
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

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

For the quarterly period ended October 31, 2009

or

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

For the transition period from _____ to _____

Commission File Number: 0-28132

STREAMLINE HEALTH SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

31-1455414
(I.R.S. Employer
Identification No.)

10200 Alliance Road, Suite 200
Cincinnati, Ohio 45242-4716
(Address of principal executive offices) (Zip Code)

(513) 794-7100
(Registrant's telephone number, including area code)

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

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

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

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

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

Number of shares of Registrant's Common Stock (\$.01 par value per share) issued and outstanding, as of December 10, 2009: 9,426,744.

TABLE OF CONTENTS

	<u>Page</u>
<u>Part I. FINANCIAL INFORMATION</u>	
<u>Item 1. Condensed Consolidated Balance Sheets at October 31, 2009 and January 31, 2009</u>	3
<u>Condensed Consolidated Statements of Operations for the three and nine months ended October 31, 2009 and 2008</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended October 31, 2009 and 2008</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	13
<u>Item 3. Quantitative and Qualitative Disclosure About Market Risk</u>	29
<u>Item 4T. Controls and Procedures</u>	29
<u>Part II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	29
<u>Item 1A. Risk Factors</u>	30
<u>Item 3. Defaults upon Senior Securities</u>	30
<u>Item 6. Exhibits</u>	31
<u>Signatures</u>	32
<u>Exhibit 11</u>	
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 32.1</u>	
<u>Exhibit 32.2</u>	

[Table of Contents](#)

PART I. FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

Assets

	(Unaudited) October 31, 2009	(Audited) January 31, 2009
Current assets:		
Cash and cash equivalents	\$ 793,025	\$ 3,128,801
Accounts receivable, net of allowance for doubtful accounts of \$100,000	1,447,951	1,328,508
Contract receivables	702,726	502,373
Prepaid hardware and third party software for future delivery	244,462	681,540
Prepaid other, including prepaid customer maintenance contracts	1,239,887	802,951
Deferred income taxes	247,000	247,000
Total current assets	4,675,051	6,691,173
Property and equipment:		
Computer equipment	2,674,352	2,475,928
Computer software	1,563,297	1,405,407
Office furniture, fixtures and equipment	745,544	737,344
Leasehold improvements	574,257	574,257
	5,557,450	5,192,936
Accumulated depreciation and amortization	(4,146,616)	(3,625,408)
	1,410,834	1,567,528
Contract receivables, less current portion	—	321,500
Capitalized software development costs, net of accumulated amortization of \$9,779,879 and \$8,311,760, respectively	7,892,241	6,481,360
Other, including deferred income taxes of \$1,628,000	1,646,086	1,670,891
	<u>\$ 15,624,212</u>	<u>\$ 16,732,452</u>

See Notes to Condensed Consolidated Financial Statements.

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

Liabilities and Stockholders' Equity

	(Unaudited) October 31, 2009	(Audited) January 31, 2009
Current liabilities:		
Accounts payable	\$ 462,365	\$ 759,577
Accrued compensation	326,121	299,000
Accrued other expenses	465,181	472,113
Deferred revenues	4,629,364	5,941,837
Total current liabilities	5,883,031	7,472,527
Long Term Liabilities:		
Line of Credit	1,900,000	800,000
Deferred revenues, less current portion	766,487	1,313,977
Other	—	48,842
Total Liabilities	8,549,518	9,635,346
Stockholders' equity:		
Convertible redeemable preferred stock, \$.01 par value per share 5,000,000 shares authorized, no shares issued	—	—
Common stock, \$.01 par value per share, 25,000,000 shares authorized, 9,426,744 and 9,354,782 shares issued, respectively	94,267	93,548
Additional paid in capital	36,089,857	35,820,417
Accumulated other comprehensive income	4,808	—
Accumulated deficit	(29,114,238)	(28,816,859)
Total stockholders' equity	7,074,694	7,097,106
	<u>\$ 15,624,212</u>	<u>\$ 16,732,452</u>

See Notes to Condensed Consolidated Financial Statements.

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONSThree and Nine Months Ended October 31,
(Unaudited)

	Three Months		Nine Months	
	2009	2008	2009	2008
Revenues:				
Systems sales	\$ 169,801	\$ 1,343,112	\$ 957,384	\$ 2,938,131
Services, maintenance and support	3,006,002	2,547,962	8,522,975	7,655,614
Application-hosting services	930,242	517,277	2,445,978	2,315,703
Total revenues	4,106,045	4,408,351	11,926,337	12,909,448
Operating expenses:				
Cost of systems sales	658,294	950,340	2,091,989	2,622,485
Cost of services, maintenance and support	1,317,619	1,083,040	3,697,735	3,342,377
Cost of application-hosting services	407,953	286,471	1,203,606	883,710
Selling, general and administrative	1,540,745	1,698,829	4,010,877	5,181,322
Product research and development	466,455	364,002	1,196,645	2,094,371
Total operating expenses	4,391,066	4,382,682	12,200,852	14,124,265
Operating income (loss)	(285,021)	25,669	(274,515)	(1,214,817)
Other income (expense):				
Interest income	—	64	—	7,823
Interest expense	(12,137)	(7,658)	(30,254)	(8,543)
Other income (expense)	1,387	—	20,390	—
Income (Loss) before taxes	(295,771)	18,075	(284,379)	(1,215,537)
Income taxes	—	(3,500)	(13,000)	(13,500)
Net (loss) income	\$ (295,771)	\$ 14,575	\$ (297,379)	\$ (1,229,037)
Basic net (loss) per common share	\$ (0.03)	\$ 0.00	\$ (0.03)	\$ (0.13)
Diluted net (loss) per common share	\$ (0.03)	\$ 0.00	\$ (0.03)	\$ (0.13)
Number of shares used in per common share computations:				
Basic	9,423,211	9,302,956	9,385,969	9,279,677
Diluted	9,423,211	9,342,130	9,385,969	9,279,677

See Notes to Condensed Consolidated Financial Statements.

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

Nine Months Ended October 31,
(Unaudited)

	2009	2008
Operating activities:		
Net loss	\$ (297,379)	\$ (1,229,037)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Loss (gain) on disposal of fixed assets	4,308	—
Depreciation and amortization	2,039,232	2,080,345
Equity award expense	204,259	118,922
Long-term lease incentive	(48,842)	(73,263)
Changes in assets and liabilities:		
Accounts and contract receivables	1,704	500,056
Other current assets	4,950	(740,261)
Accounts payable and accrued expenses	(231,355)	(115,657)
Deferred revenues	(1,859,963)	(227,740)
Net cash (used in) provided by operating activities	<u>(183,086)</u>	<u>313,365</u>
Investing activities:		
Purchases of property and equipment	(464,395)	(596,877)
Capitalization of software development costs	(2,879,000)	(2,628,000)
Other	24,805	(4,547)
Net cash (used in) investing activities	<u>(3,318,590)</u>	<u>(3,229,424)</u>
Financing activities:		
Proceeds from stock purchase plan and exercise of stock options	65,900	67,443
Net change in bank line of credit	1,100,000	2,000,000
Net cash provided by financing activities	<u>1,165,900</u>	<u>2,067,443</u>
Decrease in cash and cash equivalents	(2,335,776)	(848,616)
Cash and cash equivalents at beginning of period	3,128,801	2,189,010
Cash and cash equivalents at end of period	<u>\$ 793,025</u>	<u>\$ 1,340,394</u>
Supplemental cash flow disclosures:		
Interest paid	<u>\$ 24,899</u>	<u>\$ 3,958</u>
Income taxes paid	<u>\$ 10,584</u>	<u>\$ 8,740</u>

See Notes to Condensed Consolidated Financial Statements.

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

(Unaudited)

Note 1 — BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by Streamline Health Solutions, Inc. (“Streamline Health® 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. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Condensed Consolidated Financial Statements have been included. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in the most recent Streamline Health Solutions, Inc. Annual Report on Form 10-K, Commission File Number 0-28132. Operating results for the three months and nine months ended October 31, 2009, are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2010.

