UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2019

OR

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

For the transition period from______ to

Commission File Number: 000-28132

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.)*

1175 Peachtree Street, NE, 10th Floor
Atlanta, GA 30361
(Address of principal executive offices) (Zip Code)
(888) 997-8732
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	**STRM**	**The NASDAQ Capital Market**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares outstanding of the Registrant's Common Stock, $0.01 par value, as of January 2, 2020: 30,744,847

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(rounded to the nearest thousand dollars, except share and per share information)

(Unaudited)

	As of	
	October 31, 2019	January 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,220,000	$ 2,376,000
Accounts receivable, net of allowance for doubtful accounts of $98,000 and $345,000, respectively	2,214,000	2,933,000
Contract receivables	704,000	1,263,000
Prepaid and other current assets	1,285,000	1,235,000
Total current assets	5,423,000	7,807,000
Non-current assets:		
Property and equipment, net of accumulated amortization of $1,587,000 and $1,516,000, respectively	175,000	237,000
Contract receivables, less current portion	355,000	407,000
Capitalized software development costs, net of accumulated amortization of $20,544,000 and $19,689,000, respectively	7,785,000	5,698,000
Intangible assets, net of accumulated amortization of $4,282,000 and $3,858,000, respectively	1,245,000	1,669,000
Goodwill	15,537,000	15,537,000
Other	756,000	385,000
Total non-current assets	25,853,000	23,933,000
Total assets	$ 31,276,000	$ 31,740,000

See accompanying notes to condensed consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(rounded to the nearest thousand dollars, except share and per share information)

(Unaudited)

	As of	
	October 31, 2019	January 31, 2019
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 629,000	$ 1,280,000
Accrued expenses	1,407,000	1,814,000
Current portion of term loan, net of deferred financing costs	3,472,000	597,000
Deferred revenues	6,310,000	8,338,000
Royalty liability	953,000	—
Other	94,000	94,000
Total current liabilities	12,865,000	12,123,000
Non-current liabilities:		
Term loan, net of current portion and deferred financing costs	—	3,351,000
Royalty liability	—	905,000
Deferred revenues, less current portion	123,000	432,000
Other	19,000	41,000
Total non-current liabilities	142,000	4,729,000
Total liabilities	13,007,000	16,852,000
Series A 0% Convertible Redeemable Preferred Stock, $0.01 par value per share, 5,000,000 shares authorized, no and 2,895,464 shares issued and outstanding, respectively	—	8,686,000
Stockholders' equity:		
Common stock, $0.01 par value per share, 45,000,000 shares authorized; 30,767,439 and 20,767,708 shares issued and outstanding, respectively	308,000	208,000
Additional paid in capital	94,970,000	82,544,000
Accumulated deficit	(77,009,000)	(76,550,000)
Total stockholders' equity	18,269,000	6,202,000
Total liabilities and stockholders' equity	$ 31,276,000	$ 31,740,000

See accompanying notes to condensed consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(rounded to the nearest thousand dollars, except share and per share information)

(Unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2019	2018	2019	2018
Revenues:				
System sales	$ 668,000	$ 309,000	$ 1,046,000	$ 1,827,000
Professional services	626,000	577,000	1,615,000	1,086,000
Audit services	517,000	234,000	1,266,000	841,000
Maintenance and support	2,827,000	3,051,000	8,537,000	9,577,000
Software as a service	1,150,000	1,198,000	3,474,000	3,570,000
Total revenues	5,788,000	5,369,000	15,938,000	16,901,000
Operating expenses:				
Cost of system sales	135,000	223,000	391,000	763,000
Cost of professional services	493,000	675,000	1,616,000	2,079,000
Cost of audit services	325,000	323,000	949,000	1,017,000
Cost of maintenance and support	453,000	506,000	1,275,000	1,720,000
Cost of software as a service	356,000	207,000	936,000	805,000
Selling, general and administrative expense	2,800,000	2,392,000	7,745,000	8,160,000
Research and development	726,000	1,026,000	2,385,000	3,302,000
Executive transition cost	481,000	—	621,000	—
Loss on exit of operating lease	—	562,000	—	1,368,000
Total operating expenses	5,769,000	5,914,000	15,918,000	19,214,000
Operating income (loss)	19,000	(545,000)	20,000	(2,313,000)
Other expense:				
Interest expense	(91,000)	(106,000)	(239,000)	(332,000)
Miscellaneous expense	(80,000)	(25,000)	(224,000)	(118,000)
Loss before income taxes	(152,000)	(676,000)	(443,000)	(2,763,000)
Income tax expense	(12,000)	(2,000)	(16,000)	(5,000)
Net loss	$ (164,000)	$ (678,000)	$ (459,000)	$ (2,768,000)
Add: Redemption of Series A Preferred Stock	4,894,000	—	4,894,000	—
Net income (loss) attributable to common shareholders	4,730,000	(678,000)	4,435,000	(2,768,000)
Net income (loss) per common share - basic	$ 0.22	$ (0.03)	$ 0.22	$ (0.14)
Weighted average number of common shares - basic	21,598,146	19,655,882	20,435,055	19,495,745
Net loss per common share - diluted	$ (0.01)	$ (0.03)	$ (0.02)	$ (0.14)
Weighted average number of common shares - diluted	21,598,146	19,655,882	20,435,055	19,495,745

See accompanying notes to condensed consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(rounded to the nearest thousand dollars, except share information)

(Unaudited)

	Common stock shares	Common stock	Additional paid in capital	Accumulated deficit	Total stockholders' equity
Balance at January 31, 2018	20,005,977	$200,000	$81,777,000	$(72,125,000)	$ 9,852,000
Cumulative effect of ASC 606 implementation	—	—	—	1,440,000	1,440,000
Surrender of stock	(26,062)	—	(47,000)	—	(47,000)
Conversion of Series A Preferred Stock	54,531	1,000	163,000	—	164,000
Share-based compensation expense	—	—	222,000	—	222,000
Net loss	—	—	—	(569,000)	(569,000)
Balance at April 30, 2018	20,034,446	$201,000	$82,115,000	$(71,254,000)	$ 11,062,000
Stock issued	35,277	—	35,000	—	35,000
Surrender of stock	(7,330)	—	(11,000)	—	(11,000)
Restricted stock issued	100,000	1,000	(1,000)	—	—
Restricted stock forfeited	(122,500)	(1,000)	1,000	—	—
Share-based compensation expense	—	—	145,000	—	145,000
Net loss				(1,521,000)	(1,521,000)
Balance at July 31, 2018	20,039,893	$201,000	$82,284,000	$(72,775,000)	$ 9,710,000
Surrender of stock	(3,857)	—	(4,000)	—	(4,000)
Restricted stock issued	100,000	1,000	(1,000)	—	—
Restricted stock forfeited	(8,333)	—	—	—	—
Share-based compensation expense	—	—	125,000	—	125,000
Net loss				(678,000)	(678,000)
Balance at October 31, 2018	20,127,703	$202,000	$82,404,000	$(73,453,000)	$ 9,153,000

See accompanying notes to condensed consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(rounded to the nearest thousand dollars, except share information)

(Unaudited)

	Common stock shares	Common stock	Additional paid in capital	Accumulated deficit	Total stockholders' equity
Balance at January 31, 2019	20,767,708	$208,000	$82,544,000	$(76,550,000)	$ 6,202,000
Restricted stock issued	140,000	1,000	(1,000)	—	—
Restricted stock forfeited	(5,367)	—	—	—	—
Share-based compensation expense	—	—	269,000	—	269,000
Net income	—	—	—	313,000	313,000
Balance at April 30, 2019	20,902,341	$209,000	$82,812,000	$(76,237,000)	6,784,000
Stock issued	5,072	—	4,000	—	4,000
Restricted stock issued	222,518	2,000	(2,000)	—	—
Restricted stock forfeited	(318,750)	(3,000)	3,000	—	—
Surrender of stock	(21,708)	—	(31,000)	—	(31,000)
Share-based compensation expense	—	—	160,000	—	160,000
Capital contribution	—	—	16,000	—	16,000
Net loss	—	—	—	(608,000)	(608,000)
Balance at July 31, 2019	20,789,473	$208,000	$82,962,000	$(76,845,000)	$ 6,325,000
Restricted stock issued	550,000	5,000	(6,000)	—	(1,000)
Restricted stock forfeited	(32,060)	—	1,000	—	1,000
Issuance of common stock, net of $681,000 directly attributable offering expenses	9,473,691	95,000	8,887,000	—	8,982,000
Redemption of Series A Preferred Stock	—	—	2,873,000	—	2,873,000
Surrender of stock	(13,665)	—	(37,000)	—	(37,000)
Share-based compensation expense	—	—	290,000	—	290,000
Net loss	—	—	—	(164,000)	(164,000)
Balance at October 31, 2019	30,767,439	$308,000	$94,970,000	$(77,009,000)	$ 18,269,000

See accompanying notes to condensed consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(rounded to the nearest thousand dollars)

(Unaudited)

	Nine Months Ended October 31,	
	2019	**2018**
Cash flows from operating activities:		
Net loss	$ (459,000)	$ (2,768,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	113,000	411,000
Amortization of capitalized software development costs	644,000	895,000
Amortization of intangible assets	424,000	705,000
Amortization of other deferred costs	208,000	347,000
Valuation adjustments	48,000	71,000
Loss on exit of operating lease	—	1,368,000
Gain on disposal of fixed assets	—	5,000
Share-based compensation expense	719,000	492,000
Provision for accounts receivable	(125,000)	(24,000)
Changes in assets and liabilities:		
Accounts and contract receivables	1,455,000	591,000
Other assets	(572,000)	272,000
Accounts payable	(651,000)	1,049,000
Accrued expenses	(442,000)	54,000
Deferred revenues	(2,337,000)	(4,176,000)
Net cash provided by operating activities	(975,000)	(708,000)
Cash flows from investing activities:		
Purchases of property and equipment	(51,000)	(21,000)
Proceeds from sales of property and equipment	—	20,000
Capitalization of software development costs	(2,730,000)	(2,288,000)
Net cash used in investing activities	(2,781,000)	(2,289,000)
Cash flows from financing activities:		
Proceeds from issuance of common stock	9,663,000	—
Payments for costs directly attributable to the issuance of common stock	(681,000)	—
Principal payments on term loan	(448,000)	(448,000)
Payments related to settlement of employee shared-based awards	(50,000)	(62,000)
Redemption of Series A Convertible Preferred Stock	(5,791,000)	—
Fees paid for redemption of Series A Convertible Preferred Stock	(22,000)	—
Payment of deferred financing costs	(73,000)	—
Other	2,000	31,000
Net cash provided by (used in) financing activities	2,600,000	(479,000)
Net decrease in cash and cash equivalents	(1,156,000)	(3,476,000)
Cash and cash equivalents at beginning of period	2,376,000	4,620,000
Cash and cash equivalents at end of period	$ 1,220,000	$ 1,144,000

See accompanying notes to condensed consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 — BASIS OF PRESENTATION

The accompanying condensed consolidated balance sheet as of January 31, 2019, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements have been prepared by Streamline Health Solutions, Inc. ("we", "us", "our", "Streamline", or the "Company"), pursuant to the rules and regulations applicable to quarterly reports on Form 10-Q of the U.S. Securities and Exchange Commission the "SEC". Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") 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. The condensed consolidated financial statements include the accounts of Streamline Health Solutions, Inc. and its wholly-owned subsidiary, Streamline Health, Inc. In the opinion of our management, the accompanying unaudited interim condensed consolidated financial statements reflect all adjustments considered necessary to present fairly the Company's financial position at October 31, 2019, and the results of its operations for the three and nine month months ended October 31, 2019 and October 31, 2018, and its cash flows for the nine months ended October 31, 2019 and 2018. These condensed consolidated financial statements should be read in conjunction with the consolidated 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 nine months ended October 31, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2020.

The Company determined that it has one operating segment and one reporting unit due to the singular nature of our products, product development and distribution process, and customer base as a provider of computer software-based solutions and services for healthcare providers.

All amounts in the condensed consolidated financial statements, notes and tables have been rounded to the nearest thousand dollars, except share and per share amounts, unless otherwise indicated. Certain amounts in the condensed consolidated financial statements and notes thereto have been reclassified to conform to current period presentation.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies are presented in "Note 2 – Significant Accounting Policies" in the fiscal year 2018 Annual Report on Form 10-K. Users of financial information for interim periods are encouraged to refer to the footnotes to the consolidated financial statements 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. 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.

Immaterial Correction of Errors

In connection with the preparation of the Company's financial statements for the third quarter ended October 31, 2019, the Company discovered certain errors in "Capitalized software development costs" and related amortization expense for previous periods. The errors resulted from (i) assets that did not begin to be amortized timely, and (ii) an incorrect method of amortizing the assets.

The assets that did not begin amortizing timely resulted from an administrative error, while the incorrect method of amortization was related to a misapplication of GAAP. Certain general release documentation was not prepared timely, and distributed, and, accordingly, the Company did not place certain enhancements into service and begin amortization.

Further, the Company has corrected its underlying financial records to utilize the "carry-over" method for amortizing capitalized software development cost. Under the "carry-over" method, the costs of the enhancements are added to the unamortized costs of the previous version of the product and the combined amount is amortized over the remaining useful life of the product. Including unamortized cost of the original product with the cost of the enhancement for purposes of applying the net realizable value test and amortization provisions is consistent with accounting guidance for software companies that improve their software and discontinue selling or marketing the older versions. While this method reduced amortization of the underlying assets, the Company's evaluation of the net book value of the underlying software development assets in relation to net realizable value and future cash flows each period ensured the carrying value was not in excess of the net realizable value of a solution for any period. Further, in accordance with guidance for software companies under ASC 985, the Company ensures that amortization is the greater of (i) the ratio of the software product's current gross revenues to the total of current and expected gross revenues or (ii) straight-line over the remaining economic useful life of the software. The Company continues to monitor its estimated useful life on the underlying products, taking into consideration the product, the market and the industry.

The two corrections relating to the amortization of capitalized software development costs off-set one another in certain previous periods. Additionally, the differences between (i) the amounts calculated, as adjusted for these corrections, and (ii) the amount recorded in previous periods substantially self-corrected by the end of the third quarter, October 31, 2019.

The Company, in consultation with the Audit Committee of the Board of Directors, evaluated the effect of these adjustments on the Company's financial statements under Accounting Standards Codification ("ASC") 250: *Accounting Changes and Error Corrections and Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* and determined it was not necessary to restate its previously issued financial statements, or unaudited interim period financial statements, because the errors did not materially misstate any previously issued financial statements and the correction of the errors in the current fiscal year is also not material. The Company looked at both quantitative and qualitative characteristics of the required corrections.

The net impact of these errors resulted in a $214,000 and $532,000 understatement of amortization expense for capitalized software development costs for the three- and nine-month periods ended October 31, 2019, respectively. The Company's previously reported amortization expense for capitalized software development costs was misstated by the following amounts:

Period		**Overstatement / (Understatement) of Amortization Expense**
Prior to fiscal year ended January 31, 2019	$	532,000
Three months ended April 30, 2019	$	(153,000)
Three months ended July 31, 2019	$	(165,000)

Capitalized Software Development Costs

Software development costs for software to be sold, leased, or marketed are accounted for in accordance with ASC 985-20, *Software — Costs of Software to be Sold, Leased or Marketed*. Costs associated with the planning and design phase of software development are classified as research and development costs and are expensed as incurred. Once technological feasibility has been established, a portion of the costs incurred in development, including coding, testing and quality assurance, are capitalized until available for general release to clients, and subsequently reported at the lower of unamortized cost or net realizable value. Amortization is calculated on a solution-by-solution basis and is included in Cost of system sales on the Condensed Consolidated Statements of Operations. Annual amortization is measured at the greater of a) the ratio of the software product's current gross revenues to the total of current and expected gross revenues or b) straight-line over the remaining economic life of the software (typically three to five years). Unamortized capitalized costs determined to be in excess of the net realizable value of a solution are expensed at the date of such determination. Capitalized software development costs for software to be sold, leased, or marketed, net of accumulated amortization, totaled $3,470,000 and $2,921,000 as of October 31, 2019 and January 31, 2019, respectively.

Internal-use software development costs are accounted for in accordance with ASC 350-40, *Internal-Use Software*. The costs incurred in the preliminary stages of development are expensed as research and development costs as incurred. Once an application has reached the development stage, internal and external costs incurred to develop internal-use software are capitalized and amortized on a straight-line basis over the estimated useful life of the software (typically three to five years). Maintenance and enhancement costs, including those costs in the post-implementation stages, are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the software that result in added functionality, in which case the costs are capitalized and amortized on a straight-line basis over the estimated useful life of the software. The Company reviews the carrying value for impairment whenever facts and circumstances exist that would suggest that assets might be impaired or that the useful lives should be modified. Amortization expense related to capitalized internal-use software development costs is included in Cost of software as a service on the Condensed Consolidated Statements of Operations. Capitalized software development costs for internal-use software, net of accumulated amortization, totaled $4,153,000 and $2,565,000 as of October 31, 2019 and January 31, 2019, respectively.

The estimated useful lives of software (including software to be sold and internal-use software) are reviewed frequently and adjusted as appropriate to reflect upcoming development activities that may include significant upgrades and/or enhancements to the existing functionality. The Company reviews, on an on-going basis, the carrying value of its capitalized software development expenditures, net of accumulated amortization.

Fair Value of Financial Instruments

The Financial Accounting Standards Board's ("FASB") authoritative guidance on fair value measurements establishes a framework for measuring fair value. 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 our long-term debt approximates fair value since the variable interest rates being paid

on the amounts approximate the market interest rate. Long-term debt is classified as Level 2. There were no transfers of assets or liabilities between Levels 1, 2, or 3 as of October 31, 2019 or January 31, 2019.

The table below provides information on our liabilities that are measured at fair value on a recurring basis:

	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At October 31, 2019				
Royalty liability (1)	$ 953,000	$ —	$ —	$ 953,000
At January 31, 2019				
Royalty liability (1)	$ 905,000	$ —	$ —	$ 905,000

(1) The fair value of the royalty liability was determined based on discounting the portion of the modified royalty commitment payable in cash (refer to Note 7 – Commitments and Contingencies for additional information on our royalty liability). Fair value adjustments are included within miscellaneous expense in the condensed consolidated statements of operations.

Revenue Recognition

We derive revenue from the sale of internally-developed software, either by licensing for local installation or by a software as a service (“SaaS”) delivery model, through our direct sales force or through third-party resellers. Licensed, locally-installed clients on a perpetual model utilize our support and maintenance services for a separate fee, whereas term-based locally installed license fees and SaaS fees include support and maintenance. We also derive revenue from professional services that support the implementation, configuration, training and optimization of the applications, as well as audit services provided to help clients review their internal coding audit processes. Additional revenues are also derived from reselling third-party software and hardware components.

We recognize revenue in accordance with ASC 606, *Revenue from Contracts with Customers* (“ASC 606”). The core principle of ASC 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

We commence revenue recognition (Step 5 below) in accordance with that core principle after applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

We follow the accounting revenue guidance under ASC 606 to determine whether contracts contain more than one performance obligation. Performance obligations are the unit of accounting for revenue recognition and generally represent the distinct goods or services that are promised to the customer. Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

If we determine that we have not satisfied a performance obligation, we will defer recognition of the revenue until the performance obligation is deemed to be satisfied. Maintenance and support and SaaS agreements are generally non-

cancelable or contain significant penalties for early cancellation, although clients typically have the right to terminate their contracts for cause if we fail to perform material obligations. However, if non-standard acceptance periods, non-standard performance criteria, or cancellation or right of refund terms are required, revenue is recognized upon the satisfaction of such criteria.

Significant judgment is required to determine the standalone selling price ("SSP") for each performance obligation, the amount allocated to each performance obligation and whether it depicts the amount that the Company expects to receive in exchange for the related product and/or service. As the selling prices of the Company's software licenses are highly variable, the Company estimates SSP of its software licenses using the residual approach when the software license is sold with other services and observable SSPs exist for the other services. The Company estimates the SSP for maintenance, professional services, and audit services based on observable standalone sales.

Contract Combination

The Company may execute more than one contract or agreement with a single customer. The Company evaluates whether the agreements were negotiated as a package with a single objective, whether the amount of consideration to be paid in one agreement depends on the price and/or performance of another agreement, or whether the good or services promised in the agreements represent a single performance obligation. The conclusions reached can impact the allocation of the transaction price to each performance obligation and the timing of revenue recognition related to those arrangements.

Systems Sales

The Company's software license arrangements provide the customer with the right to use functional intellectual property. Implementation, support, and other services are typically considered distinct performance obligations when sold with a software license unless these services are determined to significantly modify the software. Revenue is recognized at a point in time. Typically, this is upon shipment of components or electronic download of software.

Maintenance and Support Services

Our maintenance and support obligations include multiple discrete performance obligations, with the two largest being unspecified product upgrades or enhancements, and technical support, which can be offered at various points during a contract period. We believe that the multiple discrete performance obligations within our overall maintenance and support obligations can be viewed as a single performance obligation since both the unspecified upgrades and technical support are activities to fulfill the maintenance performance obligation and are rendered concurrently. Maintenance and support agreements entitle clients to technology support, version upgrades, bug fixes and service packs. We recognize maintenance and support revenue ratably over the contract term as this best depicts the access to unspecified upgrades and support provided over time.

Software-Based Solution Professional Services

The Company provides various professional services to customers with software licenses. These include project management, software implementation and software modification services. Revenues from arrangements to provide professional services are generally distinct from the other promises in the contract and are recognized as the related services are performed. Consideration payable under these arrangements is either fixed fee or on a time-and-materials basis.

Software as a Service

SaaS-based contracts include use of the Company's platform, implementation, support and other services which represent a single promise to provide continuous access to its software solutions. The Company recognizes revenue ratably over the contract term.

We defer the direct costs, which include salaries, benefits and contractor fees, for professional services related to SaaS contracts. These deferred costs will be amortized ratably over the identical term as the associated revenues. As of October 31, 2019, and January 31, 2019, we had deferred costs of $210,000 and $251,000, respectively, net of accumulated amortization of $244,000 and $399,000, respectively. Amortization expense of these costs was $45,000 and $91,000 for the three months ended October 31, 2019 and 2018, respectively, and $150,000 and $193,000 for the nine months ended October 31, 2019 and 2018, respectively.

Audit Services

Audit services are a separate performance obligation. We recognize revenue over time as the services are performed.

Disaggregation of Revenue

The following table provides information about disaggregated revenue by type and nature of revenue stream:

	Nine Months Ended October 31, 2019		
	Recurring Revenue	Non-recurring Revenue	Total
Systems sales	$ 27,000	$ 1,019,000	$ 1,046,000
Professional services	—	1,615,000	1,615,000
Audit services	—	1,266,000	1,266,000
Maintenance and support	8,537,000	—	8,537,000
Software as a service	3,474,000	—	3,474,000
Total revenue:	$ 12,038,000	$ 3,900,000	$ 15,938,000

Contract Receivables and Deferred Revenues

The Company receives payments from customers based upon contractual billing schedules. Contract receivables include amounts related to the Company's contractual right to consideration for completed performance obligations not yet invoiced. Deferred revenues include payments received in advance of performance under the contract. Our contract receivables and deferred revenue are reported on an individual contract basis at the end of each reporting period. Contract receivables are classified as current or noncurrent based on the timing of when we expect to bill the customer. Deferred revenue is classified as current or noncurrent based on the timing of when we expect to recognize revenue. In the nine-month period ended October 31, 2019 we recognized $6,244,000 in revenue from deferred revenues outstanding as of January 31, 2019.

Transaction price allocated to the remaining performance obligations

Revenue allocated to remaining performance obligations represents contracted revenue that will be recognized in future periods, which is comprised of deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. Revenue allocated to remaining performance obligations was $24 million as of October 31, 2019, of which the Company expects to recognize approximately 70% over the next 12 months and the remainder thereafter.

Deferred commissions costs (contract acquisition costs)

Contract acquisition costs, which consist of sales commissions paid or payable, are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for initial and renewal contracts are deferred and then amortized on a straight-line basis over the contract term. As a practical expedient, we expense sales commissions as incurred when the amortization period of related deferred commission costs would have been one year or less.

Deferred commissions costs paid and payable, which are included on the condensed consolidated balance sheets within prepaid and other current assets and other non-current assets totaled $155,000 and $319,000, respectively, as of October 31, 2019. For the three- and nine-month periods ended October 31, 2019, $95,000 and $150,000, respectively,

in amortization expense associated with sales commissions was included in selling, general and administrative expenses on the condensed consolidated statements of operations. There were no impairment losses for these capitalized costs for the three- and nine-months ended October 31, 2019 and 2018.

