STREAMLINE HEALTH SOLUTIONS INC.
Form 10-K
April 16, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K
(Mark One)

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

For the fiscal year ended January 31, 2015
OR

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

For the transition period from to
Commission File Number: 0-28132

STREAMLINE HEALTH SOLUTIONS, INC.
(Exact name of registrant as specified in its charter)

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

1230 Peachtree Street, NE, Suite 600,
Atlanta, GA 30309
(Address of principal executive offices) (Zip Code)
(404) 920-2396
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:
Common Stock, $.01 par value
(Title of Class)
The NASDAQ Stock Market, Inc.
(Name of exchange on which listed)
Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. ¨

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed using the closing price as reported by The NASDAQ Stock Market, Inc. for the Registrant's Common Stock on July 31, 2014, was $90,947,975.

The number of shares outstanding of the Registrant's Common Stock, $.01 par value, as of March 18, 2015: 18,603,289

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FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Report and in other materials we file with the Securities and Exchange Commission (“SEC”) or otherwise make public. In this Report, both Part I, Item 1, “Business,” and Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contain forward-looking statements. In addition, our senior management makes forward-looking statements to analysts, investors, the media and others. Statements with respect to expected revenue, income, receivables, backlog, client attrition, acquisitions and other growth opportunities, sources of funding operations and acquisitions, the integration of our solutions, the performance of our channel partner relationships, the sufficiency of available liquidity, research and development, and other statements of our plans, beliefs or expectations are forward-looking statements. These and other statements using words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “target,” “can,” “could,” “may,” “would” and similar expressions also are forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. The forward-looking statements we make are not guarantees of future performance, and we have based these statements on our assumptions and analyses in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such statements. Management cautions against putting undue reliance on forward-looking statements or projecting any future results based on such statements or present or historical earnings levels.

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

- competitive products and pricing;
- product demand and market acceptance;
- new product development;
- key strategic alliances with vendors that resell our products;
- our ability to control costs;
- availability of products produced by third party vendors;
- the healthcare regulatory environment;
- potential changes in legislation, regulation and government funding affecting the healthcare industry;
- healthcare information systems budgets;
- availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems;
- the success of our relationships with channel partners;
- fluctuations in operating results;
- critical accounting policies and judgments;
- changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other standard-setting organization;
- changes in economic, business and market conditions impacting the healthcare industry, the markets in which we operate and nationally; and
- our ability to maintain compliance with the terms of our credit facilities.

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

not perceive them to be material) that could cause actual results to differ materially from our expectations.

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

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PART I

ITEM 1. Business

Company Overview

Founded in 1989, the Company is a leading provider of transformational data-driven solutions for healthcare organizations. The Company provides computer software-based solutions through its Looking Glass® platform. Looking Glass® captures, aggregates and translates structured and unstructured data to deliver intelligently organized, easily accessible predictive insights to its clients. Hospitals and physician groups use the knowledge generated by the Looking Glass® platform to help them reduce exposure to risk, improve clinical, financial and operational performance and improve patient care.

The Company's software solutions are delivered to clients either by purchased fixed-term or perpetual license, where such software is installed locally in the client's data center, or by access to the Company's data center systems through a secure connection in a software as a service (SaaS) delivery method.

The Company operates exclusively in one segment as a provider of health information technology solutions that improve healthcare processes and information flows within a healthcare facility. The Company sells its solutions and services in North America to hospitals and health systems, including physician practices, through its direct sales force and its reseller partnerships.

Unless the context requires otherwise, references to "Streamline Health," the "Company," "we," "us" and "our" are intended to mean Streamline Health Solutions, Inc. 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 calendar year.

Solutions

The Company offers solutions to assist its clients in all areas of the patient care lifecycle including Patient Engagement, Patient Care, Health Information Management (HIM), Coding and Clinical Documentation Improvement (CDI), and Financial Management. Each suite of solutions is designed to improve the flow of critical patient information throughout the enterprise. Each of the Company's solutions helps to transform and structure information between disparate information technology systems into actionable data, giving the end user comprehensive access to clinical and business intelligence to enable better decision-making. All solutions can be delivered either by perpetual license or fixed-term installed locally or accessed securely through SaaS.

Patient Engagement Solutions - These solutions assist clients with patient access at the very beginning of the care continuum, before care has been provided. Individual workflows include a patient portal, physician referral, patient eligibility and authorization, patient payment including charity management and patient scheduling. Many of these solutions assist clients in the completion of patient records by capturing, storing and intelligently distributing the unstructured data that exists at all touch points throughout the patient care continuum. They create a permanent, document-based repository of historical health information that integrates seamlessly with existing clinical, financial and administrative information systems.

Patient Care Solutions - These solutions enable healthcare providers to improve their patient care through individual workflows such as clinical analytics, operating room management, physician portal and care coordination. The Company's Looking Glass® platform delivers industry leading clinical analytics that foster an open, continuous learning culture inside a healthcare organization empowering it with real-time, on-demand predictive insight for improved patient outcomes.

HIM, Coding & CDI Solutions - These solutions provide an integrated web-based software suite that enhances the productivity of CDI and Coding staff and enables the seamless sharing of patient data. This suite of solutions includes individual workflows such as content management, release of information, computer-assisted coding (eCAC), CDI, abstracting and physician query. The eCAC solution includes patented Natural Language Processing (NLP) that streamlines concurrent chart review and coding workflows.

Financial Management Solutions - These solutions enable staff across the healthcare enterprise to drill down quickly and deeply into actionable and real-time financial data and key performance indicators to improve revenue realization and staff efficiency. This suite of solutions includes individual workflows such as accounts receivable management, denials management, claims processing, spend management and audit management. These solutions provide dashboards, data mining tools and prescriptive reporting, which help to simplify, facilitate and optimize overall revenue cycle performance of the healthcare enterprise. The financial management suite of solutions is used to improve the quality and accuracy of the data captured via our Patient Engagement solutions during patient admission, registration and scheduling. These solutions are also used to increase the completion and accuracy of patient charts and related coding, improve accounts receivable collections, reduce and manage denials, and improve audit outcomes.

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Services

Custom Integration Services — The Company's professional services team works with clients to design custom integrations that integrate data to or from virtually any clinical, financial, or administrative system. By taking data and documents from multiple, disparate systems and bringing them into one streamlined system, clients are able to maximize efficiencies and increase operational performance. The Company's professional services team also creates custom integrations that transfer data from the Company's solutions into the client's external or internal systems.

Training Services — Training courses are offered to help clients quickly learn to use our solutions in the most efficient manner possible. Training sessions are available on-site or off for as few as one person or multiple staff members.

Electronic Image Conversion — The Company's electronic image conversion service allows organizations to protect their repository of images while taking advantage of its content management technology. Electronic image conversion creates one repository that integrates directly with our clinical content management system. This service is available via the SaaS model or for locally-installed solutions.

Database Monitoring Services — The Company's advanced database monitoring services for locally-installed clients help lighten the burden of ongoing system monitoring by the client's information technology staff and ensure a continual, stable production environment. The Company's database administrators ensure the client's system is running optimally with weekly, manual checks of the database environment to identify system issues that may require further attention. Monitoring is done through protected connections to data security.

Clients and Strategic Partners

The Company continues to provide transformational data-driven solutions to some of the finest, most well respected healthcare enterprises in the United States and Canada. Clients are geographically dispersed throughout North America, with heaviest concentration in the New York metropolitan area, Philadelphia, Texas, Southern California and the west coast of Florida.

In December 2007, the Company entered into an agreement with Telus Health (formerly Emergis, Inc.), a large international telecommunications corporation based in Canada, in which Telus Health is integrating the Company's document management repository and document workflow applications into its Oacis (Open Architecture Clinical Information System) Electronic Health Record solution. Through this agreement, the Company receives revenues from Canadian hospitals where its document management system is deployed.

In the fiscal years ended January 31, 2015, 2014 and 2013, the Company received revenue of approximately $26.0 million, $26.8 million and $22.3 million, respectively, from its U.S. customers. The Company received revenue of approximately $1.6 million, $1.7 million, and $1.5 million from foreign customers in the fiscal years ended January 31, 2015, 2014 and 2013, respectively.

In May 2012, the Company entered into a cross marketing agreement with RevPoint Health (formerly nTelegent), an automated workflow process provider with embedded real-time quality assurance functionality designed to enhance the patient registration process, decrease denials, reduce returned mail and complement the solution's core focus of improving upfront cash. Under the terms of the agreement, RevPoint is permitted to utilize the Streamline Health business analytics solution to facilitate the increase of upfront cash and cash on hand, as well as reduce accounts receivable days and bad debt for clients. The companies offer each other's services to their respective client bases to help maximize revenue cycle performance.

In December 2012, the Company entered into a cross marketing agreement with RSource, a leading provider of receivables management recovery solutions for healthcare providers. Under the terms of the agreement, RSource utilizes the Streamline Health business analytics solution to facilitate the revenue recovery services it provides to its clients, known as RCover. With Streamline's Looking Glass® Financial Management solutions, RSource is able to identify financial opportunities for its clients and to work with any data set to generate fast, sustainable return on investment. In addition, the companies offer each other's services to their respective client bases to help maximize revenue cycle performance.

During fiscal year 2014, no individual client accounted for 10% or more of our total revenues. Two clients represented 16% and 10%, respectively, of total accounts receivable as of January 31, 2015.

During fiscal year 2013, one client, Montefiore Medical Center, accounted for 11% of total revenues. Two clients represented 13% and 9%, respectively, of total accounts receivable as of January 31, 2014.

Business Segments

We manage our business as one single business segment. For our total assets at January 31, 2015 and 2014 and total revenue and net loss for the fiscal years ended January 31, 2015, 2014 and 2013, see our consolidated financial statements included in Item 8 herein.

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Contracts

The Company enters into master agreements with its clients that specify the scope of the system to be installed and services to be provided by the Company, as well as the agreed-upon aggregate price and the timetable for services. Typically these are multi-element arrangements that include a perpetual or term license installed locally at the client site (or the right to use the Company's solutions as a part of SaaS services), and an initial maintenance term and any third-party components including hardware and software (included with SaaS services), as well as professional services for implementation, integration, process engineering, optimization and training. If the client purchases solutions via SaaS, the client is billed periodically for a specified term from one to seven years in length. The SaaS fee includes all maintenance and support services. The Company also generally provides SaaS clients professional services for implementation, integration, process engineering, optimization and training. Professional services are typically fixed-fee or hourly arrangements billable to clients based on agreed-to milestones or monthly.