The Company has evaluated subsequent events through December 10, 2009, the date the financial statements were issued.

Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company’s significant accounting policies is presented beginning on page 52 of its fiscal year 2008 Annual Report on Form 10-K. Users of financial information for interim periods are encouraged to refer to the footnotes contained in the Annual Report when reviewing interim financial results. There has been no material change in the accounting policies followed by the Company during fiscal year 2009.

Note 3 — CHANGES IN BALANCE SHEET ACCOUNT BALANCES

The decrease in cash and cash equivalents during the first nine months results primarily from cash used in operating activities and investing activities, namely expenditures relating to software development costs and purchases of equipment. This is offset by cash provided by financing activities, which is primarily the balance of the Company’s line of credit.

The decrease in prepaid hardware and third party software for future delivery is primarily due to the recognition of the cost of sale expense associated with revenue recorded during the current fiscal year.

The decrease in contracts receivable, including current and long-term portions, is the result of the decrease in the sales of customer contracts where revenue was recorded prior to the associated contractual customer invoicing milestones. The long term portion of the balance at January 31, 2009 was reclassified to current during the current fiscal year.

Table of Contents

The increase in prepaid other, including prepaid customer maintenance contracts is the result of new prepaid maintenance contracts that are amortized over their service period along with increases in prepaid commissions on new application-hosting services contracts which are amortized over their contract periods.

The decrease in net property and equipment is primarily the result of depreciation and amortization further offset by purchases of equipment upgrades for internal operations and application hosting services and a small amount of fully depreciated assets written off due to obsolescence.

The increase in capitalized software development costs, net, is the result of certain projects reaching technological feasibility for which development cost began being capitalized relating to the development of the next generation of core software solutions and expanded work flow module development offset by amortization expense.

The decrease in accounts payable results from the timing of vendor payments at quarter end.

The increase in accrued compensation results from the increase in the accrual of commissions to be paid in subsequent periods for significant sales made, or earned portions of variable employee compensation plans in the first nine months of fiscal 2009.

The amount shown for the line of credit represents total borrowings under the line.

The decrease in deferred revenues reflects the amortization of prepaid maintenance during fiscal 2009, net of any additional payments received in 2009, along with the timing of any payments received.

Note 4 — EQUITY AWARDS

Compensation expense is recognized over the requisite service period for awards of equity instruments to employees based on the grant-date fair value of those awards expected to ultimately vest (with limited exceptions). Forfeitures are estimated on the date of the grant and revised if actual or expected forfeiture activity differs materially from original estimates.

During the first nine months of the current fiscal year, the Company granted 29,000 options with a weighted average exercise price of \$2.09 per share. During the same period 10,000 options expired with an average exercise price of \$1.95 per share, and 11,000 options were exercised under all plans at an average exercise price of \$1.50 per share.

On June 25, 2009 the Company granted restricted stock shares subject to the 2005 Incentive Compensation Plan as amended, to certain independent members of the Board of Directors. The shares have an approximate one-year vesting period. A total of 25,422 shares were issued with an average fair value of \$2.95 per share.

Table of Contents

During fiscal year 2006, the Company began expensing the fair value of equity awards using the modified-prospective-transition method, which requires the Company to expense unvested awards or new awards, subsequent to the adoption of the standard. The expense relating to the fair value of equity awards included in the third quarter and first nine months of fiscal year 2009 and 2008 operating expenses amounted to \$74,083 and \$38,111 for the quarter and \$204,259 and \$118,922 for the first nine months, respectively. The increase reflects the amortization of new grants and the cumulative effect of the amortization of option grants over the past three years. The assumptions used to calculate the fair value of equity awards granted are evaluated and revised, as necessary, to reflect current market conditions and prior experience.

The fair value of the stock-based compensation as of October 31, 2009 was estimated at the date of the grants using a Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 2.50%, a dividend yield of zero percent; and a current weighted average volatility factor of the expected market price of Streamline Health's Common Stock of 0.563 in 2009. The weighted average expected life of stock options are five years and have a forfeiture rate of zero.

Note 5 — INCOME TAXES

Deferred income tax assets and liabilities are provided for temporary differences between the tax basis and reported basis of assets and liabilities that will result in taxable or deductible amounts in future years. The Company believes that its income tax positions and deductions will be sustained on audit and does not anticipate adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain tax positions have been recorded.

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, 2006. All material state and local income tax matters have been concluded for years through January 31, 2004.

Income tax expense reflects various state income taxes in which the Company does business.

Note 6 — EARNINGS PER SHARE

The basic earnings (loss) per common share are calculated using the weighted average number of common shares outstanding during the period.

The 2009 diluted net (loss) per common share calculation, excludes the effect of the common stock equivalents (stock options), as the inclusion thereof would be antidilutive. The Company had 515,882 equity award shares outstanding at October 31, 2009 that were not included in the diluted net (loss) per share calculation as the inclusion thereof would be antidilutive.

The 2008 diluted net (loss) per common share calculation, excludes the effect of the common stock equivalents (stock options), as the inclusion thereof would be antidilutive. The Company had 424,500 equity award shares outstanding at October 31, 2008 that were not included in the diluted net (loss) per share calculation as the inclusion thereof would be antidilutive.

[Table of Contents](#)

Note 7 — CONTRACTUAL OBLIGATIONS

The following table details the remaining obligations, by fiscal year, as of the end of the quarter. There are no capitalized leases or other commitments. Lease obligations beyond fiscal year 2012 are \$4,758. There are no other contractual obligations beyond fiscal year 2012.

	Total	2009	2010	2011	2012
Line of Credit	\$ 1,900,000	\$ —	\$ —	\$ 1,900,000	\$ —
Operating leases	453,822	128,953	262,297	43,540	19,032
Total	\$ 2,353,822	\$ 128,953	\$ 262,297	\$ 1,943,540	\$ 19,032

Note 8 — DEBT

On October 21, 2009, Streamline Health entered into an amended and restated revolving note with Fifth Third Bank, Cincinnati, OH. The terms of the loan remain the same as set forth in the revolving note entered into on July 31, 2008, as amended on January 6, 2009, except as follows: (i) the maximum principal amount that can be borrowed has increased to \$2,750,000 from the prior maximum amount of \$2,000,000; (ii) the maturity date of the loan has been extended to October 1, 2011 from August 1, 2010; and (iii) the interest rate on the outstanding principal balance will accrue at an annual floating rate of interest equal to the Adjusted Libor Rate (as defined in the revolving note) plus 3.25% and will no longer be based upon the ratio of the Company's funded indebtedness to its trailing twelve months EBITDA.

The loan continues to be guaranteed by the Company. In connection with the entering into of the revised revolving note, the Company also entered into an amended and restated continuing guaranty agreement. The terms of the continuing guarantee agreement remain the same as set forth in the guarantee agreement entered into on July 31, 2008, as amended on January 6, 2009, except that the covenant that formerly required the Company to maintain certain levels of minimum tangible net worth has been eliminated.

The loan also continues to be secured by a first lien on all of the assets of the Company pursuant to security agreements entered into by the Company.

The Company believes that the terms of the revised loan documents are favorable to the Company. The Company was not in default of, or out of compliance with, any terms of its credit facility prior to entering into the revised loan documents. The Company was in full compliance with the terms of its credit facility with Fifth Third Bank and there were no defaults at October 31, 2009.

NOTE 9 — FINANCIAL INSTRUMENTS

The Company uses foreign currency hedge instruments to partially offset its business exposure to foreign exchange risk of the Canadian dollar for the Company's transactions with a current Canadian customer. The Company may enter into foreign currency forward and option contracts to offset some of the foreign exchange risk of expected future cash flows on certain forecasted revenue and cost of sales, and on certain existing accounts receivable and payable. However, the Company may choose not to hedge certain foreign exchange exposures for a variety of reasons, including but not limited to immateriality. The fair value of foreign currency forward contracts is \$4,730 at October 31, 2009.

