$ 0.00
Number of shares used in basic per common share computation	12,861,715	11,316,083	12,698,094	10,817,214
Diluted net earnings (loss) per common share	$ (0.07)	$ (0.04)	$ (0.31)	$ 0.00
Number of shares used in diluted per common share computation	12,861,715	11,316,083	12,698,094	10,936,752

See accompanying notes.

STREAMLINE HEALTH SOLUTIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended July 31,
(Unaudited)

	2013	2012
Operating activities:		
Net earnings (loss)	$ (3,538,050)	$ 28,359
Adjustments to reconcile net earnings (loss) to net cash (used in) provided by operating activities:		
Depreciation	338,039	362,631
Amortization of capitalized software development costs	1,396,050	1,222,394
Amortization of intangible assets	628,977	25,318
Amortization of other deferred costs	186,018	39,375
Valuation adjustment for warrants liability	1,670,354	—
Deferred tax expense	133,324	—
Valuation adjustment for contingent earn-out	39,163	—
Share-based compensation expense	825,531	399,961
Changes in assets and liabilities, net of assets acquired:		
Accounts and contract receivables	(2,092,868)	2,438,948
Other assets	(227,263)	(649,612)
Accounts payable	89,856	(167,998)
Accrued expenses	(1,045,618)	597,038
Deferred revenues	229,563	(1,128,200)
Net cash (used in) provided by operating activities	(1,366,924)	3,168,214
Investing activities:		
Purchases of property and equipment	(94,240)	(448,768)
Capitalization of software development costs	(797,794)	(970,000)
Net cash used in investing activities	(892,034)	(1,418,768)
Financing activities:		
Principal repayments on term loans	(625,001)	—
Proceeds from exercise of stock options and stock purchase plan	739,376	79,022
Net cash provided by financing activities	114,375	79,022
(Decrease) increase in cash and cash equivalents	(2,144,583)	1,828,468
Cash and cash equivalents at beginning of period	7,500,256	2,243,054
Cash and cash equivalents at end of period	$ 5,355,673	$ 4,071,522

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATMENTS
(Unaudited)

NOTE A — BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by Streamline Health Solutions, Inc. (the "Company"), pursuant to the rules and regulations applicable to quarterly reports on Form 10-Q of the U. S. Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. In the opinion of our management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Condensed Consolidated Financial Statements have been included. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in our most recent annual report on Form 10-K, Commission File Number 0-28132. Operating results for the three and six months ended July 31, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2014.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are presented in “Note B – Significant Accounting Policies” in the fiscal year 2012 Annual Report on Form 10-K. Users of financial information for interim periods are encouraged to refer to the footnotes contained in the Annual Report on Form 10-K when reviewing interim financial results.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The FASB’s authoritative guidance on fair value measurements establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value based on the short-term maturity of these instruments. Cash and cash equivalents are classified as Level 1. The carrying amount of the Company’s long-term debt approximates fair value since the interest rates being paid on the amounts approximate the market interest rate. Long-term debt is classified as Level 2. The fair value of contingent consideration for earn-out and warrants liability is determined by management with the assistance of an independent third party valuation specialist. The Company used a Black-Scholes option pricing model to estimate the fair value of the contingent consideration for earn-out and warrants liability. The contingent consideration for earn-out and warrants liability are classified as Level 3.

Revenue Recognition

The Company derives revenue from the sale of internally developed software either by licensing or by software as a service ("SaaS"), through the direct sales force or through third-party resellers. Licensed, locally-installed, clients utilize the Company’s support and maintenance services for a separate fee, whereas SaaS fees include support and maintenance. The Company also derives revenue from professional services that support the implementation, configuration, training, and optimization of the applications. Additional revenues are also derived from reselling third-party software and hardware components.

The Company recognizes revenue in accordance with ASC 985-605, *Software-Revenue Recognition* and ASC 605-25 *Revenue Recognition — Multiple-element arrangements*. The Company commences revenue recognition when the following criteria all have been met:

- Persuasive evidence of an arrangement exists,

- Delivery has occurred or services have been rendered,
- The arrangement fees are fixed or determinable, and
- Collection is considered probable

If the Company determines that any of the above criteria have not been met, the Company will defer recognition of the revenue until all the criteria have been met. Maintenance and support and SaaS agreements entered into are generally non-cancelable, or contain significant penalties for early cancellation, although clients typically have the right to terminate their contracts for cause if the Company fails to perform material obligations. However, if non-standard acceptance periods or non-standard performance criteria, cancellation or right of refund terms are required, revenue is recognized upon the satisfaction of such criteria, as applicable.

Revenues from resellers are recognized gross of royalty payments to resellers.

Multiple Element Arrangements

On February 1, 2011, the Company adopted Accounting Standards Update No. 2009-13, Revenue Recognition (Topic 605), *"Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force"* ("ASU 2009-13") on a prospective basis. ASU 2009-13 amended the accounting standards for revenue recognition for multiple deliverable revenue arrangements to:

- Provide updated guidance on how deliverables of an arrangement are separated, and how consideration is allocated;
- Eliminate the residual method and require entities to allocate revenue using the relative selling price method and;
- Require entities to allocate revenue to an arrangement using the estimated selling price ("ESP") of deliverables if it does not have vendor specific objective evidence ("VSOE") or third party evidence ("TPE") of selling price.

Terms used in evaluation are as follows:

- VSOE — the price at which an element is sold as a separate stand-alone transaction
- TPE — the price of an element, charged by another company that is largely interchangeable in any particular transaction
- ESP — the Company's best estimate of the selling price of an element of the transaction

The Company follows accounting guidance for revenue recognition of multiple-element arrangements to determine whether such arrangements contain more than one unit of accounting. Multiple-element arrangements require the delivery or performance of multiple solutions, services and/or rights to use assets. To qualify as a separate unit of accounting, the delivered item must have value to the client on a stand-alone basis. Stand-alone value to a client is defined in the guidance as those that can be sold separately by any vendor or the client could resell the item on a stand-alone basis. Additionally, if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item or items must be considered probable and substantially in the control of the vendor.

The Company has a defined pricing methodology for all elements of the arrangement and proper review of pricing to ensure adherence to Company policies. Pricing decisions include cross-functional teams of senior management, which uses market conditions, expected contribution margin, size of the client's organization, and pricing history for similar solutions when establishing the selling price.

Software as a service

The Company uses ESP to determine the value for a software as a service arrangement as the Company cannot establish VSOE and TPE is not a practical alternative due to differences in functionality from the Company's competitors. Similar to proprietary license sales, pricing decisions rely on the relative size of the client purchasing the solution, and include calculating the equivalent value of maintenance and support on a present value basis over the term of the initial agreement period. Typically revenue recognition commences upon client go-live on the system, and is recognized ratably over the contract term. The software portion of SaaS for Health Information Management ("HIM") products does not need material modification to achieve its contracted function. The software portion of SaaS for the Company's Patient Financial Services ("PFS") products require material customization and setup processes to achieve their contracted function.

System Sales

The Company uses the residual method to determine fair value for proprietary software licenses sold in a multi-element arrangement. Under the residual method, the Company allocates the total value of the arrangement first to the undelivered elements based on their VSOE and allocates the remainder to the proprietary software license fees.

Typically pricing decisions for proprietary software rely on the relative size and complexity of the client purchasing the solution. Third party components are resold at prices based on a cost plus margin analysis. The proprietary software and third party components do not need any significant modification to achieve its intended use. When these revenues meet all criteria for revenue recognition, and are determined to be separate units of accounting, revenue is recognized. Typically this is upon shipment of components or electronic download of software. Proprietary licenses are perpetual in nature, and license fees do not include rights to version upgrades, fixes or service packs.

Maintenance and Support Services

The maintenance and support components are not essential to the functionality of the software and clients renew maintenance contracts separately from software purchases at renewal rates materially similar to the initial rate charged for maintenance on the initial purchase of software. The Company uses VSOE of fair value to determine fair value of maintenance and support services. Rates are set based on market rates for these types of services, and the Company's rates are comparable to rates charged by its competitors, which is based on the knowledge of the marketplace by senior management. Generally, maintenance and support is calculated as a percentage of the list price of the proprietary license being purchased by a client. Clients have the option of purchasing additional annual maintenance service renewals each year for which rates are not materially different from the initial rate, but typically include a nominal rate increase based on the consumer price index. Annual maintenance and support agreements entitle clients to technology support, upgrades, bug fixes and service packs.

Term Licenses

The Company cannot establish VSOE fair value of the undelivered element in term license arrangements. However, as the only undelivered element is post-contract customer support, the entire fee is recognized ratably over the contract term. Typically revenue recognition commences once the client goes live on the system. Similar to proprietary license sales, pricing decisions rely on the relative size of the client purchasing the solution. The software portion of the Company's Collabra ("Coding") products generally do not require material modification to achieve their contracted function.

Professional Services

Professional services components that are not essential to the functionality of the software, from time to time, are sold separately by the Company. Similar services are sold by other vendors, and clients can elect to perform similar services in-house. When professional services revenues are a separate unit of accounting, revenues are recognized as the services are performed.

Professional services components that are essential to the functionality of the software, and are not considered a separate unit of accounting, are recognized in revenue ratably over the life of the client, which approximates the duration of the initial contract term. The Company defers the associated direct costs for salaries and benefits expense for professional services contracts. As of July 31, 2013 and January 31, 2013, the Company had deferred costs of approximately $308,000 and $201,000, respectively. These deferred costs will be amortized over the identical term as the associated SaaS revenues. Accumulated amortization of these costs was approximately $63,000 and $35,000 as of July 31, 2013 and January 31, 2013, respectively.

The Company uses VSOE of fair value based on the hourly rate charged when services are sold separately, to determine fair value of professional services. The Company typically sells professional services on a fixed fee basis. The Company monitors projects to assure that the expected and historical rate earned remains within a reasonable range to the established selling price.

Severances

From time to time, the Company will enter into termination agreements with associates that may include supplemental cash payments, as well as contributions to health and other benefits for a specific time period subsequent to termination. For the three months ended July 31, 2013 and 2012 , the Company incurred approximately $2,000 and zero in severance expenses, respectively, and $385,000 and $70,000 for the six months ended July 31, 2013 and 2012, respectively. At July 31, 2013 and January 31, 2013, the Company had accrued for $72,000 and $548,000 in severances, respectively. The severances accrued at July 31, 2013 were paid out in full by August 31, 2013.

Equity Awards

The Company accounts for share-based payments based on the grant-date fair value of the awards with compensation cost recognized as expense over the requisite vesting period. The Company incurred total compensation expense related to stock-based awards of $359,000 and $222,000 for the three months ended July 31, 2013 and 2012, respectively, and $826,000 and $400,000 for the six months ended July 31, 2013 and 2012, respectively.

The fair value of the stock options granted have been estimated at the date of grant using a Black-Scholes option pricing model. Option pricing model input assumptions such as expected term, expected volatility, and risk-free interest rate impact the fair value estimate. Further, the forfeiture rate impacts the amount of aggregate compensation. These assumptions are subjective and are generally derived from external (such as, risk free rate of interest) and historical data (such as, volatility factor, expected term, and forfeiture rates). Future grants of equity awards accounted for as stock-based compensation could have a material impact on reported expenses depending upon the number, value and vesting period of future awards.

The Company issues restricted stock awards in the form of Company common stock. The fair value of these awards is based on the market close price per share on the day of grant. The Company expenses the compensation cost of these awards as the restriction period lapses, which is typically a one year service period to the Company.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax credit and loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing net deferred tax assets, the Company considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The Company establishes a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The Company provides for uncertain tax positions and the related interest and penalties based upon management’s assessment of whether certain tax positions are more likely than not to be sustained upon examination by tax authorities. As of July 31, 2013, the Company believes it has appropriately accounted for any uncertain tax positions. As part of the Meta acquisition, the Company assumed a current liability for an uncertain tax position, and expects to settle this amount in fiscal 2013. The Company has a $152,000 reserve for uncertain tax positions and corresponding interest and penalties as of both July 31, 2013 and January 31, 2013, respectively.