The commencement of revenue recognition varies depending on the size and complexity of the system, the implementation schedule requested by the client and usage by clients of SaaS. Therefore, it is difficult for the Company to accurately predict the revenue it expects to achieve in any particular period. The Company's master agreements generally provide that the client may terminate its agreement upon a material breach by the Company or may delay certain aspects of the installation. A termination or installation delay of one or more phases of an agreement, or the failure of the Company to procure additional agreements, could have a material adverse effect on the Company's business, financial condition, and results of operations. Historically, the Company has not experienced a material amount of contract cancellations; however, the Company sometimes experiences delays in the course of contract performance and the Company accounts for them accordingly.

License fees

The Company incorporates software licensed from various vendors into its proprietary software. In addition, third-party, stand-alone software is required to operate the Company's proprietary software. The Company licenses these software products and pays the required license fees when such software is delivered to clients.

Associates

As of January 31, 2015, the Company had 123 associates, a net increase of 15 during fiscal 2014. The Company utilizes independent contractors to supplement its staff, as needed. None of the Company's associates are represented by a labor union or subject to a collective bargaining agreement. The Company has never experienced a work stoppage and believes that its employee relations are good. The Company's success depends, to a significant degree, on its management, sales and technical personnel.

For more information on contracts, backlog, acquisitions and research and development, see also ITEM 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Competition

Several companies historically have dominated the clinical information system software market and several of these companies have either acquired, developed or are developing their own document management and workflow technologies. The industry is undergoing consolidation and realignment as companies position themselves to compete more effectively. Strategic alliances between vendors offering HIM workflow and document management technologies and vendors of other healthcare systems are increasing. Barriers to entry to this market include technological and application sophistication, the ability to offer a proven product, a well-established client base and distribution channels, brand recognition, the ability to operate on a variety of operating systems and hardware platforms, the ability to integrate with pre-existing systems and capital for sustained development and marketing activities. The Company believes that these obstacles taken together represent a moderate to high-level barrier to entry. The Company has many competitors including clinical information system vendors that are larger, more established and have substantially more resources than the Company.

The Company believes that the principal competitive factors in its market are client recommendations and references, company reputation, system reliability, system features and functionality (including ease of use), technological advancements, client service and support, breadth and quality of the systems, the potential for enhancements and

future compatible products, the effectiveness of marketing and sales efforts, price, and the size and perceived financial stability of the vendor. In addition, the Company believes that the speed with which companies in its market can anticipate the evolving healthcare industry structure and identify unmet needs are important competitive factors.

Requests for Documents

Copies of documents filed by the Company with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, if any, can be found at the web site http://investor.streamlinehealth.net as soon as practicable after such material is electronically filed with, or furnished to, the SEC. The information contained on the Company's website is not part of, nor incorporated by reference into this annual report on Form

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10-K. Copies can be downloaded free of charge from the Company's web site or directly from the SEC web site, http://www.sec.gov. Also, copies of the Company's annual report on Form 10-K will be made available, free of charge, upon written request to the Company, attention: Corporate Secretary, 1230 Peachtree Street, NE, Suite 600, Atlanta, GA 30309.
Materials that the Company files with the SEC may also be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, on official business days during the hours of 10:00 am to 3:00 pm. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

ITEM 1A. Risk Factors

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

Risks Relating to Our Business

Our sales have been concentrated in a small number of clients.
Our revenues have been concentrated in a relatively small number of large clients, and we have historically derived a substantial percentage of our total revenues from a few clients. For the fiscal years ended January 31, 2015 and 2014, our five largest clients accounted for 24% and 31% of our total revenues, respectively. If one or more clients terminate all or any portion of a master agreement or delay installations or if we fail to procure additional agreements, there could be a material adverse effect on our business, financial condition and results of operations.

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

Failure to manage our expenses and efficiently allocate our financial and human capital as we grow could limit our growth potential and adversely impact our results of operation and financial condition.
During periods of growth, our financial and human capital assets can experience significant pressures. We are currently experiencing a period of growth primarily through acquisitions and in our SaaS lines of business, and this could continue to place a significant strain on our cash flow. This growth also adds strain to our services and support operations, sales and administrative personnel and other resources as they are requested to manage the added work load with existing resources. We believe that we must continue to focus on remote hosting services, develop new solutions, enhance existing solutions and serve the needs of our existing and prospective client base. Our ability to

manage our planned growth effectively also will require us to continue to improve our operational, management and financial systems and controls, to train, motivate and manage our associates and to judiciously manage our operating expenses in anticipation of increased future revenues. Our failure to properly manage resources may limit our growth potential and adversely impact our results of operation and financial condition.

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

Healthcare regulations issued to date have not had a material adverse effect on our business. However, we cannot predict the potential impact of new or revised regulations that have not yet been released or made final, or any other regulations that

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might be adopted. The U.S. Congress may adopt legislation that may change, override, conflict with or preempt the currently existing regulations and which could restrict the ability of clients to obtain, use or disseminate patient health information. We believe that the features and architecture of our existing solutions are such that we currently support or should be able to make the necessary modifications to our solutions, if required, by legislation or regulations, but there can be no assurances.

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

Our business, financial condition and results of operations depend upon conditions affecting the healthcare industry generally and hospitals and health systems particularly. Our ability to grow will depend upon the economic environment of the healthcare industry generally, as well as our ability to increase the number of solutions that we sell to our clients. The healthcare industry is highly regulated and is subject to changing political, economic and regulatory influences. Factors such as changes in reimbursement policies for healthcare expenses, consolidation in the healthcare industry, regulation, litigation and general economic conditions affect the purchasing practices, operation and, ultimately, the operating funds of healthcare organizations. In particular, changes in regulations affecting the healthcare industry, such as any increased regulation by governmental agencies of the purchase and sale of medical products, or restrictions on permissible discounts and other financial arrangements, could require us to make unplanned modifications of our solutions and services, or result in delays or cancellations of orders or reduce funds and demand for our solutions and services.

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

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

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

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

The U.S. healthcare system is under intense pressure to improve in many areas, including modernization, universal access and controlling skyrocketing costs of care. We believe that the principal competitive factors in our market are client recommendations and references, company reputation, system reliability, system features and functionality

(including ease of use), technological advancements, client service and support, breadth and quality of the systems, the potential for enhancements and future compatible solutions, the effectiveness of marketing and sales efforts, price and the size and perceived financial stability of the vendor. In addition, we believe that the speed with which companies in our market can anticipate the evolving healthcare industry structure and identify unmet needs are important competitive factors. If we are unable to keep pace with changing conditions and new developments, we will not be able to compete successfully in the future against existing or potential competitors.

Rapid technology changes and short product life cycles could harm our business.
The market for our solutions and services is characterized by rapidly changing technologies, regulatory requirements, evolving industry standards and new product introductions and enhancements that may render existing solutions obsolete or less competitive. As a result, our position in the healthcare information technology market could change rapidly due to unforeseen changes in the features and functions of competing products, as well as the pricing models for such products. Our

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future success will depend, in part, upon our ability to enhance our existing solutions and services and to develop and introduce new solutions and services to meet changing requirements. Moreover, competitors may develop competitive products that could adversely affect our operating results. We need to maintain an ongoing research and development program to continue to develop new solutions and apply new technologies to our existing solutions but may not have sufficient funds with which to undertake such required research and development. If we are not able to foresee changes or to react in a timely manner to such developments, we may experience a material, adverse impact on our business, operating results and financial condition.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our solutions and services.
Our intellectual property, which represents an important asset to us, has some protection against infringement through copyright and trademark law. We generally have little patent protection on our software. We rely upon license agreements, employment agreements, confidentiality agreements, nondisclosure agreements and similar agreements to maintain the confidentiality of our proprietary information and trade secrets. Notwithstanding these precautions, others may copy, reverse engineer or design independently, technology similar to our solutions. If we fail to protect adequately our intellectual property through trademarks and copyrights, license agreements, employment agreements, confidentiality agreements, nondisclosure agreements or similar agreements, our intellectual property rights may be misappropriated by others, invalidated or challenged, and our competitors could duplicate our technology or may otherwise limit any competitive technology advantage we may have. It may be necessary to litigate to enforce or defend our proprietary technology or to determine the validity of the intellectual property rights of others. Any litigation could be successful or unsuccessful, may result in substantial cost and require significant attention by management and technical personnel.
Due to the rapid pace of technological change, we believe our future success is likely to depend upon continued innovation, technical expertise, marketing skills and client support and services rather than on legal protection of our property rights. However, we have in the past, and intend in the future, to assert aggressively our intellectual property rights when necessary.

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

Over the last several years, we have completed a number of acquisitions and may undertake additional acquisitions in the future. Any failure to adequately integrate past and future acquisitions into our business could have a material adverse effect on us.
Over the last several years, we have completed several acquisitions of businesses through asset and stock purchases. We expect that we will make additional acquisitions in the future.
Acquisitions involve a number of risks, including, but not limited to:

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

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

- the diversion of financial, managerial, and other resources from existing operations;
- the risks of entering into new markets in which we have little or no experience or where competitors may have stronger positions;
- potential write-offs or amortization of acquired assets or investments;
- the potential loss of key employees, clients, or partners of an acquired business;

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- delays in client purchases due to uncertainty related to any acquisition;
- potential unknown liabilities associated with an acquisition; and
- the tax effects of any such acquisitions.

If we fail to successfully integrate acquired businesses or fail to implement our business strategies with respect to acquisitions, we may not be able to achieve projected results or support the amount of consideration paid for such acquired businesses, which could have an adverse effect on our business and financial condition.
Finally, if we finance acquisitions by issuing equity or convertible or other debt securities, our existing stockholders may be diluted, or we could face constraints related to the terms of and repayment obligations related to the incurrence of indebtedness. This could adversely affect the market price of our common stock.