Equity Awards

We account 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. We incurred total compensation expense related to stock-based awards of $290,000 and $125,000 for the three months ended October 31, 2019 and 2018, respectively, and $719,000 and $492,000 for the nine months ended October 31, 2019 and 2018, respectively.

The fair value of the stock options granted is estimated at the date of grant using a Black-Scholes option pricing model. The option pricing model inputs (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 (such as volatility factor, expected term, and forfeiture rates) data. 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.

We periodically issue restricted stock awards in the form of our common stock. The fair value of these awards is based on the market closing price per share on the date of grant. We expense the compensation cost of these awards as the restriction period lapses, which is typically a one- to four-year service period to the Company. During the third quarter ended October 31, 2019, the Company awarded 50,000 shares of restricted stock to its President and Chief Executive Officer that vested immediately, in addition to a performance award of 100,000 shares of restricted stock that will vest based upon the fulfillment of certain predetermined revenue growth percentage targets that will be assessed at July 31, 2020.

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, we consider whether it is more likely than not that some or all of the deferred tax assets will not be realized. We establish 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 maintains a full valuation allowance against its deferred tax assets.

We provide 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. We believe we have appropriately accounted for any uncertain tax positions. The Company has recorded $296,000 and $275,000 in reserves for uncertain tax positions and corresponding interest and penalties as of October 31, 2019 and January 31, 2019, respectively.

The Company and its subsidiary are subject to U.S. federal income tax as well as income taxes in multiple state and local jurisdictions. The Company has concluded all U.S. federal tax matters for years through January 31, 2015. All material state and local income tax matters have been concluded for years through January 31, 2014. The Company is no longer subject to IRS examination for periods prior to the tax year ended January 31, 2016; however, carryforward losses that were generated prior to the tax year ended January 31, 2016 may still be adjusted by the IRS if they are used in a future period.

Net Earnings (Loss) Per Common Share

The Company presents basic and diluted earnings per share ("EPS") data for our common stock. Our Series A Convertible Preferred Stock are considered participating securities under ASC 260, *Earnings Per Share* ("ASC 260") which means the security may participate in undistributed earnings with common stock. The holders of the Series A Convertible 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, the Company is required to use the two-class method when computing EPS. 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 stockholders, earnings are allocated to both common and participating securities based on their respective weighted-average shares outstanding for the period (with the exception of the gain on the redemption of our Series A Convertible Preferred Stock, which was allocated in its entirety to the common stock).

Our unvested restricted stock awards are considered non-participating securities because holders are not entitled to non-forfeitable rights to dividends or dividend equivalents during the vesting term. In accordance with ASC 260, securities are deemed not to be participating in losses if there is no obligation to fund such losses. The Series A Convertible Preferred Stock does not participate in losses, and as a result, the Company does not allocate losses to these securities in periods of loss. Diluted EPS for our common stock is computed using the more dilutive of the two-class method or the "if-converted" and treasury stock methods. See Note 5 for further discussion of the redemption of our Series A Convertible Preferred Stock.

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

	Three Months Ended	
	October 31, 2019	October 31, 2018
Net loss	$ (164,000)	$ (678,000)
Add: redemption of Series A Convertible Preferred Stock	4,894,000	—
Net income (loss) attributable to common shareholders	4,730,000	(678,000)
Weighted average shares outstanding - Basic (1)	21,598,146	19,655,882
Effect of dilutive securities - Stock options, Restricted stock and Series A Convertible Preferred Stock (2)	—	—
Weighted average shares outstanding - Diluted	21,598,146	19,655,882
Basic net income (loss) per share of common stock	$ 0.22	$ (0.03)
Diluted net loss per share of common stock	$ (0.01)	$ (0.03)

	Nine Months Ended	
	October 31, 2019	October 31, 2018
Net loss	$ (459,000)	$ (2,768,000)
Add: redemption of Series A Convertible Preferred Stock	4,894,000	—
Net income (loss) attributable to common shareholders	4,435,000	(2,768,000)
Weighted average shares outstanding - Basic (1)	20,435,055	19,495,745
Effect of dilutive securities - Stock options, Restricted stock and Series A Convertible Preferred Stock (2)	—	—
Weighted average shares outstanding - Diluted	20,435,055	19,495,745
Basic net income (loss) per share of common stock	$ 0.22	$ (0.14)
Diluted net loss per share of common stock	$ (0.02)	$ (0.14)

(1) Excludes 1,185,918 unvested restricted shares of common stock as of October 31, 2019, which are considered non-participating securities.

(2) Diluted net loss per share excludes the effect of shares that are anti-dilutive. For the three and nine months ended October 31, 2019, diluted EPS excludes 2,895,464 shares of Series A Convertible Preferred Stock, 938,671 outstanding stock options and 1,185,918 unvested restricted shares of common stock. For the three and nine months ended October 31, 2018, diluted EPS excludes 2,895,464 shares of Series A Convertible Preferred Stock, 1,612,990 outstanding stock options and 2,239,047 unvested restricted shares of common stock.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASC 842"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. The update became effective for us on February 1, 2019.

We adopted the new lease standards under ASC 842 on February 1, 2019 using the effective date transition method. This method requires us to recognize an adoption impact as a cumulative-effect adjustment as of the adoption date. Prior period balances were not adjusted upon adoption of this standard. We have elected the group of practical expedients under ASU 2016-02 to forego assessing upon adoption: (1) whether any expired contracts are or contain leases; (2) the lease classification for any existing or expired leases; and (3) any indirect costs that would have qualified for capitalization for any existing leases. The adoption of the new standard resulted in the recording of a right-of-use asset of $175,000 and an operating lease liability of $464,000 as of February 1, 2019. The standard did not materially impact our consolidated results of operations and had no impact on cash flows.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which removes Step 2 from the goodwill impairment test. The standard will be effective for us on February 1, 2020. Early adoption of this update is permitted. We do not expect that the adoption of this ASU will have a significant impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, to remove, modify, and add certain disclosure requirements within Topic 820 in order to improve the effectiveness of fair value disclosures in the notes to financial statements. The standard will be effective for us on February 1, 2020. The Company is currently evaluating the impact of adoption of this new standard and does not believe that the adoption of this ASU will have a significant impact on its consolidated financial statements.

NOTE 3 — LEASES

We determine whether an arrangement is a lease at inception. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the expected lease term. Since our lease arrangements do not provide an implicit rate, we use our incremental borrowing rate for the expected remaining lease term at commencement date for new leases, or as of February 1, 2019 for existing leases, in determining the present value of future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term.

Our only operating lease relates to our New York office sublease, which expired in November 2019. In the second quarter of fiscal year 2018, we closed our New York office and subleased the office space for the remaining period of the original lease term. As a result of vacating and subleasing the office, we recorded a $472,000 loss on exit of the operating lease in fiscal year 2018. The associated lease liability reduced the right-of-use asset upon adoption of ASC 842. As of October 31, 2019, the total minimum rentals due to our lessor by us and to be received by us from our sublessee were $48,000 and $24,000, respectively.

As of October 31, 2019, operating lease right-of use assets totaling $17,000 are recorded in Prepaid and other current assets, and the associated lease liability of $48,000 is included in Accrued expenses within the condensed consolidated balance sheets. The Company used a discount rate of 8.0% to determine the lease liability.

Total costs associated with leased assets are as follows:

		Three Months Ended October 31, 2019
Operating lease cost	$	54,000
Sublease income		(72,000)
Total operating lease income	$	(18,000)

		Nine Months Ended October 31, 2019
Operating lease cost	$	171,000
Sublease income		(216,000)
Total operating lease income	$	(45,000)

In the third quarter of fiscal year 2018, we assigned our then current Atlanta office lease that would have expired in November 2022 and entered into a membership agreement to occupy shared office space in Atlanta. As a result of assigning the office lease, we recorded a $562,000 loss on exit of the operating lease in the third quarter of fiscal year 2018. The membership agreement does not qualify as a lease under ASC 842 as the owner has substantive substitution rights, therefore the Company recognizes expenses as incurred. See Note 7 – Commitments and Contingencies for further details on our shared office arrangement.

NOTE 4 — DEBT

Term Loan and Line of Credit

During October 2019 the Company entered into a sixth amendment to its Credit Agreement (the “Sixth Amendment”) with Wells Fargo Bank, N.A., as administrative agent, and other lender parties thereto. Pursuant to the terms of the Sixth Amendment, the Company received consent to proceed with the redemption of the Series A Convertible Preferred Stock. Amounts outstanding under the Credit Agreement continued to bear interest at either LIBOR or the base rate, as elected by the Company, plus an applicable margin, plus, after the effective date of the amendment to the Credit Agreement entered into as of September 11, 2019 (the “Fifth Amendment”), a “paid in kind” rate, or PIK Rate, of 2.75%.

Subject to the Company’s leverage ratio, pursuant to the terms of the amendment to the Credit Agreement entered into as of April 15, 2015, the applicable LIBOR rate margin varied from 4.25% to 6.25%, and the applicable base rate margin varied from 3.25% to 5.25%. The original term loan and line of credit maturity date of May 21, 2020 was extended to August 21, 2020. Additionally, the Credit Agreement, as amended by the Fifth Amendment, requires the payment of certain other fees and expenses, including (a) an amendment fee of up to $200,000 ($50,000 per quarter) and (b) consulting costs of approximately $100,000.

The Sixth Amendment reduced the Company’s capacity on the existing revolving credit from $5,000,000 to $1,500,000, subject to other restrictions as described herein.

The Credit Agreement, as amended, included customary financial covenants, including the requirements that the Company maintain minimum liquidity and achieve certain minimum EBITDA levels (as defined in the Credit Agreement), among other covenants, including a requirement that the Company refrain from paying dividends on the common and any preferred stock. In addition, the Credit Agreement, as amended by the Fifth Amendment, required that the Company (i) engage a consultant for purposes of preparing a budget to be shared with the administrative agent and to be adhered to by the Company and other financial information requested by the administrative agent, (ii) enter into amendments to the Company’s licensing agreements with Montefiore, (iii) pursue a refinancing transaction for purposes of satisfying its obligations under the Credit Agreement, and in connection therewith, achieve certain refinancing milestones and provide the administrative agent with certain deliverables, information and access to its personnel and

records, and (iv) on or before October 15, 2019, provide evidence of a common equity contribution of no less than $1,500,000.

Pursuant to the terms of the Credit Agreement, as amended by the Sixth Amendment, the Company was required to maintain minimum liquidity of at least $1,000,000 at all times.

The following table shows our minimum monthly ("Bank EBITDA") defined as Adjusted EBITDA, less capitalized software development costs for the applicable period, covenant thresholds, as modified by the Fifth Amendment:

Applicable period	Minimum EBITDA
For the twelve-month period ending August 31, 2019	$ (505,000)
For the twelve-month period ending September 30, 2019	(752,000)
For the twelve-month period ending October 31, 2019	(850,000)
For the twelve-month period ending November 30, 2019	(597,000)
For the twelve-month period ending December 31, 2019	(608,000)
For the twelve-month period ending January 31, 2020	(289,000)
For the twelve-month period ending February 29, 2020	(124,000)
For the twelve-month period ending March 31, 2020	(195,000)
For the twelve-month period ending April 30, 2020	(683,000)
For the twelve-month period ending May 31, 2020	(560,000)
For the twelve-month period ending June 30, 2020	(368,000)
For the twelve-month period ending July 31, 2020 and for the twelve-month period ending on the last day of each month thereafter	(374,000)

As of October 31, 2019, the Company had no borrowings under the revolving line of credit, and had accrued $17,000 in interest and unused line fees. Based upon the borrowing base formula set forth in the Credit Agreement, as of October 31, 2019, the Company had access to the full amount of the $1,500,000 revolving line of credit.

As described in Note 9, the Company entered into the Loan and Security Agreement with Bridge Bank and into a definitive asset purchase agreement with Hyland Healthcare, who will acquire certain assets of and assume certain identified liabilities of the Company's legacy Enterprise Content Management business (the "ECM Business") upon the satisfaction of certain customary closing conditions, including the receipt of approval of the Company's stockholders. Under the terms of the Loan and Security Agreement, the Company must prepay the Term Advance (as defined under the Loan and Security Agreement) from all available proceeds of the sale of the ECM Business. As such, the Company is required and will have both the intent and ability to repay its term loan and, accordingly, has reclassified the term loan from non-current to current.

Outstanding principal balances on debt consisted of the following at:

	October 31, 2019	January 31, 2019
Line of Credit	$ —	$ —
Term loan	3,582,000	4,030,000
Total	3,582,000	4,030,000
Deferred financing cost	(110,000)	(82,000)
Total	3,472,000	3,948,000
Less: Current portion	(3,472,000)	(597,000)
Non-current portion of debt	$ —	$ 3,351,000

NOTE 5 — CONVERTIBLE PREFERRED STOCK

Redemption of Series A Convertible Preferred Stock

On October 16, 2019, the Company issued 9,473,691 shares of common stock in consideration for aggregate proceeds of $9,663,000 in a private placement transaction. Each share of common stock was sold to the purchasers at $1.02 per share. The proceeds from the sale of common stock were used to redeem all 2,895,464 outstanding shares of Series A Convertible Preferred Stock, which were redeemed for a redemption price equal to $2.00 per share for a total redemption payment of $5,813,000 including $22,000 of direct costs associated with the redemption.

Pursuant to the guidance in ASC 260-10-S99-2 for redemptions of preferred stock, the Company compared the difference between the carrying amount of the Series A Convertible Preferred Stock, net of issuance costs, of $8,686,000 to the fair value of the consideration transferred of $5,813,000, which was reduced by the commitment date intrinsic value of the conversion option since the redemption included the reacquisition of a previously recognized beneficial conversion feature of $2,021,000 and added this difference to net income to arrive at income available to common stockholders in the calculation of basic earnings per share. As the carrying value of the Series A Convertible Preferred Stock was $8,686,000 on the date of redemption, the Company reflected the resulting return from the preferred stockholders of $4,894,000 as an adjustment to net income (loss) attributable to common stockholders in the Company's basic and diluted EPS calculations for the three and nine months ended October 31, 2019.

Balance at January 31, 2019	$	8,686,000
Redemption of Series A Convertible Preferred Stock		(5,791,000)
Fees paid for redemption of Series A Convertible Preferred Stock		(22,000)
Previously recognized beneficial conversion feature		2,021,000
Return from the preferred stockholders	$	4,894,000

See Note 2 for the Company's basic and diluted EPS calculations.

NOTE 6 — INCOME TAXES

Income tax expense consists of federal, state and local tax provisions. For the nine months ended October 31, 2019 and 2018, we recorded federal tax expense of zero. For the nine months ended both October 31, 2019 and 2018, we recorded state and local tax expense of $16,000.

NOTE 7 — COMMITMENTS AND CONTINGENCIES

Membership agreement to occupy shared office space

In fiscal year 2018, the Company entered into a membership agreement to occupy shared office space in Atlanta, Georgia. Our new shared office arrangement commenced upon taking possession of the space and ends in November 2020. Fees due under the membership agreement are based on the number of contracted seats and the use of optional office services. As of October 31, 2019, minimum fees due under the shared office arrangement totaled $160,000.

Royalty Liability

On October 25, 2013, we entered into a Software License and Royalty Agreement (the "Royalty Agreement") with Montefiore Medical Center ("Montefiore") pursuant to which Montefiore granted us an exclusive, worldwide 15-year license of Montefiore's proprietary clinical analytics platform solution, Clinical Looking Glass® ("CLG"), now known as our Clinical Analytics solution. In addition, Montefiore assigned to us the existing license agreement with a customer using CLG. As consideration under the Royalty Agreement, we paid Montefiore a one-time initial base royalty fee of $3,000,000. Additionally, we originally committed that Montefiore would receive at least an additional $3,000,000 of on-going royalty payments related to future sublicensing of CLG by us within the first six and one-half years of the license term. On July 1, 2018, we entered into a joint amendment to the Royalty Agreement and the existing Software License and Support Agreement with Montefiore to modify the payment obligations of the parties under both

agreements. According to the modified provisions, our obligation to pay on-going royalties under the Royalty Agreement was replaced with the obligation to (i) provide maintenance services for 24 months and waive associated maintenance fees, and (ii) pay $1,000,000 in cash by July 31, 2020. As a result of the commitment to fulfill a portion of our obligation by providing maintenance services at no cost, the royalty liability was significantly reduced, with a corresponding increase to deferred revenues. As of October 31, 2019, we had $552,000 in deferred revenues associated with this modified royalty liability. The fair value of the royalty liability as of October 31, 2019 was determined based on the amount payable in cash. As of October 31, 2019 and January 31, 2019, the present value of this royalty liability was $953,000 and $905,000, respectively.

NOTE 8 — RELATED PARTY TRANSACTIONS

In the second quarter of fiscal year 2019, in connection with the appointment of Wyche T. "Tee" Green, III, Chairman of the Board of the Company and Chairman and Chief Executive Officer of 121G, LLC ("121G"), as interim President and Chief Executive Officer of the Company, we entered into a consulting agreement with 121G Consulting, LLC ("121G Consulting"), an affiliate of 121G, to provide an assessment of the Company's innovation and growth teams and strategies and to develop a set of prioritized recommendations to be consolidated into a strategic plan for the Company's leadership team. The term of the agreement is three months (through October 2019), and 121G Consulting is expected to receive approximately $100,000 for services rendered under the consulting agreement, as well as reasonable and documented travel and other expenses incurred by 121G Consulting in rendering its services, which were approved by the Company's Audit Committee of the Board of Directors.

For the three-month and nine-month periods ended October 31, 2019, consulting fees incurred and payable to 121G Consulting totaled $116,000 and $121,000, respectively, and were included in executive transition cost on the condensed consolidated statements of operations.

NOTE 9 — SUBSEQUENT EVENTS

We have evaluated subsequent events occurring after October 31, 2019 and based on our evaluation we did not identify any events that would have required recognition or disclosure in these condensed consolidated financial statements, except for the following.

Loan and Security Agreement with Bridge Bank. On December 11, 2019, the Company entered into a new Loan and Security Agreement (the "Loan and Security Agreement") with Bridge Bank, a division of Western Alliance Bank, consisting of a $4,000,000 Term Loan and a $2,000,000 Revolving Credit Facility. The proceeds from the term loan were used to repay all outstanding balances under its existing term loan with Wells Fargo Bank. Amounts outstanding under the new Term Loan shall bear interest at a per annum rate equal to the higher of (a) the Prime Rate (as published in The Wall Street Journal) plus 1.50% or (b) 6.50%. Under the terms of the Loan and Security Agreement the Company shall make interest-only payments through the twelve-month anniversary date after which the Company shall repay the new Term Loan in thirty-six equal and consecutive installments of principal, plus monthly payments of accrued interest.

The new Revolving Credit Facility has a maturity date of twenty-four months and advances shall bear interest at a per annum rate equal to the higher of (a) the Prime Rate (as published in The Wall Street Journal) plus 1.25% or (b) 6.25%. The Revolving Credit Facility can be advanced based upon 80% of eligible accounts receivable, as defined in the Loan and Security Agreement.

Upon closing and funding of the sale of the ECM Business (see below), the Company is required to repay the Term Loan, however, the Company will continue to have access to the Revolving Credit Facility. The Company has classified the prior term loan from Wells Fargo, as current as of October 31, 2019, because of its intent and ability to pay the replacement Term Loan, in full, on or before, a twelve month period extending from the October 31, 2019 balance sheet date.

The Loan and Security Agreement, as amended, includes financial covenants, including requirements that the Company maintain a minimum asset coverage ratio and certain other financial covenants, including requirements that the Company shall not deviate by more than fifteen percent its revenue projections over a trailing three-month basis or

the Company's recurring revenue shall not deviate by more than twenty percent over a cumulative year-to-date basis of its revenue projections. In addition, beginning on December 31, 2019, the Company's Bank EBITDA, measured on a monthly basis over a trailing three-month period then ended, shall not deviate by the greater of thirty percent its projected Bank EBITDA or $150,000. The agreement also requires the Company to maintain a minimum Asset Coverage Ratio. The Asset Coverage Ratio is determined based on the ratio of unrestricted cash plus certain accounts that arise in the ordinary course the Company's business divided by all outstanding obligations to the bank. Pursuant to the terms of the new Loan and Security Agreement, the Company is required to maintain a minimum Asset Coverage Ratio of at least 0.75 to 1.00 from December 31, 2019 through November 30, 2020 and a minimum Asset Coverage Ratio of at least 1.50 to 1.00 each month thereafter.

The foregoing discussion regarding the Loan and Security Agreement does not purport to be complete and is qualified in its entirety by reference to the Loan and Security Agreement itself, which has been filed as Exhibit 10.5 to this Quarterly Report on Form 10-Q.

Wells Fargo Credit Agreement. In connection with entering into the Loan and Security Agreement discussed above, the Company terminated the Credit Agreement, dated November 21, 2014, by and among Wells Fargo Bank, National Association, a banking association, as administrative agent for the Lenders (as defined thereunder), the Lenders, the Company, and Streamline Health, Inc., an Ohio corporation and wholly-owned subsidiary of the Company, as amended from time to time, effective December 11, 2019, and repaid all outstanding amounts due thereunder.

Sale of ECM Business. On December 17, 2019, the Company entered into a definitive asset purchase agreement with Hyland Software, Inc. (the "Purchase Agreement") who is acquiring the assets of and certain identified liabilities of the Company's ECM Business. The purchase price for the transaction is $16 million, subject to certain adjustments for customer prepayments as set forth in the Purchase Agreement.

The Purchase Agreement and related transactions remain subject to approval of the stockholders of the Company, and is the transaction anticipated to close no later than March 31, 2020.

The foregoing discussion regarding the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the Purchase Agreement itself, which is attached as Exhibit 2.1 to the Company's Current Report on Form 8-K, which was filed with the SEC on December 18, 2019.

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

FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Report and in other materials we file with the SEC or otherwise make public. In this Report, Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements. In addition, our senior management makes forward-looking statements to analysts, investors, the media and others. Statements with respect to expected revenue, income, receivables, backlog, client attrition, acquisitions and other growth opportunities, sources of funding operations and acquisitions, the integration of our solutions, the performance of our channel partner relationships, the sufficiency of available liquidity, research and development, and other statements of our plans, beliefs or expectations are forward-looking statements. These and other statements using words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would" and similar expressions also are forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. The forward-looking statements we make are not guarantees of future performance, and we have based these statements on our assumptions and analyses in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such statements. Management cautions against putting

undue reliance on forward-looking statements or projecting any future results based on such statements or present or historical earnings levels.

Among the factors that could cause actual future results to differ materially from our expectations are the risks and uncertainties described under “Risk Factors” set forth in Part II, Item 1A, and the other cautionary statements in other documents we file with the SEC, including the following:

- competitive products and pricing;
- product demand and market acceptance;
- entry into new markets;
- new product and services development and commercialization;
- key strategic alliances with vendors and channel partners that resell our products;
- uncertainty in continued relationships with clients due to termination rights;
- our ability to control costs;
- availability, quality and security of products produced and services provided by third-party vendors;
- the healthcare regulatory environment;
- potential changes in legislation, regulation and government funding affecting the healthcare industry;
- healthcare information systems budgets;
- availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems;
- the success of our relationships with channel partners;
- fluctuations in operating results;
- our future cash needs;
- the consummation of resources in researching acquisitions, business opportunities or financings and capital market transactions;
- the failure to adequately integrate past and future acquisitions into our business;
- our ability to complete the sale of the ECM Business;
- critical accounting policies and judgments;
- changes in accounting policies or procedures as may be required by the FASB or other standard-setting organizations;
- changes in economic, business and market conditions impacting the healthcare industry and the markets in which we operate;

- our ability to maintain compliance with the terms of our credit arrangements; and
- our ability to maintain compliance with the continued listing standards of The NASDAQ Capital Market.

Most of these factors are beyond our ability to predict or control. Any of these factors, or a combination of these factors, could materially affect our future financial condition or results of operations and the ultimate accuracy of our forward-looking statements. There also are other factors that we may not describe (generally because we currently do not perceive them to be material) that could cause actual results to differ materially from our expectations.