The Company accounts for derivative financial instruments by recognizing derivative instruments as either assets or liabilities in the balance sheet at fair value and recognizing the resulting gains or losses as adjustments to earnings or other comprehensive earnings. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

NOTE 10 — FAIR VALUE MEASUREMENTS

Accounting guidance on fair value measurement for certain financial assets and liabilities requires that assets and liabilities carried at fair value 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 reflecting the reporting entity's own assumptions or external inputs from inactive markets

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of October 31, 2009.

	October 31, 2009			Total (a)
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Foreign Currency Hedges	\$ —	\$ 4,730	\$ —	\$ 4,730
Total assets measured at fair value	<u>\$ —</u>	<u>\$ 4,730</u>	<u>\$ —</u>	<u>\$ 4,730</u>

(a) The total fair value amounts for assets and liabilities also represent the related carrying amounts.

[Table of Contents](#)

The Company's foreign currency hedges were valued using the observable changes in fair values of hedged assets or liabilities due to the change in foreign exchange rates during the quarter ended October 31, 2009 (Level 2).

NOTE 11 — COMPREHENSIVE INCOME

Comprehensive income consists of two components, net income and other comprehensive income. Other comprehensive income refers to revenue, expenses, gains, and losses that under generally accepted accounting principles are recorded as an element of shareholders' equity but are excluded from net income. The Company's other comprehensive income consists of the effective portion of foreign currency hedge instruments.

The following table summarizes the components of accumulated other comprehensive income, net of taxes, as of October 31, 2009.

	Three Months Ended October 31, 2009	Nine Months Ended October 31, 2009
Net loss	\$ (295,771)	\$ (297,379)
Net unrecognized (losses) gains on foreign currency hedges	(3)	4,808
Total comprehensive loss	<u>\$ (295,774)</u>	<u>\$ (292,571)</u>

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

In addition to historical information contained herein, this Report on Form 10-Q contains forward-looking statements relating to the Company's plans, strategies, expectations, intentions, etc. and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements contained herein are no guarantee of future performance and are subject to certain risks and uncertainties that are difficult to predict and actual results could differ materially from those reflected in the forward-looking statements. These risks and uncertainties include, but are not limited to, the timing of contract negotiations and executions and the related timing of the revenue recognition related thereto, the potential cancellation of existing contracts or clients not completing projects included in the backlog, the impact of competitive products and pricing, product demand and market acceptance, new product development, key strategic alliances with vendors that resell Streamline Health solutions, the ability of Streamline Health to control costs, availability of products obtained from third-party vendors, the healthcare regulatory environment, potential changes in legislation, regulatory and government funding affecting the healthcare industry, healthcare information system budgets, availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems, fluctuations in operating results and other risk factors that might cause such differences including those discussed herein, and including, effects of critical accounting policies and judgments, changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other similar entities, changes in economic, business and market conditions impacting the healthcare industry, the markets in which the Company operates and nationally, and the Company's ability to maintain compliance with the terms of its credit facilities, but not limited to, discussions in the most recent Form 10-K, Part I, "Item 1 Business", "Item 1A Risk Factors", Part II, "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8 Financial Statements and Supplemental Data." In addition, other written or oral statements that constitute forward-looking statements may be made by or on behalf of the Company. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date thereof. The Registrant undertakes no obligation to publicly revise these forward-looking statements, to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in this and other documents Streamline Health Solutions, Inc. files from time to time with the Securities and Exchange Commission, including future Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.

Streamline Health's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires Streamline Health to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent liabilities. On an ongoing basis, Streamline Health evaluates its estimates, including those related to product revenues, bad debts, capitalized software development costs, income taxes, support contracts, contingencies, and litigation. Streamline Health bases its estimates on historical experience and on various other assumptions that Streamline Health believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and revenue and expense recognition. Actual results may differ from these estimates under different assumptions or conditions.

RESULTS OF OPERATIONS

GENERAL

Streamline Health Solutions, Inc. is a healthcare information technology company, which is focused on developing and licensing proprietary software solutions that improve document-centric information flows and complement and enhance existing transaction-centric hospital healthcare information systems. The Company's workflow and document management solutions bridge the gap between current, predominantly paper-based processes and transaction-based healthcare information systems by 1) electronically capturing document-centric information from disparate sources, 2) electronically directing that information through vital business processes, and 3) providing access to the information to authenticated users (such as physicians, nurses, administrative and financial personnel and payers) across the continuum of care. Streamline Health's systems are designed for enterprise wide deployment to seamlessly connect disparate departmental systems, or silos of independent technologies which create Friction Points™, in a common interoperable document management workflow solution.

The Company's solutions and services create an integrated document-centric repository of historical health information that is complementary to and can be seamlessly "bolted on" to existing transaction-centric clinical, financial and management information systems, allowing healthcare providers to aggressively move toward fully Electronic Medical Record (EMR) processes while improving service levels and convenience for all stakeholders. These integrated systems allow providers and administrators to dramatically improve the availability of patient information while decreasing direct costs associated with document retrieval, work-in-process, chart completion, document retention and archiving.

The Company's applications allow authenticated users, such as physicians, nurses, administrative and financial personnel, and payers with access to patient healthcare information (PHI) that exists in disparate systems across the continuum of care and improve operational efficiencies through business process re-engineering and automating labor-intensive and demanding paper environments. Streamline Health's applications and services are complementary to existing clinical, financial and administrative systems, and use document management and advanced workflow tools to ensure users can electronically access both "structured" (transaction-centric) and "unstructured" (document-centric) patient data and all the various forms of clinical, financial and administrative healthcare information from a single permanent and secure repository, including clinician's handwritten notes, laboratory reports, photographs, insurance cards, human resource documents, etc.

The Company's workflow-based solutions and services offer solutions to specific healthcare business processes within the Health Information Management (HIM) and revenue cycle, such as: remote coding, abstracting and chart completion, remote physician order processing, pre-admission registration scanning, insurance verification, secondary billing services, explanation of benefits processing, release of information processing and other departmental workflow processes.

Table of Contents

The Company's workflow solutions offer value to all of the constituents in the healthcare delivery process by enabling them to simultaneously access and utilize Streamline Health's advanced workflow applications to process information, on a real-time basis from virtually any location, including the physician's desktop, using web-based technology. Streamline Health's solutions integrate its own proprietary document management platform, application workflow modules and image and web-enabling tools that allow for the seamless merger of "back office" functionality with existing Hospital Information Systems at the desktop.

The Company's software solutions can be provided on a subscription basis via "Software as a Service" (also referred to as "SaaS", "hosting", or "Cloud Computing") which is remotely hosted, or alternatively, licensed and installed locally. SaaS is the provision of dynamically scalable remote software, infrastructure and resources as a subscription service over a dedicated data communications line or virtual private line (VPN) via the Internet. Users of Software as a Service need not have knowledge of, expertise in, or control over the technology infrastructure in the hosting center that supports them. Under these arrangements, customers electronically capture document-centric information at the healthcare facility and securely transmit the data to the Company's established hosting center. The hosting service center stores and manages the document-centric data using Streamline Health's suite of applications, and customers can view, print, fax, route and process the information from anywhere using the Streamline Health web-enabled applications. Streamline Health pioneered this offering in 1998 to give customers the ability to obtain its solutions on an application-hosting basis as an Application Service Provider (ASP).