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

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

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

Our SaaS and support services could experience interruptions.
We provide SaaS for many clients, including the storage of critical patient, financial and administrative data. In addition, we provide support services to clients through our client support organization. We have redundancies, such as backup generators, redundant telecommunications lines and backup facilities built into our operations to prevent disruptions. However, complete failure of all generators or impairment of all telecommunications lines or severe casualty damage to the primary building or equipment inside the primary building housing our hosting center or client

support facilities could cause a temporary disruption in operations and adversely affect clients who depend on the application hosting services. Any interruption in operations at our data center or client support facility could cause us to lose existing clients, impede our ability to obtain new clients, result in revenue loss, cause potential liability to our clients and increase our operating costs.

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

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

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

Our future success depends upon our ability to grow, and if we are unable to manage our growth effectively, we may incur unexpected expenses and be unable to meet our clients’ requirements.
We will need to expand our operations if we successfully achieve greater demand for our products and services. We cannot be certain that our systems, procedures, controls and human resources will be adequate to support expansion of our operations. Our future operating results will depend on the ability of our officers and employees to manage changing business conditions and to implement and improve our technical, administrative, financial control and reporting systems. We may not be able to expand and upgrade our systems and infrastructure to accommodate these increases. Difficulties in managing any future growth, including as a result of integrating any prior or future acquisition with our existing businesses, could cause us to incur unexpected expenses, render us unable to meet our clients’ requirements, and consequently have a significant negative impact on our business, financial condition and operating results.

We may not have access to sufficient or cost-efficient capital to support our growth, execute our business plans and remain competitive in our markets.
As our operations grow and as we implement our business strategies, we expect to use both internal and external sources of capital. In addition to cash flow from normal operations, we may need additional capital in the form of debt or equity to operate and to support our growth, execute our business plans and remain competitive in our markets. We may be limited as to the availability of such external capital or may not have any availability, in which case our future prospects may be materially impaired. Furthermore, we may not be able to access external sources of capital on reasonable or favorable terms. Our business operations could be subject to both financial and operational covenants that may limit the activities we may undertake, even if we believe they would benefit our company.

Potential disruptions in the credit markets may adversely affect our business, including the availability and cost of short-term funds for liquidity requirements and our ability to meet long-term commitments, which could adversely affect our results of operations, cash flows and financial condition.
If internally generated funds are not available from operations, we may be required to rely on the banking and credit markets to meet our financial commitments and short-term liquidity needs. Our access to funds under our revolving credit facility or pursuant to arrangements with other financial institutions is dependent on the financial institution's ability to meet funding commitments. Financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience high volumes of borrowing requests from other borrowers within a short period of time.

We must maintain compliance with the terms of our existing credit facilities. The failure to do so could have a material adverse effect on our ability to finance our ongoing operations and we may not be able to find an alternative lending source if a default occurs.
In November 2014, we entered into a Credit Agreement (the “Credit Agreement”) with Wells Fargo Bank, N.A., as administrative agent, and other lender parties thereto. Pursuant to the Credit Agreement, the lenders agreed to provide a $10,000,000 senior term loan and a $5,000,000 revolving line of credit to our primary operating subsidiary. At closing, the Company repaid indebtedness under its prior credit facility using approximately $7,400,000 of the proceeds provided by the term loan. The prior credit facility with Fifth Third Bank was terminated concurrent with the entry of the Credit Agreement.

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The Credit Agreement includes customary financial covenants, including the requirements that the Company maintain certain minimum liquidity and achieve certain minimum EBITDA levels.
On April 15, 2015, we received a waiver from the lender for noncompliance with the minimum EBITDA covenant at January 31, 2015. Pursuant to the terms of the waiver and amendment to the Credit Agreement, from April 30, 2016 and each quarter thereafter, we must reach agreement with the lenders as to the minimum applicable amount of EBITDA we are required to achieve based on the most recent financial projections we submit to the lenders under the Credit Agreement. If we are unable to reach agreement with the lenders, or if the lenders do not approve our projections, we will be in immediate breach of the minimum EBITDA covenant. Additionally, pursuant to the terms of the waiver and amendment to the Credit Agreement, we are required to maintain additional minimum liquidity of at least (i) $5,000,000 through April 15, 2015, (ii) $6,500,000 from April 16, 2015 through and including July 30, 2015, (iii) $7,000,000 from July 31, 2015 through and including January 30, 2016, and (iv) $7,500,000 from January 31, 2016 through and including the maturity date of the credit facility.
If we do not maintain compliance with all of the continuing covenants and other terms and conditions of the credit facility or secure a waiver for any non-compliance, we could be required to repay outstanding borrowings on an accelerated basis, which could subject us to decreased liquidity and other negative impacts on our business, results of operations and financial condition. Furthermore, if we needed to do so, it may be difficult for us to find an alternative lending source. In addition, because our assets are pledged as a security under our credit facilities, if we are not able to cure any default or repay outstanding borrowings, our assets are subject to the risk of foreclosure by our lenders. Without a sufficient credit facility, we would be adversely affected by a lack of access to liquidity needed to operate our business. Any disruption in access to credit could force us to take measures to conserve cash, such as deferring important research and development expenses, which measures could have a material adverse effect on us.

Our outstanding preferred stock and warrants have significant redemption and repayment rights that could have a material adverse effect on our liquidity and available financing for our ongoing operations.
In August 2012, we completed a private offering of preferred stock, warrants and convertible notes to a group of investors for gross proceeds of $12 million. In November 2012, the convertible notes converted into shares of preferred stock. The preferred stock is redeemable at the option of the holders thereof anytime after August 31, 2016 if not previously converted into shares of common stock. We may not achieve the thresholds required to trigger automatic conversion of the preferred stock, and alternatively, holders may not voluntarily elect to convert the preferred stock into common stock. The election of the holders of our preferred stock to call for redemption of the preferred stock could subject us to decreased liquidity and other negative impacts on our business, results of operations, and financial condition. For additional information regarding the terms, rights and preferences of the preferred stock and warrants, see Note 15 to our consolidated financial statements included herein and our other SEC filings.

Current economic conditions in the United States and globally may have significant effects on our clients and suppliers that would result in material adverse effects on our business, operating results and stock price.
Current economic conditions in the United States and globally and the concern that the worldwide economy may enter into a prolonged recessionary period may materially adversely affect our clients' access to capital or willingness to spend capital on our solutions and services or their levels of cash liquidity with which to pay for solutions that they will order or have already ordered from us. Continuing adverse economic conditions would also likely negatively impact our business, which could result in: (1) reduced demand for our solutions and services; (2) increased price competition for our solutions and services; (3) increased risk of collectability of cash from our clients; (4) increased risk in potential reserves for doubtful accounts and write-offs of accounts receivable; (5) reduced revenues; and (6) higher operating costs as a percentage of revenues.
All of the foregoing potential consequences of the current economic conditions are difficult to forecast and mitigate. As a consequence, our operating results for a particular period are difficult to predict, and, therefore, prior results are

not necessarily indicative of future results to be expected in future periods. Any of the foregoing effects could have a material adverse effect on our business, results of operations, and financial condition and could adversely affect our stock price.

The variability of our quarterly operating results can be significant.

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

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

The preparation of our financial statements requires the use of estimates that may vary from actual results.
The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make significant estimates that affect the financial statements. Due to the inherent nature of these estimates, we may be required to significantly increase or decrease such estimates upon determination of the actual results. Any required adjustments could have a material adverse effect on us and on the results of operations, and could result in the restatement of our prior period financial statements.

Failure to improve and maintain the quality of internal control over financial reporting and disclosure controls and procedures or other lapses in compliance could materially and adversely affect our ability to provide timely and accurate financial information about us or subject us to potential liability.
In connection with the preparation of the consolidated financial statements for each of our fiscal years, our management conducts a review of our internal control over financial reporting. We are also required to maintain effective disclosure controls and procedures. Any failure to maintain adequate controls or to adequately implement required new or improved controls could harm operating results, or cause failure to meet reporting obligations in a timely and accurate manner.

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

Risks Relating to an Investment in Our Securities

The market price of our common stock is likely to be highly volatile as the stock market in general can be highly volatile.
The public trading of our common stock is based on many factors that could cause fluctuation in the price of our common stock. These factors may include, but are not limited to:

- General economic and market conditions;
- Actual or anticipated variations in annual or quarterly operating results;
- Lack of or negative research coverage by securities analysts;
- Conditions or trends in the healthcare information technology industry;
- Changes in the market valuations of other companies in our industry;

- Announcements by us or our competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives;
- Announced or anticipated capital commitments;
- Ability to maintain listing of our common stock on The Nasdaq Stock Market;
- Additions or departures of key personnel; and
- Sales and repurchases of our common stock by us, our officers and directors or our significant stockholders, if any.

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Most of these factors are beyond our control. These factors may cause the market price of our common stock to decline, regardless of our operating performance or financial condition.

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

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

There may be future sales or other dilution of our equity, which may adversely affect the market price of our shares of common stock.
We are generally not restricted from issuing in public or private offerings additional shares of common stock or preferred stock (except for certain restrictions under the terms of our outstanding preferred stock), and other securities that are convertible into or exchangeable for, or that represent a right to receive, common stock or preferred stock or any substantially similar securities. Such offerings represent the potential for a significant increase in the number of outstanding shares of our common stock. The market price of our common stock could decline as a result of sales of common stock or preferred stock or similar securities in the market made after an offering or the perception that such sales could occur.

In addition to our currently outstanding preferred stock, the issuance of an additional series of preferred stock could adversely affect holders of shares of our common stock, which may negatively impact your investment.
Our Board of Directors is authorized to issue classes or series of preferred stock without any action on the part of the stockholders. The Board of Directors also has the power, without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including dividend rights and preferences over the shares of common stock with respect to dividends or upon our dissolution, winding-up and liquidation and other terms. If we issue preferred stock in the future that has a preference over the shares of our common stock with respect to the payment of dividends or upon our dissolution, winding up and liquidation, or if we issue preferred stock with voting rights that dilute the voting power of the shares of our common stock, the rights of the holders of shares of our common stock or the market price of shares of our common stock could be adversely affected.
As of January 31, 2015, we had 2,949,995 shares of preferred stock outstanding. For additional information regarding the terms, rights and preferences of such stock, see Note 15 to our consolidated financial statements included herein and our other SEC filings.

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

We have never declared or paid any cash dividends on our common stock and do not currently intend to do so for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future and the success of an investment in shares of our common stock will depend upon any future appreciation in its value. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price you paid for your shares.