We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Results of Operations

Revenues

(in thousands):	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018	Change	% Change
Systems sales:				
Proprietary software - perpetual license	$ 636	$ —	$ 636	100 %
Term license	—	231	(231)	(100)%
Hardware and third-party software	32	78	(46)	(59)%
Professional services	626	577	49	8 %
Audit services	517	234	283	121 %
Maintenance and support	2,827	3,051	(224)	(7)%
Software as a service	1,150	1,198	(48)	(4)%
Total Revenues	$ 5,788	$ 5,369	$ 419	8 %

(in thousands):	Nine Months Ended October 31, 2019	Nine Months Ended October 31, 2018	Change	% Change
System sales:				
Proprietary software - perpetual license	$ 936	$ 1,243	$ (307)	(25)%
Term license	27	397	(370)	(93)%
Hardware and third-party software	83	187	(104)	(56)%
Professional services	1,615	1,086	529	49 %
Audit services	1,266	841	425	51 %
Maintenance and support	8,537	9,577	(1,040)	(11)%
Software as a service	3,474	3,570	(96)	(3)%
Total Revenues	$ 15,938	$ 16,901	$ (963)	(6)%

Proprietary software and term licenses — Proprietary software revenue recognized for the three months ended October 31, 2019 increased by $636,000 and decreased by $307,000 for the nine months ended October 31, 2019, over the prior comparable periods. As previously reported, perpetual license sales are less predictable, from a timing standpoint, than other solutions sold by the Company. This decrease for the nine months ended October 31, 2019 is attributable to a large perpetual license sale of our Abstracting™ solution in the first quarter of fiscal year 2018. The Company is able to influence sales of these products; however, the timing can be difficult to manage as sales result from our distribution partners or, from existing customers adding licenses. Accordingly, we have less control over the timing of contract close for perpetual licenses. Term license revenue recognized for the three and nine months ended October 31, 2019 decreased by $231,000 and $370,000, respectively, over the prior comparable periods due to lost customers.

Hardware and third-party software — Revenue from hardware and third-party software sales for the three and nine months ended October 31, 2019 decreased by $46,000 and $104,000, respectively, over the prior comparable periods.

Fluctuations from period to period are a function of client demand for ancillary scanners and copiers supporting the Company's ECM Business.

Professional services — For the three and nine-month periods ended October 31, 2019, revenues from professional services increased by $49,000 and $529,000, respectively, from the prior comparable periods. This increase in professional services revenue is primarily due to the timing of completion of a several, large, professional services agreements. The Company had previously re-assigned certain professional staff to support the success of eValuator. However, the Company was able to return these staff to billable projects in the first quarter of fiscal year 2019, resulting in higher professional services revenue for the three and nine-months ended October 31, 2019 over the prior comparable period.

Audit services — Audit services revenue for the three and nine months ended October 31, 2019 increased by $283,000 and $425,000, respectively, over the prior comparable periods. The Company realized higher demand for audit services in the fourth quarter of 2018, and that higher demand has continued through the first nine months of 2019. The Company's expertise, demonstrated and supported by eValuator, and the fact that our professional staff is onshore is believed to be a competitive advantage with regard to the audit services provided by the Company. The Company continues to expect higher volumes of audit services throughout the remainder of 2019.

Maintenance and support — Revenue from maintenance and support for the three and nine months ended October 31, 2019 decreased by $224,000 and $1,040,000, respectively, over the prior comparable periods. The decrease is primarily due to pricing pressure and cancellations by certain customers of our legacy products, primarily enterprise content management (ECM). The customer pricing difference and rate of customer cancellations has not exceeded the Company's budget for fiscal year 2019. The Company has worked the last 18 months to negotiate multi-year agreements on the majority of its current maintenance and support contracts comprising its current, legacy revenue base. This has had the impact of lowering revenues in exchange for longer, sustained revenue. The lower quarterly revenues, as compared to quarterly revenues in the prior year, will continue throughout fiscal 2019.

Software as a Service (SaaS) — Revenue from SaaS for the three and nine months ended October 31, 2019 decreased by $48,000 and $96,000, respectively from the prior comparable periods. This decrease resulted from cancellations by a few customers of our legacy products, primarily our financial management software. The growth in eValuator revenue overcame a portion of the revenue loss from financial management. The Company is expecting net revenue growth as eValuator is expected to overcome any loss of revenue from financial management software in the first quarter of fiscal year 2020. The Company expects the recent bookings of eValuator to positively impact revenue into the first quarter of fiscal year 2020.

Cost of Sales

(in thousands):	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018	Change	% Change
Cost of systems sales	$ 135	$ 223	$ (88)	(39)%
Cost of professional services	493	675	(182)	(27)%
Cost of audit services	325	323	2	1 %
Cost of maintenance and support	453	506	(53)	(10)%
Cost of software as a service	356	207	149	72 %
Total cost of sales	$ 1,762	$ 1,934	$ (172)	(9)%

(in thousands):	Nine Months Ended October 31, 2019	Nine Months Ended October 31, 2018	Change	% Change
Cost of system sales	$ 391	$ 763	$ (372)	(49)%
Cost of professional services	1,616	2,079	(463)	(22)%
Cost of audit services	949	1,017	(68)	(7)%
Cost of maintenance and support	1,275	1,720	(445)	(26)%
Cost of software as a service	936	805	131	16 %
Total cost of sales	$ 5,167	$ 6,384	$ (1,217)	(19)%

The decrease in overall cost of sales for the three and nine months ended October 31, 2019 from the comparable prior periods is primarily due to the reduction in depreciation and amortization as well as a reduction in client support personnel costs. As previously disclosed, the Company has lower depreciation and amortization due to certain assets being fully amortized and impairments of certain assets from previous quarters. Further, for the third quarter of fiscal year 2019, the Company had a net reduction in capitalized software development amortization expense of approximately $214,000 related to a correction of an immaterial error (See Note 2).

Cost of system sales includes amortization and impairment of capitalized software expenditures and the cost of third-party hardware and software. The decrease in expense for the three and nine-month periods ended October 31, 2019 from the comparable prior periods was primarily due to the reduction in amortization of capitalized software costs as a result of assets becoming fully amortized, including our internally developed software.

The cost of professional services includes compensation and benefits for personnel and related expenses. The decrease in expense for the three and nine-month periods from the prior comparable periods is primarily due to the decrease in professional services related to SaaS implementations, for which costs are deferred and amortized ratably over the estimated life of the SaaS customer relationship. The Company is benefiting from the effort required to implement SaaS related engagements as compared to the legacy on-premise software implementations. On-premise implementations, as was the case with legacy software products implementations, took longer and involved more cost.

The cost of audit services includes compensation and benefits for audit services personnel, and related expenses. The increase in the cost associated with the three-month period ended October 31, 2019 is related to the increased volumes (and increased revenue) from the comparable period a year ago. The decrease in expense for the nine-month period ended October 31, 2019 is attributed to the reduction in personnel. The Company's audit services personnel utilize eValuator and it is believed that the product makes them more productive and efficient.

The cost of maintenance and support includes compensation and benefits for client support personnel and the cost of third-party maintenance contracts. The decrease in expense for the three- and nine-month periods ended October 31, 2019 was primarily due to a decrease in personnel costs and a reduction in third-party maintenance contracts. The lower cost associated with these reductions are expected to benefit the remainder of fiscal year 2019, and beyond.

The cost of SaaS solutions is relatively fixed, subject to inflation for the goods and services it requires. The expense for the three- and nine-month periods ended October 31, 2019 was slightly higher, as a result of higher amortization cost of capitalized software development, as compared to the previous periods. This is a different trend from the Company's capitalized software development amortization trends overall, and for the Company's other product categories. The higher amortization for the Company's SaaS products (the different trend) is a result of the amount of investment that the Company is putting into its newest product, eValuator.

Selling, General and Administrative Expense

(in thousands):	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018	Change	% Change
General and administrative expenses	$ 1,609	$ 1,613	$ (4)	(0)%
Sales and marketing expenses	1,191	779	412	53 %
Total selling, general, and administrative expense	$ 2,800	$ 2,392	$ 408	17 %

(in thousands):	Nine Months Ended October 31, 2019	Nine Months Ended October 31, 2018	Change	% Change
General and administrative expenses	$ 4,869	$ 5,314	$ (445)	(8)%
Sales and marketing expenses	2,876	2,846	30	1 %
Total selling, general, and administrative expense	$ 7,745	$ 8,160	$ (415)	(5)%

General and administrative expenses consist primarily of compensation and related benefits, reimbursable travel and entertainment expenses related to our executive and administrative staff, general corporate expenses, amortization of intangible assets, and occupancy costs. The decrease in general and administrative expenses for the three and nine-months ended October 31, 2019 from the comparable prior periods is primarily attributed to a reduction in facility costs, bad debt expense and amortization of intangible assets. The Company continues to realize a benefit from lower facility costs as compared to the same period in the prior year. In the third quarter of fiscal year 2019, however, some of those savings were absorbed by higher share-based compensation, costs for professional services (financial and legal), and certain transaction costs. We previously disclosed the Company's reduction in facility costs due to relocation of the corporate headquarters in Atlanta, Georgia and subleasing of the New York City office. The Company expects to continue to see less of this benefit in comparison to prior years, as the costs in the prior year were beginning to be realized, and the Company continues to expect higher share-based compensation and professional costs through the end of fiscal year 2019.

Sales and marketing expenses consist primarily of compensation and related benefits and reimbursable travel and entertainment expenses related to our sales and marketing staff, as well as advertising and marketing expenses, including trade shows. The increase in sales and marketing expenses include several factors that have been previously reported by the Company, including (i) the appointment of the Company's Chief Revenue Officer, a senior-level sales operations leader, and additional members of the Company's Advisory Board, , (ii) payments to sales agents, and (iii) costs related to the share-based compensation expense incurred in connection with the appointments referenced in (i), each of which resulted in additional expenses not incurred in prior periods. The Company has re-focused its sales and marketing dollars. The targeted and focused approach has resulted in dollars that have a higher return. Higher levels of sales and marketing costs should be expected as we continue to move toward velocity driven, entrepreneurial growth trajectory.

Research and Development

(in thousands):	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018	Change	% Change
Research and development expense	$ 726	$ 1,026	$ (300)	(29)%
Plus: Capitalized research and development cost	852	759	93	12 %
Total research and development cost	$ 1,578	$ 1,785	$ (207)	(12)%

(in thousands):	Nine Months Ended October 31, 2019	Nine Months Ended October 31, 2018	Change	% Change
Research and development expense	$ 2,385	$ 3,302	$ (917)	(28)%
Plus: Capitalized research and development cost	2,730	2,288	442	19 %
Total research and development cost	$ 5,115	$ 5,590	$ (475)	(8)%

Research and development cost consist primarily of compensation and related benefits, the use of independent contractors for specific near-term development projects, and allocated occupancy expense. Total research and

development cost for the three- and nine-month periods ended October 31, 2019 was consistent with that from the prior comparable periods. The Company has started an initiative to reduce its research and development costs as it focuses on the middle of the revenue cycle products, and no longer focuses on certain legacy products. The Company continues to evaluate the need for a flatter organization within engineering and to increase velocity and value in the core products offered by the Company. The Company is spending fewer dollars on maintenance for its legacy products from its engineering group as these products have attained maturity in the marketplace. For the nine months ended October 31, 2019 and 2018, as a percentage of revenues, total research and development costs were 32% and 33%, respectively.

Executive transition cost

	Three Months Ended			
(in thousands):	October 31, 2019	October 31, 2018	Change	% Change
Executive transition cost	$ 481	$ —	$ 481	100 %

	Nine Months Ended			
(in thousands):	October 31, 2019	October 31, 2018	Change	% Change
Executive transition cost	$ 621	$ —	$ 621	100 %

We recorded $481,000 in cost related to replacing the Company's CEO in the third quarter of fiscal year 2019. These costs, which include placement fees, retention bonuses for existing key personnel and certain required consulting costs are expected to total $800,000 for fiscal year 2019. Each of these costs are directly attributable to the successful placement of our new CEO with the Company.

Loss on exit of operating lease

	Three Months Ended			
(in thousands):	October 31, 2019	October 31, 2018	Change	% Change
Loss on exit of operating lease	$ —	$ 562	$ (562)	(100)%

	Nine Months Ended			
(in thousands):	October 31, 2019	October 31, 2018	Change	% Change
Loss on exit of operating lease	$ —	$ 1,368	$ (1,368)	(100)%

In an effort to reduce our operating expenses, we closed our New York office in the second quarter of fiscal year 2018 and subleased the office space for the remaining period of the original lease term, which ends in November 2019. As a result of vacating and subleasing the office, we recorded a $1,368,000 loss on exit of the operating lease in the nine months ended October 31, 2018, which captures the net cash flows associated with the vacated premises, including receipts of rent from our sublessee, and the loss incurred on the disposals of fixed assets.

Other Expense

	Three Months Ended			
(in thousands):	October 31, 2019	October 31, 2018	Change	% Change
Interest expense	$ (91)	$ (106)	$ 15	(14)%
Miscellaneous expense	(80)	(25)	(55)	220 %
Total other expense	$ (171)	$ (131)	$ (40)	31 %

	Nine Months Ended			
(in thousands):	October 31, 2019	October 31, 2018	Change	% Change
Interest expense	$ (239)	$ (332)	$ 93	28 %
Miscellaneous expense	(224)	(118)	(106)	(90)%
Total other expense	$ (463)	$ (450)	$ (13)	3 %

Interest expense consists of interest and commitment fees on the line of credit, interest on the term loan, and is inclusive of deferred financing cost amortization expense. Interest expense decreased for the three and nine months ended October 31, 2019 from the prior comparable period primarily due to the increase in capitalized interest on our internally developed software. The higher miscellaneous expense for the three and nine-month periods ended October 31, 2019 are a direct result of a one-time finance cost associated with our work to refinance the Company's debt arrangements. The Company incurred costs in connection with the refinancing of the debt arrangements, as well as ongoing costs in connection with its existing debt arrangements. The costs include consulting, legal and administrative cost of the lender associated with the refinancing. On a quarterly basis, the Company records the valuation adjustment to the Montefiore liability (See Note 7 to consolidated financial statements) through miscellaneous expense.

Provision for Income Taxes

We recorded tax expense for the three months ended October 31, 2019 and 2018 of $12,000 and $2,000 respectively. For the nine months ended October 31, 2019 and 2018 we recorded tax expense of $16,000 and $5,000, respectively. Tax expense is comprised of estimated federal, state and local income tax provisions. The Company has significant net operating loss carryforwards and is not expected to be a federal tax payer in fiscal year 2019.

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 has supplemented the Condensed 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 us, 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

We define: (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, transaction expenses and other expenses that do not relate to our core operations; (iii) Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of GAAP 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 our 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 expenses that do not relate to our core operations, including transaction-related expenses (such as professional and advisory services) and other costs that are expected to be non-recurring. Adjusted EBITDA removes the impact of share-based compensation expense and valuation adjustments to assets and liabilities, which are non-cash items. Adjusted EBITDA per diluted share includes incremental shares in the share count that are 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.

Our lender uses a measurement that is similar to the Adjusted EBITDA measurement described herein to assess our operating performance. The lender under our Credit Agreement requires delivery of compliance certificates certifying compliance with financial covenants, certain of which are based on a measurement that is similar to 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 our 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 that we may be 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, we encourage 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. We also strongly urge readers to review the reconciliation of these non-GAAP financial measures to the most comparable GAAP measure in this section, along with the Condensed 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 loss, the most comparable GAAP-based measure, as well as Adjusted EBITDA per diluted share to net loss per diluted share. All of the items included in the reconciliation from EBITDA and Adjusted EBITDA to loss and the related per share calculations are either recurring non-cash items, or items that management does not consider in assessing our on-going operating performance. In the case of the non-cash items, management believes that investors may find it useful to assess our comparative operating performance because the measures without such items are less susceptible to variances in actual performance resulting from depreciation, amortization and other expenses that do not relate to our core operations and are more reflective of other factors that affect operating performance. In the case of items that do not relate to our core

operations, management believes that investors may find it useful to assess our operating performance if the measures are presented without these items because their financial impact does not reflect ongoing operating performance.

In thousands, except per share data	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018	Nine Months Ended October 31, 2019	Nine Months Ended October 31, 2018
Adjusted EBITDA Reconciliation				
Net loss	$ (164)	$ (678)	$ (459)	$ (2,768)
Interest expense	91	106	239	332
Income tax expense	12	2	16	5
Depreciation	37	87	113	411
Amortization of capitalized software development costs	227	249	644	895
Amortization of intangible assets	138	235	424	705
Amortization of other costs	45	101	150	294
EBITDA	386	102	1,127	(126)
Share-based compensation expense	290	125	719	492
Loss on disposal of fixed assets	—	7	—	5
Non-cash valuation adjustments to assets and liabilities	16	15	48	71
Other non-recurring operating expenses	481	562	562	1,368
Other non-recurring expenses	131	—	205	—
Adjusted EBITDA	$ 1,304	$ 811	$ 2,661	$ 1,810
Adjusted EBITDA margin (1)	23 %	15 %	17 %	11 %
Adjusted EBITDA per Diluted Share Reconciliation				
Net income (loss) per common share — diluted	$ 0.22	$ (0.03)	$ (0.02)	$ (0.14)
Adjusted EBITDA per adjusted diluted share (2)	$ 0.05	$ 0.04	$ 0.11	0.08
Diluted weighted average shares (3)	21,598,146	19,655,882	20,435,055	19,495,745
Includable incremental shares — adjusted EBITDA (4)	2,736,075	2,971,381	2,976,967	3,033,263
Adjusted diluted shares	24,334,221	22,627,263	23,412,022	22,529,008

(1) Adjusted EBITDA as a percentage of GAAP net revenue.

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

(3) Diluted EPS for our common stock was computed using the if-converted method, which yields the same result as the two-class method.

(4) The number of incremental shares that would be dilutive under an assumption that the Company is profitable during the reported period, which is only applicable for a period in which the Company reports a GAAP net loss. If a GAAP profit is earned in the reported periods, 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 Note 2 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended January 31, 2019. 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, 2019, except as described in Note 2, Correction of Immaterial Errors, and below.

We adopted ASC 842 on February 1, 2019 using the effective date transition method. This method requires us to recognize an adoption impact as a cumulative-effect adjustment to the February 1, 2019 retained earnings balance. Prior period balances were not adjusted upon adoption this standard. The standard requires that leased assets and

corresponding lease liabilities be recognized within the consolidated balance sheets as right-to-use assets and operating or financing lease liabilities. Please refer to Note 3, "Leases", to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for additional information regarding the impact of adoption.

Liquidity and Capital Resources

Our 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 and capital expenditures, and (iii) the level of operating expenses, all of which can vary significantly from quarter-to-quarter. Our primary cash requirements include regular payment of payroll and other business expenses, capital expenditures, and principal and interest payments on debt. Capital expenditures generally include computer hardware and computer software to support internal development efforts or infrastructure in the SaaS data center. Operations are funded with cash generated by operations and borrowings under our credit arrangements. The Company believes that cash flows from operations and available credit arrangements are adequate to fund current obligations for the next twelve months. Cash and cash equivalent balances at October 31, 2019 and January 31, 2019 were $1,220,000 and $2,376,000, respectively. The decrease in cash during the current fiscal period is primarily the result of normal seasonality on the timing of our large maintenance invoices that are invoiced to customers and paid in the fourth quarter every year. See additional discussion below. There can be no assurance the Company will be able to raise the capital required to fund further expansion.

As discussed in Note 9, in connection with entering into the Loan and Security Agreement, the Company terminated the Credit Agreement, effective December 11, 2019, and repaid all outstanding amounts due thereunder. Prior to its termination, the Company had liquidity through the Credit Agreement, which is described in more detail in Note 4 to our condensed consolidated financial statements included herein. In order to draw upon the revolving line of credit, the Company's primary operating subsidiary was required to comply with customary information delivery and financial covenants, including the requirement that the Company maintain minimum liquidity of at least $1,000,000. The Credit Agreement also required that the Company achieve certain minimum EBITDA levels, calculated pursuant to the Credit Agreement and measured, at all times prior to the effective date of the Fifth Amendment, on a quarter-end basis, of at least the required amounts in the relevant table set forth in Note 4 to our condensed consolidated financial statements included in Part I, Item 1 herein for the applicable period set forth therein.

The Company has continuing liquidity through its new Loan and Security Agreement entered into on December 11, 2019 with Bridge Bank, a division of Western Alliance Bank, consisting of a $4,000,000 new Term Loan and a $2,000,000 new Revolving Credit Facility, see Note 9. The proceeds from the term loan were used to repay all outstanding balances under its existing term loan with Wells Fargo Bank. Amounts outstanding under the new Term Loan shall bear interest at per annum rate equal to the higher of (a) the Prime Rate (as published in The Wall Street Journal) plus 1.50% or (b) 6.50%. Under the terms of the Loan and Security Agreement the Company shall make interest-only payments through the twelve-month anniversary date after which the Company shall repay the new Term Loan in thirty-six equal and consecutive installments of principal, plus monthly payments of accrued interest. The new Revolving Credit Facility has a maturity date of twenty-four months and advances shall bear interest at a per annum rate equal to the higher of (a) the Prime Rate (as published in The Wall Street Journal) plus 1.25% or (b) 6.25%. The Revolving Line of Credit Facility can be advanced based upon 80% of eligible accounts receivable, as defined in the Loan and Security Agreement.

The Loan and Security Agreement, as amended, includes financial covenants, including requirements that the Company maintain a minimum asset coverage ratio and certain other financial covenants, including requirements that the Company shall not deviate by more than fifteen percent its revenue projections over a trailing three-month basis or the Company's recurring revenue shall not deviate by more than twenty percent over a cumulative year-to-date basis of its revenue projections. In addition, beginning on December 31, 2019, the Company's Adjusted EBITDA, measured on a monthly basis over a trailing three-month period then ended, shall not deviate by the greater of thirty percent its projected Adjusted EBITDA or $150,000. The agreement also requires the Company to maintain a minimum Asset Coverage Ratio. The Asset Coverage Ratio is determined based on the ratio of unrestricted cash plus certain accounts that arise in the ordinary course the Company's business divided by all outstanding obligations to the bank. Pursuant to the terms of the new Loan and Security Agreement, the Company is required to maintain a minimum Asset Coverage

Ratio of at least 0.75 to 1.00 from December 31, 2019 through November 30, 2020 and a minimum Asset Coverage Ratio of at least 1.50 to 1.00 each month thereafter.

The Company was in compliance with its applicable loan covenants at October 31, 2019. As of October 31, 2019, there were no outstanding borrowings under its line of credit.

Upon closing and funding of the sale of the ECM Business (see below), the Company is required to repay the Term Loan; however, the Company will continue to have access to the Revolving Credit Facility. The Company has classified the prior term loan from Wells Fargo, as current as of October 31, 2019, because of its intent and ability to repay the replacement Term Loan, in full, on or before, a twelve-month period extending from the October 31, 2019 balance sheet date.

As discussed in Note 9, the Company signed a definitive agreement to sell its legacy ECM business to and plans to use the proceeds of the sale to pay off its term loan with Bridge Bank and to fund the continuing development and incremental investment in sales and marketing in support of its eValuator™ cloud-based pre- and post-bill coding analysis platform. The closing of the transaction is subject to customary closing conditions, including the approval of the transaction by Streamline Health's stockholders, and the Company expects the transaction to close no later than March 31, 2020 and expects to receive $9.6 million in cash and cash equivalents after repaying its term loan and transaction fees.

Significant cash obligations

(in thousands)	October 31, 2019	January 31, 2019
Term loan (1)	$ 3,472	$ 3,948
Royalty liability (2)	953	905

(1) Term loan balance is reported net of deferred financing costs of $110,000 and $82,000 as of October 31, 2019 and January 31, 2019, respectively. See Note 4 to the condensed consolidated financial statements for additional information.

(2) See Note 7 to the condensed consolidated financial statements for additional information.

Operating cash flow activities

	Nine Months Ended	
(in thousands)	October 31, 2019	October 31, 2018
Net loss	$ (459)	$ (2,768)
Non-cash adjustments to net loss	2,031	4,270
Cash impact of changes in assets and liabilities	(2,547)	(2,210)
Net cash provided by operating activities	$ (975)	$ (708)

The decrease in net cash provided by operating activities is due to the use of cash by the Company to pay liabilities associated with restructuring the office spaces in fiscal year 2018. Accrued expenses are lower by approximately $400,000 in October 2019 compared with end of fiscal year 2018. This reflects the payments of the lease obligations, as well as, certain other commitments.

Our typical clients are well-established hospitals, medical facilities and major health information system companies that resell our solutions, which generally have had good credit and payment histories for the industry. However, some healthcare organizations have recently 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 liquidity for some of our clients.

The Company has large maintenance contracts that renew in its fourth quarter each year. The use of cash from operations has been a historical trend, that has continued for fiscal year 2019. The Company expects these maintenance agreements to be invoiced and collected similarly to years past, and, accordingly, the fourth quarter of fiscal year 2019, is expected to show a substantial cash inflow.