The Company offers its own document imaging/management infrastructure (accessANYware™) that is built for high volume transaction processing and is specifically designed for the healthcare industry. In addition to providing access to information not previously available at the desktop, Streamline Health's applications fulfill the administrative and regulatory needs of the Health Information Management, Patient Financial Services and other hospital administrative departments. Furthermore, these systems have been specifically designed to integrate with any Clinical Information System through various means, including our proprietary software integration tool, STRM-ITSM. For example, Streamline Health has integrated its solutions with selected systems from Telus Health (a Telus company) (Oacis Electronic Medical Record), Siemens Medical Solutions USA Inc. (Siemens), Cerner Corporation, Eclipsys Corporation, Lawson Software, and GE Healthcare (see below) applications, thus enabling customers to use our solutions without the expense of replacing entire software systems to gain the software functionality. By offering electronic access to all the patient information components of the medical record, this integration completes one of the most difficult tasks necessary to provide a true Electronic Medical Record. Streamline Health's systems deliver on-line enterprise wide access to fully updated patient information, which historically was maintained on a variety of media, including paper, magnetic disk, optical disk, and microfilm.

Historically, the Company has derived most of its revenues from recurring hosting services, recurring maintenance fees, professional services and system sales involving the licensing, either directly or through remarketing partners, of its workflow and document management solutions to healthcare organizations. In a typical transaction, Streamline Health, or its remarketing partners, enter into a fee-for-service SaaS subscription agreement or a perpetual license agreement for Streamline Health's software applications and may license to sell other third-party software and hardware components to the healthcare organization. Additionally, Streamline Health provides professional services, including implementation, training, and product support, as well as Business Process Management Services (BPM) consulting for customer document workflow applications.

Table of Contents

Streamline Health earns its highest margins on proprietary Streamline Health software and hosting services and the lowest margins on third-party hardware and software. Sales to customers may include different configurations of Streamline Health software, third party components (hardware and software), and professional services, resulting in varying margins among contracts. The margins on professional services revenues fluctuate based upon the negotiated terms of the agreement with each customer and Streamline Health's ability to fully utilize its professional services, maintenance, and support services staff.

Since inception, Streamline Health has experienced extended sales cycles. It is not uncommon for sales cycles to take six to eighteen months from initial contact to the execution of an agreement. As a result, the sales cycles for licensed solutions can cause significant variations in quarter-to-quarter operating results.

The Company operates primarily in one segment as a provider of health information technology solutions that streamline healthcare information flows within a healthcare facility. The financial information required by Item 101(b) of Regulation S-K is contained in Item 6 Selected Financial Information of the Company's January 31, 2009 Form 10-K.

All references to a fiscal year refer to the fiscal year commencing February 1 in that calendar year and ending on January 31 of the following year.

HEALTHCARE INFORMATION TECHNOLOGY MARKETPLACE

The turbulence in the worldwide economy has impacted almost all industries. While healthcare is not immune to economic cycles, the Company has observed that it is generally more resilient than most segments of the economy. The impact of the current economic conditions on our existing and prospective clients has been mixed. We continue to see some organizations doing fairly well operationally, but many are dealing with a reduction in available capital, or an overall spending decrease. In addition, organizations with a large dependency on Medicaid populations are being impacted by the challenging financial condition of many state governments. However, we believe that our solutions are well suited for this environment.

The decisions by a healthcare provider to replace, substantially modify, or upgrade its information systems are a strategic decision and may involve a large capital commitment requiring an extended approval process for licensed and locally installed solutions. The Company believes that these challenges are outweighed by the need for healthcare organizations to implement modern systems. Organizations are becoming more selective of where they invest capital, and our solutions are able to help organizations gain a quick return on their investment by improving safety, increasing efficiency, and therefore reducing costs. The Company has been successful in demonstrating to current and prospective customers the return on investment that our solutions produce over the short and long term. In addition, current legislation by the U.S. Federal Government favors the implementation of systems, such as ours, that fully realize the benefits of the electronic medical record (EMR). We feel our products, which are tailored for hospitals and physician practices alike, are positioned well to take advantage of the modernization and wide-spread use of EMR solutions.

Table of Contents

The Company's SaaS-based hosting services were especially designed to overcome these obstacles in the buying decision such as large capital commitment, length of implementation, and the scarcity of time for healthcare organization personnel to implement new systems. The Company believes that large healthcare organizations and smaller healthcare providers are looking for this type of subscription-based solution because of the ease of implementation and lower entry-level costs. Streamline Health is focused on its SaaS model of delivery and believes this business model is especially well suited for the medium to small acute care facility marketplace as well as the ambulatory marketplace. The Company is actively pursuing remarketing agreements, in addition to those discussed below, with other Healthcare Information Systems and staff outsourcing providers to distribute Streamline Health's SaaS-based document workflow solutions. The Company also continues to market system sales as appropriate to match customer needs.

Streamline Health provides hosted SaaS to The Health Alliance of Greater Cincinnati, Catholic Healthcare West, T. J. Sampson Community Hospital, Bronx Lebanon Hospital Center, Patty A. Clay Medical Center, Marion General Medical Center, the University of California San Francisco (UCSF), Massena Medical Center, Columbus Ohio Vital Statistics, and Children's Medical Center of Columbus, OH, among others. In addition, Streamline Health has licensed its workflow and document management solutions, which are installed at leading healthcare providers including Parkview Health, Pro Health Care, Peace Health, Texas Health Resources, Sarasota Memorial Hospital, the Albert Einstein Healthcare Network, Beth Israel Medical Center, and Memorial Sloan-Kettering Cancer Center, among others.

In 2009, Streamline Health launched its Business Process Management Services (BPM) group, which is a dedicated consulting department focused on delivering custom document workflow solutions for our existing installed base of customers and new customers who have a need for stand-alone document workflow applications to improve departmental business processes. BPM services include custom workflow development, business process management, strategic planning, and custom reporting, among other consulting services. These new services will complement our existing professional services, which focus primarily on installation of our standard off-the-shelf software solutions.

CONTRACTS OVERVIEW

Contractual agreements typically cover the licensing, hosting, or implementation and maintenance of the system, which takes place in one or more phases. The licensing agreements generally provide for the licensing of Streamline Health's proprietary software and third-party software with a perpetual or term license fee on either an unlimited number of users (site license) or a specific number of users (concurrent users license) that is adjusted upward depending on the number of facilities (annual operating expense model) or the number of concurrent users (concurrent use model) using the software. Site-specific customization, interfaces with existing customer systems and other consulting services are sold on a fixed fee or a time and materials basis. Alternatively, with Streamline Health's SaaS-based hosting services solutions, the hosting services agreements generally provide for utilizing Streamline Health's software and third-party software on a recurring subscription or, for smaller departmental solutions, a fee per transaction basis.

Table of Contents

Generally, revenues from licensed, locally installed systems sales are recognized when an agreement is signed and solutions are made available to end-users. Revenue recognition related to routine installation, integration and project management are deferred until the work is performed. Revenues from consulting and training services are recognized as the services are performed. Revenues from SaaS-based hosting services are recognized on a subscription or per transaction basis as information is captured, stored, retrieved and processed. Revenues from short-term support and maintenance agreements are recognized ratably over the term of the agreements. Billings to customers recorded prior to the recognition of the revenue are classified as deferred revenues. Revenues recognized prior to progress billings to customers are recorded as contract receivables.

To supplement its direct sales force, the Company has remarketing agreements with large healthcare industry partners. Contracts which have been recently entered into are detailed below:

In 2002, Streamline Health entered into a five year Remarketing Agreement with IDX Information Systems Corporation, which was subsequently acquired by GE Healthcare, a unit of the General Electric Company in January 2006. Under the terms of the Remarketing Agreement, IDX/GE was granted a non-exclusive worldwide license to distribute all Streamline Health document workflow and document management software including accessANYware™, Coding Workflow, and SaaS-based hosting services to its customers and prospective customers, as defined in the Remarketing Agreement. The Agreement has an automatic annual renewal provision and, after the initial five year term, which ended January 30, 2007, can be cancelled by IDX/GE upon 90 days written notice to the Company. This automatic annual renewal provision now extends the agreement through January 30, 2011. The Company has no reason to believe that the agreement will not continue to be renewed annually or will be terminated.