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

Note Regarding Risk Factors
The risk factors presented above are all of the ones that we currently consider material. However, they are not the only ones facing our company. Additional risks not presently known to us, or which we currently consider immaterial, may also adversely affect us. There may be risks that a particular investor views differently from us, and our analysis might be wrong. If any of the risks that we face actually occur, our business, financial condition and operating results could be materially adversely affected and could differ materially from any possible results suggested by any forward-looking statements that we have made or might make. In such case, the trading price of our common stock or other securities could decline and you could lose all or part of your investment. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

ITEM 1B. Unresolved Staff Comments
Not applicable.

ITEM 2. Properties
The Company’s principal offices are located at 1230 Peachtree Street, NE, Suite 600, Atlanta, GA 30309. The Company leases all of its properties. For fiscal 2014, the aggregate rental expense for the Company's leased properties was $1,470,000. The following table provides information regarding each property currently leased by the Company.

Location	Area (Sq. Feet)	Principal Business Function	End of Term	Renewal Option
Atlanta, GA	24,335	Corporate Office	November 30, 2022	None
Cincinnati, OH	21,700	Vacated Office	July 15, 2015	None
New York, NY	10,350	Satellite Office	November 29, 2019	None
Cincinnati, OH	1,166	Vacated Data Center	February, 2015	None

The Company believes that its facilities are adequate for its current needs and that suitable alternative space is available to accommodate expansion of the Company’s operations. During the third quarter of fiscal 2014, we vacated the leased office space in Cincinnati, Ohio as part of our plan to consolidate our operations in Atlanta and New York. In February 2015, we completed the migration of all data hosted in our Cincinnati data center to Atlanta.

ITEM 3. Legal Proceedings
We are, from time to time, a party to various legal proceedings and claims, which arise in the ordinary course of business. Other than the matter described under Note 13 to our consolidated financial statements included herein, we are not aware of any legal matters that could have a material adverse effect on our consolidated results of operations, or consolidated financial position, or consolidated cash flows.

ITEM 4. Mine Safety Disclosures
Not applicable.

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PART II

ITEM 5. Market For Registrant’s Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities

The Company’s common stock trades on The NASDAQ Stock Market (“NASDAQ”) under the symbol STRM. The table below sets forth the high and low sales prices for the Company’s common stock for each of the quarters in fiscal years 2014 and 2013, as reported by NASDAQ. The closing price of the Company’s common stock on April 1, 2015 was $3.53 per share as reported by NASDAQ.

Fiscal Year 2014	High	Low
4th Quarter (November 1, 2014 through January 31, 2015)	$4.38	$3.25
3rd Quarter (August 1, 2014 through October 31, 2014)	5.01	3.22
2nd Quarter (May 1, 2014 through July 31, 2014)	5.77	4.17
1st Quarter (February 1, 2014 through April 30, 2014)	6.75	4.70

Fiscal Year 2013	High	Low
4th Quarter (November 1, 2013 through January 31, 2014)	$8.50	$5.53
3rd Quarter (August 1, 2013 through October 31, 2013)	8.40	6.52
2nd Quarter (May 1, 2013 through July 31, 2013)	7.71	5.79
1st Quarter (February 1, 2013 through April 30, 2013)	7.42	5.12

According to the stock transfer agent’s records, the Company had 215 stockholders of record as of April 1, 2015. Because brokers and other institutions on behalf of stockholders hold many of such shares, the Company is unable to determine with complete accuracy the current total number of stockholders represented by these record holders. The Company estimates that it has approximately 3,200 stockholders, based on information provided by the Company’s stock transfer agent from their search of individual participants in security position listings.

The Company has not paid any cash dividends on its common stock since its inception and dividend payments are prohibited or restricted under debt agreements.

Stock Price Performance Graph

The graph below reflects the cumulative stockholder return on the Company’s shares compared to the return of the S&P SmallCap 600 index and the S&P 1500 Health Care Technology index on an annual basis. The graph reflects the investment of $100 (with reinvestment of all dividends) on January 31, 2010 in the Company’s stock, the S&P SmallCap 600 index and the S&P 1500 Health Care Technology index, a published industry peer group index. The total cumulative dollar returns shown below represent the value that such investments would have had on January 31, 2015. The stock price performance shown in this graph is not necessarily indicative of future stock price performance.

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Total Return To Shareholders
(Includes reinvestment of dividends)

ANNUAL RETURN PERCENTAGE

Company / Index	Years ended January 31, 2011	2012	2013	2014	2015
Streamline Health Solutions, Inc.	(15.84)%	(11.29)%	229.09 %	11.23 %	(33.44)%
S&P SmallCap 600 Index	30.93	7.50	15.45	28.44	6.15
S&P 1500 Health Care Technology Index	32.71	10.42	7.83	38.55	0.79

INDEXED RETURNS

	Base Period	Years ended January 31,				
Company / Index	1/31/2010	2011	2012	2013	2014	2015
Streamline Health Solutions, Inc.	100	$84.16	$74.66	$245.70	$273.30	$181.90
S&P SmallCap 600 Index	100	130.93	140.75	162.50	208.71	221.55
S&P 1500 Health Care Technology Index	100	132.71	146.55	158.03	218.95	220.69

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ITEM 6. Selected Financial Data

The selected consolidated financial data presented below as of and for the years ended January 31, 2015, 2014, 2013, 2012, and 2011 is derived from our audited consolidated financial statements.

Consolidated Statements of Operations Data (a):	Fiscal Year				
	2014	2013	2012	2011	2010
Revenues:					
Systems sales	$1,214,879	$3,239,569	$1,463,225	$722,195	$2,557,797
Professional services	2,580,167	3,641,731	3,792,569	3,369,875	3,641,265
Maintenance and support	16,157,371	13,986,566	11,211,197	8,867,697	7,856,704
Software as a service	7,672,990	7,626,837	7,299,812	4,156,441	3,550,225
Total revenues	27,625,407	28,494,703	23,766,803	17,116,208	17,605,991
Operating expenses:					
Cost of systems sales	3,536,495	3,142,525	2,747,230	2,237,899	3,827,313
Cost of services	3,458,984	4,052,113	3,087,997	2,630,314	3,120,740
Cost of maintenance and support	3,087,842	3,460,500	3,245,569	2,199,803	2,440,838
Cost of software as a service	2,920,403	2,523,184	2,512,156	1,815,986	1,902,521
Selling, general and administrative	16,225,574	14,546,335	10,060,469	6,577,101	6,406,190
Research and development	9,756,206	7,088,077	2,948,313	1,408,749	1,759,694
Impairment of intangible assets (b)	1,952,000	—	—	—	—
Total operating expenses	40,937,504	34,812,734	24,601,734	16,869,852	19,457,296
Operating loss	(13,312,097)	(6,318,031)	(834,931)	246,356	(1,851,305)
Other income (expense):					
Interest expense (c)	(748,969)	(1,765,813)	(1,957,010)	(178,524)	(116,392)
Loss on conversion of convertible notes (d)	—	—	(5,970,002)	—	—
Loss on early extinguishment of debt	(429,849)	(160,713)	—	—	—
Miscellaneous (expenses) income (e)	1,592,449	(3,573,091)	494,677	(30,943)	34,080
Loss before income taxes	(12,898,466)	(11,817,648)	(8,267,266)	36,889	(1,933,617)
Income tax benefit	887,009	100,458	2,888,537	(24,315)	(1,017,000)
Net loss	(12,011,457)	(11,717,190)	(5,378,729)	12,574	(2,950,617)
Less: deemed dividends on Series A Preferred Shares (d)	(1,038,310)	(1,180,904)	(176,048)	—	—
Net loss attributable to common shareholders	$(13,049,767)	$(12,898,094)	$(5,554,777)	$12,574	$(2,950,617)
Basic net loss per common share	$(0.71)	$(0.94)	$(0.48)	$—	$(0.31)
Number of shares used in basic per common share computation	18,261,800	13,747,700	11,634,540	9,887,841	9,504,986
Diluted net loss per common share	$(0.71)	$(0.94)	$(0.48)	$—	$(0.31)
Number of shares used in diluted per common share computation	18,261,800	13,747,700	11,634,540	9,899,073	9,504,986

(a) Fiscal years 2011, 2012, 2013, and 2014 amounts include the results of operations of the following acquisitions: Interpoint Partners, LLC ("Interpoint"), from December 11, 2011; Meta Health Technology, Inc. ("Meta"), from August 16, 2012; Clinical Looking Glass ("CLG"), from October 25, 2013; and Unibased Systems Architecture, Inc., from February 3, 2014.

(b) In fiscal 2014, Meta trade name was deemed impaired and written off in full, resulting in a $1,952,000 loss.

(c)

Interest expense increased during 2012 primarily as a result of increases in the term loans interest and success fees associated with the Fifth Third Bank credit agreements, entered into to fund the Interpoint and Meta acquisitions - Please refer to Note 6 - Debt to our consolidated financial statements included herein for additional details on these credit agreements.

(d) Please refer to Note 15 - Private Placement Investment to our consolidated financial statements included herein for details on convertible notes and Series A Preferred Shares.

(e) Fiscal 2013 includes expense related to cumulative change in value of the earn-out totaling $3,580,000. Fiscal 2014 includes $2,283,000 in income related to valuation adjustment for warrants liability.

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Consolidated Balance Sheets Data (a):	January 31				
	2015	2014	2013	2012	2011
Cash and cash equivalents (b)	$6,522,600	$17,924,886	$7,500,256	$2,243,054	$1,403,949
Current assets	16,505,723	29,688,229	19,877,778	8,408,243	5,938,415
Total assets	55,779,115	65,578,874	55,266,578	25,141,058	16,015,422
Current liabilities	14,299,591	15,411,979	17,325,422	8,742,621	8,159,949
Non-current liabilities	15,839,758	15,076,180	16,716,138	8,399,913	1,261,034
Total liabilities	30,139,349	30,488,159	34,041,560	17,142,534	9,420,983
Series A 0% Convertible Redeemable Preferred Stock (c)	6,637,978	5,599,668	7,765,716	—	—
Total stockholders' equity	$19,001,788	$29,491,047	$13,459,302	$7,998,524	$6,594,439

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(a) Overall increase in January 31, 2012, 2013, 2014 and 2015 amounts resulting from the following acquisitions: Interpoint in December 2011, Meta in August 2012, CLG in October 2013, and Unibased in February 2014.