Investing cash flow activities

(in thousands)	Nine Months Ended	
	October 31, 2019	October 31, 2018
Purchases of property and equipment	$ (51)	$ (21)
Proceeds from sales of property and equipment	—	20
Capitalized software development costs	(2,730)	(2,288)
Net cash used in investing activities	$ (2,781)	$ (2,289)

The increase in cash used for investing activities in the nine months ended October 31, 2019 over the prior comparable period is primarily the result of the increase in capitalized software development costs, which is associated with the higher effort spent on software development projects such as our newest product, eValuator. See discussion and analysis in "Research and development costs" above.

Financing cash flow activities

(in thousands)	Nine Months Ended	
	October 31, 2019	October 31, 2018
Proceeds from issuance of common stock	$ 9,663	$ —
Payments for costs directly attributable to the issuance of common stock	(681)	—
Principal payments on term loan	(448)	(448)
Payments related to settlement of employee shared-based awards	(50)	(62)
Redemption of Series A Convertible Preferred Stock	(5,791)	—
Fees paid for redemption of Series A Convertible Preferred Stock	(22)	—
Payment of deferred financing costs	(73)	—
Other	2	31
Net cash provided by financing activities	$ 2,600	$ (479)

The increase in cash provided by financing activities in the nine months ended October 31, 2019 as compared to the prior year period was primarily the result of issuance of 9,473,691 shares of common stock in consideration for aggregate proceeds of $9,663,000 in a private placement transaction offset by the redemption of all outstanding Series A Preferred Stock. See Note 5 for further discussion of the redemption of our Series A Convertible Preferred Stock.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a "smaller reporting company," as defined by Item 10 of Regulation S-K, we are not required to provide this information.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that there is reasonable assurance that the information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Exchange Act Rules 13a-15(e) and 15d-15(e). In designing and evaluating the disclosure controls and procedures, management

recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, projections of any evaluation of effectiveness of our disclosure controls and procedures to future periods are subject to the risk that controls or procedures may become inadequate because of changes in conditions, or that the degree of compliance with the controls or procedures may deteriorate.

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company's senior management, including the Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of the design and operation of the Company's disclosure controls and procedures to provide reasonable assurance of achieving the desired objectives of the disclosure controls and procedures. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective as of October 31, 2019 for reasons described below. Notwithstanding the material weakness described below, the Company's management, including the Chief Executive Officer and Chief Financial Officer, has concluded that the financial statements included in this Form 10-Q are fairly stated, in all material respects, in accordance with GAAP for each of the periods presented herein.

We have advised our Audit Committee of a material weakness in our internal control over financial reporting. The weakness relates to the Company's accounting for amortization expenses for (i) certain software projects underlying its "Capitalized Software Development costs" by not timely amortizing projects that were completed, and (ii) the application of GAAP on amortization of all the capitalized software development costs, as more thoroughly discussed in Note 2 and below, which resulted in the asset not being appropriately amortized and, accordingly, the corresponding amortization expenses and net Capitalized Software Development costs balance not being correct in the Company's consolidated financial statements for fiscal years 2017 and 2018 and the first half of fiscal year 2019.

Changes in Internal Control over Financial Reporting

The Company has taken the following actions during the fiscal fourth quarter of 2019 in an attempt to remediate the material weakness described above; (i) implementing a number of additional policies and procedures (ii) improving the communication between the accounting and engineering departments through required meetings (iii) supervisory review of projects to ensure compliance with the new policies and procedures and (iv) periodic reporting to more effectively monitor the status of projects. The additional policies and procedures include but are not limited to; (a) guidelines on completing projects within two sprints under the Company's processes for engineering, (b) assignment of accountability, and (c) strict policies around placing projects on temporary "HOLD."

The Company adopted ASC 842 on February 1, 2019, which required management to make changes to our policies and processes and to implement new or modify existing internal controls over financial reporting. This included modifications to our existing internal controls over contract reviews and new controls related to the enhanced disclosure requirements.

Except as set forth above, there were no other 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 control 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 could have a material adverse effect on the Company's condensed consolidated results of operations, financial position, or cash flows.

Item 1A. RISK FACTORS

An investment in our common stock or other securities involves a number of risks. You should carefully consider each of the risks described below before deciding to invest in our common stock or other securities. If any of the following risks develops into actual events, our business, financial condition or results of operations could be negatively affected, the market price of our common stock or other securities could decline, and you may lose all or part of your investment.

Risks Relating to Our Business

Our sales have been concentrated in a small number of clients.

Our revenues have been concentrated in a relatively small number of large clients, and we have historically derived a substantial percentage of our total revenues from a few clients. For both fiscal years ended January 31, 2019 and 2018, our five largest clients accounted for 29% of our total revenues. If one or more clients terminate all or any portion of a master agreement, delay installations or if we fail to procure additional agreements, there could be a material adverse effect on our business, financial condition and results of operations.

A significant increase in new SaaS contracts could reduce near term profitability and require a significant cash outlay, which could adversely affect near term cash flow and financial flexibility.

If new or existing clients purchase significant amounts of our SaaS services, we may have to expend a significant amount of initial setup costs and time before those new clients are able to begin using such services, and we cannot begin to recognize revenues from those SaaS agreements until the commencement of such services. Accordingly, we anticipate that our near term cash flow, revenue and profitability may be adversely affected by significant incremental setup costs from new SaaS clients that would not be offset by revenue until new SaaS clients go into production. While we anticipate long-term growth in profitability through increases in recurring SaaS subscription fees and significantly improved profit visibility, any inability to adequately finance setup costs for new SaaS solutions could result in the failure to put new SaaS solutions into production, and could have a material adverse effect on our liquidity, financial position and results of operations. In addition, this near term cash flow demand could adversely impact our financial flexibility and cause us to forego otherwise attractive business opportunities or investments.

Our eValuator platform, coding audit services and associated software and technologies represent a relatively new market for the Company, and we may not see the anticipated market interest or growth due to being a new player in the industry.

The Company is currently investing in the eValuator platform as well as in new software-based technologies relating to high automation and machine-based analytics regarding a client’s coding audit process. The return on this investment requires that the product developments continue to be defined and completed in a timely and cost-effective manner, there remains general interest in the marketplace (for both existing and future clients) for this technology, the demand for the product generates sufficient revenue in light of the development costs and that the Company is able to execute a successful product launch for these technologies. If the Company is unable to meet these requirements when launching these technologies, or if there is a delay in the launch process, the Company may not see an increase in revenue to offset the current development costs or otherwise translate to added growth and revenue for the Company.

Clients may exercise termination rights within their contracts, which may cause uncertainty in anticipated and future revenue streams.

The Company generally does not allow for termination of a client’s agreement except at the end of the agreed upon term or for cause. However, certain of the Company’s client contracts provide that the client may terminate the contract without cause prior to the end of the term of the agreement by providing written notice, sometimes with relatively short notice periods. The Company also provides trial or evaluation periods for certain clients, especially for new products and services. Furthermore, there can be no assurance that a client will not cancel all or any portion of an agreement, even without an express early termination right. And, the Company may face additional costs or hardships collecting on

amounts owed if a client terminates an agreement without such a right. Whether resulting from termination for cause or the limited termination for convenience rights discussed above, the existence of contractual relationships with these clients is not an assurance that we will continue to provide services for our clients through the entire term of their respective agreements. If clients representing a significant portion of our revenue terminated their agreements unexpectedly, we may not, in the short-term, be able to replace the revenue and income from such contracts and this would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. In addition, client contract terminations could harm our reputation within the industry, especially any termination for cause, which could negatively impact our ability to obtain new clients.

Changes in healthcare regulations impacting coding, payers and other aspects of the healthcare regulatory cycle could have substantial impact on our financial performance, growth and operating costs.

Our sales and profitability depend, in part, on the extent to which coverage of and reimbursement for medical care provided is available from governmental health programs, private health insurers, managed care plans and other third-party payors. Unanticipated regulatory changes could materially impact the need for and/or value of our solutions. For example, if governmental or other third-party payors materially reduce reimbursement rates or fail to reimburse our clients adequately, our clients may suffer adverse financial consequences. Changes in regulations affecting the healthcare industry, such as any increased regulation by governmental agencies of the purchase and sale of medical products, or restrictions on permissible discounts and other financial arrangements, could also directly impact the capabilities our solutions and services provide and the pricing arrangements we are required to offer to be competitive in the market. Similarly, the U.S. Congress may adopt legislation that may change, override, conflict with or preempt the currently existing regulations and which could restrict the ability of clients to obtain, use or disseminate patient health information and/or impact the value of the functionality our products and services provide.

These situations would, in turn, reduce the demand for our solutions or services and/or the ability for a client to purchase our solutions or services. This could have a material impact on our financial performance. In addition, the speed with which the Company can respond to and address any such changes when compared with the response of other companies in the same market (especially companies who may accurately anticipate the evolving healthcare industry structure and identify unmet needs) are important competitive factors. If the Company is not able to address the modifications in a timely manner compared with our competition, that may further reduce demand for our solutions and services.

The potential impact on us of new or changes in existing federal, state and local regulations governing healthcare information could be substantial.

Healthcare regulations issued to date have not had a material adverse effect on our business. However, we cannot predict the potential impact of new or revised regulations that have not yet been released or made final, or any other regulations that might be adopted. The U.S. Congress may adopt legislation that may change, override, conflict with or preempt the currently existing regulations and which could restrict the ability of clients to obtain, use or disseminate patient health information. Although the features and architecture of our existing solutions can be modified, it may be difficult to address the changing regulation of healthcare information.

The healthcare industry is highly regulated. Any material changes in the political, economic or regulatory healthcare environment that affect the group purchasing business or the purchasing practices and operations of healthcare organizations, or that lead to consolidation in the healthcare industry, could require us to modify our services or reduce the funds available to providers to purchase our solutions and services.

Our business, financial condition and results of operations depend upon conditions affecting the healthcare industry generally and hospitals and health systems particularly. Our ability to grow will depend upon the economic environment of the healthcare industry, as well as our ability to increase the number of solutions that we sell to our clients. The healthcare industry is highly regulated and is subject to changing political, economic and regulatory influences. Factors such as changes in reimbursement policies for healthcare expenses, consolidation in the healthcare industry, regulation, litigation and general economic conditions affect the purchasing practices, operation and, ultimately, the operating funds of healthcare organizations. In particular, changes in regulations affecting the healthcare industry, such as any increased

regulation by governmental agencies of the purchase and sale of medical products, or restrictions on permissible discounts and other financial arrangements, could require us to make unplanned modifications to our solutions and services, or result in delays or cancellations of orders or reduce funds and demand for our solutions and services.

Our clients derive a substantial portion of their revenue from third-party private and governmental payors, including through Medicare, Medicaid and other government-sponsored programs. Our sales and profitability depend, in part, on the extent to which coverage of and reimbursement for medical care provided is available from governmental health programs, private health insurers, managed care plans and other third-party payors. If governmental or other third-party payors materially reduce reimbursement rates or fail to reimburse our clients adequately, our clients may suffer adverse financial consequences, which in turn, may reduce the demand for and ability to purchase our solutions or services.

We face significant competition, including from companies with significantly greater resources.

We currently compete with many other companies for the licensing of similar software solutions and related services. Several companies historically have dominated the clinical information systems software market and several of these companies have either acquired, developed or are developing their own content management, analytics and coding/clinical documentation improvement solutions, as well as the resultant workflow technologies. The industry is undergoing consolidation and realignment as companies position themselves to compete more effectively. Many of these companies are larger than us and have significantly more resources to invest in their business. In addition, information and document management companies serving other industries may enter the market. Suppliers and companies with whom we may establish strategic alliances also may compete with us. Such companies and vendors may either individually, or by forming alliances excluding us, place bids for large agreements in competition with us. A decision on the part of any of these competitors to focus additional resources in any one of our three solutions stacks (content management, analytics and coding/clinical documentation improvement), workflow technologies and other markets addressed by us could have a material adverse effect on us.

The healthcare industry is evolving rapidly, which may make it more difficult for us to be competitive in the future.

The U.S. healthcare system is under intense pressure to improve in many areas, including modernization, universal access and controlling skyrocketing costs of care. We believe that the principal competitive factors in our market are client recommendations and references, company reputation, system reliability, system features and functionality (including ease of use), technological advancements, client service and support, breadth and quality of the systems, the potential for enhancements and future compatible solutions, the effectiveness of marketing and sales efforts, price and the size and perceived financial stability of the vendor. In addition, we believe that the speed with which companies in our market can anticipate the evolving healthcare industry structure and identify unmet needs is an important competitive factor. If we are unable to keep pace with changing conditions and new developments, we will not be able to compete successfully in the future against existing or potential competitors.

Rapid technology changes and short product life cycles could harm our business.

The market for our solutions and services is characterized by rapidly changing technologies, regulatory requirements, evolving industry standards and new product introductions and enhancements that may render existing solutions obsolete or less competitive. As a result, our position in the healthcare information technology market could change rapidly due to unforeseen changes in the features and functions of competing products, as well as the pricing models for such products. Our future success will depend, in part, upon our ability to enhance our existing solutions and services and to develop and introduce new solutions and services to meet changing requirements. Moreover, competitors may develop competitive products that could adversely affect our operating results. We need to maintain an ongoing research and development program to continue to develop new solutions and apply new technologies to our existing solutions but may not have sufficient funds with which to undertake such required research and development. If we are not able to foresee changes or to react in a timely manner to such developments, we may experience a material, adverse impact on our business, operating results and financial condition.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our solutions and services.

Our intellectual property, which represents an important asset to us, has some protection against infringement through copyright and trademark law. We generally have little patent protection on our software. We rely upon license agreements, employment agreements, confidentiality agreements, nondisclosure agreements and similar agreements to maintain the confidentiality of our proprietary information and trade secrets. Notwithstanding these precautions, others may copy, reverse engineer or independently design technology similar to our solutions. If we fail to protect adequately our intellectual property through trademarks and copyrights, license agreements, employment agreements, confidentiality agreements, nondisclosure agreements or similar agreements, our intellectual property rights may be misappropriated by others, invalidated or challenged, and our competitors could duplicate our technology or may otherwise limit any competitive technology advantage we may have. It may be necessary to litigate to enforce or defend our proprietary technology or to determine the validity of the intellectual property rights of others. Any litigation, successful or unsuccessful, may result in substantial cost and require significant attention by management and technical personnel.

Due to the rapid pace of technological change, we believe our future success is likely to depend upon continued innovation, technical expertise, marketing skills and client support and services rather than on legal protection of our intellectual property rights. However, we have aggressively asserted our intellectual property rights when necessary and intend to do so in the future.

We could be subjected to claims of intellectual property infringement that could be expensive to defend.

While we do not believe that our solutions and services infringe upon the intellectual property rights of third parties, the potential for intellectual property infringement claims continually increases as the number of software patents and copyrighted and trademarked materials continues to rapidly expand. Any claim for intellectual property right infringement, even if not meritorious, could be expensive to defend. If we were held liable for infringing third-party intellectual property rights, we could incur substantial damage awards, and potentially be required to cease using the technology, produce non-infringing technology or obtain a license to use such technology. Such potential liabilities or increased costs could be material to us.

Over the last several years, we have completed a number of acquisitions and may undertake additional acquisitions in the future. Any failure to adequately integrate past and future acquisitions into our business could have a material adverse effect on us.

Over the last several years, we have completed several acquisitions of businesses through asset and stock purchases. We expect that we will make additional acquisitions in the future.

Acquisitions involve a number of risks, including, but not limited to:

- the potential failure to achieve the expected benefits of the acquisition, including the inability to generate sufficient revenue to offset acquisition costs, or the inability to achieve expected synergies or cost savings;

- unanticipated expenses related to acquired businesses or technologies and their integration into our existing businesses or technology;

- the diversion of financial, managerial and other resources from existing operations;

- the risks of entering into new markets in which we have little or no experience or where competitors may have stronger positions;

- potential write-offs or amortization of acquired assets or investments;

- the potential loss of key employees, clients or partners of an acquired business;
- delays in client purchases due to uncertainty related to any acquisition;
- potential unknown liabilities associated with an acquisition; and
- the tax effects of any such acquisitions.

If we fail to successfully integrate acquired businesses or fail to implement our business strategies with respect to acquisitions, we may not be able to achieve projected results or support the amount of consideration paid for such acquired businesses, which could have an adverse effect on our business and financial condition.

Finally, if we finance acquisitions by issuing equity or convertible or other debt securities, our existing stockholders may be diluted, or we could face constraints related to the terms of and repayment obligations related to the incurrence of indebtedness. This could adversely affect the market price of our securities.

We could consume resources in researching acquisitions, business opportunities or financings and capital market transactions that are not ultimately consummated, which could materially adversely affect our financial condition and subsequent attempts to locate and acquire or invest in another business.

We anticipate that the investigation of each specific acquisition or business opportunity and the negotiation, drafting, and execution of relevant agreements, disclosure documents, and other instruments with respect to such transaction will require substantial management time and attention and substantial costs for financial advisors, accountants, attorneys and other advisors. If a decision is made not to consummate a specific acquisition, business opportunity or financing and capital market transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific acquisition, investment target or financing, we may fail to consummate the investment or acquisition for any number of reasons, including those beyond our control. Any such event could consume significant management time and result in a loss to us of the related costs incurred, which could adversely affect our financial position and our ability to consummate other acquisitions and investments.

Third-party products are essential to our software.

Our software incorporates software licensed from various vendors into our proprietary software. In addition, third-party, stand-alone software is required to operate some of our proprietary software modules. The loss of the ability to use these third-party products, or ability to obtain substitute third-party software at comparable prices, could have a material adverse effect on our ability to license our software.

Our solutions may not be error-free and could result in claims of breach of contract and liabilities.

Our solutions are very complex and may not be error-free, especially when first released. Although we perform extensive testing, failure of any solution to operate in accordance with its specifications and documentation could constitute a breach of the license agreement and require us to correct the deficiency. If such deficiency is not corrected within the agreed-upon contractual limitations on liability and cannot be corrected in a timely manner, it could constitute a material breach of a contract allowing the termination thereof and possibly subjecting us to liability. Also, we sometimes indemnify our clients against third-party infringement claims. If such claims are made, even if they are without merit, they could be expensive to defend. Our license and SaaS agreements generally limit our liability arising from these types of claims, but such limits may not be enforceable in some jurisdictions or under some circumstances. A significant uninsured or under-insured judgment against us could have a material adverse impact on us.

We could be liable to third parties from the use of our solutions.

Our solutions provide access to patient information used by physicians and other medical personnel in providing medical care. The medical care provided by physicians and other medical personnel are subject to numerous medical malpractice and other claims. We attempt to limit any potential liability of ours to clients by limiting the warranties on our solutions in our agreements with our clients (i.e., healthcare providers). However, such agreements do not protect us from third-party claims by patients who may seek damages from any or all persons or entities connected to the process of delivering patient care. We maintain insurance, which provides limited protection from such claims, if such claims result in liability to us. Although no such claims have been brought against us to date regarding injuries related to the use of our solutions, such claims may be made in the future. A significant uninsured or under-insured judgment against us could have a material adverse impact on us.

Our SaaS and support services could experience interruptions.

We provide SaaS for many clients, including the storage of critical patient, financial and administrative data. In addition, we provide support services to clients through our client support organization. We have redundancies, such as backup generators, redundant telecommunications lines and backup facilities built into our operations to prevent disruptions. However, complete failure of all generators, impairment of all telecommunications lines or severe casualty damage to the primary building or equipment inside the primary building housing our hosting center or client support facilities could cause a temporary disruption in operations and adversely affect clients who depend on the application hosting services. Any interruption in operations at our data center or client support facility could cause us to lose existing clients, impede our ability to obtain new clients, result in revenue loss, cause potential liability to our clients and increase our operating costs.

Our SaaS solutions are provided over an internet connection. Any breach of security or confidentiality of protected health information could expose us to significant expense and harm our reputation.

We provide remote SaaS-model solutions for clients, including the storage of critical patient, financial and administrative data. We have security measures in place to prevent or detect misappropriation of protected health information. We must maintain facility and systems security measures to preserve the confidentiality of data belonging to clients, as well as their patients, that resides on computer equipment in our data center, which we handle via application hosting services, or that is otherwise in our possession. Notwithstanding efforts undertaken to protect data, it can be vulnerable to infiltration as well as unintentional lapse. If confidential information is compromised, we could face claims for contract breach, penalties and other liabilities for violation of applicable laws or regulations, significant costs for remediation and re-engineering to prevent future occurrences and serious harm to our reputation.

The loss of key personnel could adversely affect our business.

Our success depends, to a significant degree, on our management, sales force and technical personnel. We must recruit, motivate and retain highly skilled managers, sales, consulting and technical personnel, including solution programmers, database specialists, consultants and system architects who have the requisite expertise in the technical environments in which our solutions operate. Competition for such technical expertise is intense. Our failure to attract and retain qualified personnel could have a material adverse effect on us.

Our future success depends upon our ability to grow, and if we are unable to manage our growth effectively, we may incur unexpected expenses and be unable to meet our clients' requirements.

We will need to expand our operations if we successfully achieve greater demand for our products and services. We cannot be certain that our systems, procedures, controls and human resources will be adequate to support expansion of our operations. Our future operating results will depend on the ability of our officers and employees to manage changing business conditions and to implement and improve our technical, administrative, financial control and reporting systems. We may not be able to expand and upgrade our systems and infrastructure to accommodate these increases. Difficulties in managing any future growth, including as a result of integrating any prior or future acquisition with our existing

businesses, could cause us to incur unexpected expenses or render us unable to meet our clients' requirements, and consequently have a significant negative impact on our business, financial condition and operating results.

We may not have access to sufficient or cost-efficient capital to support our growth, execute our business plans and remain competitive in our markets.

As our operations grow and as we implement our business strategies, we expect to use both internal and external sources of capital. In addition to cash flow from normal operations, we may need additional capital in the form of debt or equity to operate and support our growth, execute our business plans and remain competitive in our markets. We may have no or limited availability to such external capital, in which case our future prospects may be materially impaired. Furthermore, we may not be able to access external sources of capital on reasonable or favorable terms. Our business operations could be subject to both financial and operational covenants that may limit the activities we may undertake, even if we believe they would benefit our company.

We previously entered into a software license and royalty agreement with Montefiore Medical Center pursuant to which we are obligated to pay Montefiore $1,000,000 in cash by July 31, 2020. The payment of this obligation could adversely affect our business.

On October 25, 2013, we entered into a software license and royalty agreement with Montefiore Medical Center ("Montefiore") pursuant to which Montefiore granted us an exclusive, worldwide 15-year license of Montefiore's proprietary clinical analytics platform solution, Clinical Looking Glass® ("CLG"), now known as our Clinical Analytics solution. We originally committed that Montefiore would receive at least an additional $3,000,000 of on-going royalty payments related to future sublicensing of CLG by us within the first six and one-half years of the license term. On July 1, 2018, we entered into an amendment to software license and royalty agreement to modify our payment obligations such that under the modified provisions, our obligation to pay on-going royalties was replaced with the obligation to, among other things, pay $1,000,000 in cash by July 31, 2020. To the extent that cash flow from operations is insufficient to pay this obligation, we may pay all or some of this obligation from, among other things, drawings on our credit arrangement, proceeds from asset sales or the sale of our securities. The payment of this obligation may reduce the amount of proceeds available for acquisitions, negatively impact the value of our common stock and reduce the overall return.

Potential disruptions in the credit markets may adversely affect our business, including the availability and cost of short-term funds for liquidity requirements and our ability to meet long-term commitments, which could adversely affect our results of operations, cash flows and financial condition.

If internally generated funds are not available from operations, we may be required to rely on the banking and credit markets to meet our financial commitments and short-term liquidity needs. Our access to funds under our revolving credit arrangements or pursuant to arrangements with other financial institutions is dependent on the financial institution's ability to meet funding commitments. Financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience high volumes of borrowing requests from other borrowers within a short period of time.

We must maintain compliance with the terms of our existing credit arrangements or receive a waiver for any non-compliance. The failure to maintain compliance could have a material adverse effect on our ability to finance our ongoing operations and we may not be able to find an alternative lending source if a default occurs.

In November 2014, we entered into a Credit Agreement (the "Credit Agreement") with Wells Fargo Bank, N.A., as administrative agent, and other lenders party thereto. The Credit Agreement included customary financial covenants, including the requirements that the Company maintain certain minimum liquidity and achieve certain minimum EBITDA levels. See Note 9 for further discussion regarding the Company terminating the Credit Agreement, effective December 11, 2019, and entering into the Loan and Security Agreement.

In order to draw upon its revolving line of credit, pursuant to the terms of the Credit Agreement, the Company was required to comply with customary information delivery and financial covenants (as described in greater detail in Note

9), including the requirement that the Company maintain minimum liquidity of at least $1,000,000. The Company was in compliance with the applicable loan covenants at October 31, 2019.