Net Earnings (Loss) Per Common Share

The Company presents basic and diluted earnings per share (“EPS”) data for its common stock. Basic EPS is calculated by dividing the net income (loss) attributable to shareholders of the Company by the weighted average number of shares of common stock outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares of common stock outstanding adjusted for the effects of all dilutive potential common shares comprised of options granted, unvested restricted stocks, warrants and convertible preferred stock. Potential common stock equivalents that have been issued by the Company related to outstanding stock options, unvested restricted stock and warrants are determined using the treasury stock method, while potential common shares related to Series A Convertible Preferred Stock are determined using the “if converted” method.

The Company's unvested restricted stock awards and Series A Convertible Preferred stock are considered participating securities under ASC 260, “Earnings Per Share”, which means the security may participate in undistributed earnings with common stock. The Company's unvested restricted stock awards are considered participating securities because they entitle holders to non-forfeitable rights to dividends or dividend equivalents during the vesting term. The holders of the Series A Preferred Stock would be entitled to share in dividends, on an as-converted basis, if the holders of common stock were to receive dividends, other than dividends in the form of common stock. In accordance with ASC 260, a company is required to use the two-class method when computing EPS when a company has a security that qualifies as a “participating security.” The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. In determining the amount of net earnings to allocate to common stock holders, earnings are allocated to both common and participating securities based on their respective weighted-average shares outstanding for the period. Diluted EPS for the Company's common stock is computed using the more dilutive of the two-class method or the if-converted method.

In accordance with ASC 260, securities are deemed to not be participating in losses if there is no obligation to fund such losses. For the three and six months ended July 31, 2013, the unvested restricted stock awards and the Series A Preferred Stock were not deemed to be participating since there was a net loss from operations. For the three and six months ended July 31, 2013, the effect of unvested restricted stock to the earnings per share calculation was immaterial. As of July 31, 2013, there were 3,999,995 shares of preferred stock outstanding, each share is convertible into one share of the Company's common stock. For the three and six months ended July 31, 2013, the Series A Convertible Preferred Stock would have an anti-dilutive effect if included in diluted EPS and therefore, was not included in the calculation. As of July 31, 2013 and January 31, 2013, there were

29,698 and 137,327, respectively, unvested restricted shares of common stock outstanding. The unvested restricted shares at July 31, 2013 and January 31, 2013 were excluded from the calculation as their effect would have been antidilutive.

The following is the calculation of the basic and diluted net earnings (loss) per share of common stock:

	Three Months Ended	
	July 31, 2013	July 31, 2012
Net loss	$ (828,203)	$ (463,269)
Less: deemed dividends on Series A Preferred Stock	(15,510)	—
Net loss attributable to common shareholders	$ (843,713)	$ (463,269)
Weighted average shares outstanding used in basic per common share computations	12,861,715	11,316,083
Stock options and restricted stock	—	—
Number of shares used in diluted per common share computation	12,861,715	11,316,083
Basic net loss per share of common stock	$ (0.07)	$ (0.04)
Diluted net loss per share of common stock	$ (0.07)	$ (0.04)

	Six Months Ended	
	July 31, 2013	July 31, 2012
Net earnings (loss)	$ (3,538,050)	$ 28,359
Less: deemed dividends on Series A Preferred Stock	(357,146)	—
Net earnings (loss) attributable to common shareholders	$ (3,895,196)	$ 28,359
Weighted average shares outstanding used in basic per common share computations	12,698,094	10,817,214
Stock options and restricted stock	—	119,538
Number of shares used in diluted per common share computation	12,698,094	10,936,752
Basic net earnings (loss) per share of common stock	$ (0.31)	$ 0.00
Diluted net earnings (loss) per share of common stock	$ (0.31)	$ 0.00

Diluted net earnings (loss) per share exclude the effect of 2,549,178 and 2,310,218 outstanding stock options for the three and six months ended July 31, 2013 and 2012, respectively. The inclusion of these shares would be anti-dilutive. For the six months ended July 31, 2013, the outstanding common stock warrants of 1,400,000 would have an anti-dilutive effect if included in diluted EPS and therefore, were not included in the calculation. There were no outstanding warrants as of July 31, 2012.

Recent Accounting Pronouncements

In February 2013, the FASB issued an accounting standard update relating to improving the reporting of reclassifications out of accumulated other comprehensive income. The update would require an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. The update is effective for reporting periods beginning after December 15, 2012. This standard did not have a material effect on the Company's consolidated financial position, results of operations, or cash flows.

NOTE C — ACQUISITIONS

On December 7, 2011, the Company completed the acquisition of substantially all of the assets of Interpoint Partners, LLC (“Interpoint”). This acquisition expanded the Company’s product offering into business intelligence and revenue cycle performance management. The purchase agreement also includes a contingent earn-out provision, which had an estimated value of approximately $1,359,000 and $1,320,000 at July 31, 2013 and January 31, 2013, respectively. The contingent earn-

out is to be paid in cash or an additional convertible subordinated note based on the acquired Interpoint operations financial performance for the 12-month period beginning July 1, 2012 and ending June 30, 2013.

The Company delivered its calculation of the earn-out amount due to Interpoint in July 2013. In August 2013, Interpoint requested additional information underlying the Company's calculation of the amount due and owing under the purchase agreement and Interpoint notified the Company that it disagreed with the Company's calculation of the earn-out consideration due. The Company has provided the additional information requested by Interpoint, and the parties are engaged in discussions with respect to the outstanding differences in the calculation of the amount due under the purchase agreement. The Company believes that its calculation of the amount due and owing is correct and no adjustment has been made to the $1,359,000 accrued on its condensed consolidated balance sheet at July 31, 2013. The Company is unable at this time to assess whether the ongoing discussions with Interpoint may lead to a change in the accrued amount in the future.

On August 16, 2012, the Company acquired substantially all of the outstanding stock of Meta Health Technology, Inc., a New York corporation (“Meta”). The Company paid a total purchase price of approximately $14,790,000, consisting of cash payment of $13,288,000 and the issuance of 393,086 shares of the Company's common stock at an agreed upon price of $4.07 per share. The fair value of the common stock at the date of issuance was $3.82.

The acquisition of Meta represents the Company's on-going growth strategy, and is reflective of the solutions development process, which is led by the needs and requirements of clients and the marketplace in general. The Meta suite of solutions, when bundled with the Company's existing solutions, will help current and prospective clients better prepare for compliance with the ICD-10 transition. The Company believes that the integration of business analytics solutions with the coding solutions acquired in this transaction will position the Company to address the complicated issues of clinical analytics as clients prepare for the proposed changes in commercial and governmental payment models.

The purchase price is subject to certain adjustments related principally to the delivered working capital level, which will be settled in the third quarter of fiscal 2013, and/or indemnification provisions. Under the acquisition method of accounting, the purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date as follows:

		August 16, 2012
Assets purchased:		
Cash	$	1,126,000
Accounts receivable		2,300,000
Fixed assets		133,000
Other assets		513,000
Client relationships		4,464,000
Internally developed software		3,646,000
Trade name		1,588,000
Supplier agreements		1,582,000
Covenants not to compete		720,000
Goodwill(1)		8,073,000
Total assets purchased	$	24,145,000
Liabilities assumed:		
Accounts payable and Accrued liabilities		1,259,000
Deferred revenue obligation, net		3,494,000
Deferred tax liability		4,602,000
Net assets acquired	$	14,790,000
Consideration:		
Company common stock		1,502,000
Cash paid		13,288,000
Total consideration	$	14,790,000

(1) Goodwill represents the excess of purchase price over the estimated fair value of net tangible and intangible assets acquired, which is not deductible for tax purposes.

NOTE D — DERIVATIVE LIABILITIES

In conjunction with the private placement investment, the Company issued common stock warrants exercisable for up to 1,200,000 shares of common stock at an exercise price of $3.99 per share. The warrants were initially classified in stockholders' equity as additional paid in capital at the allocated amount, net of allocated transaction costs, of approximately $1,425,000. Effective October 31, 2012, upon shareholder approval of anti-dilution provisions that reset the warrants' exercise price if a dilutive issuance occurs, the warrants were reclassified as non-current derivative liabilities. The fair value of the warrants was approximately $4,139,000 at October 31, 2012, with the difference between the fair value and carrying value recorded to additional paid in capital. Effective as of the reclassification as derivative liabilities, the warrants are re-valued at each reporting date, with changes in fair value recognized in earnings each reporting period as a credit or charge to miscellaneous income (expense). The fair value of the warrants at July 31, 2013 was approximately $5,981,000, with the increase in fair value since January 31, 2013 of approximately $1,670,000 recognized as miscellaneous expense in the condensed consolidated statements of operations. The estimated fair value of the warrant liabilities as of July 31, 2013 was computed using a Black-Scholes option pricing model simulations based on the following assumptions: annual volatility of 65%; risk-free rate of 1.2%, dividend yield of 0.0% and expected life of approximately 4.55 years. The model also included assumptions to account for anti-dilutive provisions within the warrant agreement.

During the three months ended April 30 2013, the Company recorded an immaterial correction of an error regarding the valuation of its common stock warrants originated during the third quarter of fiscal 2012 in conjunction with its private placement investment. The Company concluded there was a cumulative $19,000 overstatement of the loss before income taxes on its condensed consolidated statement of operations for the fiscal year ended January 31, 2013, as previously reported. The aforementioned cumulative $19,000 overstatement has been recorded in the condensed consolidated statement of operations for the three months ended April 30, 2013. The January 31, 2013 condensed consolidated balance sheet, as previously reported, reflects a $51,000 overstatement of deferred financing costs, a cumulative $150,000 understatement of deemed dividends on Series A Preferred Stock, a $7,000 overstatement of the Series A preferred stock, and a $602,000 overstatement of additional paid in capital. These aforementioned condensed consolidated balance sheet adjustments have been recorded on the April 30. 2013 and July 31, 2013 condensed consolidated balance sheets. The Company concluded that the impact of the corrections were not quantitatively and qualitatively material to the prior fiscal year and the respective quarters ended in 2012 and 2013.

NOTE E — LEASES

The Company rents office and data center space and equipment under non-cancelable operating leases that expire at various times through fiscal year 2018. Future minimum lease payments under non-cancelable operating leases for the next five fiscal years are as follows:

	Facilities	Equipment	Fiscal Year Totals
2013 (six months remaining)	$ 466,000	$ 56,000	$ 522,000
2014	717,000	158,000	875,000
2015	322,000	102,000	424,000
2016	162,000	2,000	164,000
2017	167,000	—	167,000
2018	85,000	—	85,000
Total	$ 1,919,000	$ 318,000	$ 2,237,000

Rent and leasing expense for facilities and equipment was approximately $317,000 and $250,000 for the three months ended July 31, 2013 and 2012, respectively, and $553,000 and $446,000 for the six months ended July 31, 2013 and 2012, respectively.

NOTE F — DEBT

Term Loan and Line of Credit

On December 7, 2011, in conjunction with the Interpoint acquisition, the Company entered into a subordinated credit agreement with Fifth Third Bank in which the bank provided the Company with a $4,120,000 term loan, which was scheduled to mature on December 7, 2013, and a revolving line of credit, which was scheduled to mature on October 1, 2013.

In conjunction with the Meta acquisition, on August 16, 2012, the Company amended the subordinated term loan and line of credit agreements with Fifth Third Bank, whereby Fifth Third Bank provided the Company with a $5,000,000 revolving line of credit, a $5,000,000 senior term loan and a $9,000,000 subordinated term loan, a portion of which was used to refinance the previously outstanding $4,120,000 subordinated term loan. Additionally, as part of the refinancing in August 2012, the Company mutually agreed to settle the success fee included in the previous subordinated term loan for $700,000. The difference between the $233,000 success fee accrued through the date of the amendment and the amount paid was recorded to deferred financing costs and is being amortized over the term of the amended loan. The Company paid a commitment fee in connection with the senior term loan of $75,000, which is included in deferred financing costs.