(b) Increased January 31, 2014 balance is attributed to cash raised through the public offering of 3,450,000 shares of the Company's common stock in November 2013, as described in Note 16 - Stockholders' Equity to our consolidated financial statements included herein.

(c) Please refer to Note 15 - Private Placement Investment to our consolidated financial statements included herein for details on the Series A Preferred Shares.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview

In fiscal 2014, management continued to focus on implementing the strategic objectives of the Five-Year Plan adopted in April 2013. The five-year plan centers around four strategic objectives that we believe are the appropriate actions to ensure success over the long term. These objectives were the outcomes of partnering with our clients to help them better navigate the increasingly complex confluence of clinical and financial data to empower profitable management of their organizations.

First, as clients begin to focus on the need to move from "volume to value", that is, as compensation models change to reward healthcare providers for improving the health of their patients ("value") versus paying for a number of tests and procedures performed ("volume") we will be able to provide our clients with our Clinical Analytics solution. In October of 2013, we exclusively licensed a clinical analytics platform from our client, the Montefiore Medical Center in the Bronx, New York. This capability enables us to deliver population health management solutions that are of critical importance to healthcare providers today.

Second, we want to assist our clients as they begin to shift their focus to the front-end of patient engagement to be more proactive in managing their patient population. Specifically, clients want to lower their patient financial services expenses and to improve financial clearance and point of sale collection execution before a patient receives care. Our acquisition in February 2014 of Unibased Systems Architecture, Inc., which has developed top-ranked solutions in both Patient Scheduling and Surgery Management, has enabled us to do just that. The offerings from Unibased comprise the majority of our new Looking Glass® Patient Engagement suite of solutions. These solutions enable us to deepen our front-end patient access offerings that are critically important to the process of assisting our clients in managing the risk inherent in their Accountable Care Organization relationships.

Third, as our clients continue to experience substantial pressure on revenue and margins, our HIM, Coding and Clinical Documentation Improvement (CDI) solutions become more important. As the industry prepares to transition

from ICD-9 coding (with approximately 14,000 billing codes) to ICD-10 coding (with approximately ten times the number of billing codes) on October 1, 2015, healthcare providers throughout the country are more concerned than ever with revenue protection. Our CDI solution is well positioned to help them with this urgent task.

Fourth, we provide our Looking Glass® Financial Management solutions for revenue cycle management improvement - everything from business analytics to accounts receivable, denials and audit management - to help clients better manage their collections and cash flow. With growing pressure to improve overall cost management, healthcare providers need additional

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Financial Decision Support capabilities, and we are looking to add the best software technology available to help us deliver this capability in our Financial Management suite. In addition, we offer Solutions Optimization advisory services for our Financial Management modules to help maximize return on investment for clients who rely on operational consultants to help realize the full value of outsourced software.

The healthcare industry continues to face sweeping changes and new standards of care that are putting greater pressure on healthcare providers to be more efficient in every aspect of their operations. These changes represent ongoing opportunities for the Company to partner with our current clients and prospects to help them meet and exceed these new standards.

Results of Operations

Statements of Operations for the fiscal years ended (in thousands):

	Fiscal Year ended January 31,						
				2014 to 2013 Change		2013 to 2012 Change	
	2014	2013	2012	$	%	$	%
System sales	$1,215	$3,240	$1,463	$(2,025)	(63)%	$1,777	121%
Professional services	2,580	3,642	3,793	(1,062)	(29)%	(151)	(4)%
Maintenance and support	16,157	13,986	11,211	2,171	16%	2,775	25%
Software as a service	7,673	7,627	7,300	46	1%	327	4%
Total revenues	27,625	28,495	23,767	(870)	(3)%	4,728	20%
Cost of sales	13,004	13,179	11,593	(175)	(1)%	1,586	14%
Selling, general and administrative	16,226	14,546	10,061	1,680	12%	4,485	45%
Product research and development	9,756	7,088	2,948	2,668	38%	4,140	140%
Impairment of intangible assets	1,952	—	—	1,952	—%	—	—%
Total operating expenses	40,938	34,813	24,602	6,125	18%	10,211	42%
Operating loss	(13,313)	(6,318)	(835)	(6,995)	111%	(5,483)	657%
Other income (expense), net	415	(5,499)	(7,432)	5,914	(108)%	1,933	(26)%
Income tax benefit	887	100	2,888	787	787%	(2,788)	(97)%
Net loss	$(12,011)	$(11,717)	$(5,379)	$(294)	3%	$(6,338)	118%
Adjusted EBITDA(1)	$(987)	$1,770	$6,560	$(2,757)	(156)%	$(4,790)	(73)%

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

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The following table sets forth, for each fiscal year indicated, certain operating data as percentages of total revenues:
Statements of Operations(1)

	Fiscal Year		
	2014	2013	2012
System sales	4.4 %	11.4 %	6.2 %
Professional services	9.3	12.8	16.0
Maintenance and support	58.5	49.1	47.2
Software as a service	27.8	26.9	30.7
Total revenues	100.0 %	100.0 %	100.0 %
Cost of sales	47.1	46.2	48.8
Selling, general and administrative	58.7	51.0	42.3
Product research and development	35.3	24.9	12.4
Impairment of intangible assets	7.1	—	—
Total operating expenses	148.2	122.2	103.5
Operating loss	(48.2)	(22.2)	(3.5)
Other income (expense), net	1.5	(19.3)	(31.3)
Income tax benefit	3.2	0.5	12.2
Net loss	(43.5)%	(41.1)%	(22.6)%
Cost of Sales to Revenues ratio, by revenue stream:			
Systems sales	291.1 %	97.0 %	187.8 %
Services, maintenance and support	34.9 %	42.6 %	42.2 %
Software as a service	38.1 %	33.1 %	34.4 %

(1) Because a significant percentage of the operating costs are incurred at levels that are not necessarily correlated with revenue levels, a variation in the timing of systems sales and installations and the resulting revenue recognition can cause significant variations in operating results. As a result, period-to-period comparisons may not be meaningful with respect to the past operations nor are they necessarily indicative of the future operations of the Company in the near or long-term. The data in the table is presented solely for the purpose of reflecting the relationship of various operating elements to revenues for the periods indicated.

Comparison of fiscal years 2014 and 2013 with previous years

Revenues

	Fiscal Year			2014 to 2013 Change		2013 to 2012 Change	
(in thousands):	2014	2013	2012	$	%	$	%
System Sales:							
Proprietary software	$1,164	$3,154	$1,001	$(1,990)	(63)%	$2,153	215 %
Hardware and third-party software	51	86	462	(35)	(41)%	(376)	(81)%
Professional services	2,580	3,642	3,793	(1,062)	(29)%	(151)	(4)%
Maintenance and support	16,157	13,986	11,211	2,171	16 %	2,775	25 %
Software as a service	7,673	7,627	7,300	46	1 %	327	4 %
Total Revenues (1)	$27,625	$28,495	$23,767	$(870)	(3)%	$4,728	20 %

(1) Fluctuation is largely attributed to incremental revenue from acquired operations, as summarized below:

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(in thousands):		Fiscal Year			2014 to 2013 $	2013 to 2012 $
Acquisition	Acquisition date	2014	2013	2012	Change	Change
Meta	August 2012	$7,237	$9,957	$3,395	$(2,720)	$6,562
CLG	October 2013	1,233	309	—	924	309
Unibased	February 2014	1,849	—	—	1,849	—
Total Revenues		$10,319	$10,266	$3,395	$53	$6,871

Proprietary software — Proprietary software includes revenue from perpetual and term software license sales. Proprietary software revenues recognized in fiscal 2014 were $1,164,000, as compared to $3,154,000 in fiscal 2013 and $1,001,000 in fiscal 2012. The increased fiscal 2013 revenues as compared to 2012 and 2014 revenues is primarily attributable to sales of our Looking Glass® Coding & CDI solutions (formerly known as Collabra™) totaling $1,750,000 during fiscal 2013.

Hardware and third-party software — Revenues from hardware and third-party software sales in fiscal 2014 were $51,000, as compared to $86,000 in fiscal 2013 and to $462,000 in fiscal 2012. Fluctuations from year to year are a function of client demand.

Professional services — Revenues from professional services in fiscal 2014 were $2,580,000, as compared to $3,642,000 in fiscal 2013 and to $3,793,000 in fiscal 2012. The decreases are primarily attributable to an increased focus on professional services components that are essential to the functionality of the software, for which direct costs are deferred and recognized ratably over the associated revenue recognition. In addition, fluctuations over periods result from the nature of recognizing professional services revenues once certain milestones are met.

Maintenance and support — Revenues from maintenance and support in fiscal 2014 were $16,157,000, as compared to $13,986,000 in fiscal 2013 and to $11,211,000 in fiscal 2012. The increase in maintenance and support in fiscal 2014 results primarily from recognizing a full 12 months of Unibased revenue, whereas no such revenue was recognized in prior fiscal years. The increase in maintenance and support in fiscal 2013 from prior year results primarily from recognizing a full 12 months of Meta revenue, as opposed to approximately 6 months in fiscal 2012. In addition, maintenance renewals typically include a price increase based on the prevailing consumer price index, or increase in the product set purchased by the client.

Software as a service (SaaS) — Revenues from SaaS in fiscal 2014 were $7,673,000, as compared to $7,627,000 in fiscal 2013 and to $7,300,000 in fiscal 2012. The year-to-year increases are attributable to go-lives that occurred during each fiscal year, which initiated the start of revenue recognition.

Revenues from remarketing partners — Total revenues from GE Healthcare was $335,000 in fiscal 2014, down from $767,000 in fiscal 2013. In fiscal 2012, revenues from GE Healthcare were $3,033,000, or 13% of total revenues. The Company previously relied on GE Healthcare for a significant amount of its revenues. The Company's remarketing agreement with GE Healthcare remains in effect, however, the Company has not obtained any net new clients from the relationship since fiscal 2010.