If we do not maintain compliance with all of the continuing covenants and other terms and conditions of credit arrangements or secure a waiver for any non-compliance, we could be required to repay outstanding borrowings on an accelerated basis, which could subject us to decreased liquidity and other negative impacts on our business, results of operations and financial condition. Furthermore, if we needed to do so, it may be difficult for us to find an alternative lending source. In addition, because our assets are pledged as a security under our credit arrangements, if we are not able to cure any default or repay outstanding borrowings, our assets are subject to the risk of foreclosure by our lenders. Without a sufficient credit arrangement, we would be adversely affected by a lack of access to liquidity needed to operate our business. Any disruption in access to credit could force us to take measures to conserve cash, such as deferring important research and development expenses, which measures could have a material adverse effect on us.

If we are unable to repay, extend or refinance our existing and future debt as it becomes due on terms reasonably acceptable to us, or at all, we may be unable to continue as a going concern.

Absent any action with respect to the repayment or refinancing of our existing indebtedness or any waivers or amendments to the agreements governing our existing indebtedness, the Loan and Security Agreement is scheduled to mature on December 11, 2023. We may not be able to extend, replace or refinance our existing Loan and Security Agreement on terms reasonably acceptable to us, or at all, with our current lender or with a replacement lender. If we are able to obtain replacement financing, it may be more costly or on terms more burdensome than our current Loan and Security Agreement. In addition, we may not be able to access other external financial resources sufficient to enable us to repay the debt outstanding under our Loan and Security Agreement upon its maturity. If we fail to satisfy our obligations with respect to our indebtedness or fail to comply with the financial and other restrictive covenants contained in the Loan and Security Agreement or other agreements governing our indebtedness, an event of default could result, which could permit acceleration of such debt and acceleration of our other debt. Any accelerated debt would become immediately due and payable, and we may be unable to continue as a going concern. See Note 9 for further discussion regarding the Company terminating the Credit Agreement, effective December 11, 2019, and entering into the Loan and Security Agreement.

Economic conditions in the U.S. and globally may have significant effects on our clients and suppliers that could result in material adverse effects on our business, operating results and stock price.

Economic conditions in the U.S. and globally could deteriorate and cause the worldwide economy to enter into a stagnant period that could materially adversely affect our clients' access to capital or willingness to spend capital on our solutions and services or their levels of cash liquidity with which to pay for solutions that they will order or have already ordered from us. Challenging economic conditions also would likely negatively impact our business, which could result in: (1) reduced demand for our solutions and services; (2) increased price competition for our solutions and services; (3) increased risk of collectability of cash from our clients; (4) increased risk in potential reserves for doubtful accounts and write-offs of accounts receivable; (5) reduced revenues; and (6) higher operating costs as a percentage of revenues.

All of the foregoing potential consequences of a deterioration of economic conditions are difficult to forecast and mitigate. As a consequence, our operating results for a particular period are difficult to predict, and, therefore, prior results are not necessarily indicative of future results. Any of the foregoing effects could have a material adverse effect on our business, results of operations, and financial condition and could adversely affect the market price of our common stock and other securities.

The variability of our quarterly operating results can be significant.

Our operating results have fluctuated from quarter-to-quarter in the past, and we may experience continued fluctuations in the future. Future revenues and operating results may vary significantly from quarter-to-quarter as a result of a number of factors, many of which are outside of our control. These factors include: the relatively large size of client agreements; unpredictability in the number and timing of system sales and sales of application hosting services; length of the sales cycle; delays in installations; changes in clients' financial conditions or budgets; increased competition; the

development and introduction of new products and services; the loss of significant clients or remarketing partners; changes in government regulations, particularly as they relate to the healthcare industry; the size and growth of the overall healthcare information technology markets; any liability and other claims that may be asserted against us; our ability to attract and retain qualified personnel; national and local general economic and market conditions; and other factors discussed in this report and our other filings with the SEC.

The preparation of our financial statements requires the use of estimates that may vary from actual results.

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make significant estimates that affect the financial statements. One of our most critical estimates is the capitalization of software development costs. Due to the inherent nature of these estimates, we may be required to significantly increase or decrease such estimates upon determination of the actual results. Any required adjustments could have a material adverse effect on us and our results of operations.

Failure to improve and maintain the quality of internal control over financial reporting and disclosure controls and procedures or other lapses in compliance could materially and adversely affect our ability to provide timely and accurate financial information about us or subject us to potential liability.

In connection with the preparation of the consolidated financial statements for each of our fiscal years, our management conducts a review of our internal control over financial reporting. We are also required to maintain effective disclosure controls and procedures. Any failure to maintain adequate controls or to adequately implement required new or improved controls could harm operating results, or cause failure to meet reporting obligations in a timely and accurate manner.

We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our financial statements or cause us to fail to meet our periodic reporting obligations.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on the internal control over financial reporting.

In connection with the preparation of our financial statements for the third quarter ended October 31, 2019, we identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Effective internal control over financial reporting is necessary for us to provide reliable and timely financial reports and, together with adequate disclosure controls and procedures, are designed to reasonably detect and prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. Undetected material weaknesses in our internal control over financial reporting could lead to financial statement restatements and require us to incur the expense of remediation.

Our operations are subject to foreign currency exchange rate risk.

In connection with our expansion into foreign markets, which primarily consists of Canada, we sometimes receive payment in currencies other than the U.S. dollar. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, will negatively affect our net sales and gross margins from our non-U.S. dollar denominated revenue, as expressed in U.S. dollars. There is also a risk that we will have to adjust the pricing of solutions denominated in foreign currencies when there has been significant volatility in foreign currency exchange rates.

Risks Relating to an Investment in Our Securities

The market price of our common stock is likely to be highly volatile as the stock market in general can be highly volatile.

The public trading of our common stock is based on many factors that could cause fluctuation in the price of our common stock. These factors may include, but are not limited to:

- General economic and market conditions;
- Actual or anticipated variations in annual or quarterly operating results;
- Lack of or negative research coverage by securities analysts;
- Conditions or trends in the healthcare information technology industry;
- Changes in the market valuations of other companies in our industry;
- Announcements by us or our competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives;
- Announced or anticipated capital commitments;
- Ability to maintain listing of our common stock on The NASDAQ Capital Market;
- Additions or departures of key personnel; and
- Sales and repurchases of our common stock by us, our officers and directors or our significant stockholders, if any.

Most of these factors are beyond our control. Further, as a result of our relatively small public float, our common stock may be less liquid, and the trading price for our common stock may be more affected by relatively small volumes of trading than is the case for the common stock of companies with a broader public ownership. These factors may cause the market price of our common stock to decline, regardless of our operating performance or financial condition.

If equity research analysts do not publish research reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock may rely in part on the research and reports that equity research analysts publish about our business and us. We do not control the opinions of these analysts. The price of our stock could decline if one or more equity analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing reports about our business or us. Furthermore, if no equity research analysts conduct research or publish reports about our business and us, the market price of our common stock could decline.

All of our debt obligations and any preferred stock that we may issue in the future will have priority over our common stock with respect to payment in the event of a bankruptcy, liquidation, dissolution or winding up.

In any bankruptcy, liquidation, dissolution or winding up of the Company, our shares of common stock would rank in right of payment or distribution below all debt claims against us and all of our outstanding shares of preferred stock, if any. As a result, holders of our shares of common stock will not be entitled to receive any payment or other distribution of assets in the event of a bankruptcy or upon a liquidation or dissolution until after all of our obligations to our debt holders and holders of preferred stock have been satisfied. Accordingly, holders of our common stock may lose their entire investment in the event of a bankruptcy, liquidation, dissolution or winding up of our company.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock.

We are generally not restricted from issuing in public or private offerings additional shares of common stock or preferred stock, and other securities that are convertible into or exchangeable for, or that represent a right to receive, common stock or preferred stock or any substantially similar securities. Such offerings represent the potential for a significant increase in the number of outstanding shares of our common stock. The market price of our common stock could decline as a result of sales of common stock, preferred stock or similar securities in the market made after an offering or the perception that such sales could occur.

The issuance of a series of preferred stock could adversely affect holders of shares of our common stock, which may negatively impact your investment.

Our Board of Directors is authorized to issue classes or series of preferred stock without any action on the part of the stockholders. The Board of Directors also has the power, without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including rights and preferences over the shares of common stock with respect to dividends or upon our dissolution, winding-up or liquidation, and other terms. If we issue preferred stock in the future that has a preference over the shares of our common stock with respect to the payment of dividends or upon our dissolution, winding up or liquidation, or if we issue preferred stock with voting rights that dilute the voting power of the shares of our common stock, the rights of the holders of shares of our common stock or the market price of our common stock could be adversely affected.

We do not currently intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend solely on appreciation in the price of our common stock.

We have never declared or paid any cash dividends on our common stock and do not currently intend to do so for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future and the success of an investment in shares of our common stock will depend upon any future appreciation in its value. The trading price of our common stock could decline and you could lose all or part of your investment.

Sales of shares of our common stock or securities convertible into our common stock in the public market may cause the market price of our common stock to fall.

The issuance of shares of our common stock or securities convertible into our common stock in an offering from time to time could have the effect of depressing the market price for shares of our common stock. In addition, because our common stock is thinly traded, resales of shares of our common stock by our largest stockholders or insiders could have the effect of depressing market prices for our common stock.

If we are unable to maintain compliance with NASDAQ listing requirements, our stock could be delisted, and the trading price, volume and marketability of our stock could be adversely affected.

Our common stock is listed on The NASDAQ Capital Market. We cannot assure you that we will be able to maintain compliance with NASDAQ’s current listing standards, or that NASDAQ will not implement additional listing standards with which we will be unable to comply. Failure to maintain compliance with NASDAQ listing requirements could result in the delisting of our shares from NASDAQ, which could have a material adverse effect on the trading price, volume and marketability of our common stock. Furthermore, a delisting could adversely affect our ability to issue additional securities and obtain additional financing in the future or result in a loss of confidence by investors or employees.

Note Regarding Risk Factors

The risk factors presented above are all of the ones that we currently consider material. However, they are not the only ones facing our company. Additional risks not presently known to us, or which we currently consider immaterial,

may also adversely affect us. There may be risks that a particular investor views differently from us, and our analysis might be wrong. If any of the risks that we face actually occur, our business, financial condition and operating results could be materially adversely affected and could differ materially from any possible results suggested by any forward-looking statements that we have made or might make. In such case, the market price of our common stock or other securities could decline and you could lose all or part of your investment. **We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.**

Item 2. ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth information with respect to our repurchases of common stock during the three months ended October 31, 2019:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs
August 1 - August 31	3,732	$ 1.41	—	—
September 1 - September 30	9,933	1.39	—	—
October 1 - October 31	—	-	—	—
Total	13,665	$ 1.40	—	—

(1) Amount represents shares surrendered by employees to satisfy tax withholding obligations resulting from restricted stock that vested during the three months ended October 31, 2019.

Item 5. OTHER INFORMATION

Effective December 31, 2019, the Company terminated the Streamline Health Solutions, Inc. 1996 Associate Stock Purchase Plan (as amended and restated effective July 1, 2013).

On January 7, 2020, the Company entered into an amendment to the Purchase Agreement (“Amendment No. 1”) with Hyland Healthcare to modify certain dates related to the payment of the Pro-Rata Contract Amount (as defined under the Purchase Agreement) and certain other amounts on maintenance contracts that may be received between signing and closing. The foregoing description of Amendment No. 1 does not purport to be complete and is subject to, and qualified in its entirety, by the full text of Amendment No. 1, which has been filed as Exhibit 10.6 to this Quarterly Report on Form 10-Q.

Item 6. EXHIBITS

See Index to Exhibits.

INDEX TO EXHIBITS

Exhibit No.	Description of Exhibit
10.1	Securities Purchase Agreement, dated October 10, 2019, between the Company and each purchaser identified on the signature pages thereto (incorporated by reference to Exhibit 10.1 of the Form 8-K, as filed with the Commission on October 11, 2019).
10.2	Registration Rights Agreement, dated October 10, 2019, between the Company and each of the several purchasers signatory thereto (incorporated by reference to Exhibit 10.2 of the Form 8-K, as filed with the Commission on October 11, 2019).
10.3	Sixth Amendment to the Credit Agreement, dated as of October 15, 2019 by and among Wells Fargo Bank, N.A., the lenders party thereto, Streamline Health Solutions, Inc. and Streamline Health, Inc. (incorporated by reference to Exhibit 10.1 of the Form 8-K, as filed with the Commission on October 18, 2019).
10.4	Employment Agreement, dated October 17, 2019, by and between the Company and Wyche T. “Tee” Green, III (incorporated by reference to Exhibit 10.2 of the Form 8-K, as filed with the Commission on October 18, 2019).
10.5*	Loan and Security Agreement, dated December 11, 2019, by and among the Company, Streamline Health, Inc., and Bridge Bank, a division of Western Alliance Bank.
10.6*	Amendment No. 1 to the Asset Purchase Agreement, dated January 7, 2020, by and among the Company, Streamline Health, Inc., and Hyland Software, Inc.
31.1*	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act.
31.2*	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act.
32.1*	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2*	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101	The following financial information from Streamline Health Solutions, Inc.’s Quarterly Report on Form 10-Q for the three-month period ended October 31, 2019 filed with the SEC on January 7, 2020 formatted in XBRL includes: (i) Condensed Consolidated Balance Sheets at October 31, 2019 and January 31, 2019, (ii) Condensed Consolidated Statements of Operations for the three- and nine-month periods ended October 31, 2019 and 2018, (iii) Condensed Consolidated Statements of Shareholders’ Equity for the nine-month periods ended October 31, 2019 and 2018, (iv) Condensed Consolidated Statements of Cash Flows for the nine-month periods ended October 31, 2019 and 2018, and (v) Notes to the Condensed Consolidated Financial Statements.

* Filed herewith.

Our SEC file number reference for documents filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, is 000-28132.

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: January 7, 2020	By:	/S/ Wyche T. "Tee" Green, III
		Wyche T. "Tee" Green, III
		Chief Executive Officer
DATE: January 7, 2020	By:	/S/ Thomas J. Gibson
		Thomas J. Gibson
		Chief Financial Officer

Exhibit 10.5

EXECUTION VERSION

STREAMLINE HEALTH SOLUTIONS, INC., A DELAWARE CORPORATION
STREAMLINE HEALTH, INC., AN OHIO CORPORATION

WESTERN ALLIANCE BANK, AN ARIZONA CORPORATION

LOAN AND SECURITY AGREEMENT

This **LOAN AND SECURITY AGREEMENT** is entered into as of December 11, 2019, by and between **WESTERN ALLIANCE BANK,** an Arizona corporation ("Bank"), **STREAMLINE HEALTH SOLUTIONS, INC**., a Delaware corporation ("Streamline"), and **STREAMLINE HEALTH, INC**., an Ohio corporation ("Streamline Health" and together with any other Person who, from time to time, becomes a Borrower hereunder, collectively the "Borrowers" and each individually a "Borrower").

RECITALS

Borrower wishes to obtain credit from time to time from Bank, and Bank desires to extend credit to Borrower. This Agreement sets forth the terms on which Bank will advance credit to Borrower, and Borrower will repay the amounts owing to Bank.

AGREEMENT

The parties agree as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1 Definitions. As used in this Agreement, the following terms shall have the following definitions:

"Accounts" means all presently existing and hereafter arising accounts, contract rights, payment intangibles, and all other forms of obligations owing to Borrower arising out of the sale or lease of goods (including, without limitation, the licensing of software and other technology) or the rendering of services by Borrower, whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Borrower and Borrower's Books relating to any of the foregoing.

"Adjusted EBITDA" means, with respect to any period of determination, means Borrower's Net Income, plus (without duplication) (i) interest expense, (ii) income tax expense, (iii) depreciation and amortization expense, (iv) non-cash stock compensation expense and (v) other non-recurring expenses as approved by Bank on a case-by-case basis, minus (vi) all capitalized expenses (including, without limitation capitalized software development expenses)

"Advance" or "Advances" means a cash advance or cash advances under this Agreement.

"Affiliate" means, with respect to any Person, any Person that owns or controls directly or indirectly such Person, any Person that controls or is controlled by or is under common control with such Person, and each of such Person's senior executive officers, directors, and partners.

"Asset Coverage Ratio" means, for any period of determination, the ratio of (a) (i) unrestricted cash maintained at Bank, plus (ii) Eligible Accounts, divided by (b) all outstanding Obligations owing to Bank.

"Assignment of Claims Act" means the Assignment of Claims Act, 31 USC §3727, as amended.

"Bank Expenses" means all: reasonable costs or expenses (including reasonable attorneys' fees and expenses) incurred in connection with the preparation, negotiation, administration, and enforcement of the Loan Documents; reasonable Collateral audit fees; and Bank's reasonable attorneys' fees and expenses incurred in amending, enforcing or defending the Loan Documents (including fees and expenses of appeal), incurred before, during and after an Insolvency Proceeding, whether or not suit is brought or any other Event of Default.

"Borrower's Books" means all of Borrower's books and records including: ledgers; records concerning Borrower's assets or liabilities, the Collateral, business operations or financial condition; and all computer programs, or tape files, and the equipment, containing such information.

"Borrowing Base" means, as of any date of determination, an amount equal to eighty percent (80%) of Eligible Accounts, as determined by Bank with reference to the most recent Borrowing Base Certificate delivered by Borrower.

"Business Day" means any day that is not a Saturday, Sunday, or other day on which banks in the State of California are authorized or required to close.

"Change in Control" shall mean a transaction in which any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of a sufficient number of shares of all classes of stock or other equity securities, as applicable, then outstanding of Borrower ordinarily entitled to vote in the election of directors, empowering such "person" or "group" to elect a majority of the Board of Directors of Borrower, who did not have such power before such transaction.

"Closing Date" means the date of this Agreement.

"Code" means the California Uniform Commercial Code, as amended from time to time.

"Collateral" means the property described on **Exhibit A** attached hereto.

"Collections" means all payments from or on behalf of an account debtor with respect to Borrower's rights to payment arising in the ordinary course of Borrower's business, including accounts, chattel paper, instruments, contract rights, documents, general intangibles, letters of credit, drafts, and bankers' acceptances.

"Contingent Obligation" means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to (i) any indebtedness, lease, dividend, letter of credit or other obligation of another; (ii) any obligations with respect to undrawn letters of credit, corporate credit cards, or merchant services issued or provided for the account of that Person; and (iii) all obligations arising under any agreement or arrangement designed to protect such Person against fluctuation in interest rates, currency exchange rates or commodity prices; provided, however, that the term "Contingent Obligation" shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determined amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by Bank in good faith; provided, however, that such amount shall not in any event exceed the maximum amount of the obligations under the guarantee or other support arrangement.

"Control Agreement" is any control agreement entered into among the depository institution at which Borrower maintains a deposit account or the securities intermediary or commodity intermediary at which Borrower maintains a securities account or a commodity account, Borrower, and Bank pursuant to which Bank obtains control (within the meaning of the Code) over any such account.

"Copyrights" means any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof.

"Credit Extension" means each Advance, Term Advance, or any other extension of credit by Bank for the benefit of Borrower hereunder.

"Daily Balance" means the amount of the Obligations owed at the end of a given day.

"ECM Line of Business" means Borrower's enterprise content manager line of business.

"ECM Line of Business Sale" means the sale of Borrower's ECM Line of Business by Borrower to Hyland Software, Inc., so long as (a) the net proceeds of such sale are not less than the outstanding Term Advance, (b) Borrower uses the proceeds from such sale to (i) repay, in full, the Term Advance made hereunder and (ii) repay a portion of (as determined by Bank in its reasonable discretion) the outstanding Advances made under the Revolving

Line, (c) Borrower pays Bank any other fees and expenses owing by Borrower to Bank hereunder and (d) the transaction is otherwise in form and substance reasonably acceptable to Bank.

"Eligible Accounts" means those Accounts that arise in the ordinary course of Borrower's business that comply with all of Borrower's representations and warranties to Bank set forth in Section 5.4; provided, that standards of eligibility may be fixed and revised from time to time by Bank in Bank's reasonable judgment and upon notification thereof to Borrower in accordance with the provisions hereof. Unless otherwise agreed to by Bank, Eligible Accounts shall not include the following:

(a) Accounts that the account debtor has failed to pay within ninety (90) days of invoice date;

(b) Accounts with respect to an account debtor, exceeding thirty-five percent (35%) of whose Accounts the account debtor has failed to pay within ninety (90) days of invoice date;

(c) Accounts with respect to which the account debtor is an officer, employee, or agent of Borrower;

(d) Accounts with respect to which goods are placed on consignment, guaranteed sale, sale or return, sale on approval, bill and hold, or other terms by reason of which the payment by the account debtor may be conditional;

(e) Prebillings, prepaid deposits, retention billings, or progress billings; provided that, this clause (e) shall expressly exclude software license and support revenue;

(f) Accounts with respect to which the account debtor is an Affiliate of Borrower;

(g) Accounts with respect to which the account debtor does not have its principal place of business in the United States or a province of Canada (other than Quebec), except for Eligible Foreign Accounts;

(h) Accounts with respect to which the account debtor is a Governmental Authority, the United States or any department, agency, or instrumentality of the United States, unless the Borrower shall have complied in all respects, to the satisfaction of Bank, with the Assignment of Claims Act (or any similar state or local statute);

(i) Accounts with respect to which Borrower is liable to the account debtor for goods sold or services rendered by the account debtor to Borrower or for deposits or other property of the account debtor held by Borrower, but only to the extent of any amounts owing to the account debtor against amounts owed to Borrower;

(j) Accounts with respect to an account debtor, including Subsidiaries and Affiliates, whose total obligations to Borrower exceed thirty-five percent (35%) of all Accounts, to the extent such obligations exceed the aforementioned percentage, except as approved in writing by Bank;

(k) Accounts with respect to which the account debtor disputes liability or makes any claim with respect thereto as to which Bank believes, in its reasonable business and credit judgment, that there may be a basis for dispute (but only to the extent of the amount subject to such dispute or claim), or is subject to any Insolvency Proceeding, or becomes insolvent, or goes out of business; and

(l) Accounts the collection of which Bank reasonably determines to be doubtful.

"Eligible Foreign Accounts" means Accounts with respect to which the account debtor does not have its principal place of business in the United States and that (i) are supported by one or more letters of credit in an

amount and of a tenor, and issued by a financial institution, acceptable to Bank, or (ii) that Bank approves on a case-by-case basis.

"Equipment" means all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Borrower has any interest.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

"Event of Default" has the meaning assigned in Article 8.

"GAAP" means generally accepted accounting principles as in effect from time to time.

"Governmental Authority" is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

"Guarantor" is any Person providing a Guaranty in favor of Bank.

"Guaranty" is any guarantee of all or any part of the Obligations, as the same may from time to time be amended, restated, modified or otherwise supplemented.

"Indebtedness" means (a) all indebtedness for borrowed money or the deferred purchase price of property or services, including without limitation reimbursement and other obligations with respect to surety bonds and letters of credit, but excluding unsecured obligations to trade creditors incurred in the ordinary course of business to the extent not more than ninety (90) days' past due or to the extent contested in good faith, (b) all obligations evidenced by notes, bonds, debentures or similar instruments, (c) all capital lease obligations and (d) all Contingent Obligations.

"Insolvency Proceeding" means any proceeding commenced by or against any person or entity under any provision of the United States Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law, including assignments for the benefit of creditors, formal or informal moratoria, compositions, extension generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"Intellectual Property Collateral" means all of Borrower's right, title, and interest in and to the following: Copyrights, Trademarks and Patents; all trade secrets, all design rights, claims for damages by way of past, present and future infringement of any of the rights included above, all licenses or other rights to use any of the Copyrights, Patents or Trademarks, and all license fees and royalties arising from such use to the extent permitted by such license or rights; all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents; and all proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

"Inventory" means all inventory in which Borrower has or acquires any interest, including work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or at any time hereafter owned by or in the custody or possession, actual or constructive, of Borrower, including such inventory as is temporarily out of its custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above, and Borrower's Books relating to any of the foregoing.

"Investment" means any beneficial ownership of (including stock, partnership interest or other securities) any Person, or any loan, advance or capital contribution to any Person.

"Lien" means any mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

"Liquidity" means, as of any date of determination, unrestricted cash of Borrower held at Bank.

"Loan Documents" means, collectively, this Agreement, the Warrant, any agreement relating to success fees, any Credit Card Services Agreements, any agreements related to letters of credit, any subordination/intercreditor agreements, any pledge or security agreements, any note or notes executed by Borrower or any other Person, and any other agreement, instrument or document entered into in connection with this Agreement, all as amended, restated, supplemented or otherwise modified or extended from time to time.

"Material Adverse Effect" means a material adverse effect on (i) the business operations, condition (financial or otherwise) or prospects of Borrower and its Subsidiaries taken as a whole or (ii) the ability of Borrower to repay the Obligations or otherwise perform its obligations under the Loan Documents or (iii) the value or priority of Bank's security interests in the Collateral.