The Company will be required to pay a success fee in accordance with the amended subordinated term loan, which is recorded in interest expense as accrued over the term of the loan. The success fee is due on the date the entire principal balance of the loan becomes due. The success fee is accrued in accordance with the terms of the loan in an amount necessary to provide the lender a 17% internal rate of return through the date the success fee becomes due.

These new term loans and revolving line of credit mature on August 16, 2014. The loans are secured by substantially all of the Company's assets. The senior term loan principal balance is payable in monthly installments of approximately $104,000 which commenced in November 2012, and and will continue through the maturity date, with the full remaining unpaid principal balance due at maturity. The entire unpaid principal balance of the subordinated term loan is due at maturity. Borrowings under the senior term loan bear interest at a rate of LIBOR (0.20% at July 31, 2013) plus 5.50%, and borrowings under the subordinated term loan bear interest at 10% from August 16, 2012 and thereafter. Accrued and unpaid interest on the senior and subordinated term loans is due monthly through maturity. Borrowings under the revolving loan bear interest at a rate equal to LIBOR plus 3.00%. A commitment fee of 0.40% will be incurred on the unused revolving line of credit balance, and is payable quarterly. As of July 31, 2013, the Company had no outstanding borrowings under the line of credit, and had accrued approximately $3,000 in unused balance commitment fees. The proceeds of these loans were used to finance the cash portion of the acquisition purchase price and to cover any additional operating costs as a result of the Meta acquisition.

The Company evaluated the subordinated term loan and revolving line of credit for modification accounting. The Company evaluated the debt restructuring to determine if it was either a modification or extinguishment. The Company concluded that the restructuring qualifed as a modification. As such, fees paid to or received from the creditor were capitalized and are being amortized to interest expense over the remaining term of the restructured debt using the effective interest method.

The significant covenants as set forth in the term loans and line of credit are as follows: (i) maintain adjusted EBITDA as of the end of the fiscal quarter on a trailing four fiscal quarter basis beginning July 31, 2013 greater than: $5,000,000, (after consideration of certain acquisition and transaction costs), $6,000,000 on October 31, 2013, $6,500,000 on January 31, 2014 and $7,000,000 on April 30, 2014 and thereafter; (ii) maintain a fixed charge coverage ratio for the fiscal quarter ending January 31, 2013 and each April 30, July 31, October 31, and January 31 of not less than 1.50:1 calculated quarterly for the period from October 31, 2012 to the date of measurement for the quarters ending January 31, 2013, April 30, 2013 and July 31, 2013 and on a trailing four quarter basis thereafter; (iii) on a consolidated basis, maintain ratio of funded debt to adjusted EBITDA as of the end of any fiscal quarter less than 3:1, calculated quarterly on a trailing four fiscal quarter basis beginning October 31, 2012. The Company was in compliance with all loan covenants at July 31, 2013.

Outstanding principal balances on long-term debt consisted of the following at:

	July 31, 2013	January 31, 2013
Senior term loan	$ 4,063,000	$ 4,688,000
Subordinated term loan	9,000,000	9,000,000
Line of credit	—	—
Total	13,063,000	13,688,000
Less: Current portion	1,250,000	1,250,000
Non-current portion of long-term debt	$ 11,813,000	$ 12,438,000

Future principal repayments of long-term debt consisted of the following at July 31, 2013:

	Payments Due by Period	
	2013	2014
Senior term loan	$ 625,000	$ 3,438,000
Subordinated term loan	—	9,000,000
Line of credit	—	—
Total principal repayments	$ 625,000	$ 12,438,000

Contingent Earn-Out Provision

As part of the asset purchase, Interpoint is entitled to receive additional consideration contingent upon certain financial performance measurements during a one year earn-out period commencing July 1, 2012 and ending on June 30, 2013. The earn-out consideration is calculated as twice the recurring revenue for the earn-out period recognized by the acquired Interpoint operations from specific contracts defined in the asset purchase agreement, plus one times Interpoint revenue derived from the Company's customers, less $3,500,000. The earn-out consideration, if any, was due no later than July 31, 2013 in cash or through the issuance of a note with terms identical to the terms of the Convertible Note (which was converted on June 15, 2012, please see "Note F - Debt" in the Notes to the Consolidated Financial Statements as part of the annual report on Form 10-K for the year ended January 31, 2013), except with respect to issue date, conversion date and prepayment date. The earn-out note restricts conversion or prepayment at any time prior to the one year anniversary of the issue date.

The Company delivered its calculation of the earn-out amount due to Interpoint in July 2013 of $1,359,000. In August 2013, Interpoint requested additional information underlying the Company's calculation of the amount due and owing under the purchase agreement and Interpoint notified the Company that it disagreed with the Company's calculation of the earn-out consideration due. The Company has provided the additional information requested by Interpoint, and the parties are engaged in discussions with respect to the outstanding differences in the calculation of the amount due under the purchase agreement. The Company believes that its calculation of the amount due and owing is correct and no adjustment has been made to the $1,359,000 accrued on its condensed consolidated balance sheet at July 31, 2013. The Company is unable at this time to assess whether the ongoing discussions with Interpoint may lead to a change in the accrued amount in the future.

As of July 31, 2013, the Company calculated the payment obligation in connection with the earn-out to be $1,359,000. As of January 31, 2013, the Company estimated the payment obligation to be $1,320,000. A change in value of the earn-out of $39,000 was recorded for the six months ended July 31, 2013.

NOTE G — INCOME TAXES

Income tax expense consists of federal, state and local tax provisions. For the six months ended July 31, 2013 and 2012, the Company recorded federal tax provisions of $110,000 and $15,000, respectively. For the six months ended July 31, 2013 and 2012, the Company recorded state and local tax provisions of $54,000 and $18,000, respectively. Included in the second fiscal quarter 2013 tax expense is an expense of approximately $100,000 related to an immaterial error correction to the Company's January 31, 2013 net deferred tax liability related to the Interpoint acquisition. The Company concluded that the impact of the correction was not quantitatively and qualitatively material to the prior fiscal year end and the respective quarters ended in 2012 and 2013.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

In addition to historical information contained herein, this quarterly report on Form 10-Q contains forward-looking statements relating to plans, strategies, expectations, intentions, etc. of Streamline Health Solutions, Inc. (“we”, “us”, “our”, or the "Company") and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements contained herein are no guarantee of future performance and are subject to certain risks and uncertainties that are difficult to predict and actual results could differ materially from those reflected in the forward-looking statements. These risks and uncertainties include, but are not limited to, the impact of competitive products and pricing, product demand and market acceptance, new product development, key strategic alliances with vendors that resell our products, our ability to control costs, availability of products produced from third party vendors, the healthcare regulatory environment, potential changes in legislation, regulation and government funding affecting the healthcare industry, healthcare information system budgets, availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems, fluctuations in operating results, effects of critical accounting policies and judgments, changes in accounting policies or procedures as may be required by the Financial Accountings Standards Board or other similar entities, changes in economic, business and market conditions impacting the healthcare industry generally and the markets in which we operate and nationally, and our ability to maintain compliance with the terms of our credit facilities, and other risk factors that might cause such differences including those discussed herein, including, but not limited to, discussions in the sections entitled Part I, “Item 1. Financial Statements” and “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In addition, other written or oral statements that constitute forward-looking statements may be made by us or on our behalf. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date thereof. We undertake no obligation to publicly revise these forward-looking statements, to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in this and other documents we file from time to time with the Securities and Exchange Commission, including the annual report on Form 10-K, quarterly reports on Form 10-Q and any current reports on Form 8-K.

The following discussion and analysis should be read in conjunction with the Company's Condensed Consolidated Financial Statements and related Notes included elsewhere in this Quarterly Report on From 10-Q.

Results of Operations

Acquisition of Meta Health Technology, Inc.

On August 16, 2012, the Company acquired substantially all of the outstanding stock of Meta Health Technology, Inc., a New York corporation ("Meta"). The Company paid a total purchase price of approximately $14,790,000, consisting of a cash payment of $13,288,000 and the issuance of 393,086 shares of our common stock at an agreed upon price of $4.07 per share. The fair value of the common stock at the date of issuance was $3.82. As of October 31, 2012, the Company had acquired 100% of Meta's outstanding shares. The purchase price is subject to certain adjustments related principally to the delivered working capital level, which will be settled in the third quarter of fiscal 2013, and/or indemnification provisions. Under the acquisition method of accounting, the purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The operations of Meta are consolidated with the results of the Company from August 16, 2012.

Statement of Operations for the three and six months ended July 31, 2013 and 2012 (amounts in thousands):

	Three Months Ended			
	July 31, 2013	July 31, 2012	Change	% Change
Systems sales	$ 2,234	$ 76	$ 2,158	> 100%
Professional services	1,039	941	98	10%
Maintenance and support	3,620	2,297	1,323	58%
Software as a service	1,880	1,735	145	8%
Total revenues	8,773	5,049	3,724	74%
Cost of sales	3,238	2,358	880	37%
Selling, general and administrative	3,408	2,204	1,204	55%
Product research and development	1,160	511	649	> 100%
Total operating expenses	7,806	5,073	2,733	54%
Operating profit (loss)	967	(24)	991	> 100%
Other income (expense), net	(1,651)	(415)	(1,236)	> 100%
Income tax expense	(144)	(24)	(120)	> 100%
Net earnings (loss)	$ (828)	$ (463)	$ (365)	79%
Adjusted EBITDA(1)	$ 2,682	$ 1,482	$ 1,200	81%

	Six Months Ended			
	July 31, 2013	July 31, 2012	Change	% Change
Systems sales	$ 2,558	$ 429	$ 2,129	> 100%
Professional services	1,959	2,064	(105)	(5)%
Maintenance and support	7,001	4,649	2,352	51 %
Software as a service	3,729	3,352	377	11 %
Total revenues	15,247	10,494	4,753	45 %
Cost of sales	6,414	5,005	1,409	28 %
Selling, general and administrative	6,989	3,874	3,115	80 %
Product research and development	2,257	967	1,290	> 100%
Total operating expenses	15,660	9,846	5,814	59 %
Operating profit (loss)	(414)	648	(1,062)	> 100%
Other income (expense), net	(2,960)	(587)	(2,373)	> 100%
Income tax expense	(164)	(33)	(131)	> 100%
Net earnings (loss)	$ (3,538)	$ 28	$ (3,566)	> 100%
Adjusted EBITDA(1)	$ 3,368	$ 3,221	$ 147	5 %

(1) Non-GAAP measure meaning earnings before interest, tax, depreciation, amortization, stock-based compensation expense, transactional and one-time costs. See “Use of Non-GAAP Financial Measures” below for additional information and reconciliation.

System Sales Revenues

System sales revenues consisted of the following (in thousands):

	Three Months Ended			
	July 31, 2013	July 31, 2012	Change	% Change
System Sales (1):				
Proprietary software	$ 1,894	$ 14	$ 1,880	> 100%
Term licenses	287	—	287	100 %
Hardware & third party software	53	62	(9)	(15)%
Total System Sales Revenues	$ 2,234	$ 76	$ 2,158	> 100%

	Six Months Ended			
	July 31, 2013	July 31, 2012	Change	% Change
System Sales (1):				
Proprietary software	$ 1,973	$ 134	$ 1,839	> 100%
Term licenses	512	—	512	100 %
Hardware & third party software	73	295	(222)	(75)%
Total System Sales Revenues	$ 2,558	$ 429	$ 2,129	> 100%

(1) Proprietary software, hardware, and term licenses are the components of the system sales line item. Term licenses are comprised of Meta software only.