Cost of Sales

	Fiscal Year			2014 to 2013 Change		2013 to 2012 Change	
(in thousands):	2014	2013	2012	$	%	$	%
Cost of system sales	$3,536	$3,143	$2,747	$393	13%	$396	14%
Cost of professional services	3,459	4,052	3,088	(593)	(15)%	964	31%
Cost of maintenance and support	3,088	3,461	3,246	(373)	(11)%	215	7%
Cost of software as a service	2,920	2,523	2,512	397	16%	11	—%
Total cost of sales	$13,003	$13,179	$11,593	$(176)	(1)%	$1,586	14%

Cost of systems sales includes amortization and impairment of capitalized software expenditures, royalties, and the cost of third-party hardware and software. Cost of systems sales, as a percentage of systems sales, varies from period-to-period depending on hardware and software configurations of the systems sold. The increase in expense in

fiscal 2014 and 2013 is primarily due to additional costs associated with Meta and Unibased, respectively. We incurred 12 months of expenses related to Unibased operations in fiscal 2014, whereas no such expenses were incurred in fiscal 2013. The increase in expenses from fiscal 2012 to 2013 is due primarily to the fact that we incurred 12 months and 5.5 months of expenses related to Meta's operations in fiscal 2013 and 2012, respectively. We incurred $3,352,000, $2,769,000 and $2,435,000 in overall software amortization expense in fiscal 2014, 2013 and 2012, respectively.

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The cost of professional services includes compensation and benefits for personnel, and related expenses. The decrease from fiscal 2013 to 2014 is primarily due to the reduction in independent contractors expense, as well as the increase in professional services components that are essential to the functionality of the software, for which direct costs are deferred and recognized ratably over the associated revenue recognition term. The increase in expense from fiscal 2012 to 2013 is primarily due to additional costs associated with the Meta acquisition. We incurred 12 months and 5.5 months of expenses related to Meta's operations in fiscal 2012 and 2013, respectively.
The cost of maintenance and support includes compensation and benefits for client support personnel and the cost of third-party maintenance contracts. The decrease from fiscal 2013 to 2014 is primarily due to the reduction in support personnel. The increase in expenses from fiscal 2012 to 2013 is primarily due to additional maintenance and support costs as part of the Meta acquisition. We incurred 12 months and 5.5 months of expenses related to Meta's operations in fiscal 2013 and 2012, respectively.
The cost of SaaS is relatively fixed but subject to some fluctuation for the goods and services it requires. The increase is related to incremental costs associated with the new data center in Atlanta beginning in the fourth quarter of fiscal 2013, consisting primarily of managed services and depreciation of IT equipment.

Selling, General and Administrative Expense

	Fiscal Year			2014 to 2013 Change		2013 to 2012 Change	
(in thousands):	2014	2013	2012	$	%	$	%
General and administrative expenses	$11,799	$11,152	$7,702	$647	6 %	$3,450	45 %
Sales and marketing expenses	4,283	3,394	2,359	889	26 %	1,035	44 %
Total selling, general, and administrative	$16,082	$14,546	$10,061	$1,536	11 %	$4,485	45 %

General and administrative expenses consist primarily of compensation and related benefits and reimbursable travel and living expenses related to the Company's executive and administrative staff, general corporate expenses, amortization of intangible assets, and occupancy costs. The increase in expense in fiscal 2014 and 2013 is primarily due to increased bad debt expense and professional fees, as well as higher amortization expense for intangible assets in connection with CLG. The increase in fiscal 2013 over the prior year is primarily driven by $1,400,000 in professional service fees incurred in fiscal 2013, as well as additional general and administrative expenses associated with the Meta operations. Amortization of intangible assets added incremental expense to fiscal 2013 due to the amortization of assets acquired as part of Meta. We also recognized $1,339,000 in amortization expense in fiscal 2013 for acquired intangible assets as compared to $584,000 in fiscal 2012, an increase of $755,000.
Sales and marketing expenses consist primarily of compensation and related benefits and reimbursable travel and living expenses related to the Company's sales and marketing staff, as well as advertising and marketing expenses, including trade shows and similar type sales and marketing expenses. The increases in sales and marketing expense in fiscal 2014 and 2013 over the prior year reflect increase in total compensation for sales staff.

Product Research and Development

	Fiscal Year			2014 to 2013 Change		2013 to 2012 Change	
(in thousands):	2014	2013	2012	$	%	$	%
Research and development expense	$9,756	$7,088	$2,948	$2,668	38 %	$4,140	140 %
Capitalized software development cost	620	614	2,000	6	1 %	(1,386)	(69)%
Total R&D Cost	$10,376	$7,702	$4,948	$2,674	35 %	$2,754	56 %

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. The increase in expense from fiscal 2013 to 2014 was primarily due to additional costs associated with the CLG and Unibased acquisitions. The increase in research and development expenses in fiscal 2013 over the prior year was primarily due to more time committed to enhancing current software versions, which also decreased the number of hours available to be capitalized, and is reflected in the capitalized research and development

costs. Research and development expenses in fiscal 2014, 2013, and 2012, as a percentage of revenues, were 35%, 25% and 12%, respectively.

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Impairment of intangible assets

	Fiscal Year			2014 to 2013 Change		2013 to 2012 Change	
(in thousands):	2014	2013	2012	$	%	$	%
Impairment of intangible assets	$1,952	$—	$—	$1,952	— %	$—	— %

Management determined that the concerted effort to rebrand the Company's solutions under a single, harmonized Looking Glass® marketing platform moving forward, eroded, in total, the value of the Meta Trade name. As a result, we recorded a $1,952,000 loss on impairment of intangible asset in fiscal 2014.

Other Income (Expense)

	Fiscal Year			2014 to 2013 Change		2013 to 2012 Change	
(in thousands):	2014	2013	2012	$	%	$	%
Interest expense	$(749)	$(1,766)	$(1,957)	$1,017	(58)%	$191	(10)%
Loss on conversion of convertible notes	—	—	(5,970)	—	— %	5,970	(100)%
Loss on early extinguishment of debt	(430)	(161)	—	(269)	167 %	(161)	100 %
Miscellaneous income (expenses)	1,592	(3,573)	495	5,165	(145)%	(4,068)	(822)%
Total other (expense) income	$413	$(5,500)	$(7,432)	$5,913	(108)%	$1,932	(26)%

Interest expense consists of interest and commitment fees on the line of credit, interest (including accruals for success fees in fiscal 2013 and 2012) on the term loans, and interest on the 2012 convertible note and the 2013 note payable, and is inclusive of deferred financing cost and debt discount amortization. Amortization of deferred financing cost and debt discount were $71,000, $315,000, and $219,000 in fiscal 2014, 2013, and 2012, respectively. Interest expense was higher in fiscal 2013 and 2012 primarily as a result of higher term loan interest and success fees, and deferred financing costs. Interest expense decreased significantly in fiscal 2014 as a result of the pay off of the $9,000,000 subordinated term loan in January 2014.

We recorded losses in fiscal 2012 on the conversion of the convertible subordinated notes of $5,913,000 related to the Interpoint and private placement investment, which represented the difference between the aggregate fair value of the Company's preferred stock issued of $9,183,000, based on a $5.80 fair value per share, and the total of carrying value of the notes and unamortized deferred financing cost of $3,270,000.

In fiscal 2013, we recorded a $139,000 loss on early extinguishment of debt related to the repayment of the subordinated term loan. In fiscal 2014, we recorded a $115,000 loss related to the termination of the interest rate swap contract prior to its maturity and a $315,000 loss related to the repayment of the senior term loan with Fifth Third Bank upon entering into a new credit agreement with Wells Fargo Bank in November 2014.

The change in miscellaneous income (expense) from 2012 to 2013 (increase in expense) and from 2013 to 2014 (decrease in expense) is primarily due to a loss from change in value of the earn-out totaling $3,580,000 that was incurred in fiscal 2013. In addition, in fiscal 2014, 2013, and 2012, valuation adjustments to our warrants liability included in miscellaneous income (expense) totaled $2,283,000, $141,000, and $489,000, respectively. In fiscal 2014, the income from valuation adjustment of warrants liability was partially offset by a $181,000 loss on disposals of fixed assets, a $235,000 loss related to vacating our Cincinnati office, and a $129,000 loss related to valuation adjustments to our royalty liability.

Provision for Income Taxes

We recorded a tax benefit of $887,000 and $100,000 in fiscal 2014 and 2013. Please refer to Note 8 - Income Taxes to our consolidated financial statements included in Item 8 for details on current and deferred taxes benefits (expenses) for federal and state income taxes.

In fiscal 2012, we recorded a tax benefit of $2,889,000 that is comprised of current state and local taxes payable of $47,000 and a deferred tax benefit of $2,936,000. The deferred tax benefit is comprised of the tax benefit recorded for

the release of the deferred tax asset valuation allowance and the related reduction in income tax expense of $3,000,000 as a result of deferred tax liabilities recorded related to the Meta acquisition, and the effect of temporary differences during fiscal 2012.

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Backlog

	2014	2013
Company proprietary software	$20,888,000	$2,230,000
Hardware and third-party software	244,000	79,000
Professional services	7,485,000	7,255,000
Maintenance and support	21,304,000	25,936,000
Software as a service	22,574,000	21,073,000
Total	$72,495,000	$56,573,000

At January 31, 2015, the Company had master agreements and purchase orders from clients and remarketing partners for systems and related services that have not been delivered or installed, which if fully performed, would generate future revenues of $72,495,000 compared with $56,573,000 at January 31, 2014.

The Company's proprietary software backlog consists of signed agreements to purchase either perpetual software licenses or term licenses. Typically, perpetual licenses included in backlog are either not yet generally available or the software is generally available and the client has not taken possession of the software. Term licenses included in backlog consist of signed agreements where the client has already taken possession, but the payment for the software is bundled with maintenance and support fees over the life of the contract. The increase in backlog is due to several new clients purchasing long-term term license agreements during 2014.

Third-party hardware and software consists of signed agreements to purchase third-party hardware or third-party software licenses that have not been delivered to the client. These are products that the Company resells as components of the solution a client purchases.

Professional services backlog consists of signed contracts for services that have yet to be performed. Typically, backlog is recognized within twelve months of the contract signing. The increase in backlog is due to several clients that signed contracts during fiscal 2014 for add-on solutions, upgrades, or expansion of services at additional locations for which contracted services have not yet been performed.