"Negotiable Collateral" means all letters of credit of which Borrower is a beneficiary, notes, drafts, instruments, securities, documents of title, and chattel paper, and Borrower's Books relating to any of the foregoing.

"Net Income" means income after taxes and all other appropriate deductions from revenue according to GAAP.

"Obligations" means all debt, principal, interest, any prepayment fee, Bank Expenses and other amounts owed to Bank by Borrower pursuant to this Agreement, any Credit Card Services Agreement, or any other agreement, whether absolute or contingent, due or to become due, now existing or hereafter arising, including any interest that accrues after the commencement of an Insolvency Proceeding and including any debt, liability, or obligation owing from Borrower to others that Bank may have obtained by assignment or otherwise.

"Patents" means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

"Periodic Payments" means all installments or similar recurring payments that Borrower may now or hereafter become obligated to pay to Bank pursuant to the terms and provisions of any instrument, or agreement now or hereafter in existence between Borrower and Bank.

"Permitted Indebtedness" means:

(a) Indebtedness of Borrower in favor of Bank arising under this Agreement or any other Loan Document;

(b) Indebtedness existing on the Closing Date and disclosed in the Schedule;

(c) Indebtedness secured by a lien described in clause (d) of the defined term "Permitted Liens," provided (i) such Indebtedness does not exceed the lesser of the cost or fair market value of the equipment financed with such Indebtedness and (ii) such Indebtedness does not exceed Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate at any given time;

(d) Indebtedness consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;

(e) Indebtedness incurred to pay premiums for insurance policies maintained by the Borrowers and their Subsidiaries in the ordinary course of business not exceeding in aggregate the amount of such unpaid premiums;

(f) Subordinated Debt;

(g) Indebtedness consisting of Contingent Obligations incurred by a Borrower with respect to obligations of another Borrower that constitutes Permitted Indebtedness hereunder; and

(h) Other Indebtedness in a principal amount not to exceed $50,000 at any one time outstanding.

"Permitted Investment" means:

(a) Investments existing on the Closing Date disclosed in the Schedule;

(b) Investments (i) among Borrowers, (ii) among Subsidiaries that are not Borrowers, (iii) by a Subsidiary that is not a Borrower in a Borrower, provided that if the Investment constitutes Indebtedness of the applicable Borrower to such Subsidiary, such Indebtedness shall be subject to an intercompany subordination agreement in form and substance satisfactory to Bank;

(c) Investments consisting of repurchases of equity interests permitted pursuant to Section 7.6;

(d) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower;

(e) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;

(f) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (f) shall not apply to Investments of Borrower in any Subsidiary;

(g) (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency or any State thereof maturing within one (1) year from the date of acquisition thereof, (ii) commercial paper maturing no more than one (1) year from the date of creation thereof and currently having rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Service, (iii) certificates of deposit maturing no more than one (1) year from the date of investment therein issued by Bank and (iv) Bank's money market accounts; and

(h) Other Investments in an aggregate amount of not more than $50,000 in any fiscal year of Borrower.

"Permitted Liens" means the following:

(a) Liens in favor of the Bank.

(b) Any Liens existing on the Closing Date and disclosed in the Schedule or arising under this Agreement or the other Loan Documents;

(c) Liens for taxes, fees, assessments or other governmental charges or levies, either (i) not delinquent or (ii) being contested in good faith by appropriate proceedings, provided the same (i) have no priority over any of Bank's security interests, (ii) are not subject to enforcement actions by the holder of such Lien;

(d) Liens (i) upon or in any equipment which was not financed by Bank acquired or held by Borrower or any of its Subsidiaries to secure the purchase price of such equipment or indebtedness incurred solely for the purpose of financing the acquisition of such equipment, or (ii) existing on such equipment at the time of its acquisition, provided that the Lien is confined solely to the property so acquired and improvements thereon, and the proceeds of such equipment;

(e) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clauses (b) through (d) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness being extended, renewed or refinanced does not increase (other than by the amount of premiums paid thereon and the fees and expenses incurred in connection therewith and by the amount of unfunded commitments with respect thereto;

(f) Liens of carriers, warehousemen, suppliers, or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory, securing liabilities in the aggregate amount not to exceed Fifty Thousand Dollars ($50,000) and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(g) Liens to secure payment of workers' compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(h) leases or subleases of real property granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), and leases, subleases, non-exclusive licenses or sublicenses of personal property granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), if the leases, subleases, licenses and sublicenses do not prohibit granting Bank a security interest therein;

(i) non-exclusive licenses of Intellectual Property granted to third parties in the ordinary course of business;

(j) Liens in favor of other financial institutions arising in connection with a Borrower's deposit and/or securities accounts held at such institutions, provided that (i) to the extent required hereby, Bank has a first priority perfected security interest in the amounts held in such deposit and/or securities accounts, and (ii) such accounts are permitted to be maintained pursuant to Section 6.8 of this Agreement;

(k) Liens in favor of other financial institutions arising in connection with a Borrower's deposit and/or securities accounts held at such institutions;

(l) Liens granted in the ordinary course of business on the unearned portion of insurance premiums securing the financing of insurance premiums to the extent the financing is permitted under the definition of Permitted Indebtedness;

(m) Liens arising from attachments or judgments, orders or decrees in circumstances not constituting an Event of Default under Sections 8.4 and 8.7; and

(n) Other Liens which do not secure Indebtedness for borrowed money or letters of credit as to which the aggregate amount of the obligations secured thereby does not exceed $50,000.

"Person" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or governmental agency.

"Prime Rate" means the greater of (a) five percent (5%) or (b) the Prime Rate published in the Money Rates section of the Western Edition of The Wall Street Journal, or such other rate of interest publicly announced from time to time by Bank as its Prime Rate. Bank may price loans to its customers at, above or below the Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in Prime Rate.

"Responsible Officer" means each of the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Controller of Borrower.

"Recurring Revenue" means, with respect to any measurement period, recurring revenue from software as a service contracts and maintenance support contracts, in each case, recognized in accordance with GAAP during such period.

"Revolving Facility" means the facility under which Borrower may request Bank to issue Advances, as specified in Section 2.1(a) hereof.

"Revolving Line" means a credit extension of up to Two Million Dollars ($2,000,000).

"Revolving Maturity Date" means twenty four (24) months from the Closing Date.

"Schedule" means the schedule of exceptions attached hereto and approved by Bank, if any.

"Shares" means one hundred percent (100%) of the issued and outstanding capital stock, membership units or other securities owned or held of record by Borrower in any Subsidiary of Borrower.

"Subordinated Debt" means any debt incurred by Borrower that is subordinated to the debt owing by Borrower to Bank on terms acceptable to Bank (and identified as being such by Borrower and Bank), pursuant to a subordination agreement in form and substance satisfactory to Bank.

"Subsidiary" means any corporation, company or partnership in which (i) any general partnership interest or (ii) more than fifty percent (50%) of the stock or other units of ownership which by the terms thereof has the ordinary voting power to elect the Board of Directors, managers or trustees of the entity, at the time as of which any determination is being made, is owned by Borrower, either directly or through an Affiliate.

"Term Advance" has the meaning set forth in Section 2.1(b)(i).

"Term Loan Amount" means Four Million Dollars ($4,000,000).

"Term Loan Maturity Date" means forty eight (48) months from the Closing Date.

"Trademarks" means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Borrower connected with and symbolized by such trademarks.

"Waiver Conditions" means, collectively, (a) Borrower consummates the ECM Line of Business Sale on or prior to February 28, 2020 and provides evidence, in form and substance reasonably acceptable to Bank, of the closing thereof, (b) the net cash proceeds received by Borrower from the ECM Line of Business Sale, plus the amount of customer prepayments that result in a reduction of the purchase price for the ECM Line of Business Sale, is not less than Eight Million Dollars ($8,000,000) and such amount is deposited and maintained in Borrower's deposit account with Bank upon the consummation thereof, (c) Borrower is in compliance with Section 6.8 of this Agreement and (d) Borrower provides evidence, in form and substance reasonably acceptable to Bank, that Borrower has closed all of its bank accounts maintained with any other Person other than Bank within the time frame required by Section 6.8 of this Agreement.

"Warrant" means that certain Warrant to Purchase Stock dated as of the Closing Date issued by Borrower in favor of Bank, and any other warrant issued by Borrower to Bank, in each case, as amended, restated and/or supplemented from time to time.

1.2 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP and all calculations made hereunder shall be made in accordance with GAAP. When used herein, the terms "financial statements" shall include the notes and schedules thereto.

2. LOAN AND TERMS OF PAYMENT.

2.1 Credit Extensions.

Borrower promises to pay to the order of Bank, in lawful money of the United States of America, the aggregate unpaid principal amount of all Credit Extensions made by Bank to Borrower hereunder. Borrower shall also pay interest on the unpaid principal amount of such Credit Extensions at rates in accordance with the terms hereof.

(a) **Revolving Advances.**

(i) Subject to and upon the terms and conditions of this Agreement, Borrower may request Advances in an aggregate outstanding amount not to exceed the lesser of (i) the Revolving Line or (ii) the Borrowing Base. Subject to the terms and conditions of this Agreement, amounts borrowed pursuant to this Section 2.1(a) may be repaid and reborrowed at any time prior to the Revolving Maturity Date, at which time all Advances under this Section 2.1(a) shall be immediately due and payable. Borrower may prepay any Advances without penalty or premium.

(ii) Whenever Borrower desires an Advance, Borrower will notify Bank no later than 3:00 p.m. Pacific time, on the Business Day that the Advance is to be made. Each such notification shall be made (i) by telephone or in-person followed by written confirmation from Borrower within 24 hours, (ii) by electronic mail, or (iii) by delivering to Bank a Revolving Advance Request Form in substantially the form of **Exhibit B** hereto. Bank is authorized to make Advances under this Agreement, based upon instructions received from a Responsible Officer or a designee of a Responsible Officer, or without instructions if in Bank's discretion such Advances are necessary to meet Obligations which have become due and remain unpaid. Bank shall be entitled to rely on any notice given by a person who Bank reasonably believes to be a Responsible Officer or a designee thereof, and Borrower shall indemnify and hold Bank harmless for any damages or loss suffered by Bank as a result of such reliance. Bank will credit the amount of Advances made under this Section 2.1(a) to Borrower's deposit account.

(b) **Term Advance**.

(i) Availability. Subject to and upon the terms and conditions of this Agreement, Bank agrees to make a single cash advance to Borrower on the Closing Date in an aggregate amount not to exceed the Term Loan Amount (the "Term Advance").

(ii) Repayment. Borrower shall make interest-only payments with respect to the Term Advance in accordance with Section 2.3(c) through the twelve (12) month anniversary of the Closing Date. Commencing on the thirteenth (13th) month anniversary of the Closing Date, Borrower shall repay the Term Advance in accordance with Section 2.3(c) in thirty-six (36) equal and consecutive installments of principal, plus monthly payments of accrued interest, in each case payable on the tenth (10th) day of each month. Borrower's final payment in respect of the Term Advance, due on the Term Loan Maturity Date, shall include all outstanding principal and accrued and unpaid interest under such Term Advance. Once repaid, the Term Advance may not be reborrowed.

(iii) Prepayment.

(A) Voluntary Prepayment. Borrower shall have the option to prepay all, but not less than all, of any the Term Advance under this Agreement, provided Borrower (A) deliver written notice to Bank of their election to prepay such Term Advance at least five (5) Business Days prior to such prepayment and (B) pay, on the date of such prepayment, (1) all outstanding principal with respect to the Term Advance, plus accrued but unpaid interest, plus (2) all fees (including any late fee), and other sums, including Bank Expenses, if any, that shall have become due and payable hereunder, plus (3) a cash fee equal to two percent (2%) of the principal amount of the Term Advance so repaid if such prepayment occurs on or prior to the twenty-four (24) month anniversary of the Closing Date. Notwithstanding the foregoing, (1) any notice of prepayment given

hereunder which is to be made with the proceeds from the ECM Line of Business Sale or some other contingent event or condition expressly identified in writing by the Borrower, may be, if expressly so stated to be, contingent upon the consummation of such sale or condition and may be revoked by the Borrower in the event such sale is not consummated or such condition does not occur and (2) Borrower must prepay the Term Advance from all available proceeds of the ECM Line of Business Sale, with the foregoing prepayment fee being waived with respect to such prepayment of the Term Advance.

(B) Mandatory Prepayment Upon an Acceleration. If the Term Advance is accelerated after the occurrence of an Event of Default, Borrower shall immediately pay to Bank an amount equal to the sum of (A) all outstanding principal of the Term Advance, plus accrued but unpaid interest (including interest at the default rate), plus (B) all other fees, and other sums, including Bank Expenses, if any, that shall have become due and payable hereunder.

2.2 Overadvances. If the aggregate amount of the outstanding Advances exceeds the lesser of the Revolving Line or the Borrowing Base at any time, then Borrower shall immediately pay to Bank, in cash, the amount of such excess.

2.3 Interest Rates, Payments, and Calculations.

(a) **Interest Rates.**

(i) **Advances**. Except as set forth in Section 2.3(b), the Advances under the Revolving Facility shall bear interest, on the outstanding Daily Balance thereof, at a floating rate equal to one and one quarter of one percent (1.25%) above the Prime Rate.

(ii) **Term Advances**. Except as set forth in Section 2.3(b), the outstanding Term Advances shall bear interest on the outstanding Daily Balance thereof, at a floating rate equal to one and one half of one percent (1.50%) above the Prime Rate.

(b) **Late Fee; Default Rate**. If any payment is not made within ten (10) days after the date such payment is due, Borrower shall pay Bank a late fee equal to the lesser of (i) five percent (5%) of the amount of such unpaid amount or (ii) the maximum amount permitted to be charged under applicable law, not in any case to be less than $25.00. All Obligations shall bear interest, from and after the occurrence and during the continuance of an Event of Default, at a rate equal to five (5) percentage points above the interest rate applicable immediately prior to the occurrence of the Event of Default.

(c) **Payments**. Interest hereunder shall be due and payable on the tenth (10th) calendar day of each month during the term hereof. Bank shall, at its option, charge such interest, all Bank Expenses, and all Periodic Payments against any of Borrower's deposit accounts or against the Revolving Line, in which case those amounts shall thereafter accrue interest at the rate then applicable hereunder. Any interest not paid when due shall be compounded by becoming a part of the Obligations, and such interest shall thereafter accrue interest at the rate then applicable hereunder. All payments shall be free and clear of any taxes, withholdings, duties, impositions or other charges, to the end that Bank will receive the entire amount of any Obligations payable hereunder, regardless of source of payment.

(d) **Computation**. In the event the Prime Rate is changed from time to time hereafter, the applicable rate of interest hereunder shall be increased or decreased, effective as of the day the Prime Rate is changed, by an amount equal to such change in the Prime Rate. All interest chargeable under the Loan Documents shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days elapsed.

2.4 Crediting Payments.

(a) Prior to the occurrence of an Event of Default, Bank shall credit a wire transfer of funds, check or other item of payment to such deposit account or Obligation as Borrower specifies. After the

occurrence of an Event of Default, the receipt by Bank of any wire transfer of funds, check, or other item of payment shall be immediately applied to conditionally reduce Obligations, but shall not be considered a payment on account unless such payment is of immediately available federal funds or unless and until such check or other item of payment is honored when presented for payment. Notwithstanding anything to the contrary contained herein, any wire transfer or payment received by Bank after 12:00 noon Pacific time shall be deemed to have been received by Bank as of the opening of business on the immediately following Business Day. Whenever any payment to Bank under the Loan Documents would otherwise be due (except by reason of acceleration) on a date that is not a Business Day, such payment shall instead be due on the next Business Day, and additional fees or interest, as the case may be, shall accrue and be payable for the period of such extension.

(b) Borrower hereby authorizes Bank to automatically deduct the amount of any loan payments from any deposit account(s) of Borrower held with Bank. If the funds in the account(s) are insufficient to cover any payment, Bank shall not be obligated to advance funds to cover the payment and Borrower agrees to pay any applicable fees for this service disclosed in the Schedule of Fees and Charges applicable to Borrower's account(s). Subject to any terms and conditions in the Loan Documents, Borrower or Bank may voluntarily terminate automatic payments at any time for any reason.

2.5 Fees. Borrower shall pay to Bank the following:

(a) **Facility Fee**. (i) On the Closing Date, a facility fee equal to $40,000 in respect of the Term Loan Amount, which shall be deemed fully earned as of the Closing Date and (ii) On the Closing Date and on each anniversary thereof, $5,000 in respect of the Revolving Line, each of which shall be deemed fully earned as of the Closing Date and each anniversary thereof;

(b) **Bank Expenses**. On the Closing Date, all Bank Expenses incurred through the Closing Date, including reasonable attorneys' fees and expenses and, after the Closing Date, all Bank Expenses, including reasonable attorneys' fees and expenses, as and when they are incurred by Bank; and

(c) **Fee in Lieu of Warrant**. A cash fee in lieu of issuing the Warrant payable as follows (i) $100,000 payable on the Closing Date and (ii) $100,000 payable on February 28, 2020, unless the Waiver Conditions are satisfied.

2.6 Term. This Agreement shall become effective on the Closing Date and, subject to Section 13.7, shall continue in full force and effect for so long as any Obligations remain outstanding or Bank has any obligation to make Credit Extensions under this Agreement. Notwithstanding the foregoing, Bank shall have the right to terminate its obligation to make Credit Extensions under this Agreement immediately and without notice upon the occurrence and during the continuance of an Event of Default or, if Bank does not deem the updated Financial Plan delivered pursuant to Section 6.8(h) of this Agreement acceptable to Bank in its sole discretion or if Borrower fails to deliver such plan. Notwithstanding termination, Bank's Lien on the Collateral shall remain in effect for so long as any Obligations are outstanding.

3. CONDITIONS OF LOANS.

3.1 Conditions Precedent to Initial Credit Extension. The obligation of Bank to make the initial Credit Extension is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, the following, duly executed by the applicable parties thereto:

(a) this Agreement;

(b) a certificate of the Secretary of Borrower with respect to incumbency and resolutions authorizing the execution and delivery of this Agreement;

(c) UCC Financing Statement;

(d) an intellectual property security agreement;

(e) payment of the Fee in Lieu of Warrant (to the extent such payment is due on the Closing Date);

(f) agreement to provide insurance and evidence satisfactory to Bank that the insurance policies and endorsements required by Section 6.6 hereof are in full force and effect, together with appropriate evidence showing lender loss payable and/or additional insured clauses or endorsements in favor of Bank;

(g) payment of the fees and Bank Expenses then due specified in Section 2.5 hereof;

(h) current financial statements of Borrower;

(i) an audit of the Collateral, the results of which shall be satisfactory to Bank;

(j) duly executed original signature to a payoff letter from Wells Fargo Bank, National Association evidencing that (i) the Liens securing Indebtedness owed by Borrower to Wells Fargo Bank, National Association will be terminated and (ii) the documents and/or filings evidencing the perfection of such Liens, including without limitation any financing statements and/or control agreements, have or will, concurrently with the initial Credit Extension, be terminated;

(k) certified copies, dated as of a recent date, of financing statement searches, as Bank may request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released; and

(l) such other documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate.

3.2 Conditions Precedent to All Credit Extensions. The obligation of Bank to make each Credit Extension, including the initial Credit Extension, is further subject to the following conditions:

(a) timely receipt by Bank of the Revolving Advance Request Form, as provided in Section 2.1;

(b) the absence of any circumstance or circumstances that could have a Material Adverse Effect; and

(c) the representations and warranties contained in Section 5 shall be true and correct in all material respects on and as of the date of such Revolving Advance Request Form and on the effective date of each Credit Extension as though made at and as of each such date, and no Event of Default shall have occurred and be continuing, or would exist after giving effect to such Credit Extension. The making of each Credit Extension shall be deemed to be a representation and warranty by Borrower on the date of such Credit Extension as to the accuracy of the facts referred to in this Section 3.2.

3.3 Covenant to Deliver. Borrower agrees to deliver to Bank each item required to be delivered to Bank under this Agreement as a condition precedent to any Credit Extension. Borrower expressly agrees that a Credit Extension made prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Borrower's obligation to deliver such item, and the making of any Credit Extension in the absence of a required item shall be in Bank's sole discretion.

4. CREATION OF SECURITY INTEREST.

4.1 Grant of Security Interest. Borrower grants and pledges to Bank a continuing security interest in all presently existing and hereafter acquired or arising Collateral in order to secure prompt repayment of any and all Obligations and in order to secure prompt performance by Borrower of each of its covenants and duties

under the Loan Documents. Except as set forth in the Schedule, such security interest constitutes a valid, first priority security interest in the presently existing Collateral, and will constitute a valid, first priority security interest in Collateral acquired after the date hereof.

4.2 Intentionally Omitted. **Delivery of Additional Documentation Required**. Borrower shall from time to time execute and deliver to Bank, at the request of Bank, all Negotiable Collateral, all financing statements and other documents that Bank may reasonably request, in form satisfactory to Bank, to perfect and continue the perfection of Bank's security interests in the Collateral and in order to fully consummate all of the transactions contemplated under the Loan Documents. Borrower from time to time may deposit with Bank specific time deposit accounts to secure specific Obligations. Borrower authorizes Bank to hold such balances in pledge and to decline to honor any drafts thereon or any request by Borrower or any other Person to pay or otherwise transfer any part of such balances for so long as the Obligations are outstanding.

4.3 Authorization to File Financing Statements. Borrower hereby authorizes Bank to file financing statements, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Bank's interest or rights hereunder, including a notice that any disposition of the Collateral, by either Borrower or any other Person, shall be deemed to violate the rights of Bank under the Code.

4.4 Right to Inspect. Bank (through any of its officers, employees, or agents) shall have the right, upon reasonable prior notice, from time to time during Borrower's usual business hours but no more than once a year (unless an Event of Default has occurred and is continuing), to inspect Borrower's Books and to make copies thereof and to check, test, and appraise the Collateral in order to verify Borrower's financial condition or the amount, condition of, or any other matter relating to, the Collateral.

5. REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants as follows:

5.1 Due Organization and Qualification. Borrower and each Subsidiary is a corporation duly existing and in good standing under the laws of its jurisdiction of organization and qualified and licensed to do business in any other jurisdiction in which the conduct of its business or its ownership of property requires that it be so qualified and where the failure to be so qualified would reasonably be expected to have a Material Adverse Effect.

5.2 Due Authorization; No Conflict. The execution, delivery, and performance of the Loan Documents are within Borrower's powers, have been duly authorized, and are not in conflict with nor constitute a breach of any provision contained in Borrower's Certificate of Incorporation or Bylaws, nor will they constitute an event of default under any material agreement to which Borrower is a party or by which Borrower is bound, nor will they contravene, conflict with or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of Borrower's property or assets may be bound or affected. Borrower is not in default under any material agreement to which it is a party or by which it is bound.

5.3 No Prior Encumbrances. Borrower has good and marketable title to its property, free and clear of Liens, except for Permitted Liens.

5.4 Bona Fide Accounts. The Eligible Accounts are bona fide existing obligations. The property and services giving rise to such Eligible Accounts has been delivered or rendered to the account debtor or to the account debtor's agent for immediate and unconditional acceptance by the account debtor. As of the date of delivery of any Borrowing Base Certificate hereunder, Borrower has not received notice of actual or imminent Insolvency Proceeding of any account debtor that is included in such Borrowing Base Certificate as an Eligible Account.

5.5 Merchantable Inventory. All Inventory is in all material respects of good and marketable quality, free from all material defects, except for Inventory for which adequate reserves have been made.

5.6 Collateral and Intellectual Property Collateral. Borrower is the sole owner or licensee of the Intellectual Property Collateral, except (i) as stated herein or in the schedule, (ii) commercially available software using in the ordinary course of business and (iii) for non-exclusive licenses granted by Borrower to its customers in the ordinary course of business. Except as would not reasonably be expected to have a Material Adverse Effect, each of the Patents is valid and enforceable, and no part of the Intellectual Property Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Intellectual Property Collateral violates the rights of any third party. Except as set forth in the Schedule, Borrower's rights as a licensee of intellectual property do not give rise to more than five percent (5%) of its gross revenue in any given month, including without limitation revenue derived from the sale, licensing, rendering or disposition of any product or service. Except as set forth in the Schedule, Borrower is not a party to, or bound by, any agreement that restricts the grant by Borrower of a security interest in Borrower's rights under such agreement.

5.7 Name; Location of Chief Executive Office. Except as disclosed in the Schedule, Borrower has not done business under any name other than that specified on the signature page hereof. The chief executive office of Borrower is located at the address indicated in Section 10 hereof. All Borrower's Inventory and Equipment is located only at the location set forth in Section 10 hereof.