Proprietary software and term licenses — Proprietary software revenues recognized for the three and six months ended July 31, 2013 increased by $1,880,000, or over 100%, and $1,839,000, or over 100%, respectively, over the the prior comparable periods. These increases are attributable to a significant new sales in the Collabra suite during the second fiscal quarter. Recurring Collabra term license sales of $287,000 and $512,000 during the three and six month periods ended July 31, 2013, respectively, are incremental revenues provided by the acquired Meta operations.

Hardware and third party software — Revenues from hardware and third party software sales for the three and six months ended July 31, 2013 were $53,000, a decrease of $9,000, or 15%, and $73,000, a decrease of $222,000, or 75%, respectively, over the the prior comparable periods. These decreases are primarily attributable to a reduction in customer demand for third party peripheral devices as compared to the prior year comparable period.

Professional services — Revenues from professional services for the three and six months ended July 31, 2013 were $1,039,000, an increase of $98,000, or 10%, and $1,959,000, a decrease of $105,000, or 5%, respectively, from the prior comparable periods. Professional services provided by the acquired Meta operations for the three and six months ended July 31, 2013 were $507,000, and $885,000, respectively, and were offset by a decrease in legacy services due to the timing of which revenue could be recognized based on services performed.

Maintenance and support — Revenues from maintenance and support for the three and six months ended July 31, 2013 were $3,620,000, an increase of $1,323,000, or 58%, and $7,001,000, an increase of $2,352,000, or 51%, respectively, from the prior comparable periods. These increases result from revenue provided by the acquired Meta operations of $1,380,000 and $2,627,000 for the three and six months ended July 31, 2013, respectively, and were partially offset by planned attrition of certain perpetual license customers. Typically, maintenance renewals include a price increase based on the prevailing consumer price index, or increase in the product set purchased by the client.

Software as a Service (SaaS) — Revenues from SaaS for the three and six months ended July 31, 2013 were $1,880,000, an increase of $145,000, or 8%, and $3,729,000, an increase of $377,000, or 11%, respectively, from the prior comparable periods. These increases are attributable to the recognition of add-on SaaS contracts signed, primarily in our PFS-SaaS product line.

Cost of Sales

Cost of sales consisted of the following (in thousands):

(in thousands):	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012	Change	% Change
Cost of systems sales	$ 661	$ 532	$ 129	24 %
Cost of professional services	1,267	503	764	> 100%
Cost of maintenance and support	795	706	89	13 %
Cost of software as a service	515	617	(102)	(17)%
Total cost of sales	$ 3,238	$ 2,358	$ 880	37 %

(in thousands):	Six Months Ended July 31, 2013	Six Months Ended July 31, 2012	Change	% Change
Cost of systems sales	$ 1,300	$ 1,219	$ 81	7 %
Cost of professional services	2,241	1,056	1,185	> 100%
Cost of maintenance and support	1,780	1,431	349	24 %
Cost of software as a service	1,093	1,299	(206)	(16)%
Total cost of sales	$ 6,414	$ 5,005	$ 1,409	28 %

The increases in cost of sales for the three and six months ended July 31, 2013 from the comparable periods are primarily the result of incremental operational costs incurred for the acquired Meta operations as well as the amortization of the internally-developed software acquired as part of the Meta acquisition.

Cost of systems sales includes amortization and impairment of capitalized software expenditures, royalties, and the cost of third-party hardware and software. Cost of systems sales, as a percentage of systems sales, varies from period-to-period depending on hardware and software configurations of the systems sold. The relatively fixed cost of the capitalized software amortization, without the addition of any impairment charges, compared to the variable nature of system sales, causes these percentages to vary dramatically.

The cost of professional services includes compensation and benefits for personnel and related expenses. The increase in expense is primarily due to incremental operational costs associated with the acquired Meta operations, as well as increases in staffing for our PFS-SaaS services line.

The cost of maintenance and support includes compensation and benefits for client support personnel and the cost of third party maintenance contracts. The increase in expense is primarily due to incremental operational costs associated with the acquired Meta operations.

The cost of software as a service is relatively fixed, but subject to inflation for the goods and services it requires. The decreases are related to incremental data center costs that were incurred in the prior comparable periods that had no comparable expense for the three and six months ended July 31, 2013.

Selling, General and Administrative Expense

(in thousands):	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012	Change	% Change
General and administrative expenses	$ 2,633	$ 1,658	$ 975	59%
Sales and marketing expenses	775	546	229	42%
Total selling, general, and administrative	$ 3,408	$ 2,204	$ 1,204	55%

(in thousands):	Six Months Ended July 31, 2013	Six Months Ended July 31, 2012	Change	% Change
General and administrative expenses	$ 5,476	$ 2,852	$ 2,624	92%
Sales and marketing expenses	1,513	1,022	491	48%
Total selling, general, and administrative	$ 6,989	$ 3,874	$ 3,115	80%

General and administrative expenses consist primarily of compensation and related benefits and reimbursable travel and entertainment expenses related to the Company's executive and administrative staff, general corporate expenses, amortization of intangible assets, and occupancy costs. The increases over the prior year are primarily due to the incremental increase for general and administrative expenses associated with the acquired Meta operations. Amortization of intangible assets added incremental expense to the three and six months ended July 31, 2013 due to the amortization of assets acquired as part of the acquisition of Interpoint and Meta. The Company recognized approximately $315,000 and $629,000, respectively, in amortization expense for the three and six months ended July 31, 2013 for acquired intangible assets as compared to $22,000 and $25,000, respectively, in the prior comparable periods. The Company also incurred increased expense due to investor relations and acquisition search activities, as well as additional costs from executive severances and other costs associated with our corporate office move to Atlanta, Georgia.

Sales and marketing expenses consist primarily of compensation and related benefits and reimbursable travel and entertainment expenses related to the Company's sales and marketing staff; advertising and marketing expenses, including trade shows and similar type sales and marketing expenses. The increase in sales and marketing expense reflects an increase in costs associated with increased trade show activity and other marketing programs.

Product Research and Development

(in thousands):	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012	Change	% Change
Research and development expense	$ 1,160	$ 511	$ 649	127 %
Plus: Capitalized research and development cost	338	463	(125)	(27)%
Total R&D cost	$ 1,498	$ 974	$ 524	54 %

(in thousands):	Six Months Ended July 31, 2013	Six Months Ended July 31, 2012	Change	% Change
Research and development expense	$ 2,257	$ 967	$ 1,290	133 %
Plus: Capitalized research and development cost	798	970	(172)	(18)%
Total R&D cost	$ 3,055	$ 1,937	$ 1,118	58 %

Product research and development expenses consist primarily of compensation and related benefits; the use of independent contractors for specific near-term development projects; and an allocated portion of general overhead costs, including occupancy. Research and development expense increased due to higher support for newly released software versions, which also decreased the number of hours available to be capitalized, which is reflected in the capitalized research and development costs. The acquired Meta operations contributed an incremental $383,000 and $768,000, respectively, in research and development expenses for the three and six months ended July 31, 2013. The hours available for capitalization decreased for the HIM product line, and costs not eligible for capitalization increased compared to the prior comparable periods. Research and development expenses for the six months ended July 31, 2013 and 2012, as a percentage of revenues, were 15% and 9%, respectively.

Other Income (Expense)

Interest expense for the three months ended July 31, 2013 and 2012 were $588,000 and $391,000, respectively, and $1,154,000 and $599,000, respectively, for the six months ended July 31, 2013 and 2012. Interest expense consists of interest and commitment fees on the line of credit, interest (including accruals for success fees) on the term loans entered into in conjunction with the Interpoint and Meta acquisitions, interest on the convertible note entered into in conjunction with the Interpoint acquisition, and is inclusive of deferred financing cost amortization expense. Interest expense increased for the three and six months ended July 31, 2013 over the prior comparable periods primarily because of the increases from the term loan

interest and success fees, and amortization of deferred financing costs related to the Meta acquisition. The Company also recorded a valuation adjustment to its warrants liability, recorded as miscellaneous expense, of $1,025,000 and $1,670,000, respectively, for the three and six months ended July 31, 2013, using assumptions made by management to adjust to the current fair market value of the warrants at July 31, 2013.

Provision for Income Taxes

The Company recorded tax expense of $144,000 and $24,000, respectively, for the three months ended July 31, 2013 and 2012 and $164,000 and $33,000, respectively, for the six months ended July 31, 2013 and 2012, which is comprised of estimated federal, state and local tax provisions. Included in the second fiscal quarter 2013 tax expense is an expense of approximately $100,000 related to an immaterial error correction to the Company's January 31, 2013 net deferred tax liability related to the Interpoint acquisition. The Company concluded that the impact of the correction was not quantitatively and qualitatively material to the prior fiscal year end and the respective quarters ended in 2012 and 2013.

Backlog

	July 31, 2013	July 31, 2012
Company proprietary software	$ 2,873,000	$ 120,000
Hardware and third-party software	25,000	119,000
Professional services	7,765,000	4,678,000
Maintenance and support	24,094,000	17,332,000
Software as a service	17,123,000	9,937,000
Total	$ 51,880,000	$ 32,186,000

At July 31, 2013, the Company had master agreements and purchase orders from clients and remarketing partners for systems and related services which have not been delivered or installed which, if fully performed, would generate future revenues of approximately $51,880,000 compared with $32,186,000 at July 31, 2012.

The Company’s proprietary software backlog consists of signed agreements to purchase software licenses and term licenses. Typically, this is software that is not yet generally available, or the software is generally available and the client has not taken possession of the software.

Third-party hardware and software consists of signed agreements to purchase third-party hardware or third-party software licenses that have not been delivered to the client. These are products that the Company resells as components of the solution a client purchases. The decrease in backlog is primarily due to a reduction in the volume of third-party sales as opposed to the prior comparable period. These items are expected to be delivered in the next twelve months as implementations commence.

Professional services backlog consists of signed contracts for services that have yet to be performed. Typically, backlog is recognized within twelve months of the contract signing. The increase in backlog is due to several clients that signed contracts during fiscal 2012 for add-on solutions, upgrades, or expansion of services at additional locations for which contracted services have not yet been performed.

Maintenance and support backlog consists of maintenance agreements for licenses of the Company’s proprietary software and third party hardware and software with clients and remarketing partners for which either an agreement has been signed or a purchase order under a master agreement has been received. The Company includes in backlog the signed agreements through their respective renewal dates. Typical maintenance contracts are for a one year term and are renewed annually. Clients typically prepay maintenance and support which is billed 30-60 days prior to the beginning of the maintenance period. Maintenance and support backlog at July 31, 2013 was $24,094,000 as compared to $17,332,000 at July 31, 2012. A significant portion of this increase is due to backlog added by Meta maintenance contracts. Additionally, as part of renewals contracts are typically subject to an annual increase in fees based on market rates and inflationary metrics.

At July 31, 2013, the Company had entered into software as a service agreements, which are expected to generate revenues of $17,123,000 through their respective renewal dates in fiscal years 2013 through 2018. Typical SaaS terms are one to seven years in length. The commencement of revenue recognition for SaaS varies depending on the size and complexity of the system, the implementation schedule requested by the client, and ultimately the official go-live on the system. Therefore, it is difficult for the Company to accurately predict the revenue it expects to achieve in any particular period.

All of the Company's master agreements are generally non-cancelable but provide that the client may terminate its agreement upon a material breach by the Company, or may delay certain aspects of the installation. There can be no assurance that a client will not cancel all or any portion of a master agreement or delay portions of the agreement. A termination or delay in one or more phases of an agreement, or the failure of the Company to procure additional agreements, could have a material adverse effect on the Company's financial condition, and results of operations.

Use of Non-GAAP Financial Measures

In order to provide investors with greater insight, and allow for a more comprehensive understanding of the information used by management and the board of directors in its financial and operational decision-making, the Company may supplement the Consolidated Financial Statements presented on a GAAP basis in this quarterly report on Form 10-Q with the following non-GAAP financial measures: EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EBITDA per diluted share.