As to licensed, locally installed software, under the terms of the Remarketing Agreement, Streamline Health records this revenue when the solutions are made available to end-users. Royalties are remitted to Streamline Health based upon GE sublicensing Streamline Health's software to its customers. Thirty percent of the royalty is due 45 days following the end of the month in which GE executes an end-user license agreement with its customer. The remaining seventy percent of the royalty is due from GE, in varying amounts based on specific milestones, 45 days following the end of the month in which a milestone occurs.

In December 2007, Streamline Health entered into an agreement with Emergis, Inc., which was subsequently acquired by Telus, a large international telecommunications corporation based in Canada, in January 2008, under which Telus Health (formerly Emergis) is integrating Streamline Health's accessANYware™ document management repository and document workflow applications into its Oacis (Open Architecture Clinical Information System) Electronic Medical Record (EMR) solution.

Table of Contents

In May 2008, Streamline Health and Telus Health announced their agreement to provide their integrated document management and workflow solution at the eight hospitals representing the Centre hospitalier de l'Université de Montréal (CHUM) and the McGill University Health Centre (MUHC). Telus Health integrated Streamline Health's accessANYware document management and chart completion workflow solution into its Oacis electronic medical record solution. The integrated solution addresses clinicians' need for immediate access to patient records in hybrid environments, where electronic health records still coexist with paper. CHUM and MUHC will be among the first sites in Canada to deploy the integrated solution.

In May 2009, Streamline Health in collaboration with Telus Health announced that, consistent with its international expansion plans, the Company's document workflow solutions will be integrated into the electronic medical records solution for multiple facilities within an additional leading Canadian healthcare region. Streamline Health has now secured two large international contracts for implementation of its solutions at a total of over 18 healthcare facilities. As a result, pending General Availability status for its multi-lingual product release, the Company expects to recognize approximately \$1.6 million in software licensing revenues plus additional implementation services in the Company's fourth fiscal quarter of 2009. In addition, the Company expects its backlog will increase several million dollars as a result of anticipated installation and maintenance services fees over the term of the agreements. To date, no software revenues have been recorded for these transactions because the contracts call for Streamline Health to deliver a French language version of its software. A beta version of this software was delivered to Telus in July, 2009 as part of the process to achieve the product's General Availability status as planned later this fiscal year.

In July 2009, Streamline Health entered into an agreement to provide its integrated document management and workflow solution to an existing hosted customer. This project will add approximately \$954,000 over a five year term to the current relationship. The solution will create an online centralized repository of all requested pre-surgery documents coupled with smart software that alerts and tracks the entire process and workflow. The solution also includes robust compliance reporting as well as an interface to the customer's surgery scheduler. The revenues for the hosted solution, and the professional services provided by the agreement are recognized in accordance with the Company's revenue recognition policies as described in the preceding paragraphs.

In November 2009, Streamline Health entered into a purchase agreement to provide its integrated document management and workflow solution to Moses Cone Health System. Streamline will implement our enterprise document workflow solution integrated into the GE Centricity electronic medical records solution in the five-hospital health system in Greensboro, North Carolina. The total value of the contract is in excess of \$1.0 million. The solution will transform the current paper-based HIM department into a centralized hub for more efficient workflow between the billing department, doctors, and coders, while assisting the hospital system in achieving its stated goal of becoming paperless within five years.

SIGNED AGREEMENTS — BACKLOG

Streamline Health, or its remarketing partners, enter into master agreements with customers to specify the scope of the system to be installed and services to be provided, the agreed upon aggregate price and the timetable for implementation. The master agreement typically provides that the Company, or its remarketing partner, will deliver the system in phases pursuant to the customer's purchase orders, thereby allowing the customer flexibility in the timing of its receipt of systems and to make adjustments that may arise based upon changes in technology or changes in customer needs. The master agreement also allows the customer to request additional components as the installation progresses, which additions are then separately negotiated as to price and terms. Historically, customers have ultimately purchased systems and services in addition to those originally contemplated by the master agreement. Although there can be no assurance that customers will continue in the future to expand their systems and purchase additional licenses and services, Streamline Health believes, based on its past experience, that its customers will expand their existing systems.

At October 31, 2009, Streamline Health has master agreements, purchase orders or royalty reports from remarketing partners for systems and related services which have not been delivered, installed and accepted which, if fully performed, will generate future revenues of approximately \$22,572,000 compared with \$26,179,000 and \$22,844,000 at the end of the fourth and third quarter of fiscal 2008 as follows:

	October 31, 2009	January 31, 2009	October 31, 2008
Streamline Health Software Licenses	\$ 2,036,000	\$ 1,027,000	\$ 925,000
Custom Software	140,000	278,000	323,000
Hardware and Third Party Software	268,000	562,000	765,000
Professional Services	3,156,000	4,691,000	4,965,000
Application Hosting Services	10,897,000	13,043,000	12,896,000
Recurring Maintenance	6,075,000	6,578,000	2,970,000
TOTAL	<u>\$ 22,572,000</u>	<u>\$ 26,179,000</u>	<u>\$ 22,844,000</u>

The total backlog decreased 1% as compared to the backlog as of October 31, 2008, and decreased 14% as compared to the backlog as of January 31, 2009. These decreases in backlog were due to multiple factors, in addition to revenue recognition, as detailed below:

A hosting contract signed in the second quarter of fiscal 2009 represents an increase of approximately \$700,000 in application hosting backlog. However, in the first quarter of fiscal 2009 application hosting backlog was reduced to reflect the suspension of one small hosting client due to economic factors. In the second quarter of fiscal 2009 application hosting backlog was further reduced for the expected reduction in the rollout of services from a separate hosting client due to the client's organization changes.

Table of Contents

The increase in the licensed software component is due to the previously announced Canadian software contract signed in the first quarter of this fiscal year which represents approximately \$1.1 million in new backlog.

The single largest contributor to backlog from October 31, 2008 to October 31, 2009 relates to the approximately \$3 million increase in maintenance backlog.

Streamline Health's master agreements generally provide for an initial maintenance period and give the customer the right to subscribe for maintenance and support services on a monthly, quarterly, or annual basis. Maintenance and support revenues for fiscal years 2008, 2007 and 2006 were approximately \$7,331,000, \$6,861,000 and \$5,711,000, respectively. Maintenance and support revenues are expected to continue to increase in fiscal 2009 as existing commitments are renewed and new customers are added.

The commencement of revenue recognition varies depending on the size and complexity of the system; the implementation schedule requested by the customer and usage by customers of the application-hosting services. Therefore, Streamline Health is unable to predict accurately the revenue it expects to achieve in any particular period. Streamline Health's master agreements generally provide that the customer may terminate its agreement upon a material breach by Streamline Health, or may delay certain aspects of the installation. There can be no assurance that a customer will not cancel all or any portion of a master agreement or delay installations. A termination or installation delay of one or more phases of an agreement, or the failure of Streamline Health to procure additional agreements, could have a material adverse effect on Streamline Health's business, financial condition, and results of operations.

UNEVEN PATTERNS OF QUARTERLY OPERATING RESULTS

The Company's revenues from systems sales have varied, and may continue to vary, significantly from quarter-to-quarter because of the volume and timing of systems sales and delivery. Professional services revenues also fluctuate from quarter-to-quarter because of the timing of the implementation services, project management, customized programming provided and timing of the recognition of revenues under generally accepted accounting principles. Conversely, revenues from maintenance services do not fluctuate significantly from quarter-to-quarter, but have been increasing, on an annual basis, as the number of customers increase.

The Company's revenues and operating results may also vary significantly from quarter-to-quarter because of a number of other factors, many of which are outside the Company's control. These factors include the relatively high purchase price of a system, unpredictability in the number and timing of systems sales, length of the sales cycle, delays in the implementation process and changes in the customer's financial condition or budget and the sales activities of the remarketing partners. As a result, period-to-period comparisons may not be meaningful with respect to the past operations of the Company nor are they necessarily indicative of the future operations of the Company.

Delays in anticipated sales or installations have a significant impact on Streamline Health's quarterly revenues and operating results, because substantial portions of the operating expenses are fixed.