5.8 Litigation. Except as set forth in the Schedule, there are no actions or proceedings pending by or against Borrower or any Subsidiary before any court or administrative agency in which there is a reasonable probability of an adverse decision that could have a Material Adverse Effect.

5.9 No Material Adverse Change in Financial Statements. All consolidated and consolidating financial statements related to Borrower and any Subsidiary that Bank has received from Borrower fairly present in all material respects Borrower's financial condition as of the date thereof and Borrower's consolidated and consolidating results of operations for the period then ended. There has not been a material adverse change in the consolidated or the consolidating financial condition of Borrower since the date of the most recent of such financial statements submitted to Bank.

5.10 Solvency, Payment of Debts. Borrower is solvent and able to pay its debts (including trade debts) as they mature.

5.11 Regulatory Compliance. Borrower and each Subsidiary have met the minimum funding requirements of ERISA with respect to any employee benefit plans subject to ERISA, and no event has occurred resulting from Borrower's failure to comply with ERISA that could result in Borrower's incurring any material liability. Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940. Borrower is not engaged principally, or as one of the important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T and U of the Board of Governors of the Federal Reserve System). Borrower has complied with all the provisions of the Federal Fair Labor Standards Act. Borrower has not violated any statutes, laws, ordinances or rules applicable to it, violation of which could reasonably be expected to have a Material Adverse Effect. Neither Borrower nor any of its Subsidiaries is in violation in any material respect of any applicable requirement of law relating to terrorism or money laundering, including Executive Order No. 13224, effective September 24, 2001, The Currency and Foreign Transactions Reporting Act (also known as the "Bank Secrecy Act," 31 U.S.C. §§ 5311 5330), the Trading With the Enemy Act (50 U.S.C. §§1-44, as amended), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107 56, signed into law October 26, 2001, the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 as amended and the Criminal Justice (Terrorist Offences) Act 2005.

5.12 Environmental Condition. Except as disclosed in the Schedule, none of Borrower's or any Subsidiary's properties or assets has ever been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous owners or operators, in the disposal of, or to produce, store, handle, treat, release, or transport, any hazardous waste or hazardous substance other than in accordance with applicable law; to the best of Borrower's knowledge, none of Borrower's properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a hazardous waste or hazardous substance disposal site, or a candidate for closure pursuant to any environmental protection statute; no lien arising under any environmental

protection statute has attached to any revenues or to any real or personal property owned by Borrower or any Subsidiary; and neither Borrower nor any Subsidiary has received a summons, citation, notice, or directive from the Environmental Protection Agency or any other federal, state or other governmental agency concerning any action or omission by Borrower or any Subsidiary resulting in the releasing, or otherwise disposing of hazardous waste or hazardous substances into the environment.

5.13 **Taxes**. Borrower and each Subsidiary have filed or caused to be filed all tax returns required to be filed, and have paid, or have made adequate provision for the payment of, all taxes reflected therein.

5.14 **Subsidiaries**. Borrower does not own any stock, partnership interest or other equity securities of any Person, except for Permitted Investments.

5.15 **Government Consents**. Borrower and each Subsidiary have obtained all material consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary for the continued operation of Borrower's business as currently conducted.

5.16 **Accounts**. Except as permitted by Section 6.8, none of Borrower's nor any Subsidiary's property is maintained or invested with a Person other than Bank.

5.17 **Intentionally Omitted.**

5.18 **Full Disclosure**. All factual information taken as a whole (other than forward-looking information and projections and information of a general economic nature and general information about Borrowers industry) furnished by or on behalf of Borrowers to Bank in connection with this Agreement, will be, true and accurate, in all material respects, on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided.

6. **AFFIRMATIVE COVENANTS.**

Borrower shall do all of the following:

6.1 **Good Standing**. Borrower shall maintain its and each of its Subsidiaries' corporate existence and good standing in its jurisdiction of organization and maintain qualification in each jurisdiction in which it is required under applicable law and where the failure to be so qualified would not reasonably be expected to have a Material Adverse Effect. Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, in force all licenses, approvals and agreements, the loss of which could reasonably be expected to have a Material Adverse Effect.

6.2 **Government Compliance**. Borrower shall meet, and shall cause each Subsidiary to meet, the minimum funding requirements of ERISA with respect to any employee benefit plans subject to ERISA. Borrower shall comply, and shall cause each Subsidiary to comply, with all statutes, laws, ordinances and government rules and regulations to which it is subject, noncompliance with which could reasonably be expected to have a Material Adverse Effect.

6.3 **Financial Statements, Reports, Certificates**. Borrower shall deliver the following to Bank:

(a) as soon as available, but in any event within thirty (30) days after the end of each calendar month, (i) a company prepared consolidated balance sheet, income statement, and cash flow statement covering Borrower's consolidated operations during such period, prepared in accordance with GAAP, consistently applied, in a form acceptable to Bank and certified by a Responsible Officer and (ii) a Compliance Certificate;

(b) except to the extent the same are sooner included in a Form 10-K Annual Report filed by Borrower with the Securities and Exchange Commission, within one hundred eighty (180) days after the end of Borrower's fiscal year, audited consolidated and consolidating (if applicable) financial statements of Borrower prepared in accordance with GAAP, consistently applied, together with an unqualified opinion on such financial statements of an independent certified public accounting firm reasonably acceptable to Bank;

(c) copies of all statements, reports and notices sent or made available generally by Borrower to its security holders or to any holders of Subordinated Debt and, if applicable, copies of the Form 10-K Annual Report, Form 10-Q Quarterly Report and Form 8-K Current Report for Borrower concurrent with the date of filing with the Securities and Exchange Commission;

(d) promptly upon receipt of notice thereof, a report of any legal actions pending or threatened against Borrower or any Subsidiary that could result in damages or costs to Borrower or any Subsidiary of One Hundred Thousand Dollars ($100,000) or more;

(e) such budgets, sales projections, operating plans or other financial information as Bank may reasonably request from time to time;

(f) within thirty (30) days after the last day of each month, Borrower shall deliver to Bank (i) a Borrowing Base Certificate signed by a Responsible Officer in substantially the form of **Exhibit C** hereto, prepared as of such month end, (ii) a detailed aging of Borrower's Accounts by invoice date, together with payable aging by invoice date, together with such other matters as Bank may request, (iii) a deferred revenue schedule and (iv) a monthly recurring revenue report;

(g) as soon as available, but in any event no later than the earlier to occur of thirty (30) days following the beginning of each fiscal year, an annual operating budget and financial projections (including income statements, balance sheets and cash flow statements) for such fiscal year, presented in a monthly format, approved by Borrower's board of directors, and in a form and substance reasonably acceptable to Bank (each, a "Financial Plan")

(h) No later than five (5) Business Days prior to the consummation of the ECM Line of Business Sale, an updated Financial Plan of Borrower as of such date and after giving effect thereto;

(i) promptly, upon sending or receipt, copies of any management letters and correspondence relating to management letters, sent or received by Borrower to or from Borrower's auditor. If no management letter is prepared, Borrower shall, upon Bank's request, obtain a letter from such auditor stating that no deficiencies were noted that would otherwise be addressed in a management letter;

(j) promptly upon Bank's request, such other books, records, statements, lists of property and accounts, budgets, forecasts or reports as to Borrower and as to each Guarantor of Borrower's obligations to Bank as Bank may request.

6.4 Audits. Bank shall have a right from time to time hereafter to audit Borrower's Accounts and appraise Collateral at Borrower's expense, provided that such audits will be conducted no more often than every twelve(12) months unless an Event of Default has occurred and is continuing.

6.5 Inventory; Returns. Borrower shall keep all Inventory in good and marketable condition, free from all material defects except for Inventory for which adequate reserves have been made. Returns and allowances, if any, as between Borrower and its account debtors shall be on the same basis and in accordance with the usual customary practices of Borrower, as they exist at the time of the execution and delivery of this Agreement. Borrower shall promptly notify Bank of all returns and recoveries and of all disputes and claims, where the return, recovery, dispute or claim involves more than Fifty Thousand Dollars ($50,000).

6.6 Taxes. Borrower shall make, and shall cause each Subsidiary to make, due and timely payment or deposit of all material federal, state, and local taxes, assessments, or contributions required of it by law,

and will execute and deliver to Bank, on demand, appropriate certificates attesting to the payment or deposit thereof; and Borrower will make, and will cause each Subsidiary to make, timely payment or deposit of all material tax payments and withholding taxes required of it by applicable laws, including, but not limited to, those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, and federal income taxes, and will, upon request, furnish Bank with proof satisfactory to Bank indicating that Borrower or a Subsidiary has made such payments or deposits; provided that Borrower or a Subsidiary need not make any payment if the amount or validity of such payment is contested in good faith by appropriate proceedings and is reserved against (to the extent required by GAAP) by Borrower.

6.7 Insurance.

(a) Borrower, at its expense, shall keep the Collateral insured against loss or damage by fire, theft, explosion, sprinklers, and all other hazards and risks, and in such amounts, as ordinarily insured against by other owners in similar businesses conducted in the locations where Borrower's business is conducted on the date hereof. Borrower shall also maintain insurance relating to Borrower's business, ownership and use of the Collateral in amounts and of a type that are customary to businesses similar to Borrower's.

(b) All such policies of insurance shall be in such form, with such companies, and in such amounts as are reasonably satisfactory to Bank. All such policies of property insurance shall contain a lender's loss payable endorsement, in a form satisfactory to Bank, showing Bank as an lender loss payee thereof, and all liability insurance policies shall show Bank as an additional insured and shall specify that the insurer must give at least twenty (20) days notice (or, ten (10) days in the case of non-payment of premium) to Bank before canceling its policy for any reason. Upon Bank's request, Borrower shall deliver to Bank certified copies of such policies of insurance and evidence of the payments of all premiums therefor. All proceeds payable under any such policy shall, at the option of Bank, be payable to Bank to be applied on account of the Obligations.

6.8 Accounts.

(a) Borrower shall (i) maintain and shall cause each of its Subsidiaries to maintain all of its depository, operating, and investment accounts with Bank and (ii) endeavor to utilize and shall cause each of its Subsidiaries to endeavor to utilize Bank's International Banking Division for any international banking services required by Borrower, including, but not limited to, foreign currency wires, hedges, swaps, FX contracts, and letters of credit. Any Guarantor shall maintain all depository, operating and securities/investment accounts with Bank and Bank's Affiliates. In addition, Borrower shall, on or before the day that is forty five (45) days after the Closing Date, close all of Borrower's depository, operating, investment and other accounts that are maintained with any other Person other than Bank.

(b) In addition to and without limiting the restrictions in (a), Borrower shall provide Bank five (5) days prior written notice before establishing any banking or investment account at or with any bank or financial institution other than Bank or Bank's Affiliates. For each banking or investment account that Borrower at any time maintains, Borrower shall cause the applicable bank or financial institution (other than Bank) at or with which any such account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such account to perfect Bank's Lien in such account in accordance with the terms hereunder which Control Agreement may not be terminated without the prior written consent of Bank. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes, and other employee wage and benefit payments to or for the benefit of Borrower's employees and identified to Bank by Borrower as such.

6.9 Financial Covenants.

(a) **Performance to Plan – Recurring Revenue**. Commencing with the month ending December 31, 2019, (i) Borrower's Recurring Revenue, measured on a monthly basis as of the last day of each such month for the trailing three (3) month period then ended, shall not deviate by more than fifteen percent (15%) of Borrower's projected Recurring Revenue as set forth in Borrower's Financial Plan accepted by Bank hereunder **OR** (ii) Borrower's Recurring Revenue, measured on a monthly basis as of the last day of each such month for the period January 1 through the last day of such month, shall not deviate by more than twenty percent (20%) of Borrower's projected Recurring Revenue as set forth in Borrower's Financial Plan accepted by Bank

hereunder. For the avoidance of doubt, Borrower shall be in compliance with this clause (b) for a month if, as of the last day of such month, Borrower satisfies either of the foregoing clauses (i) or (ii).

(b) **Performance to Plan – Adjusted EBITDA**. Commencing with the month ending December 31, 2019, (i) Borrower's Adjusted EBITDA, measured on a monthly basis as of the last day of each such month for the trailing three (3) month period then ended, shall not deviate by the greater of thirty percent (30%) of Borrower's projected Adjusted EBITDA as set forth in Borrower's Financial Plan accepted by Bank hereunder **OR** (ii) $150,000. For the avoidance of doubt, Borrower shall be in compliance with this clause (c) for a month if, as of the last day of such month, Borrower satisfies either of the foregoing clauses (i) or (ii).

(c) **Minimum Asset Coverage Ratio**.

(i) Commencing with the month ending December 31, 2019 through and including November 30, 2020, Borrower shall, at all times, maintain a minimum Asset Coverage Ratio of at least .75 to 1.00, measured on a monthly basis as of the last day of each such month.

(ii) Commencing with the month ending December 31, 2020 and each month thereafter, Borrower shall, at all times, maintain a minimum Asset Coverage Ratio of at least 1.50 to 1.00, measured on a monthly basis as of the last day of each such month.

6.10 Intellectual Property Rights.

(a) Borrower, concurrently with the delivery of a Compliance Certificate, shall give Bank written notice of any applications or registrations of intellectual property rights filed since the date of the immediately preceding Compliance Certificate, with the United States Patent and Trademark Office, including the date of such filing and the registration or application numbers, if any. Upon filing any such applications or registrations with the United States Copyright Office, Borrower shall promptly provide Bank with (i) a copy of such applications or registrations, without the exhibits, if any, thereto, (ii) evidence of the filing of any documents requested by Bank to be filed for Bank to maintain the perfection and priority of its security interest in such intellectual property rights, and (iii) the date of such filing.

(b) Bank may audit Borrower's Intellectual Property Collateral to confirm compliance with this Section, provided such audit may not occur more often than twice per year, unless an Event of Default has occurred and is continuing. Bank shall have the right, but not the obligation, to take, at Borrower's sole expense, any actions that Borrower is required under this Section to take but which Borrower fails to take, after 15 days' notice to Borrower. Borrower shall reimburse and indemnify Bank for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this Section.

6.11 Use of Proceeds. Borrower shall use the proceeds of the Advances solely as working capital to fund its general business requirements in accordance with the provisions of this Agreement, and not for personal, family, household or agricultural purposes.

6.12 Landlord Waivers; Bailee Waivers. In the event that Borrower or any of its Subsidiaries, after the Closing Date, intends to add any new offices or business locations, including warehouses, or otherwise store any portion of the tangible Collateral with, or deliver any portion of the Collateral to, a bailee, in each case pursuant to Section 7.2, then Borrower or such Subsidiary will first receive the written consent of Bank and, in the event that the Collateral at any new location is valued in excess of One Hundred Thousand Dollars ($100,000) in the aggregate, such bailee or landlord, as applicable, must execute and deliver a bailee waiver or landlord waiver, as applicable, in form and substance reasonably satisfactory to Bank prior to the addition of any new offices or business locations, or any such storage with or delivery to any such bailee, as the case may be.

6.13 Formation or Acquisition of Subsidiaries. Notwithstanding and without limiting the negative covenants contained in Sections 7.3 and 7.7 hereof, at the time that Borrower or any Guarantor forms any direct or indirect Subsidiary or acquires any direct or indirect Subsidiary after the Closing Date having assets in excess of $10,000, Borrower and such Guarantor shall (a) cause such new Subsidiary to provide to Bank a joinder to

this Agreement to become a co-borrower hereunder, or a Guaranty to become a Guarantor hereunder, at Bank's discretion, together with such appropriate financing statements and/or Control Agreements, all in form and substance satisfactory to Bank (including being sufficient to grant Bank a first priority Lien (subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary), (b) provide to Bank appropriate certificates and powers and financing statements, pledging all of the direct or beneficial ownership interest in such new Subsidiary, in form and substance satisfactory to Bank; and (c) provide to Bank all other documentation in form and substance satisfactory to Bank, which in its opinion is appropriate with respect to the execution and delivery of the applicable documentation referred to above. Any document, agreement, or instrument executed or issued pursuant to this Section 6.13 shall be a Loan Document.

6.14 Intentionally Omitted.

6.15 Further Assurances. At any time and from time to time Borrower shall execute and deliver such further instruments and take such further action as may reasonably be requested by Bank to effect the purposes of this Agreement.

7. NEGATIVE COVENANTS.

Borrower will not do any of the following:

7.1 Dispositions. Convey, sell, lease, transfer or otherwise dispose of (collectively, a "Transfer"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, other than: (i) Transfers of Inventory in the ordinary course of business; (ii) Transfers of non-exclusive licenses and similar arrangements for the use of the property of Borrower or its Subsidiaries in the ordinary course of business; (iii) Transfers of worn-out or obsolete Equipment which was not financed by Bank; (iv) Transfers consisting of the sale or issuance of any stock of Borrower permitted under Section 7.2 of this Agreement; (v) Transfers consisting of Borrower's use or transfer of money or cash equivalents in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents; (vi) the leasing or subleasing of assets of Borrower or its Subsidiaries in the ordinary course of business, (vii) transfers among the Borrowers; and (viii) (A) the lapse of registered patents, trademarks, copyrights and other intellectual property of Borrower and its Subsidiaries to the extent not economically desirable in the conduct of their business or (B) the abandonment (including, but not limited to, by means of the sale, exclusive license or other disposition of the source code therefor) of patents, trademarks, copyrights, or other intellectual property rights in the ordinary course of business so long as (in each case under clauses (A) and (B)), (1) with respect to copyrights, such copyrights are not material revenue generating copyrights, and (2) such lapse is not materially adverse to the interests of the Bank. Notwithstanding the foregoing, Borrower may consummate the ECM Line of Business Sale, so long as Borrower complies with the requirements set forth in the definition thereof.

7.2 Change in Business; Change in Control or Executive Office. Engage in any business, or permit any of its Subsidiaries to engage in any business, other than the businesses currently engaged in by Borrower and any business substantially similar or related thereto (or incidental thereto); or cease to conduct business in the manner conducted by Borrower as of the Closing Date; or suffer or permit a Change in Control; or without thirty (30) days prior written notification to Bank, relocate its chief executive office or state of organization or change its legal name; or without Bank's prior written consent, change the date on which its fiscal year ends.

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with or into any other business organization, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock, equity securities, or property of another Person.

7.4 Indebtedness. Create, incur, assume or be or remain liable with respect to any Indebtedness, or permit any Subsidiary so to do, other than Permitted Indebtedness.

7.5 Encumbrances. Create, incur, assume or suffer to exist any Lien with respect to any of its property (including without limitation, its Intellectual Property Collateral), or assign or otherwise convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for

Permitted Liens, or agree with any Person other than Bank not to grant a security interest in, or otherwise encumber, any of its property (including without limitation, its Intellectual Property Collateral), or permit any Subsidiary to do so.

7.6 Distributions. Pay any dividends or make any other distribution or payment on account of or in redemption, retirement or purchase of any capital stock, or permit any of its Subsidiaries to do so, except that (a) Borrower may repurchase the stock of former employees pursuant to stock repurchase agreements in an aggregate amount not to exceed Two Hundred Fifty Thousand Dollars ($250,000) during any twelve (12) month period, as long as an Event of Default does not exist prior to such repurchase or would not exist after giving effect to such repurchase, (b) Streamline Health may pay dividends or make distributions to Streamline; and (c) the Borrower may make redemptions consisting of the non-cash repurchase of Equity Interests deemed to occur upon the exercise of stock options, warrants or similar rights to the extent such Equity Interests represent a portion of the exercise price for those stock options, warrants or similar rights or the cash payment of related withholding taxes.

7.7 Investments. Directly or indirectly acquire or own, or make any Investment in or to any Person, or permit any of its Subsidiaries so to do, other than Permitted Investments; or suffer or permit any Subsidiary to be a party to, or be bound by, an agreement that restricts such Subsidiary from paying dividends or otherwise distributing property to Borrower.

7.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower except for transactions that are upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person or than (a) transactions among the Borrowers, (b) so long as it has been approved by such Borrower's or its applicable Subsidiary's board of directors (or comparable governing body) in accordance with applicable law, any indemnity provided for the benefit of directors (or comparable managers) of Borrower or its applicable Subsidiary; and (c) so long as it has been approved by the applicable Borrower's board of directors (or comparable governing body) in accordance with applicable law, the payment of reasonable compensation, severance, or employee benefit arrangements to employees, officers, and outside directors of Borrowers and their Subsidiaries in the ordinary course of business and consistent with industry practice.

7.9 Subordinated Debt. Make any payment in respect of any Subordinated Debt, or permit any of its Subsidiaries to make any such payment, except in compliance with the terms of such Subordinated Debt, or amend any provision contained in any documentation relating to the Subordinated Debt without Bank's prior written consent. For the abundance of caution, in no event shall Borrower make any payment under any Subordinated Debt if an Event of Default has occurred and is continuing or would occur as a result of such payment.

7.10 Inventory and Equipment. Store the Inventory or the Equipment with a bailee, warehouseman, or other third party unless the third party has been notified of Bank's security interest and Bank (a) has received an acknowledgment from the third party that it is holding or will hold the Inventory or Equipment for Bank's benefit or (b) is in pledge possession of the warehouse receipt, where negotiable, covering such Inventory or Equipment. Store or maintain any Equipment or Inventory at a location other than the location set forth in Section 10 of this Agreement.

7.11 Compliance. Become an "investment company" or be controlled by an "investment company," within the meaning of the Investment Company Act of 1940, or become principally engaged in, or undertake as one of its important activities, the business of extending credit for the purpose of purchasing or carrying margin stock, or use the proceeds of any Credit Extension for such purpose. Fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur, fail to comply with the Federal Fair Labor Standards Act or violate any law or regulation, which violation could reasonably be expected to have a Material Adverse Effect, or permit any of its Subsidiaries to do any of the foregoing.

7.12 Capital Expenditures. Make or contract to make, without Bank's prior written consent, capital expenditures, including leasehold improvements, in any fiscal year in excess of Two Hundred Fifty Thousand Dollars ($250,000).

8. EVENTS OF DEFAULT.

Any one or more of the following events shall constitute an Event of Default by Borrower under this Agreement:

8.1 Payment Default. If Borrower fails to pay, when due, any of the Obligations;

8.2 Covenant Default.

(a) If Borrower fails to perform any obligation under Section 3.3, Article 6 or violates any of the covenants contained in Article 7 of this Agreement; or

(b) If Borrower fails or neglects to perform or observe any other material term, provision, condition, covenant contained in this Agreement, in any of the Loan Documents, or in any other present or future agreement between Borrower and Bank and as to any default under such other term, provision, condition or covenant that can be cured, has failed to cure such default within ten (10) days after Borrower receives notice thereof or any officer of Borrower becomes aware thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional reasonable period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to have cured such default shall not be deemed an Event of Default but no Credit Extensions will be made.

8.3 Material Adverse Effect. If there occurs any circumstance or circumstances that could have a Material Adverse Effect;

8.4 Attachment. If any portion of Borrower's assets in excess of Two Hundred Fifty Thousand ($250,000), individually or in the aggregate, is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any trustee, receiver or person acting in a similar capacity and such attachment, seizure, writ or distress warrant or levy has not been removed, discharged or rescinded within ten (10) days, or if Borrower is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs, or if any other claim becomes a lien or encumbrance upon any material portion of Borrower's assets, or if a notice of lien, levy, or assessment is filed of record with respect to any of Borrower's assets by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, and the same is not paid within ten (10) days after Borrower receives notice thereof, provided that none of the foregoing shall constitute an Event of Default where such action or event is stayed or an adequate bond has been posted pending a good faith contest by Borrower (provided that no Credit Extensions will be required to be made during such cure period);

8.5 Insolvency. If Borrower becomes insolvent, or if an Insolvency Proceeding is commenced by Borrower, or if an Insolvency Proceeding is commenced against Borrower and is not dismissed or stayed within thirty (30) days (provided that no Credit Extensions will be made prior to the dismissal of such Insolvency Proceeding);

8.6 Other Agreements. If there is a default or other failure to perform in any agreement to which Borrower or any Guarantor is a party or by which it is bound resulting in a right by a third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of Two Hundred Fifty Thousand ($250,000) or which could reasonably be expected to have a Material Adverse Effect.

8.7 Judgments. If a judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least Two Hundred Fifty Thousand ($250,000) shall be rendered against Borrower and shall remain unsatisfied and unstayed for a period of ten (10) days (provided that no Credit Extensions will be made prior to the satisfaction or stay of such judgment); or

8.8 Misrepresentations. If any material misrepresentation or material misstatement exists now or hereafter in any warranty or representation set forth herein or in any certificate delivered to Bank by any Responsible Officer pursuant to this Agreement or to induce Bank to enter into this Agreement or any other Loan Document.