These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Company results as reported under GAAP. The Company compensates for such limitations by relying primarily on our GAAP results and using non-GAAP financial measures only as supplemental data. We also provide a reconciliation of non-GAAP to GAAP measures used. Investors are encouraged to carefully review this reconciliation. In addition, because these non-GAAP measures are not measures of financial performance under GAAP and are susceptible to varying calculations, these measures, as defined by the Company, may differ from and may not be comparable to similarly titled measures used by other companies.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EBITDA per diluted share

The Company defines: (i) EBITDA as net earnings (loss) before net interest expense, income tax expense (benefit), depreciation and amortization; (ii) Adjusted EBITDA as net earnings (loss) before net interest expense, income tax expense (benefit), depreciation, amortization, stock-based compensation expense, and transaction expenses and other one-time costs; (iii) Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of net revenue; and (iv) Adjusted EBITDA per diluted share as Adjusted EBITDA divided by adjusted diluted shares outstanding. EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA per diluted share are used to facilitate a comparison of our operating performance on a consistent basis from period to period and provide for a more complete understanding of factors and trends affecting our business than GAAP measures alone. These measures assist management and the board and may be useful to investors in comparing the Company's operating performance consistently over time as they remove the impact of our capital structure (primarily interest charges), asset base (primarily depreciation and amortization), items outside the control of the management team (taxes), and costs that we expect to be non-recurring including: transaction related expenses (such as professional and advisory services), corporate restructuring expenses (such as severances), and other operating costs that are expected to be non-recurring. Adjusted EBITDA removes the impact of share-based compensation expense, which is another non-cash item. Adjusted EBITDA per diluted share will include incremental shares in the share count that would be considered anti-dilutive in a GAAP net loss position.

The board of directors and management also use these measures as (i) one of the primary methods for planning and forecasting overall expectations and for evaluating, on at least a quarterly and annual basis, actual results against such expectations; and, (ii) as a performance evaluation metric in determining achievement of certain executive and associate incentive compensation programs.

The Company's lenders use Adjusted EBITDA to assess our operating performance. The Company's credit agreements with its lender require delivery of compliance reports certifying compliance with financial covenants certain of which are based on an adjusted EBITDA measurement that is the same as the Adjusted EBITDA measurement reviewed by our management and board of directors.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not measures of liquidity under GAAP, or otherwise, and are not alternatives to cash flow from continuing operating activities, despite the advantages regarding the use and analysis of these measures as mentioned above. EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EBITDA per diluted share as disclosed in this quarterly report on Form 10-Q, have limitations as analytical tools, and you should not consider these measures in isolation, or as a substitute for analysis of Company results as reported under GAAP; nor are these measures intended to be measures of liquidity or free cash flow for our discretionary use. Some of the limitations of EBITDA, and its variations are:

- EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

- EBITDA does not reflect the interest expense, or the cash requirements to service interest or principal payments under our credit agreement;
- EBITDA does not reflect income tax payments we are required to make; and
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements.

Adjusted EBITDA has all the inherent limitations of EBITDA. To properly and prudently evaluate our business, the Company encourages readers to review the GAAP financial statements included elsewhere in this quarterly report on Form 10-Q, and not rely on any single financial measure to evaluate our business. The Company also strongly urges readers to review the reconciliation of GAAP net earnings (loss) to Adjusted EBITDA, and GAAP earnings (loss) per diluted share to Adjusted EBITDA per diluted share in this section, along with the Consolidated Financial Statements included elsewhere in this quarterly report on Form 10-Q.

The following table sets forth a reconciliation of EBITDA and Adjusted EBITDA to net earnings (loss), a comparable GAAP-based measure, as well as earnings (loss) per diluted share to Adjusted EBITDA per diluted share. All of the items included in the reconciliation from net earnings (loss) to EBITDA to Adjusted EBITDA and the related per share calculations are either recurring non-cash items, or items that management does not consider in assessing the Company's on-going operating performance. In the case of the non-cash items, management believes that investors may find it useful to assess the Company's comparative operating performance because the measures without such items are less susceptible to variances in actual performance resulting from depreciation, amortization and other non-recurring expenses and more reflective of other factors that affect operating performance. In the case of the other non-recurring items, management believes that investors may find it useful to assess the Company's operating performance if the measures are presented without these items because their financial impact does not reflect ongoing operating performance.

The following table reconciles net earnings (loss) to EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EBITDA per diluted share for the three and six months ended July 31, 2013 and 2012 (amounts in thousands, except per share data):

	Three Months Ended		Six Months Ended	
Adjusted EBITDA Reconciliation	**July 31, 2013**	**July 31, 2012**	**July 31, 2013**	**July 31, 2012**
Net earnings (loss)	$ (828)	$ (463)	$ (3,538)	$ 28
Interest expense	588	391	1,154	599
Income tax expense	144	24	164	33
Depreciation	167	183	338	363
Amortization of capitalized software development costs	701	580	1,396	1,223
Amortization of intangible assets	315	22	629	25
Amortization of other costs	17	—	28	—
EBITDA	1,104	737	171	2,271
Stock-based compensation expense	358	221	826	400
Associate severances and other costs relating to transactions or corporate restructuring	—	—	383	—
Non-cash valuation adjustments to assets and liabilities	1,025	—	1,670	—
Transaction related professional fees, advisory fees, and other internal direct costs	152	524	226	550
Other non-recurring operating expenses	43	—	92	—
Adjusted EBITDA	$ 2,682	$ 1,482	$ 3,368	$ 3,221
Adjusted EBITDA margin(1)	31%	29%	22%	16%
Earnings (loss) per share — diluted	$ (0.07)	$ (0.04)	$ (0.31)	$ 0.00
Adjusted EBITDA per adjusted diluted share (2)	$ 0.15	$ 0.13	$ 0.19	$ 0.29
Diluted weighted average shares	12,861,715	11,316,083	12,698,094	10,936,752
Includable incremental shares — adjusted EBITDA(3)	5,122,243	321,857	5,167,025	—
Adjusted diluted shares	17,983,958	11,637,940	17,865,119	10,936,752

(1) Adjusted EBITDA as a percentage of GAAP revenues

(2) Adjusted EBITDA per adjusted diluted share for the Company's common stock is computed using the more dilutive of the two-class method or the if-converted method

(3) The number of incremental shares that would be dilutive under profit assumption, only applicable under a GAAP net loss. If GAAP profit is earned in the current period, no additional incremental shares are assumed

Application of Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Management considers an accounting policy to be critical if the accounting policy requires management to make particularly difficult, subjective or complex judgments about matters that are inherently uncertain. A summary of our critical accounting policies is included in ITEM 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations, of Part II, of our Annual Report on Form 10-K for the fiscal year ended January 31, 2013. There have been no material changes to the critical accounting policies disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2013.

Liquidity and Capital Resources

The Company's liquidity is dependent upon numerous factors including: (i) the timing and amount of revenues and collection of contractual amounts from clients, (ii) amounts invested in research and development, capital expenditures, and (iii) the level of operating expenses, all of which can vary significantly from quarter-to-quarter. The Company's primary cash requirements include regular payment of payroll and other business expenses, interest payments on debt, and capital expenditures. Capital expenditures generally include computer hardware and computer software to support internal development efforts or infrastructure in the SaaS data center. Operations are funded by cash generated by operations and borrowings under credit facilities. The Company believes that cash flows from operations and available credit facilities are adequate to fund current obligations for the next twelve months. Cash and cash equivalents balances at July 31, 2013 and January 31, 2013 were $5,356,000 and $7,500,000 , respectively. Continued expansion may require the Company to take on additional debt, or raise capital through issuance of equities, or a combination of both. There can be no assurance the Company will be able to raise the capital required to fund further expansion.

Significant cash obligations

(in thousands)	As of July 31, 2013	As of January 31, 2013
Term loans	$ 13,063	$ 13,688
Contingent consideration for earn-out (1)	1,359	1,320
Capital leases (2)	—	—

(1) Estimated for financial disclosure purposes only. Please reference "Note F – Debt" in the Notes to the Condensed Consolidated Financial Statements for additional information.

(2) We entered into a capital lease for computer equipment that will commence in the third quarter of fiscal 2013. The lease is for a 24-month period and we will be obligated to pay approximately $298,000 over that period.

In December 2011, the Company signed a definitive asset purchase agreement to purchase substantially all of Interpoint's assets for a combination of cash and a convertible subordinated note totaling $5,000,000. Additionally, the Agreement provided for a contingent earn out payment in cash or convertible subordinated notes based on Interpoint's financial performance for the twelve month period beginning six months after closing and ending 12 months thereafter. Please reference "Note F—Debt" in the Notes to the Condensed Consolidated Financial Statements for additional information.

In conjunction with the Meta acquisition, on August 16, 2012, we amended our previous term loan and line of credit agreements with Fifth Third Bank, whereby Fifth Third Bank provided us with a $5,000,000 revolving line of credit, a $5,000,000 senior term loan and a $9,000,000 subordinated term loan, a portion of which was used to refinance the previously outstanding $4,120,000 subordinated term loan. Please reference a Note F—Debt" in the Notes to the Condensed Consolidated Financial Statements for additional information.

Operating cash flow activities

	Six Month Ended	
(in thousands)	July 31, 2013	July 31, 2012
Net earnings (loss)	$ (3,538)	$ 28
Non-cash adjustments to net earnings (loss)	5,217	2,050
Cash impact of changes in assets and liabilities	(3,046)	1,090
Operating cash flow	$ (1,367)	$ 3,168

Net cash (used in) provided by operating activities in fiscal 2013 decreased in the current year primarily due to a decrease in profitability and an increase in accounts receivables. This was offset primarily by non-cash increases from increases in amortization expenses from capitalized software development costs and intangible assets, increased share based compensation expense, and an increase to the warrant liability.

The Company's clients typically have been well-established hospitals or medical facilities or major health information system companies that resell the Company's solutions, which have good credit histories and payments have been received within normal time frames for the industry. However, some healthcare organizations have experienced significant operating losses as a result of limits on third-party reimbursements from insurance companies and governmental entities. Agreements with clients often involve significant amounts and contract terms typically require clients to make progress payments. Adverse economic events, as well as uncertainty in the credit markets, may adversely affect the availability of financing for some of our clients.

Investing cash flow activities

	Six Months Ended	
(in thousands)	July 31, 2013	July 31, 2012
Purchases of property and equipment	$ (94)	$ (449)
Capitalized software development costs	(798)	(970)
Investing cash flow	$ (892)	$ (1,419)

The decrease in cash used for investing activities is primarily a result of a reduction in the hours available for capitalization, as well as a decrease in capital expenditures as compared to the prior comparable fiscal quarter. The Company estimates that to replicate its existing internally developed software would cost significantly more than the stated net book value of $12,218,000, including acquired internally developed software of Meta and Interpoint, at July 31, 2013. Many of the programs related to capitalized software development continue to have significant value to the Company's current solutions and those under development, as the concepts, ideas, and software code are readily transferable and are incorporated into new solutions.

Financing cash flow activities

	Six Months Ended	
(in thousands)	July 31, 2013	July 31, 2012
Principal repayments on term loans	$ (625)	$ —
Other	739	79
Financing cash flow	$ 114	$ 79

The increase in cash from financing activities was primarily the result of proceeds from the exercise of stock options, partially offset by repayments on the term loans.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report on Form 10-Q, an evaluation was performed under the supervision and with the participation of our senior management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures to provide reasonable assurance of achieving the desired objectives of the disclosure controls and procedures. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this quarterly report on Form 10-Q.