REVENUES

Revenues for the three months ended October 31, 2009, were \$4,106,045 compared with \$4,408,351 in the comparable quarter of fiscal 2008. The quarter-over-quarter decrease was a result of a decrease of approximately \$1.17 million in system sales recognized in the third quarter. The decrease in license software was offset by an approximate \$413,000 increase in application hosting revenues due to several hosted customer projects reaching acceptance criteria, and coupled with an approximate increase of \$458,000 in services, maintenance, and support revenues primarily relating to the services provided to the newer hosting customers that are entering into production.

Revenues for the first nine months ended October 31, 2009, were \$11,926,337, compared with \$12,909,448 reported in the comparable period of fiscal 2008. The decrease was primarily a result of decreased systems sales revenues of approximately \$1.98 million due to the revenue associated with one large contract recorded in the second quarter, and another large contract in the third quarter of fiscal 2008. The decrease in license revenues was offset by an increase in application-hosting services revenues of approximately \$130,000 over the comparative nine month period. This increase in application hosting is primarily due to several newer hosted customer projects reaching acceptance criteria by the third quarter of fiscal 2009. Revenues from new hosted customer agreements entered into since July of fiscal 2008 continue to incrementally roll out in fiscal 2009. The Company continues to aggressively pursue additional application-hosting customers which are anticipated to replace the revenue decreases in purchased solutions, and create a more consistent stream of revenues in future periods.

Additionally, the decrease in systems sales was offset by increases in maintenance and support, and professional services revenues of approximately \$867,000 for the comparative nine month period due to normal scheduled annual increases in maintenance billing rates, and increased professional service activity for new customers.

OPERATING EXPENSES

Cost of Systems Sales

The cost of systems sales includes amortization of capitalized software development costs on a straight-line basis, royalties and the cost of third party software and hardware. The cost of system sales for the three months ended October 31, 2009 was \$658,294 compared with \$950,340 in the comparable prior period. The decrease in the cost of sales is primarily the result of the reduced capitalized software amortization expense pending general release of our latest generation product line. Cost of systems sales as a percentage of systems sales may vary from period-to-period depending on hardware and software configurations of the systems sold or add-on sales delivered. The cost of systems sales as a percentage of systems sales for the third quarter of fiscal 2009 and 2008 were 388% and 71%, respectively. The relatively fixed cost of the capitalized software amortization compared to the variable nature of system sales each quarter causes these percentages to vary dramatically, especially in those periods where systems sales are low. The cost of systems sales as a percentage of systems sales for the first nine months of fiscal 2009 and 2008 were \$2,091,989 and \$2,622,485; or 219% and 89% of revenues, respectively. The increased percentage is primarily reflective of the decrease in software licensing revenues and the relatively fixed capitalized software amortization during the current periods, when compared to the comparable prior periods.

Cost of Services, Maintenance and Support

The cost of services, maintenance and support includes compensation and benefits for support and professional services personnel and the cost of third party maintenance contracts. The cost of services, maintenance and support for the three and nine months ended October 31, 2009 was \$1,317,619 and \$3,697,735, compared with \$1,083,040 and \$3,342,377 in the corresponding three and nine month period ending October 31, 2008. These increases are due to primarily the increased professional services staffing costs and third party maintenance contract costs associated with supporting an increased customer base, and specifically the startup costs of the BPM services over the three and nine month periods. Additionally, previously deferred expenses relating to one customer were recognized during the third quarter, causing a comparative increase of expenses of approximately \$142,000. As a percentage of services, maintenance and support revenues, the cost of such services, maintenance and support was 44% and 43% for the third quarter of fiscal 2009 and 2008, respectively. As a percentage of services, maintenance and support revenues, the cost of such services, maintenance and support was 43% and 44% for the first nine months of fiscal 2009 and 2008, respectively.

Cost of Application-hosting services

The cost of application-hosting services operations is relatively fixed, but subject to inflation for the goods and services it requires. The cost of application-hosting services for the three and nine months ended October 31, 2009 was \$407,953 and \$1,203,606 compared with \$286,471 and \$883,710 in the corresponding three and nine month period ending October 31, 2008. These three and nine month increases are primarily attributable to increased depreciation and third party maintenance expenses as a result of the growing hosting center operations. As a percentage of application-hosting revenues, the cost of application-hosting was 44% and 55% for the third quarter of fiscal 2009 and 2008, respectively. These decreased percentages are primarily attributable to increased revenues from new customers relative to the increase in cost, partially offset by the expense increases as noted. As a percentage of application-hosting revenues, the cost of application-hosting was 49% and 38% for the first nine months of fiscal 2009 and 2008, respectively. The increase represents a one-time expense of approximately \$65,000 relating to certain licenses which were expensed during the first quarter of fiscal 2009, more customers meeting acceptance requirements in the second half of the year, and increases in third party software and maintenance fees and depreciation expenses on new equipment related to operating the data center.

Selling, General and Administrative

Selling, General and Administrative expenses consist primarily of compensation and related benefits and reimbursable travel and living expenses related to the Company's sales, marketing and administrative personnel; advertising and marketing expenses, including trade shows and similar type sales and marketing expenses; and general corporate expenses, including occupancy costs. Selling, General and Administrative expenses for the three months ended October 31, 2009 and 2008 were \$1,540,745 and \$1,698,829, respectively. Selling, General and Administrative expenses for the nine months ended October 31, 2009 and 2008 were \$4,010,877 and \$5,181,322, respectively. This decrease of 9% and 23% over the respective comparable prior periods is due to effective cost management measures begun in the third quarter of fiscal 2008 including; planned reductions in sales and administrative expenses, the continued suspension of bonus plans, and strategic increase in hiring since the reduction in sales force during corresponding prior quarter. The Company has been able to capitalize on efficiencies gained in the current three and nine month periods by improving the allocation of resources, and reducing expenses. Commission plans for sales personnel were not suspended and commissions were paid and will continue to be accrued. The financial impact of efficiencies gained during the prior three quarters will continue to have a positive effect in the remainder of fiscal 2009.

Product Research and Development

Product research and development expenses consist primarily of compensation and related benefits; the use of independent contractors for specific near-term development projects; and an allocated portion of general overhead costs, including occupancy. During the third quarter of fiscal 2009, research and development expenses increased approximately \$102,453 when compared with the comparable prior quarter. This increase is primarily attributable to the final stage development efforts of the re-architecture and internationalization of the Company's flagship product, accessANYware™, in preparation of its expected general release in the fourth quarter of fiscal 2009. The Company capitalized approximately \$859,000 and \$1,217,000 of product research and development costs in the third quarter of fiscal 2009 and 2008, respectively.

During the first nine months of fiscal 2009, research and development expenses decreased approximately \$898,000 when compared with the comparable prior quarter of fiscal 2008. This decrease is primarily attributable to the company-wide cost reductions implemented late in the third quarter of fiscal 2008 that have continued into fiscal 2009. This \$898,000 decrease is offset by a corresponding increase of \$251,000 in capitalized software cost primarily relating to the development, re-architecture, and internationalization of the Company's flagship product noted above. The Company capitalized approximately \$2,879,000 and \$2,628,000 in the first nine months of fiscal 2009 and 2008, respectively. This increase in capitalized development costs relate primarily to costs incurred to bring to market the next generation of accessANYware™ and workflow products.

Operating profit (loss)

The operating (loss) for the third quarter of fiscal 2009 was \$(285,021), compared to an operating profit of \$25,669 in the third quarter of fiscal 2008. This decrease is primarily the result of the 7%, or \$303,000, decrease in revenues as noted above. The operating (loss) for the first nine months of fiscal 2009 was (\$274,515) compared with an operating (loss) of (\$1,214,817) in the first nine months of fiscal 2008. The decrease in the net loss for the nine months ended October 31, 2009 is the result of the approximate 14% decrease in operating expenses, even though total revenues decreased 8% year-over-year.

Table of Contents

The increase in interest expense for the three and nine month period ending October 31, 2009 is because the Company had increased borrowings and amounts outstanding in more months than in the comparable prior periods in fiscal 2008.