Maintenance and support backlog consists of maintenance agreements for licenses of the Company's proprietary software and third-party hardware and software with clients and remarketing partners for which either an agreement has been signed or a purchase order under a master agreement has been received. The Company includes in backlog the signed agreements through their respective renewal dates. Typical maintenance contracts are for a one-year term and are renewed annually. Clients typically prepay maintenance and support that is billed 30-60 days prior to the beginning of the maintenance period. The Company does not expect any significant client attrition over the next 12 months. Maintenance and support backlog at January 31, 2015 was $21,304,000, as compared to $25,936,000 at January 31, 2014. The Company expects to recognize $10,444,000 out of January 31, 2015 backlog in fiscal 2015. A significant portion of this decrease is due to renewals not exceeding revenue recognized from the January 31, 2014 backlog.

At January 31, 2015, the Company had entered into SaaS agreements that are expected to generate revenues of $22,574,000 through their respective renewal dates in fiscal years 2014 through 2019. The Company expects to recognize $8,459,000 out of January 31, 2015 SaaS backlog in fiscal 2015. Typical SaaS terms are one to seven years in length. SaaS backlog and terms are as follows:

(in thousands):	SaaS Backlog at January 31, 2015	Average Remaining Months in Term
7-year term	$1,355	37
6-year term	627	41
5-year term	15,480	30
4-year term	575	33
3-year term	4,134	26

Less than 3-year term	403	10
Total SaaS backlog	$ 22,574	

The commencement of revenue recognition for SaaS varies depending on the size and complexity of the system; the implementation schedule requested by the client and ultimately the official go-live on the system. Therefore, it is difficult for the Company to accurately predict the revenue it expects to achieve in any particular period.

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

Use of Non-GAAP Financial Measures

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

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

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

We define: (i) EBITDA as net earnings (loss) before net interest expense, income tax expense (benefit), depreciation and amortization; (ii) Adjusted EBITDA as net earnings (loss) before net interest expense, income tax expense (benefit), depreciation, amortization, stock-based compensation expense, and transaction expenses and other expenses that do not relate to our core operations; (iii) Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of net revenue; and (iv) Adjusted EBITDA per diluted share as Adjusted EBITDA divided by adjusted diluted shares outstanding. EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA per diluted share are used to facilitate a comparison of our operating performance on a consistent basis from period to period and provide for a more complete understanding of factors and trends affecting our business than GAAP measures alone. These measures assist management and the board and may be useful to investors in comparing our operating performance consistently over time as they remove the impact of our capital structure (primarily interest charges), asset base (primarily depreciation and amortization), items outside the control of the management team (taxes), and expenses that do not relate to our core operations including: transaction-related expenses (such as professional and advisory services), corporate restructuring expenses (such as severances), and other operating costs that are expected to be non-recurring. Adjusted EBITDA removes the impact of share-based compensation expense, which is another non-cash item. Adjusted EBITDA per diluted share includes incremental shares in the share count that are considered anti-dilutive in a GAAP net loss position.

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

Our lender uses an EBITDA measurement that is similar to the Adjusted EBITDA measurement described herein to assess our operating performance. The lender under our credit agreement requires delivery of compliance reports certifying compliance with financial covenants, certain of which are based on this EBITDA measurement that is similar to the Adjusted EBITDA measurement reviewed by our management and board of directors.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not measures of liquidity under GAAP, or otherwise, and are not alternatives to cash flow from continuing operating activities, despite the advantages regarding the use and analysis of these measures as mentioned above. EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, and

Adjusted EBITDA per diluted share as disclosed in this annual report on Form 10-K, have limitations as analytical tools, and you should not consider these measures in isolation, or as a substitute for analysis of our results as reported under GAAP; nor are these measures intended to be measures of liquidity or free cash flow for our discretionary use. Some of the limitations of EBITDA, and its variations are:

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

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

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

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

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The following table reconciles net loss to EBITDA and Adjusted EBITDA, and Adjusted EBITDA per diluted share to loss per diluted share for the fiscal years ended January 31, 2015, 2014 and 2013 (amounts in thousands, except per share data):

	Fiscal Year		
Adjusted EBITDA Reconciliation	2014	2013	2012
Net loss	$(12,011)	$(11,717)	$(5,379)
Interest expense	749	1,766	1,957
Tax benefit (1)	(887)	(100)	(2,888)
Depreciation	1,005	718	726
Amortization of capitalized software development costs (2)	3,678	3,192	2,659
Amortization of intangible assets	1,396	1,342	584
Amortization of other costs	166	74	35
EBITDA	(5,904)	(4,725)	(2,306)
Stock-based compensation expense	1,934	1,661	956
Loss on impairment of intangible assets	1,952	—	—
Loss on conversion of convertible notes	—	—	5,970
Loss on early extinguishment of debt	430	161	—
Loss on disposal of fixed assets	181	—	—
Non-cash valuation adjustments to assets and liabilities (3)	(2,154)	3,427	87
Transaction related professional fees, advisory fees, and other internal direct costs	182	769	796
Associate severances and other costs relating to transactions or corporate restructuring	901	415	866
Other non-recurring operating expenses (4)	1,491	62	191
Adjusted EBITDA	$(987)	$1,770	$6,560
Adjusted EBITDA Margin (5)	(4)%	6%	28%

Adjusted EBITDA per diluted share	2014	2013	2012
Loss per share — diluted	$(0.71)	$(0.94)	$(0.48)
Adjusted EBITDA per adjusted diluted share (6)	$(0.05)	$0.10	$0.46
Diluted weighted average shares	18,261,800	13,747,700	11,634,540
Includable incremental shares — adjusted EBITDA (7)	—	4,863,140	494,109
Adjusted diluted shares	18,261,800	18,610,840	12,128,649

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(1) Fiscal 2012 includes a non-cash income tax benefit of $3,000,000 to reduce the Company's tax valuation allowance relating to deferred tax liabilities recorded in conjunction with the Company's acquisition of Meta.

(2) Fiscal 2014 includes $2,220,000 relating to internally developed legacy software, $326,000 relating to acquired internally developed software from Interpoint, $729,000 relating to internally developed software acquired from Meta, and $403,000 relating to internally developed software acquired from Unibased. Fiscal 2013 includes $2,172,000 relating to internally developed legacy software, $423,000 relating to acquired internally developed software from Interpoint, and $597,000 relating to internally developed software acquired from Meta. Fiscal 2012 includes $1,969,000 relating to internally developed legacy software, $224,000 relating to acquired internally developed software from Interpoint, and $466,000 relating to internally developed software acquired from Meta.

(3) Fiscal 2014 includes valuation adjustment for warrants liability of $(2,283,000). Fiscal 2013 and 2012 include valuation adjustment for contingent earn-out of $3,580,000 and $87,000, respectively.

(4) Increase in fiscal 2014 is primarily due to professional services fees that are deemed non-recurring.

(5) Adjusted EBITDA as a percentage of GAAP revenues.

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

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

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Application of Critical Accounting Policies

The following is a summary of the Company's most critical accounting policies. See Note 2 of our Consolidated Financial Statements included herein for a complete discussion of the significant accounting policies and methods used in the preparation of our Consolidated Financial Statements.

Revenue Recognition

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

- Persuasive evidence of an arrangement exists,
- Delivery has occurred or services have been rendered,
- The arrangement fees are fixed or determinable, and
- Collection is considered probable.

If the Company determines that any of the above criteria has not been met, the Company will defer recognition of the revenue until all the criteria have been met. If non-standard acceptance periods or non-standard performance criteria, cancellation or right of refund terms are required, revenue is recognized upon the satisfaction of such criteria, as applicable.

Multiple Element Arrangements

We record revenue pursuant to Accounting Standards Update No. 2009-13, Revenue Recognition (Topic 605), "Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force" ("ASU 2009-13"). The Company follows this accounting guidance for revenue recognition of multiple deliverable revenue arrangements (meaning the delivery or performance of multiple products, services and/or rights to use assets) to determine whether such arrangements contain more than one unit of accounting. To qualify as a separate unit of accounting, the delivered item must have value to the client on a stand-alone basis (meaning the item can be sold separately by any vendor or the client could resell the item on a stand-alone basis). Additionally, if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered items must be considered probable and substantially in the control of the vendor.

Allowance for Doubtful Accounts

Accounts and contract receivables are comprised of amounts owed the Company for solutions and services provided. Contracts with individual clients and resellers determine when receivables are due and payable. In determining the allowances for doubtful accounts, the unpaid receivables are reviewed monthly to determine the payment status based upon the most currently available information as to the status of the receivables. During these monthly reviews, the Company determines the required allowances for doubtful accounts for estimated losses resulting from the unwillingness or inability of its clients or resellers to make required payments.

Capitalized Software Development Costs

Software development costs are accounted for in accordance with ASC 985-20 Software — Costs of Software to be Sold, Leased or Marketed. Costs associated with the planning and designing phase of software development are classified as research and development and are expensed as incurred. Once technological feasibility has been determined, a portion of the costs incurred in development, including coding, testing, and quality assurance, are capitalized until available for general release to clients, and subsequently reported at the lower of unamortized cost or net realizable value. Amortization is calculated on a solution-by-solution basis and is over the estimated economic life of the software. Amortization for our legacy software systems is provided on a solution-by-solution basis over the estimated economic life of the software, using the straight-line method. Amortization commences when a solution is available for general release to clients. Acquired internally developed software from acquisitions is amortized using the straight-line method. Unamortized capitalized costs determined to be in excess of the net realizable value of a solution are expensed at the date of such determination. The Company reviews, on an on-going basis, the carrying value of its capitalized software development expenditures, net of accumulated amortization.

Goodwill and Intangible Assets

Goodwill and other intangible assets were recognized in conjunction with the Interpoint, Meta, Clinical Looking Glass, and Unibased acquisitions. Identifiable intangible assets include purchased intangible assets with finite lives, which primarily consist of internally-developed software, client relationships, supplier agreements, non-compete agreements, customer contracts, and license agreements. Finite-lived purchased intangible assets are amortized over their expected period of benefit,

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which generally ranges from one to 15 years, using the straight-line and undiscounted expected future cash flows methods. The indefinite-lived intangible asset relates to the Meta trade name, which was not amortized, but tested for impairment on at least an annual basis. In fiscal 2014, Meta trade name was deemed impaired and its corresponding balance was fully written off (see Note 7 - Goodwill and Intangible Assets to our consolidated financial statements included herein).