Previously Reported Material Weakness in Internal Control over Financial Reporting

In connection with management's assessment of our internal control over financial reporting for the April 30, 2013 reporting period, we identified a material weakness in our internal control over financial reporting. The Company's policies and procedures did not provide for a sufficiently detailed review of contract terms. As a result, a few instances were identified during the first fiscal quarter related to the inaccurate application of U.S. generally accepted accounting principles (GAAP) with respect to certain contract terms. Following completion of the first fiscal quarter, we strengthened the depth of our internal financial team with the addition of a Chief Accounting Officer with significant industry and accounting experience. In addition, we performed additional analysis and other post-closing procedures to ensure that our consolidated financial statements were prepared in accordance with GAAP. Accordingly, we concluded that the material weakness was remediated.

Changes in Internal Control over Financial Reporting

Except as described above, there were no material changes in our internal control over financial reporting during the most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We are, from time to time, a party to various legal proceedings and claims, which arise, in the ordinary course of business. We are not aware of any legal matters that will have a material adverse effect on our consolidated results of operations or consolidated financial position and cash flows.

Item 6. EXHIBITS

See Index to Exhibits.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		STREAMLINE HEALTH SOLUTIONS, INC.
DATE: September 13, 2013	By:	/S/ Robert E. Watson
		Robert E. Watson *Chief Executive Officer*
DATE: September 13, 2013	By:	/S/ Nicholas A. Meeks
		Nicholas A. Meeks *Chief Financial Officer*

INDEX TO EXHIBITS

EXHIBITS

Exhibit No.	Description of Exhibit
3.1(a)	Certificate of Incorporation of Streamline Health Solutions, Inc. f/k/a/ LanVision Systems, Inc. (Incorporated herein by reference to Exhibit 3.1 of the Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)
3.1(b)	Certificate of Incorporation of Streamline Health Solutions, Inc. f/k/a LanVision Systems, Inc., Amendment No. 1. (Incorporated herein by reference to Exhibit 3.1(b) of the Quarterly Report on Form 10-Q, as filed with the Commission on September 8, 2006.)
3.1(c)	Streamline Health Solutions, Inc. Certificate of Designation of Preferences, Rights and Limitations of Series A 0% Convertible Preferred Stock (Incorporated herein by reference to Exhibit 10.8 of the Current Report on Form 8-K, as filed with the Commission on August 21, 2012.)
3.2	Bylaws of Streamline Health Solutions, Inc., as amended and restated on July 22, 2010 (Incorporated herein by reference to Exhibit 3.2 of the Quarterly Report on Form 10-Q, as filed with the Commission on September 9, 2010.)
10.1#	Separation Agreement dated May 22, 2013 between Streamline Health Solutions, Inc. and Stephen H. Murdock (Incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K, as filed with the Commission on May 20, 2013.)
10.2#	Employment Agreement effective May 22, 2013 between Streamline Health Solutions, Inc. and Nicholas A. Meeks (Incorporated herein by reference to Exhibit 10.2 of the Current Report on Form 8-K, as filed with the Commission on May 20, 2013.)
10.3*#	Employment Agreement as of February 3, 2012 between Streamline Health Solutions, Inc. and Michael A. Schiller
10.4*#	Amendment to Employment Agreement dated July 22, 2013 between Streamline Health Solutions, Inc. and Michael A. Schiller
10.5*#	Amendment to Employment Agreement dated July 22, 2013 between Streamline Health Solutions, Inc. and Matt S. Seefeld
31.1*	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from Streamline Health Solutions, Inc.'s Quarterly Report on Form 10-Q for the three month period ended July 31, 2013 filed with the SEC on September 13, 2013, formatted in XBRL includes: (i) Condensed Consolidated Balance Sheets at July 31, 2013 and January 31, 2013, (ii) Condensed Consolidated Statements of Operations for three and six month periods ended July 31, 2013 and 2012, (iii) Condensed Consolidated Statements of Cash Flows for the six month periods ended July 31, 2013 and 2012, and (iv) Notes to the Condensed Consolidated Financial Statements.

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* Included herein
\# Management Contracts and Compensatory Arrangements.

Our SEC file number reference for documents filed with the SEC pursuant to the Securities Exchange Act of 1943, as amended, is 0-281

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this “Agreement”) is entered into as of February 3, 2012, by and among Streamline Health Solutions, Inc., a Delaware corporation (the “Parent”), and Streamline Health, Inc., an Ohio corporation (the “Company”), on the one hand, and Michael A. Schiller (“Executive”), on the other hand.

RECITALS:

The Parent, the Company and Executive hereby agree that Executive shall serve as an officer of the Parent and of the Company pursuant to the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and the agreements contained herein, and for other good and valuable consideration, the receipt and adequacy of which the parties hereby acknowledge, the parties agree as follows:

1. EMPLOYMENT

The Parent and the Company hereby agree to employ Executive, and Executive, in consideration of such employment and other consideration as set forth herein, hereby accepts employment, upon the terms and conditions set forth herein.

2. POSITION AND DUTIES

During the term of this Agreement, Executive shall be employed as Senior Vice President, Sales of the Company and will also serve as an officer of the Parent for no additional compensation, as part of Executive’s services to the Company hereunder. While employed hereunder, Executive shall do all things necessary, legal and incident to the above position, and otherwise shall perform such executive-level functions as the Chief Executive Officer of the Company (the “CEO”) , to whom Executive shall report, may establish from time to time.

Executive will work primarily from his home office, currently located in Denver, Colorado, to be maintained by him at his sole expense, utilizing a laptop computer system and secure data link to be provided to him by the Company at its sole expense. In view of the foregoing arrangements, Executive acknowledges that in discharging his duties hereunder it will be necessary for him to travel, at times extensively, including to the Company’s offices located in Cincinnati, Ohio, and Atlanta, Georgia, and to customer and business partner locations.

3. COMPENSATION

Subject to such modifications as may be contemplated by said exhibit and approved from time to time by the Parent’s Board of Directors or the Compensation Committee of said Board, Executive shall receive the compensation and benefits listed on the attached Exhibit A. Such compensation and benefits shall be paid and provided by the Company in accordance with the Company’s regular payroll, compensation and benefits policies.

4. EXPENSES

The Company shall pay or reimburse Executive for all travel and out-of-pocket expenses reasonably incurred or paid by Executive in connection with the performance of Executive's duties as an employee of the Company upon compliance with the Company's procedures for expense reimbursement, including the presentation of expense statements or receipts or such other supporting documentation as the Company may reasonably require.

5. PRIOR EMPLOYMENT; BINDING AGREEMENT

Executive warrants and represents to the Parent and the Company (i) that Executive will take no action in violation of any employment agreement or arrangement with any prior employer, (ii) that Executive has disclosed to the Parent and the Company all such prior written agreements, (iii) that any employment agreement or arrangement with any prior employer is null and void and of no effect, and (iv) that Executive has the full right and authority to enter into this Agreement and to perform all of Executive's obligations hereunder. Executive agrees to indemnify and hold the Parent and the Company harmless from and against any and all claims, liabilities or expenses incurred by the Parent or the Company as a result of any claim made by any prior employer arising out of this Agreement or the employment of Executive by the Parent and the Company. The Parent and the Company warrant and represent to Executive that the Parent and the Company, acting by the officer executing this Agreement on their behalf, have the full right and authority to enter into this Agreement and to perform all of the Parent's and the Company's obligations hereunder.

6. OUTSIDE EMPLOYMENT

Executive shall devote Executive's full time and attention to the performance of the duties incident to Executive's positions with the Parent and the Company and shall not have any other employment with any other enterprise or substantial responsibility for any enterprise which would be inconsistent with Executive's duty to devote Executive's full time and attention to the Parent's and the Company's matters; *provided*, *however*, that the foregoing shall not prevent Executive from participation in any charitable or civic organization or from service in a non-executive capacity on the boards of directors of up to two other companies that does not interfere with Executive's performance of the duties and responsibilities to be performed by Executive under this Agreement.

7. CONFIDENTIAL INFORMATION

Executive shall not, during the term of this Agreement or at any time thereafter, disclose, or cause to be disclosed, in any way Confidential Information, or any part thereof, to any person, firm, corporation, association, or any other operation or entity, or use Confidential Information on Executive's own behalf, for any reason or purpose. Executive further agrees that, during the term of this Agreement or at any time thereafter, Executive will not distribute, or cause to be distributed, Confidential Information to any third person or permit the reproduction of Confidential Information, except on behalf of the Parent or the Company in Executive's capacity as an officer or employee of the Parent or the Company. Executive shall take all reasonable care to avoid unauthorized disclosure or use of Confidential Information. Executive hereby assumes

responsibility for and shall indemnify and hold the Parent and the Company harmless from and against any disclosure or use of Confidential Information in violation of this Agreement.

For the purpose of this Agreement, “Confidential Information” shall mean any written or unwritten information which specifically relates to and or is used in the Parent’s or the Company’s business (including, without limitation, the Parent’s or the Company’s services, processes, patents, systems, equipment, creations, designs, formats, programming, discoveries, inventions, improvements, computer programs, data kept on computer, engineering, research, development, applications, financial information, information regarding services and products in development, market information including test marketing or localized marketing, other information regarding processes or plans in development, trade secrets, training manuals, know-how of the Parent or the Company, and the customers, clients, suppliers and others with whom the Parent or the Company does or has in the past done, business, regardless of when and by whom such information was developed or acquired) which the Parent or the Company deems confidential and proprietary which is generally not known to others outside the Parent or the Company and which gives or tends to give the Parent or the Company a competitive advantage over persons who do not possess such information or the secrecy of which is otherwise of value to the Parent or the Company in the conduct of its business -- regardless of when and by whom such information was developed or acquired, and regardless of whether any such information is described in writing, reduced to practice, copyrightable or considered copyrightable, patentable or considered patentable. “Confidential Information” shall not, however, include general industry information or information which is publicly available or is otherwise in the public domain without breach of this Agreement, information which Executive has lawfully acquired from a source other than the Parent or the Company, or information which is required to be disclosed pursuant to any law, regulation, or rule of any governmental body or authority or court order. Executive acknowledges that Confidential Information is novel, proprietary to and of considerable value to the Parent and the Company.

Executive agrees that all restrictions contained in this Section 7 are reasonable and valid under the circumstances and hereby waives all defenses to the strict enforcement thereof by the Parent or the Company.

Executive agrees that, upon the request of the Parent or the Company, or immediately on termination of his employment for whatever reason, Executive will immediately deliver up to the requesting entity all Confidential Information in Executive’s possession or control, and all notes, records, memoranda, correspondence, files and other papers, and all copies, relating to or containing Confidential Information. Executive does not have, nor can Executive acquire, any property or other right in Confidential Information.

8. PROPERTY OF THE PARENT AND THE COMPANY

All ideas, inventions, discoveries, proprietary information, know-how, processes and other developments and, more specifically, improvements to existing inventions, conceived by Executive, alone or with others, during the term of Executive’s employment, whether or not during working hours and whether or not while working on a specific project, that are within the scope of the Parent’s or the Company’s business operations or that relate to any work or projects of the Parent or the Company, are and shall remain the exclusive property of the Parent and the

Company. Inventions, improvements and discoveries relating to the business of the Parent or the Company conceived or made by Executive, either alone or with others, while an officer or employee of the Parent or the Company are conclusively and irrefutably presumed to have been made during the period of employment and are the sole property of the Parent and the Company. The Executive shall promptly disclose in writing any such matters to the Parent and the Company but to no other person without the consent of the Company. Executive hereby assigns and agrees to assign all right, title, and interest in and to such matters to the Company. Executive will, upon request of the Company, execute such assignments or other instruments and assist the Parent and the Company in obtaining, at the Company's sole expense, of any patents, trademarks or similar protection, if available, in the name of the Company.