Net income (loss)

The net (loss) for the third quarter of fiscal 2009 was \$(295,771) (\$0.03 per share) compared with net income of \$14,575 (\$0.00 per share) in the third quarter of fiscal 2008. The net loss for the third quarter as compared to the net income in the comparable period is primarily due to decreased licensed system revenues. The net (loss) for the first nine months of fiscal 2009 was \$(297,379) (\$0.03 per share) compared with a net (loss) of \$(1,229,037) (\$0.13 per share) in the first nine months of fiscal 2008. The reduced net loss for the nine months ended October 31, 2009 is the result of efficiencies gained from improved cost management, and increased services, maintenance and support, application-hosting revenues offset by decreased licensed system revenues.

Management continues to believe that the healthcare document management and workflow market will continue to grow and expects significant growth coming from the Company's hosting services. Management believes it has made, and continues to make, significant investments in the talent and technology necessary to establish the Company as a leader in this marketplace, and continues to believe the Company is well positioned to experience significant revenue growth, particularly for its SaaS hosting services.

Since commencing operations in 1989, the Company has incurred operating losses. Although the Company achieved profitability in fiscal years 1992, 1993, and 2000 through 2006, the Company incurred a net (loss) in fiscal years 1994 through 1999, 2007 and 2008. In view of the Company's prior operating history, there can be no assurance that the Company will be able to achieve consistent profitability on a quarterly or annual basis or that it will be able to sustain or increase its revenue growth in future periods. Based upon the expenses associated with current and planned staffing levels, profitability is dependent upon increasing revenues.

LIQUIDITY AND CAPITAL RESOURCES

During the last six fiscal years, Streamline Health has funded its operations, working capital needs, and capital expenditures primarily from cash generated by operations and bank loans. Streamline Health's liquidity is dependent upon numerous factors that include: the timing and amount of revenues and collection of contractual amounts from customers, amounts invested in research and development, capital expenditures, and the level of operating expenses, all of which can vary significantly from quarter-to-quarter.

Streamline Health's customers typically have been well-established hospitals or medical facilities or major HIS companies that resell Streamline Health solutions which have good credit histories and payments have been received within normal time frames for the industry. However, some healthcare organizations have experienced significant operating losses as a result of limits on third-party reimbursements from insurance companies and governmental entities. Agreements with customers often involve significant amounts and contract terms typically require customers to make progress payments.

Table of Contents

Streamline Health has obligations for capital resources, consisting of the outstanding balance of the \$2,750,000 line of credit which expires October 1, 2011, and the non-cancelable operating leases of \$458,580 payable over the next four years. Capital expenditures for property and equipment in fiscal 2009 are not expected to exceed \$800,000. At October 31, 2009, Streamline Health had a cash balance of \$793,025.

During the five prior fiscal years, Streamline Health has made significant investments for capital expenditures, increased its sales and marketing, product research and development and its support and consulting expenses, and made significant debt reductions. This resulted in significant net cash outlays over the last five fiscal years. Accordingly, to achieve increasing revenues and profitability it was necessary for the Company to significantly increase the sales and marketing and product development expenses over the past five years, including capitalized software in fiscal 2007, 2008 and 2009. The Company believes that a significant shift in market demand toward hosted services is occurring as a result of better market adoption, numerous customers with a history of hosting success, and more recently, economic developments that have created scarce capital dollars for most hospital organizations. Our strategic initiatives to reorganize our resources to focus on software as a service via our hosting solutions, and growth into Canada, should produce improved results in fiscal 2009 and beyond as recurring hosted revenues are anticipated to grow. However, there can be no assurance Streamline Health will be able to do so.

Streamline Health carefully monitors operating expenses. As a result of the current levels of revenues and operating loss, for the foreseeable future, Streamline Health will need to continually assess its revenue prospects compared to its then current expenditure levels. If it does not appear likely that revenues will increase, it may be necessary to further reduce operating expenses, which the Company initiated late in the third quarter of fiscal 2008 and into 2009 through attrition, bonus suspension, and downsizing of the staff, or raise cash through additional borrowings, the sale of assets, or issue additional equity, or a combination thereof. Certain of these actions will require current lender approval. However, there can be no assurance Streamline Health will be successful in any of these efforts. If it is necessary to further reduce operating expenses, this could have an adverse effect on future operating performance.

Streamline Health believes that its present cash position and current availability under the line of credit, combined with cash generation currently anticipated from operations, will be sufficient to meet anticipated cash requirements for the short term. The Company may need to incur additional debt, obtain an additional infusion of capital, or a combination of both, depending on the extent of the future expenses and revenues of the Company. However, there can be no assurance Streamline Health will be able to do so.

To date, inflation has not had a material impact on Streamline Health's revenues or expenses.

RECENT ACCOUNTING PRONOUNCEMENTS

In April 2008, the Financial Accounting Standards Board (“FASB”) issued guidance now codified as FASB Accounting Standards Codification (“ASC”) Topic 350, *Goodwill — Intangibles Other*, which amends previous Topic 350 guidance to require an entity to consider developing renewal or extension assumptions for the purpose of determining the useful life of recognized intangible assets. This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions and is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. The Company adopted this guidance on February 1, 2009 and determined that it did not have a material impact on the consolidated financial statements of the Company.

Effective January 1, 2008, the FASB issued guidance now codified as FASB ASC Topic 820, *Fair Value Measurements and Disclosures — Overall*, with respect to its financial assets and liabilities. In February 2008, the FASB issued updated its guidance to provide a one year deferral of the effective date for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Company adopted the provisions of FASB ASC Topic 820 for non-financial assets and non-financial liabilities effective February 1, 2009, and such adoption did not have a material impact on the Company’s consolidated results of operations or financial condition.

In April 2009, the FASB issued guidance now codified as FASB ASC Topic 825, *Financial Instruments*, which amends previous Topic 825 guidance to require disclosures about fair value of financial instruments in interim as well as annual financial statements. This pronouncement is effective for periods ending after June 15, 2009. Accordingly, the Company adopted the provisions of FASB ASC Topic 825 on July 31, 2009. The adoption of this pronouncement did not have a material impact on our consolidated financial position, results of operations or cash flows. However, these provisions of FASB ASC Topic 825 resulted in additional disclosures with respect to the fair value of the Company’s financial instruments.

In May 2009, the FASB issued guidance now codified as FASB ASC Topic 855, *Subsequent Events*, which establishes general standards of accounting for, and disclosures of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This pronouncement is effective for interim or fiscal periods ending after June 15, 2009. Accordingly, the Company adopted the provisions of FASB ASC Topic 855 for the fiscal quarter ended July 31, 2009.

Table of Contents

In June 2009, the FASB issued Accounting Standards Update (“ASU”) 2009-01, *Amendments based on Statement of Financial Accounting Standards No. 168 — The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*. The FASB ASC Topic 105, “*Generally Accepted Accounting Principles*,” establishes the FASB Accounting Standards Codification™ as the single source of authoritative nongovernmental U.S. GAAP. FASB ASC Topic 105 does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the FASB Codification will be considered non-authoritative. These provisions of FASB ASC Topic 105 are effective for interim and annual periods ending after September 15, 2009 and, accordingly, are effective for the Company for the current fiscal reporting period. The adoption of this pronouncement did not have an impact on the Company’s financial condition or results of operations, but will impact our financial reporting process by eliminating all references to pre-codification standards. On the effective date of this Statement, the Codification superseded all then-existing non-SEC accounting and reporting standards, and all other non-grandfathered non-SEC accounting literature not included in the Codification became non-authoritative.

In October 2009, the FASB issued Accounting Standards Update (“ASU”) 2009-13 *Revenue Recognition (Topic 605)*, which applies to the revenue recognition of multiple element arrangements. The new guidance states that if vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, companies will be required to develop a best estimate of the selling price to separate deliverables and allocate arrangement consideration using the relative selling price method. The accounting guidance will be applied prospectively and will become effective during the first quarter of fiscal year 2011. Early adoption is allowed. The Company is currently evaluating the impact of this accounting guidance on our consolidated financial statements.