8.9 Subordinated Debt. Any document, instrument, or agreement evidencing the subordination of any Subordinated Debt shall for any reason be revoked or invalidated or otherwise cease to be in full force and effect, any Person shall be in breach thereof or contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations shall for any reason be subordinated or shall not have the priority contemplated by this Agreement or any applicable subordination or intercreditor agreement;

8.10 Guaranty. If any guaranty of all or a portion of the Obligations (a "Guaranty") ceases for any reason to be in full force and effect, or any guarantor fails to perform any obligation under any Guaranty or a security agreement securing any Guaranty (collectively, the "Guaranty Documents"), or any event of default occurs under any Guaranty Document or any guarantor revokes or purports to revoke a Guaranty, or any material misrepresentation or material misstatement exists now or hereafter in any warranty or representation set forth in any Guaranty Document or in any certificate delivered to Bank in connection with any Guaranty Document, or if any of the circumstances described in Sections 8.3 through 8.9 occur with respect to any guarantor or any guarantor dies or becomes subject to any criminal prosecution, or any circumstances arise causing Bank, in good faith, to become insecure as to the satisfaction of any of any guarantor's obligations under the Guaranty Documents.

9. BANK'S RIGHTS AND REMEDIES.

9.1 Rights and Remedies. Upon the occurrence and during the continuance of an Event of Default, Bank may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Borrower:

(a) Declare all Obligations, whether evidenced by this Agreement, by any of the other Loan Documents, or otherwise, immediately due and payable (provided that upon the occurrence of an Event of Default described in Section 8.5, all Obligations shall become immediately due and payable without any action by Bank);

(b) Cease advancing money or extending credit to or for the benefit of Borrower under this Agreement or under any other agreement between Borrower and Bank;

(c) Settle or adjust disputes and claims directly with account debtors for amounts, upon terms and in whatever order that Bank reasonably considers advisable;

(d) Make such payments and do such acts as Bank considers necessary or reasonable to protect its security interest in the Collateral. Borrower agrees to assemble the Collateral if Bank so requires, and to make the Collateral available to Bank as Bank may designate. Borrower authorizes Bank to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any encumbrance, charge, or lien which in Bank's determination appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith. With respect to any of Borrower's owned premises, Borrower hereby grants Bank a license to enter into possession of such premises and to occupy the same, without charge, in order to exercise any of Bank's rights or remedies provided herein, at law, in equity, or otherwise;

(e) Set off and apply to the Obligations any and all (i) balances and deposits of Borrower held by Bank, or (ii) indebtedness at any time owing to or for the credit or the account of Borrower held by Bank;

(f) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided for herein) the Collateral. Bank is hereby granted a license or other right,

solely pursuant to the provisions of this Section 9.1, to use, without charge, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section 9.1, Borrower's rights under all licenses and all franchise agreements shall inure to Bank's benefit;

(g) Dispose of the Collateral by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrower's premises) as Bank determines is commercially reasonable, and apply any proceeds to the Obligations in whatever manner or order Bank deems appropriate;

(h) Bank may credit bid and purchase at any public sale; and

(i) Any deficiency that exists after disposition of the Collateral as provided above will be paid immediately by Borrower.

9.2 Power of Attorney. Effective only upon the occurrence and during the continuance of an Event of Default, Borrower hereby irrevocably appoints Bank (and any of Bank's designated officers, or employees) as Borrower's true and lawful attorney to: (a) send requests for verification of Accounts or notify account debtors of Bank's security interest in the Accounts; (b) endorse Borrower's name on any checks or other forms of payment or security that may come into Bank's possession; (c) sign Borrower's name on any invoice or bill of lading relating to any Account, drafts against account debtors, schedules and assignments of Accounts, verifications of Accounts, and notices to account debtors; (d) dispose of any Collateral; (e) make, settle, and adjust all claims under and decisions with respect to Borrower's policies of insurance; (f) settle and adjust disputes and claims respecting the accounts directly with account debtors, for amounts and upon terms which Bank determines to be reasonable; and (g) to file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral. The appointment of Bank as Borrower's attorney in fact, and each and every one of Bank's rights and powers, being coupled with an interest, is irrevocable until all of the Obligations have been fully repaid and performed and Bank's obligation to provide Credit Extensions hereunder is terminated.

9.3 Accounts Collection. At any time after the occurrence of an Event of Default and during the continuation thereof, Bank may notify any Person owing funds to Borrower of Bank's security interest in such funds and verify the amount of such Account. Borrower shall collect all amounts owing to Borrower for Bank, receive in trust all payments as Bank's trustee, and immediately deliver such payments to Bank in their original form as received from the account debtor, with proper endorsements for deposit.

9.4 Bank Expenses. If Borrower fails to pay any amounts or furnish any required proof of payment due to third persons or entities, as required under the terms of this Agreement, then Bank may do any or all of the following after reasonable notice to Borrower: (a) make payment of the same or any part thereof; (b) set up such reserves under a loan facility in Section 2.1 as Bank deems necessary to protect Bank from the exposure created by such failure; or (c) obtain and maintain insurance policies of the type discussed in Section 6.6 of this Agreement, and take any action with respect to such policies as Bank deems prudent. Any amounts so paid or deposited by Bank shall constitute Bank Expenses, shall be immediately due and payable, and shall bear interest at the then applicable rate hereinabove provided, and shall be secured by the Collateral. Any payments made by Bank shall not constitute an agreement by Bank to make similar payments in the future or a waiver by Bank of any Event of Default under this Agreement.

9.5 Bank's Liability for Collateral. So long as Bank complies with reasonable banking practices, Bank shall not in any way or manner be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other person whomsoever. All risk of loss, damage or destruction of the Collateral shall be borne by Borrower.

9.6 Remedies Cumulative. Bank's rights and remedies under this Agreement, the Loan Documents, and all other agreements shall be cumulative. Bank shall have all other rights and remedies not

inconsistent herewith as provided under the Code, by law, or in equity. No exercise by Bank of one right or remedy shall be deemed an election, and no waiver by Bank of any Event of Default on Borrower's part shall be deemed a continuing waiver. No delay by Bank shall constitute a waiver, election, or acquiescence by it. No waiver by Bank shall be effective unless made in a written document signed on behalf of Bank and then shall be effective only in the specific instance and for the specific purpose for which it was given.

9.7 Demand; Protest. Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees at any time held by Bank on which Borrower may in any way be liable.

10. NOTICES.

All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, or email address indicated below. Bank or Borrower may change its mailing or electronic mail address by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower:

Streamline Health Solutions, Inc.
Streamline Health, Inc.
1175 Peachtree Street NE, 10th Floor
Atlanta, GA 30361
Attn: Chief Financial Officer
Email: thomas.gibson@streamlinehealth.net

If to Bank:

Bridge Bank, a division of Western Alliance Bank
55 Almaden Boulevard, Suite 100
San Jose, CA 95113
Attn: Note Department
Fax: (408) 282-1681
Email: notedepartment@bridgebank.com

and

Bridge Bank, a division of Western Alliance Bank
Six Concourse Parkway, Suite 2130
Atlanta, GA 30328
Attn: Robert Bryant
Email: Robert.byrant@bridgebank.com

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other.

11. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of California, without regard to principles of conflicts of law. Each of Borrower and Bank hereby submits to the exclusive jurisdiction of the state and Federal courts located in the County of Santa Clara, State of California. BORROWER AND BANK EACH HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT

CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH PARTY RECOGNIZES AND AGREES THAT THE FOREGOING WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR IT TO ENTER INTO THIS AGREEMENT. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

12. JUDICIAL REFERENCE PROVISION.

12.1 In the event the Jury Trial Waiver set forth above is not enforceable, the parties elect to proceed under this Judicial Reference Provision.

12.2 With the exception of the items specified in Section 12.3, below, any controversy, dispute or claim (each, a "**Claim**") between the parties arising out of or relating to this Agreement or any other document, instrument or agreement between the undersigned parties (collectively in this Section, the "**Loan Documents**"), will be resolved by a reference proceeding in California in accordance with the provisions of Sections 638 et seq. of the California Code of Civil Procedure ("**CCP**"), or their successor sections, which shall constitute the exclusive remedy for the resolution of any Claim, including whether the Claim is subject to the reference proceeding. Except as otherwise provided in the Loan Documents, venue for the reference proceeding will be in the state or federal court in the county or district where the real property involved in the action, if any, is located or in the state or federal court in the county or district where venue is otherwise appropriate under applicable law (the "**Court**").

12.3 The matters that shall not be subject to a reference are the following: (i) nonjudicial foreclosure of any security interests in real or personal property, (ii) exercise of self-help remedies (including, without limitation, set-off), (iii) appointment of a receiver and (iv) temporary, provisional or ancillary remedies (including, without limitation, writs of attachment, writs of possession, temporary restraining orders or preliminary injunctions). This reference provision does not limit the right of any party to exercise or oppose any of the rights and remedies described in clauses (i) and (ii) or to seek or oppose from a court of competent jurisdiction any of the items described in clauses (iii) and (iv). The exercise of, or opposition to, any of those items does not waive the right of any party to a reference pursuant to this reference provision as provided herein.

12.4 The referee shall be a retired judge or justice selected by mutual written agreement of the parties. If the parties do not agree within ten (10) days of a written request to do so by any party, then, upon request of any party, the referee shall be selected by the Presiding Judge of the Court (or his or her representative). A request for appointment of a referee may be heard on an ex parte or expedited basis, and the parties agree that irreparable harm would result if ex parte relief is not granted. Pursuant to CCP § 170.6, each party shall have one peremptory challenge to the referee selected by the Presiding Judge of the Court (or his or her representative).

12.5 The parties agree that time is of the essence in conducting the reference proceedings. Accordingly, the referee shall be requested, subject to change in the time periods specified herein for good cause shown, to (i) set the matter for a status and trial-setting conference within fifteen (15) days after the date of selection of the referee, (ii) if practicable, try all issues of law or fact within one hundred twenty (120) days after the date of the conference and (iii) report a statement of decision within twenty (20) days after the matter has been submitted for decision.

12.6 The referee will have power to expand or limit the amount and duration of discovery. The referee may set or extend discovery deadlines or cutoffs for good cause, including a party's failure to provide requested discovery for any reason whatsoever. Unless otherwise ordered based upon good cause shown, no party shall be entitled to "priority" in conducting discovery, depositions may be taken by either party upon seven (7) days written notice, and all other discovery shall be responded to within fifteen (15) days after service. All disputes relating to discovery which cannot be resolved by the parties shall be submitted to the referee whose decision shall be final and binding.

12.7 Except as expressly set forth herein, the referee shall determine the manner in which the reference proceeding is conducted including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the reference proceeding. All proceedings and

hearings conducted before the referee, except for trial, shall be conducted without a court reporter, except that when any party so requests, a court reporter will be used at any hearing conducted before the referee, and the referee will be provided a courtesy copy of the transcript. The party making such a request shall have the obligation to arrange for and pay the court reporter. Subject to the referee's power to award costs to the prevailing party, the parties will equally share the cost of the referee and the court reporter at trial.

12.8 The referee shall be required to determine all issues in accordance with existing case law and the statutory laws of the State of California. The rules of evidence applicable to proceedings at law in the State of California will be applicable to the reference proceeding. The referee shall be empowered to enter equitable as well as legal relief, enter equitable orders that will be binding on the parties and rule on any motion which would be authorized in a court proceeding, including without limitation motions for summary judgment or summary adjudication. The referee shall issue a decision at the close of the reference proceeding which disposes of all claims of the parties that are the subject of the reference. Pursuant to CCP § 644, such decision shall be entered by the Court as a judgment or an order in the same manner as if the action had been tried by the Court and any such decision will be final, binding and conclusive. The parties reserve the right to appeal from the final judgment or order or from any appealable decision or order entered by the referee. The parties reserve the right to findings of fact, conclusions of laws, a written statement of decision, and the right to move for a new trial or a different judgment, which new trial, if granted, is also to be a reference proceeding under this provision.

12.9 If the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired judge or justice, in accordance with the California Arbitration Act §1280 through §1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.

12.10 THE PARTIES RECOGNIZE AND AGREE THAT ALL CONTROVERSIES, DISPUTES AND CLAIMS RESOLVED UNDER THIS REFERENCE PROVISION WILL BE DECIDED BY A REFEREE AND NOT BY A JURY. AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF ITS, HIS OR HER OWN CHOICE, EACH PARTY KNOWINGLY AND VOLUNTARILY, AND FOR THE MUTUAL BENEFIT OF ALL PARTIES, AGREES THAT THIS REFERENCE PROVISION WILL APPLY TO ANY CONTROVERSY, DISPUTE OR CLAIM BETWEEN OR AMONG THEM ARISING OUT OF OR IN ANY WAY RELATED TO, THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

13. GENERAL PROVISIONS.

13.1 **Successors and Assigns**. This Agreement shall bind and inure to the benefit of the respective successors and permitted assigns of each of the parties; provided, however, that neither this Agreement nor any rights hereunder may be assigned by Borrower without Bank's prior written consent, which consent may be granted or withheld in Bank's sole discretion. Bank shall have the right without the consent of or notice to Borrower to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights and benefits hereunder.

13.2 **Indemnification**. Borrower shall defend, indemnify and hold harmless Bank and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Agreement; and (b) all losses or Bank Expenses in any way suffered, incurred, or paid by Bank as a result of or in any way arising out of, following, or consequential to transactions between Bank and Borrower whether under this Agreement, or otherwise (including without limitation reasonable attorneys' fees and expenses), except for losses caused by Bank's gross negligence or willful misconduct.

13.3 **Time of Essence**. Time is of the essence for the performance of all obligations set forth in this Agreement.

13.4 Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

13.5 Amendments in Writing, Integration. Neither this Agreement nor the Loan Documents can be amended or terminated orally. All prior agreements, understandings, representations, warranties, and negotiations between the parties hereto with respect to the subject matter of this Agreement and the Loan Documents, if any, are merged into this Agreement and the Loan Documents.

13.6 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement.

13.7 Survival. All covenants, representations and warranties made in this Agreement shall continue in full force and effect so long as any Obligations remain outstanding or Bank has any obligation to make Credit Extensions to Borrower. The obligations of Borrower to indemnify Bank with respect to the expenses, damages, losses, costs and liabilities described in Section 13.2 shall survive until all applicable statute of limitations periods with respect to actions that may be brought against Bank have run.

13.8 Confidentiality. In handling any confidential information Bank and all employees and agents of Bank, including but not limited to accountants, shall exercise the same degree of care that it exercises with respect to its own proprietary information of the same types to maintain the confidentiality of any non-public information thereby received or received pursuant to this Agreement except that disclosure of such information may be made (i) to the subsidiaries or affiliates of Bank in connection with their present or prospective business relations with Borrower, (ii) to prospective transferees or purchasers of any interest in the Loans, (iii) as required by law, regulations, rule or order, subpoena, judicial order or similar order, (iv) as may be required in connection with the examination, audit or similar investigation of Bank and (v) as Bank may determine in connection with the enforcement of any remedies hereunder. Confidential information hereunder shall not include information that either: (a) is in the public domain or in the knowledge or possession of Bank when disclosed to Bank, or becomes part of the public domain after disclosure to Bank through no fault of Bank; or (b) is disclosed to Bank by a third party, provided Bank does not have actual knowledge that such third party is prohibited from disclosing such information.

13.9 Patriot Act Notice. Bank notifies Borrower that, pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56 (signed into law on October 26, 2001) (the "Patriot Act"), it is required to obtain, verify and record information that identifies Borrower, which information includes names and addresses and other information that will allow Bank to identify Borrower in accordance with the Patriot Act.

14. CO-BORROWERS.

14.1 Co-Borrowers. Borrowers are jointly and severally liable for the Obligations and Bank may proceed against one Borrower to enforce the Obligations without waiving its right to proceed against the other Borrower. This Agreement and the Loan Documents are a primary and original obligation of each Borrower and shall remain in effect notwithstanding future changes in conditions, including any change of law or any invalidity or irregularity in the creation or acquisition of any Obligations or in the execution or delivery of any agreement between Bank and any Borrower. Each Borrower shall be liable for existing and future Obligations as fully as if all of the Credit Extensions were advanced to such Borrower. Bank may rely on any certificate or representation made by any Borrower as made on behalf of, and binding on, each Borrower, including without limitation Advance Request Forms and Compliance Certificates. Each Borrower appoints each other Borrower as its agent with all necessary power and authority to give and receive notices, certificates or demands for and on behalf of each Borrower, to act as disbursing agent for receipt of any Advances on behalf of each Borrower and to apply to Bank on behalf of each Borrower for Advances, any waivers and any consents. This authorization cannot be revoked, and Bank need not inquire as to one Borrower's authority to act for or on behalf of another Borrower.

14.2 Subrogation and Similar Rights. Notwithstanding any other provision of this Agreement or any other Loan Document, each Borrower irrevocably waives, until all Obligations (other than

inchoate indemnity obligations) are paid in full and Bank has no further obligation to make Credit Extensions to each Borrower, all rights that it may have at law or in equity (including, without limitation, any law subrogating a Borrower to the rights of Bank under the Loan Documents) to seek contribution, indemnification, or any other form of reimbursement from any other Borrower, or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by a Borrower with respect to the Obligations in connection with the Loan Documents or otherwise and all rights that it might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by a Borrower with respect to the Obligations in connection with the Loan Documents or otherwise. Any agreement providing for indemnification, reimbursement or any other arrangement prohibited under this Section shall be null and void. If any payment is made to a Borrower in contravention of this Section, such Borrower shall hold such payment in trust for Bank and such payment shall be promptly delivered to Bank for application to the Obligations, whether matured or unmatured.

14.3 Waivers of Notice. Each Borrower waives, to the extent permitted by law, notice of acceptance hereof; notice of the existence, creation or acquisition of any of the Obligations; notice of an Event of Default except as set forth herein; notice of the amount of the Obligations outstanding at any time; notice of any adverse change in the financial condition of any other Borrower or of any other fact that might increase a Borrower's risk; presentment for payment; demand; protest and notice thereof as to any instrument; and all other notices and demands to which Borrower would otherwise be entitled by virtue of being a co-borrower or a surety. Each Borrower waives any defense arising from any defense of any other Borrower, or by reason of the cessation from any cause whatsoever of the liability of any other Borrower. Bank's failure at any time to require strict performance by any Borrower of any provision of the Loan Documents shall not waive, alter or diminish any right of Bank thereafter to demand strict compliance and performance therewith. Each Borrower also waives any defense arising from any act or omission of Bank that changes the scope of Borrower's risks hereunder. Each Borrower hereby waives any right to assert against Bank any defense (legal or equitable), setoff, counterclaim, or claims that such Borrower individually may now or hereafter have against another Borrower or any other Person liable to Bank with respect to the Obligations in any manner or whatsoever.

14.4 Subrogation of Defenses. For so long as any Obligations are outstanding or Bank has any obligations to make Credit Extensions to Borrower hereunder, each Borrower hereby agrees not to assert any defense based on impairment or destruction of its subrogation or other rights against any other Borrower and waives all benefits which might otherwise be available to it under California Civil Code Sections 2809, 2810, 2819, 2839, 2845, 2848, 2849, 2850, 2899, and 3433 and California Code of Civil Procedure Sections 580a, 580b, 580d and 726, as those statutory provisions are now in effect and hereafter amended, and under any other similar statutes now and hereafter in effect. This Section 14.4 shall have no further force or effect and shall terminate automatically upon the indefeasible repayment in full in cash of all Obligations owing to Bank and the termination of this Agreement and Bank's obligation to make Credit Extensions to Borrower hereunder.

14.5 Right to Settle, Release

(a) The liability of Borrower hereunder shall not be diminished by (i) any agreement, understanding or representation that any of the Obligations is or was to be guaranteed by another Person or secured by other property, or (ii) any release or unenforceability, whether partial or total, of rights, if any, which Bank may now or hereafter have against any other Person, including another Borrower, or property with respect to any of the Obligations.

(b) Without notice to any given Borrower and without affecting the liability of any given Borrower hereunder, Bank may (i) compromise, settle, renew, extend the time for payment, change the manner or terms of payment, discharge the performance of, decline to enforce, or release all or any of the Obligations with respect to any other Borrower by written agreement with such other Borrower, (ii) grant other indulgences to another Borrower in respect of the Obligations, (iii) modify in any manner any documents relating to the Obligations with respect to any other Borrower by written agreement with such other Borrower, (iv) release, surrender or exchange any deposits or other property securing the Obligations, whether pledged by a Borrower or any other Person, or (v) compromise, settle, renew, or extend the time for payment, discharge the performance of, decline to enforce, or release all or any obligations of any guarantor, endorser or other Person who is now or may hereafter be liable with respect to any of the Obligations.

14.6 Subordination. All indebtedness of a Borrower now or hereafter arising held by another Borrower, except as disclosed in the attached Schedule, is subordinated to the Obligations and Borrower holding the indebtedness shall take all actions reasonably requested by Bank to effect, to enforce and to give notice of such subordination.

15. NOTICE OF FINAL AGREEMENT.

BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES, (B) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (C) THIS WRITTEN AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

STREAMLINE HEALTH SOLUTIONS, INC., a Delaware corporation

By: /s/ Thomas J. Gibson

Name: Thomas J. Gibson

Title: Senior Vice President & Chief Financial Officer

STREAMLINE HEALTH, INC., an Ohio corporation

By: /s/ Thomas J. Gibson

Name: Thomas J. Gibson

Title: Chief Financial Officer & Secretary

WESTERN ALLIANCE BANK, an Arizona corporation

By: /s/ Robert Bryant

Name: Robert Bryant

Title: Vice President, Technology Banking Division

Exhibit 10.6

AMENDMENT TO ASSET PURCHASE AGREEMENT

This Amendment to Asset Purchase Agreement (this "***Amendment***"), is entered into this 7th day of January, 2020, by and between Streamline Health Solutions, Inc., a Delaware corporation ("***Parent***"), and Streamline Health, Inc., an Ohio corporation (together with Parent, collectively, "***Seller***"), whose principal address is 1175 Peachtree St. NE, 10th Floor, Atlanta, GA 30361, and Hyland Software, Inc., an Ohio corporation ("***Purchaser***"), whose principal address is 28500 Clemens Road, Westlake, Ohio 44145, and amends the Asset Purchase Agreement, dated December 17, 2019, by and among Seller and Purchaser (the "***Purchase Agreement***"). Capitalized terms used in this Amendment and not defined herein are used herein with the same meanings given such terms under the Purchase Agreement. The term "Agreement" as used in the Purchase Agreement and in this Amendment shall mean the Purchase Agreement as amended by this Amendment, and each reference in the Purchase Agreement to "this Agreement", "hereunder", "hereof", or words of like import referring to the Purchase Agreement, or in the other documents or instruments entered into in connection therewith to the "Purchase Agreement," "thereof," or words of like import referring to the Purchase Agreement, shall mean and refer to the Purchase Agreement as amended by this Amendment.

RECITAL

Seller and Purchaser desire to amend certain terms of the Purchase Agreement as set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration had and received, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows, effective as of the date of this Amendment:

1. CHANGES TO ARTICLE 4: Article 4 of the Agreement shall be and hereby is amended by replacing the dates "February 14, 2020" and "February 15, 2020," wherever used in such Article 4, with "the date that is sixty (60) days following the date that Parent's Proxy Statement is filed with the SEC" and "the date that is sixty-one (61) days following the date that Parent's Proxy Statement is filed with the SEC," respectively.

2. NO OTHER CHANGES: In all other respects the Purchase Agreement remains in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment, effective as of the day and year first above written.

STREAMLINE HEALTH SOLUTIONS, INC.	**HYLAND SOFTWARE, INC.**
By: /s/ Thomas J. Gibson	By: /s/ Chris Hyland
Thomas J. Gibson Print Name	Chris Hyland Print Name
Chief Financial Officer Title	Chief Financial Officer Title

STREAMLINE HEALTH, INC.

By: /s/ Thomas J. Gibson

Thomas J. Gibson
Print Name

Chief Financial Officer
Title

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, Wyche T. "Tee" Green, III, 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.

January 7, 2020

/s/ Wyche T. "Tee" Green, III
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, Thomas J. Gibson, 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.

January 7, 2020

/s/ Thomas J. Gibson
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, Wyche T. "Tee" Green, III, 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 October 31, 2019 (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/ Wyche T. "Tee" Green, III
Wyche T. "Tee" Green, III
Chief Executive Officer and President
January 7, 2020

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, Thomas J. Gibson, 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 October 31, 2019 (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/ Thomas J. Gibson
Thomas J. Gibson
Chief Financial Officer
January 7, 2020

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.