9. NON-COMPETITION AGREEMENT

(a) During the term of Executive's employment, whether under this Agreement or at will, and for a period of two years after the termination date of Executive's employment (whether such termination be with or without cause), Executive agrees, provided he has received all the compensation specified in Sections 11 and 13 hereof to be received by him coincident with such termination, that he will not directly or indirectly, whether as an employee, agent, consultant, director, officer, investor, partner, shareholder, proprietor, lender or otherwise own, operate or otherwise work for or participate in any competitive business (including the pertinent division or subsidiary of any multi-sector business), anywhere in the world, which designs, develops, manufactures or markets any product or service that in any way competes with the Parent's or the Company's business, products or services as conducted, or planned to be conducted, on the date of termination (a "Competitive Business"), *provided* that the foregoing shall not prohibit Executive from owning not more than 5% of the outstanding stock of a corporation subject to the reporting requirements of the Securities Exchange Act of 1934.

(b) During the term of Executive's employment and for a period ending two years from the termination of Executive's employment with the Company, whether by reason of the expiration of the term of this Agreement, resignation, discharge by the Parent and the Company or otherwise, Executive hereby agrees that Executive will not, directly or indirectly:

(i) solicit, otherwise attempt to employ or contract with any current or future employee of the Parent or the Company for employment or otherwise in any Competitive Business or otherwise offer any inducement to any current or future employee of the Parent or the Company to leave the Parent's or the Company's employ; or

(ii) contact or solicit any customer or client of the Parent or the Company (an "Existing Customer"), contact or solicit any individual or business entity with whom the Parent or the Company has directly communicated for the purpose of rendering services prior to the effective date of such termination (a "Potential Customer"), or otherwise provide any other products or services for any Existing Customer or Potential Customer of the Parent or the Company, on behalf of a Competitive Business or in a manner that is competitive to the Parent's or the Company's business; or

(iii) use or divulge to anyone any information about the identity of the Parent's or the Company's customers or suppliers (including, without limitation, mental or

written customer lists and customer prospect lists), or information about customer requirements, transactions, work orders, pricing policies, plans, or any other Confidential Information.

(c) For the purpose of this Agreement, Competitive Business shall mean any business operation (including a sole proprietorship) anywhere in the world which designs, develops, manufactures or markets any product or service that in any way competes with the Parent's or the Company's healthcare document management software and document workflow software businesses, products or services as conducted, or contemplated to be conducted, on the date of termination.

10. TERM

Unless earlier terminated pursuant to Section 11 hereof, the term of this Agreement (the "Term") shall be for the time period beginning on the start date specified in Exhibit A and continuing through the first anniversary of such start date (the "Expiration Date"). On the Expiration Date, and on each annual Expiration Date thereafter (each such date being hereinafter referred to as the "Renewal Date"), absent notice to the contrary from either party hereto to the other received at least 60 days prior to commencement of the renewal term, the term of employment hereunder shall automatically renew for an additional one-year period. Unless waived in writing by the Company, the requirements of Sections 7 (Confidential Agreement), 8 (Property of the Parent and the Company) and 9 (Non-Competition Agreement) shall survive the expiration or termination of this Agreement for any reason.

11. TERMINATION

(a) Death. This Agreement and Executive's employment hereunder shall be terminated on the death of Executive, effective as of the date of Executive's death.

(b) Continued Disability. This Agreement and Executive's employment hereunder may be terminated, at the option of the Parent and the Company, upon a Continued Disability of Executive, effective as of the date of the determination of Continued Disability as that term is hereinafter defined. For the purposes of this Agreement, "Continued Disability" shall be defined as the inability or incapacity (either mental or physical) of Executive to continue to perform Executive's duties hereunder for a continuous period of 120 working days, or if, during any calendar year of the Term hereof because of disability, Executive shall have been unable to perform Executive's duties hereunder for a total period of 180 working days regardless of whether or not such days are consecutive. The determination as to whether Executive is unable to perform the essential functions of Executive's job shall be made by the CEO in his reasonable discretion; *provided, however,* that if Executive is not satisfied with the decision of the CEO, Executive will submit to examination by three competent physicians who practice in the metropolitan area in which the Company then maintains its principal office, one of whom shall be selected by the Company, another of whom shall be selected by Executive, with the third to be selected by the physicians so selected. The determination of a majority of the physicians so selected shall supersede the determination of the Board and shall be final and conclusive.

(c) Termination For Good Cause. Notwithstanding any other provision of this Agreement, the Parent and the Company may at any time immediately terminate this Agreement and Executive's employment hereunder for Good Cause. For this purpose, "Good Cause" shall

include the following: the current use of illegal drugs; conviction of any crime which involves moral turpitude, fraud or misrepresentation; commission of any act which would constitute a felony and which adversely impacts the business or reputation of the Company; fraud; misappropriation or embezzlement of Parent or Company funds or property; willful misconduct or grossly negligent or reckless conduct which is materially injurious to the reputation, business or business relationships of the Parent or the Company; material violation or default on any of the provisions of this Agreement; or dereliction of duty or other material and continuous failure to meet reasonable performance criteria or reasonable standards of conduct as established from time to time by the CEO and communicated to Executive. Any alleged cause for termination shall be delivered in writing to Executive stating the basis for such cause along with any notice of such termination.

(d) Termination Without Good Cause. The Parent and the Company may terminate Executive's employment and all other positions prior to the Expiration Date at any time, whether or not for Good Cause. In the event the Company terminates Executive prior to the Expiration Date, for reasons other than Good Cause, Executive's death, or Executive's Continued Disability, the Company will pay Executive severance (x) if such termination occurs in the first year of the Term hereof, in an amount equal to six months' base salary, or (y) if such termination occurs in the second or subsequent year of the Term hereof, in an amount equal to 50% of the sum of (i) Executive's base salary for the most recently completed fiscal year of the Company (prorated for any period of employment of less than a year), (ii) Executive's bonus for such fiscal year plus (prorated for any period of employment of less than a year), and (iii) commissions earned by Executive for such year period, *provided* that such sum shall not exceed $200,000. Such severance shall be paid as soon as practicable following Executive's execution (and non-revocation) of a general release of claims in form acceptable to the Parent and the Company by continuation of payments in accordance with the Company's regular payroll cycle and policies.

12. ADVICE TO PROSPECTIVE EMPLOYERS

If Executive seeks or is offered employment by any other company, firm or person, he will notify the prospective employer of the existence and terms of the confidentiality and non-competition agreements set forth in Sections 7 and 9 of this Agreement.

13. CHANGE IN CONTROL; ACCELERATED VESTING SCHEDULES

(a) In the event that, within 12 months of a change in control of the Parent, Executive's employment by the Company is terminated prior to the end of the then current Term or Executive terminates his employment due to a material reduction in his duties or compensation ("Good Reason"), all stock options and restricted stock granted to Executive shall immediately vest in full, and the Company shall pay Executive severance in accordance with Section 11(d) above. In the event Executive seeks to terminate his employment for Good Reason, such termination shall not be treated for purposes of this Section 13 as a resignation for Good Reason unless Executive provides the Company with notice of the existence of the condition claimed to constitute Good Reason within 30 days of the initial existence of such condition and the Company fails to remedy such condition within 30 days following the Company's receipt of such notice.

(b) For purposes of this Agreement, “change in control” means any of the following events:

(i) A change in control of the direction and administration of the Parent’s business of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the “1934 Act”), as in effect on the date hereof and any successor provision of the regulations under the 1934 Act, whether or not the Parent is then subject to such reporting requirements; or

(ii) Any “person” (as such term is used in section 13(d) and section 14(d)(2) of the 1934 Act but excluding any employee benefit plan of the Parent) is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of securities of the Parent representing more than one half of the combined voting power of the Parent’s outstanding securities then entitled to vote for the election of directors; or

(iii) The Parent shall sell all or substantially all of the assets of the Parent; or

(iv) The Parent shall participate in a merger, reorganization, consolidation or similar business combination that constitutes a change in control as defined in the Parent’s 2005 Incentive Compensation Plan or results in the occurrence of any event described in Sections 13(b) (i), (ii) or (iii) above.

(c) Notwithstanding anything to the contrary contained in this Agreement, in the event any amounts payable hereunder would be considered to be excess parachute payments for purposes of the amount payable following the occurrence of a “Change of Control” that is treated as a "change in the ownership or effective control" of the Parent or "in the ownership of a substantial portion of the assets" of the Parent for purposes of Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended (the “Code”), those payments that are treated for purposes of Code Section 280G as being contingent on a "change in the ownership or effective control" (as that phrase is used for purposes of Code Section 280G) of the Parent shall be reduced, if and to the extent necessary, so that no payments under this Agreement are treated as excess parachute payments.

14. ACKNOWLEDGEMENTS

The Parent, the Company and Executive each hereby acknowledge and agree as follows:

(a) The covenants, restrictions, agreements and obligations set forth herein are founded upon valuable consideration, and, with respect to the covenants, restrictions, agreements and obligations set forth in Sections 7, 8 and 9 hereof, are reasonable in duration and geographic scope;

(b) In the event of a breach or threatened breach by Executive of any of the covenants, restrictions, agreements and obligations set forth in Section 7, 8 or 9 hereof, monetary damages or the other remedies at law that may be available to the Parent or the Company for such breach or threatened breach will be inadequate and, without prejudice to the Parent’s or the

Company’s right to pursue any other remedies at law or in equity available to it for such breach or threatened breach, including, without limitation, the recovery of damages from Executive, the Parent or the Company will be entitled to injunctive relief from a court of competent jurisdiction; and

(c) The time period and geographical area set forth in Section 9 hereof are each divisible and separable, and, in the event that the covenants not to compete contained therein are judicially held invalid or unenforceable as to such time period or geographical area, they will be valid and enforceable in such geographical area(s) and for such time period(s) which the court determines to be reasonable and enforceable. Executive agrees that in the event any court of competent jurisdiction determines that the above covenants are invalid or unenforceable to join with the Parent and the Company in requesting that court to construe the applicable provision by limiting or reducing it so as to be enforceable to the extent compatible with the then applicable law. Furthermore, any period of restriction or covenant herein stated shall not include any period of violation or period of time required for litigation to enforce such restriction or covenant.

15. NOTICES

Any notice or communication required or permitted hereunder shall be given in writing and shall be sufficiently given if delivered personally or sent by confirmed telecopy to such party addressed as follows:

(a) In the case of the Parent or the Company, if addressed to it as follows:

[Name of the Parent or the Company]
10200 Alliance Road, Suite 200
Cincinnati, Ohio 45242-4716
Attn: Chief Financial Officer
Telecopy No.: (513) 794-7272

(b) In the case of Executive, if addressed to Executive at the most recent address or telecopy number on file with the Company.

Any such notice delivered personally or by telecopy shall be deemed to have been received on the date of such delivery. Any address for the giving of notice hereunder may be changed by notice in writing.

16. ASSIGNMENT, SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and assigns. The Parent and the Company may assign or otherwise transfer its rights under this Agreement to any successor or affiliated business or corporation (whether by sale of stock, merger, consolidation, sale of assets or otherwise), but this Agreement may not be assigned, nor may the duties hereunder be delegated by Executive. In the event that the Parent and the Company assign or otherwise transfer their rights under this Agreement to any successor or affiliated business or corporation (whether by sale of stock, merger, consolidation, sale of assets or otherwise), for all purposes of this Agreement, the

“Parent” and the “Company” shall then be deemed to include the successor or affiliated business or corporation to which the Parent and the Company, respectively, assigned or otherwise transferred their rights hereunder.

17. MODIFICATION

This Agreement may not be released, discharged, abandoned, changed, or modified in any manner, except by an instrument in writing signed by each of the parties hereto.

18. SEVERABILITY

The invalidity or unenforceability of any particular provision of this Agreement shall not affect any other provisions hereof and the parties shall use their best efforts to substitute a valid, legal and enforceable provision, which, insofar as practical, implements the purpose of this Agreement. Any failure to enforce any provision of this Agreement shall not constitute a waiver thereof or of any other provision hereof.

19. COUNTERPARTS

This Agreement may be signed in counterparts (and delivered via facsimile transmission), and each of such counterparts shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument.