In October 2009, the FASB issued Accounting Standards Update (“ASU”) 2009-14 *Software (Topic 985)*, which applies to certain revenue arrangements that include software elements. Previously, companies that sold tangible products with “more than incidental” software were required to apply software revenue recognition guidance. This guidance often delayed revenue recognition for the delivery of the tangible product. Under the new guidance, tangible products that have software components that are “essential to the functionality” of the tangible product will be excluded from the software revenue recognition guidance. The new guidance will include factors to help companies determine what is “essential to the functionality.” Software-enabled products will now be subject to other revenue guidance and will likely follow the guidance for multiple deliverable arrangements issued by the FASB in September 2009. The new guidance is to be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted. If a company elects earlier application and the first reporting period of adoption is not the first reporting period in the company’s fiscal year, the guidance must be applied through retrospective application from the beginning of the company’s fiscal year and the company must disclose the effect of the change to those previously reported periods. The Company is currently evaluating the impact of this accounting guidance on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For quantitative and qualitative disclosures about market risk, see Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” of the annual report on Form 10-K for the fiscal year ended January 31, 2009. The Company’s exposures to market risk have not changed materially since January 31, 2009.

Item 4T. Controls and Procedures

Streamline Health maintains disclosure controls and procedures that are designed to ensure that there is reasonable assurance that the information required to be disclosed in Streamline Health’s Exchange Act reports 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 Streamline Health’s management, including its Chief Executive Officer and Interim 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-14(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.

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of Streamline Health’s senior management, including the Chief Executive Officer and Interim Chief Financial Officer, of the effectiveness of the design and operation of Streamline Health’s disclosure controls and procedures to provide reasonable assurance of achieving the desired objectives of the disclosure controls and procedures. Based on that evaluation, Streamline Health’s management, including the Chief Executive and Interim Chief Financial Officer, concluded that there is reasonable assurance that Streamline Health’s disclosure controls and procedures were effective as of the end of the period covered by this report and there have been no material changes in Streamline Health’s internal control or in the other controls during the quarter ended October 31, 2009 that could materially affect, or is reasonably likely to materially affect, internal controls over financial reporting.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Streamline Health is, from time-to-time, a party to various legal proceedings and claims, which arise, in the ordinary course of business. Streamline Health is not aware of any legal matters that will have a material adverse effect on Streamline Health’s consolidated results of operations or consolidated financial position.

Item 1A. Risk Factors

In addition to the other information set forth in this report and the risk factors set forth below, you should carefully consider the risk factors discussed in Part I, “Item 1A, Risk Factors” in the Annual Report on Form 10-K for the fiscal year ended January 31, 2009; and in Part II, “Item 1A. Risk Factors” in the Company’s Quarterly Reports on Form 10-Q for the fiscal quarter ended April 30, 2009 (the “2009 First Quarter 10-Q”), and July 31, 2009 (the “2009 Second Quarter 10-Q”). The risk factors in the Annual Report, the 2009 First Quarter 10-Q, and the 2009 Second Quarter 10-Q has not materially changed since July 31, 2009, but are not the only risks facing the Company. In addition, risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company, its financial condition and/or operating results.

Item 3. DEFAULTS UPON SENIOR SECURITIES

The Company was not in default of its existing credit facility at October 31, 2009.

Table of Contents

Item 6. EXHIBITS

(a) Exhibits

- 3.1(a) Certificate of Incorporation of Streamline Health Solutions, Inc. (*)
- 3.1(b) Certificate of Incorporation of Streamline Health Solutions, Inc., amendment No. 1 (*)
- 3.2 Bylaws of Streamline Health Solutions, Inc. (*)
- 11 Computation of earnings (loss) per common share
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a -14(a) and Rule 15d-14(a) of the Securities Exchange Act, as Amended
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a -14(a) and Rule 15d-14(a) of the Securities Exchange Act, as Amended
- 32.1 Certification of the Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of the Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

(*) Incorporated herein by reference from, the Registrant's SEC filings.
(See INDEX TO EXHIBITS)

SIGNATURES

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

STREAMLINE HEALTH
SOLUTIONS, INC.

DATE: December 10, 2009

By: /s/ J. Brian Patsy
J. Brian Patsy
Chief Executive Officer

DATE: December 10, 2009

By: /s/ Donald E. Vick, Jr.
Donald E. Vick, Jr.
Interim Chief Financial Officer

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Exhibit</u>
3.1(a)	Certificate of Incorporation of Streamline Health Solutions, Inc. f/k/a/ LanVision Systems, Inc. Previously filed with the Commission and incorporated herein by reference from, the Registrant's (LanVision System, Inc.) Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.
3.1(b)	Certificate of Incorporation of Streamline Health Solutions, Inc. f/k/a LanVision Systems, Inc., amendment No. 1 Previously filed with the Commission and incorporated herein by reference from the Registrant's Form 10-Q, as filed with the Commission on September 8, 2006.
3.2	Bylaws of Streamline Health Solutions, Inc. Previously filed with the Commission and incorporated herein by reference from the Registrant's Form 10-Q, as filed with the Commission on June 5, 2007.
11	Computation of Earnings (Loss) Per Common Share
31.1	Certification of Chief Executive Officer pursuant to Rule 13a - -14(a) and Rule 15d-14(a) of the Securities Exchange Act, as Amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a - -14(a) and Rule 15d-14(a) of the Securities Exchange Act, as Amended
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

STREAMLINE HEALTH SOLUTIONS, INC.

Computation of (loss) per share

	Three Months		Nine Months	
	2009	2008	2009	2008
Net (loss)	<u>\$ (295,771)</u>	<u>\$ 14,575</u>	<u>\$ (297,379)</u>	<u>\$ (1,229,037)</u>
Average shares outstanding	9,423,211	9,302,956	9,385,969	9,279,677
Stock options & purchase plan:				
Total options & purchase plan shares	—	211,818	—	—
Restricted stock awards	—	—	—	—
Assumed treasury stock buyback	—	(172,644)	—	—
Convertible redeemable preferred stock assumed converted	—	—	—	—
Number of shares used in per common share computation	<u>9,423,211</u>	<u>9,342,130</u>	<u>9,385,969</u>	<u>9,279,677</u>
Basic net (loss) per share of common stock	<u>\$ (0.03)</u>	<u>\$ 0.00</u>	<u>\$ (0.03)</u>	<u>\$ (0.13)</u>
Diluted net (loss) per share of common stock	<u>\$ (0.03)</u>	<u>\$ 0.00</u>	<u>\$ (0.03)</u>	<u>\$ (0.13)</u>

STREAMLINE HEALTH SOLUTIONS, INC.

Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as Amended

I, J. Brian Patsy, 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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.

December 10, 2009

/s/ J. Brian Patsy
Chief Executive Officer and President

EXHIBIT 31.2

STREAMLINE HEALTH SOLUTIONS, INC.

Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as Amended

I, Donald E. Vick, Jr., 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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.

December 10, 2009

/s/ Donald E. Vick, Jr.

Interim Chief Financial Officer

EXHIBIT 32.1

STREAMLINE HEALTH SOLUTIONS, INC.

Certification of the Chief Executive Officer Pursuant to
18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

I, J. Brian Patsy, 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, 2009 (the “Report”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

December 10, 2009

/s/ J. Brian Patsy

Chief Executive Officer and President

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.

STREAMLINE HEALTH SOLUTIONS, INC.

Certification of the Chief Financial Officer Pursuant to
18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

I, Donald E. Vick, Jr., Interim 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:

- (3) The Quarterly Report on Form 10-Q of the Company for the quarter ended October 31, 2009 (the “Report”) fully complies with the requirements of section 13(a) or 15 (d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (4) The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

December 10, 2009

/s/ Donald E. Vick, Jr.

Interim Chief Financial Officer

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.