20. ENTIRE AGREEMENT

This constitutes the entire agreement among the parties with respect to the subject matter of this Agreement and supersedes all prior and contemporaneous agreements, understandings, and negotiations, whether written or oral, with respect to such subject matter.

21. DISPUTE RESOLUTION

Except as set forth in Section 14 above, any and all disputes arising out of or in connection with the execution, interpretation, performance, or non-performance of this Agreement or any agreement or other instrument between, involving or affecting the parties (including the validity, scope and enforceability of this arbitration clause), shall be submitted to and resolved by arbitration. The arbitration shall be conducted pursuant to the terms of the Federal Arbitration Act and the Employment Arbitration Rules and Mediation Procedures of the American Arbitration Association. Either party may notify the other party at any time of the existence of an arbitrable controversy by certified mail and the parties shall attempt in good faith to resolve their differences within 15 days after the receipt of such notice. If the dispute cannot be resolved within the 15-day period, either party may file a written demand for arbitration with the American Arbitration Association. The place of arbitration shall be Cincinnati, Ohio.

22. SECTION 409A

If Executive is a “specified employee” under Section 409A of the Code, amounts that are deferred compensation are not payable to Executive until six months after his date of termination. If Section 409A applies, then notwithstanding the preceding sentence and as an

exception to the six-month delay otherwise required by Section 409A of the Code, amounts due under Section 11(d) will be payable in regular installments in accordance with the Company's general payroll practices for salaried employees until the March 15th of the year following the year of termination with the regular installment payment that immediately precedes March 15 to include any installment amounts that would otherwise be delayed because of the six-month delay. After the expiration of the six-month delay period following the date of termination, any and all remaining amounts due to Executive will then be paid to Executive in a lump sum.

If Executive's termination of employment occurs on or prior to the March 15th of the year following the year of the change in control, the lump sum due to Executive pursuant to Section 13 will be paid immediately (but not later than the applicable March 15th) following the date of termination. But if Executive is a "specified employee" under Section 409A of the Code and Executive's termination of employment occurs later than the March 15th of the year following the year of the change in control, the lump sum will be immediately payable after the expiration of six months after the date of such termination of employment.

If any tax is imposed on Executive under Section 409A of the Code with respect to any payment made by the Company to Executive pursuant to Section 11(d) or Section 13 hereof, Executive will be responsible for payment of such tax, penalty, interest and any related audit costs incurred by Executive.

23. GOVERNING LAW

The provisions of this Agreement shall be governed by and interpreted in accordance with the internal laws of the State of Ohio and the laws of the United States applicable therein. The Executive acknowledges and agrees that Executive is subject to personal jurisdiction in the state and federal courts in Hamilton County, Ohio.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto effective as of the date first above written.

STREAMLINE HEALTH SOLUTIONS, INC.

By: /s/ Robert E. Watson
Robert E. Watson
President and Chief Executive Officer

EXECUTIVE

/s/ Michael Schiller
Michael A. Schiller

STREAMLINE HEALTH, INC

By: /s/ Robert E. Watson
Robert E. Watson
President and Chief Executive Officer

EXHIBIT A - COMPENSATION AND BENEFITS

1. Start Date. Executive's start date will be February 20, 2012.

2. Base Salary and Bonus. Base Salary will be paid at an annualized rate of $150,000, which will be subject to periodic review and adjustment by the Compensation Committee of the Board of Directors of the Parent. In addition, Executive will be eligible for a bonus of up to 20% of base salary contingent upon meeting defined corporate and personal goals the details of which will be agreed by the Company and Executive prior to March 20, 2012, but will be consistent with those of other senior level executives.

3. Commissions. Executive will participate, as a "Sales Executive", in the Company's Sales Incentive Compensation Plan (Effective as of March 1, 2012), terms of which, as they impact Executive, will be agreed by the Company and Executive prior to Executive's start date; *provided* that, "at plan", target commissions payable to Executive will approximate $220,000 on an annualized basis.

4. Benefits; PTO. Executive will participate in the Parent's benefit plans on the same terms and conditions as provided for other associates of the Company, and subject to all terms and conditions of such plans, and will accrue paid time off at the rate of ten days per annum.

5. [Intentionally omitted.]

6. Initial Stock Option Grant. Executive will receive an inducement grant of incentive stock options for 200,000 shares of common stock of the Parent, as of Executive's start date, with an option exercise price equal to the greater of $2.00 per share or the closing price on the first day of employment of Executive (as reported by NASDAQ CM), and subject to vesting in 36 substantially equal monthly installments during the first three years of employment, all subject to the Parent's 2005 Incentive Compensation Plan.

7. Additional Stock Option Grants.

   (a) Upon execution of a new client agreement during FY 2012, Executive will be awarded an option grant for an additional 50,000 shares of common stock, with an option exercise price equal to the closing price on the date of execution. For purposes of this clause (a), the term "new client agreement" will be deemed to mean an agreement between the Company and a customer generated from Executive's personal contact list of providers, vendors, consulting firms and the like, including contacts of (or referrals from) such contacts, but excluding any contact the identity of whom Executive is bound to keep confidential under the terms of any employment agreement or arrangement with any prior employer.

   (b) Should Executive during FY 2012 exceed his quota target by more than 125%, Executive will be awarded an option grant for an additional 50,000 shares of the common stock, with an option exercise price equal to the closing price as of the date such qualifying sales are booked as per plan.

   (c) Vesting of the options referred to in clauses (a) and (b) above will be in three annual installments, on the first, second and third anniversaries of the date of grant, all subject to the Parent's 2005 Incentive Compensation Plan.

STREAMLINE HEALTH SOLUTIONS, INC.

July 22, 2013

Mr. Michael A. Schiller
1230 Peachtree Street NE, Suite 1000
Atlanta, Georgia 30309

Employment Agreement dated as of February 3, 2012

Dear Mike:

The above-referenced agreement (the "EA") between the Company and you provides [Exhibit A(3)] that you will participate in the Company's sales incentive compensation plan at rates targeted to produce commissions of approximately $220,000 on an annualized basis. The purpose of this letter is to confirm those rates for the current fiscal year, which began 2/1/13, as well as your non-equity bonus target for the year.

The Company proposes that you be compensated at the rates of 0.60% and 0.50% of Net Bookings and Recognizable Revenue, respectively, of all plan participants and that those rates increase to 0.90% and 0.75%, respectively, of all bookings and revenue in excess of target once your Quota Targets of $27.1 million and $9.2 million, respectively, for the year have been achieved.

In addition, you will be eligible for a non- equity bonus of $33,500, subject to the same terms and conditions as apply to other Senior Vice Presidents and payable at the same time as other executive non-equity bonuses are paid, which is generally in March following the fiscal year-end. This bonus, as with those of other executives, is subject to the approval of the Compensation Committee of the Board.

Whenever in this letter capitalized terms are used and not otherwise defined, those terms have the same meanings as in the Sales Incentive Compensation Plan for Sales Executives of Streamline Health, Inc. (Effective as of February 1, 2013), which, as contemplated by the EA, will also govern administrative matters, for example, entitlement to payment of accrued and unpaid commission in case of termination and the timing of payment of such commission.

If the foregoing is acceptable to you, please so indicate by signing a copy of this letter in the place provided below and returning it to me.

Sincerely,

/s/ Robert E. Watson
Robert E. Watson
President and Chief Executive Officer

Accepted and Agreed to:

/s/ Michael Schiller
Michael A. Schiller

STREAMLINE HEALTH SOLUTIONS, INC.

July 22, 2013

Mr. Matthew S. Seefeld
1230 Peachtree Street NE, Suite 1000
Atlanta, Georgia 30309

Employment Agreement dated as of September 27, 2012

Dear Matt:

I refer to the above-referenced agreement (the "EA") between the Company and you and to the Sales Incentive Compensation Plan for Sales Executives of Streamline Health, Inc. (Effective as of February 1, 2013) (the "Sales Comp Plan"). The purpose of this letter agreement is to modify the EA for the current fiscal year, which began 2/1/13 so as to accommodate your continued participation in the Sales Comp Plan as it relates to sales by you and your team of the Company's "PFS" suite of services.

Accordingly, the following paragraph will be substituted for paragraph 2 of Exhibit A of the EA with effect from 7/1/13:

2. Commissions. Executive will participate, as a "Sales Executive", in the Company's Sales Incentive Compensation Plan (Effective as of February 1, 2013), a copy of which has been provided to Executive. As such, Executive will for the period July 1, 2013, through January 31, 2014, be entitled to earn commission at the rate of 1.5% (or 2.7% in instances where Executive is the sales lead) of net (of any Channel Partner share) commissionable Bookings on any and all client agreements entered into during such period with respect to PFS services, and such rate will increase to 2.25% (or 4.05%) if and when Executive's team's Quota Targets of $8 million and $1 million of Net Bookings and Recognizable Revenue, respectively (net of any Channel Partner share), for the period have been achieved. For purposes of this paragraph, the term "sales lead" refers to the individual who functions as the principal liaison between the Company and the client in regard to the relevant agreement and, in any event, who first demonstrates the services to the client and negotiates the final form of agreement with the client.

The Sales Comp Plan will also govern administrative matters, for example, entitlement to payment of accrued and unpaid commission in case of termination and the timing of payment of such commission.

In addition, you will be eligible for a non- equity bonus for F2013 in the prorated amount of $25,000, subject to the same terms and conditions as apply to other Senior Vice Presidents and payable at the same time as other executive non-equity bonuses are paid, which is generally in March following

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1. Currently consisting of yourself and Omar Nagji.
2. Currently consisting of the OpportunityAnyWare, ARWare, and DenialWare solutions and which, for purposes of this letter agreement, will also be deemed to include Virtual Business Consulting support services.

the fiscal year-end. This bonus, as with those of other executives, is subject to the approval of the Compensation Committee of the Board of Directors of the Company.

Finally, the Company will continue to pay you any accrued and still unpaid commissions in the amounts and at the times specified in the EA and the Sales Comp Plan as then in effect, except that such commissions for FY2012, in the amount of 157,267 will be paid as soon as practicable following execution by both parties of this letter agreement, but not before August 15, 2013.

If the foregoing is acceptable to you, please so indicate by signing a copy of this letter in the place provided below and returning it to me.

Sincerely,

/s/ Robert E. Watson
Robert E. Watson
President and Chief Executive Officer

Accepted and Agreed to:
/s/ Matthew Seefeld
Matthew S. Seefeld

Exhibit 31.1

STREAMLINE HEALTH SOLUTIONS, INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a - 14(a) OR 15(d) - 14(a) OF THE EXCHANGE ACT, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert E. Watson, certify that:

I have reviewed this quarterly report on Form 10-Q of Streamline Health Solutions, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 13, 2013	/s/ Robert E. Watson
	Chief Executive Officer and President

Exhibit 31.2

STREAMLINE HEALTH SOLUTIONS, INC.

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a - 14(a) OR 15(d) - 14(a) OF THE EXCHANGE ACT, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nicholas A. Meeks, certify that:

I have reviewed this quarterly report on Form 10-Q of Streamline Health Solutions, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 13, 2013	/s/ Nicholas A. Meeks
	Chief Financial Officer

Exhibit 32.1
STREAMLINE HEALTH SOLUTIONS, INC.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert E. Watson, Chief Executive Officer and President of Streamline Health Solutions, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C Section 1350, that:

(1) The quarterly report on Form 10-Q of the Company for the quarter ended July 31, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

/s/ Robert E. Watson
Robert E. Watson
Chief Executive Officer and
President
September 13, 2013

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2
STREAMLINE HEALTH SOLUTIONS, INC.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Nicholas A. Meeks, Chief Financial Officer of Streamline Health Solutions, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C Section 1350, that:

(1) The quarterly report on Form 10-Q of the Company for the quarter ended July 31, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

/s/ Nicholas A. Meeks
Nicholas A. Meeks
Chief Financial Officer
September 13, 2013

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.