We assess the useful lives and possible impairment of existing recognized goodwill and intangible assets when an event occurs that may trigger such a review. Factors considered important which could trigger a review include:

- significant under performance relative to historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for the overall business;
- identification of other impaired assets within a reporting unit;
- disposition of a significant portion of an operating segment;
- significant negative industry or economic trends;
- significant decline in the Company's stock price for a sustained period; and
- a decline in the market capitalization relative to the net book value.

Determining whether a triggering event has occurred involves significant judgment by the Company.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax credit and loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing net deferred tax assets, we consider whether it is more likely than not that some or all of the deferred tax assets will not be realized. We establish a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized. See Note 8 to our consolidated financial statements included in Item 8 for further details.

Common Stock Warrants

As of January 31, 2014, the fair value of the common stock warrants was computed using the Black-Scholes option pricing model. The estimated fair value of the warrant liabilities as of January 31, 2015 was computed using Monte-Carlo simulations. Both valuations were based on assumptions regarding annual volatility, risk-free rate, dividend yield and expected life. The models also include assumptions to account for anti-dilutive provisions within the warrant agreement (see
Note 2 - Significant Accounting Policies to our consolidated financial statements included herein).

Contractual Obligations

We have various contractual obligations and commitments to make future payments including debt agreements and operating lease obligations.

The following table summarizes our significant contractual obligations and commitments as of January 31, 2015. Except as set forth in the following table, we do not have any material long-term purchase obligations or other long-term liabilities that are reflected on our consolidated balance sheet as of January 31, 2015:

	Payments Due by Period				
(in thousands)	Less than 1 year	1-3 Years	3-5 Years	More than 5 years	Total
Long-term debt obligations	$500	$1,750	$7,750	$—	$10,000

Interest expense on long-term debt	831	1,340	995	—	3,166
Capital lease obligations (1)	858	550	—	—	1,408
Operating lease obligations	1,040	1,978	2,006	1,468	6,492
Total contractual obligations	$3,229	$5,618	$10,751	$1,468	$21,066

(1) Future minimum lease payments include principal plus interest.

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The estimated interest expense payments on long-term debt reflected in the table above are based on both the amount outstanding and the respective interest rates in effect as of January 31, 2015. Interest expense on the $10,000,000 senior term loan, is computed based on an interest rate of 7.50%.

Liquidity and Capital Resources

The Company's liquidity is dependent upon numerous factors including: (i) the timing and amount of revenues and collection of contractual amounts from clients, (ii) amounts invested in research and development and capital expenditures, and (iii) the level of operating expenses, all of which can vary significantly from quarter-to-quarter. The Company's primary cash requirements include regular payment of payroll and other business expenses, principal and interest payments on debt, and capital expenditures. Capital expenditures generally include computer hardware and computer software to support internal development efforts or infrastructure in the SaaS data center. Operations are funded with cash generated by operations and borrowings under credit facilities. The Company believes that cash flows from operations and available credit facilities are adequate to fund current obligations for the next twelve months. Cash and cash equivalent balances at January 31, 2015 and 2014 were $6,523,000 and $17,925,000, respectively. Continued expansion may require the Company to take on additional debt, or raise capital through issuance of equities, or a combination of both. There can be no assurance the Company will be able to raise the capital required to fund further expansion.

The Company has additional liquidity through the Credit Agreement described in more detail in Note 6 to our consolidated financial statements included herein. The Company's primary operating subsidiary has a $5,000,000 revolving line of credit that has not been drawn upon as of January 31, 2015. In order to draw upon the revolving line of credit, the Company's primary operating subsidiary must comply with customary financial covenants, including the requirement that the Company maintain minimum liquidity of at least (i) $5,000,000 through April 15, 2015, (ii) $6,500,000 from April 16, 2015 through and including July 30, 2015, (iii) $7,000,000 from July 31, 2015 through and including January 30, 2016, and (iv) $7,500,000 from January 31, 2016 through and including the maturity date of the credit facility, and achieve certain minimum EBITDA levels. Pursuant to the Credit Agreement's definition, the liquidity of the Company's primary operating subsidiary as of January 31, 2015 was $11,523,000, which satisfies the minimum liquidity financial covenant in the Credit Agreement.

The Credit Agreement also requires the Company to achieve certain minimum EBITDA levels, measured on a quarter-end basis, of at least the required amounts in the table set forth in Note 6 to our consolidated financial statements included herein for the applicable period set forth therein. The required minimum EBITDA level for the period ended January 31, 2015 was $0. The Company's actual EBITDA for this period was approximately negative $987,000. The Company obtained a waiver from its lender as of April 15, 2015 for non-compliance with the minimum EBITDA covenant at January 31, 2015.

Based upon the borrowing base formula set forth in the Credit Agreement, as of January 31, 2015, the Company was able to access $5,000,000 of the $5,000,000 revolving line of credit.

The Credit Agreement expressly permits transactions between affiliates that are parties to the Credit Agreement, which includes the Company and its primary operating subsidiary, including loans made between such affiliate loan parties. However, the Credit Agreement prohibits the Company and its subsidiaries from declaring or paying any dividend or making any other payment or distribution, directly or indirectly, on account of equity interests issued by the Company if such equity interests: (a) mature or are mandatorily redeemable pursuant to a sinking fund obligation or otherwise (except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior repayment in full of the loans and all other obligations that are accrued and payable upon the termination of the Credit Agreement), (b) are redeemable at the option of the holder thereof, in whole or in part, (c) provide for the scheduled payments of dividends in cash, or (d) are or become convertible into or exchangeable for indebtedness or any other equity interests that would constitute disqualified equity interests pursuant to clauses (a) through (c) hereof, in each case, prior to the date that is 180 days after the maturity date of the Credit Agreement.

Significant cash obligations

(in thousands)	Fiscal Year 2014	2013
Term loans	$10,000	$8,298
Note payable	—	900
Capital lease	1,365	227
Royalty liability	2,386	2,264

Please reference Note 3 — Acquisitions and Note 6 — Debt to our consolidated financial statements included in Item 8 for additional information.

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Operating cash flow activities

(in thousands)	Fiscal Year 2014	2013	2012
Net loss	$(12,011)	$(11,717)	$(5,379)
Non-cash adjustments to net loss	8,499	11,159	7,978
Cash impact of changes in assets and liabilities	500	771	(2,714)
Annual operating cash flow	$(3,012)	$213	$(115)

Net cash used in operating activities in fiscal 2014 increased primarily due to a decrease in profitability, particularly related to increased professional fees and occupancy costs, as well as increased personnel costs incurred in connection with the CLG and Unibased acquisitions. Net cash provided by operating activities in fiscal 2013 increased from prior year primarily due to a decrease in accounts receivables resulting from collections.

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

Investing cash flow activities

(in thousands)	Fiscal Year 2014	2013	2012
Purchases of property and equipment	$(2,125)	$(152)	$(577)
Capitalized software development costs	(620)	(614)	(2,000)
Payment for acquisitions, net of cash acquired	(6,058)	(3,000)	(12,162)
Annual investing cash flow	$(8,803)	$(3,766)	$(14,739)

The primary investing activities related to the acquisitions of Unibased, CLG and Meta in fiscal 2014, 2013 and 2012, respectively. The increase in purchases and equipment in fiscal 2014 primarily resulted from the transition to larger office space in Atlanta, as well as the purchase of equipment for our new data center in Atlanta.

The Company estimates that to replicate its existing internally-developed software would cost significantly more than the stated net book value of $9,197,000, including acquired internally developed software of Interpoint, Meta, and Unibased, at January 31, 2015. Many of the programs related to capitalized software development continue to have significant value to our current solutions and those under development, as the concepts, ideas, and software code are readily transferable and are incorporated into new solutions.

Financing cash flow activities

(in thousands)	Fiscal Year 2014	2013	2012
Proceeds from term loans	$10,000	$4,958	$9,880
Principal repayments on term loans	(8,298)	(10,348)	(313)
Principal repayments on note payable	(900)	—	—
Payment of deferred financing costs	(573)	(116)	(1,272)
Proceeds from private placement	—	—	12,000
Proceeds from the sale of common stock	—	20,587	—
Settlement of earn-out consideration	—	(1,300)	—
Other	184	197	(185)
Annual financing cash flow	$413	$13,978	$20,110

The decrease in cash provided by financing activities in fiscal 2014 is primarily due to increased proceeds received from the sale of common stock in fiscal 2013. This difference is partially offset by both increased payments in fiscal 2013,

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particularly related to the settlement of the earn-out consideration, and higher proceeds from term loans in fiscal 2014. The decrease in cash from financing in fiscal 2013 from prior year is primarily the result of higher repayments on term loans.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign currency exchange risk. Certain of our contracts are denominated in Canadian dollars. As our Canadian sales have not historically been significant to our operations, we do not believe that changes in the Canadian dollar relative to the U.S. dollar will have a significant impact on our financial condition, results of operations or cash flows. We currently do not transact any other business in any currency other than the U.S. dollar. As we continue to grow our operations, we may increase the amount of our sales to foreign clients. Although we do not expect foreign currency exchange risk to have a significant impact on our future operations, we will assess the risk on a case-specific basis to determine whether any forward currency hedge instrument would be warranted.

Interest rate risk. We had outstanding borrowings on our term loan of $10,000,000 as of January 31, 2015. The term loan bears interest at LIBOR plus an applicable margin. To the extent we do not hedge our variable rate debt, interest rates and interest expense could increase significantly. A hypothetical 100 basis point increase in LIBOR, which would represent potential interest rate change exposure on our outstanding term loan, would have resulted in an approximate $20,000 increase to our interest expense for the entire fiscal year ended January 31, 2015.

ITEM 8. Financial Statements And Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE COVERED BY REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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All other financial statement schedules are omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Streamline Health Solutions, Inc:

We have audited the accompanying consolidated balance sheets of Streamline Health Solutions, Inc. and subsidiaries as of January 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended January 31, 2015. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Streamline Health Solutions, Inc. and subsidiaries as of January 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the two-year period ended January 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Streamline Health Solutions, Inc.'s internal control over financial reporting as of January 31, 2015, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 16, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Atlanta, Georgia
April 16, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Streamline Health Solutions, Inc.
Atlanta, Georgia

We have audited the accompanying consolidated statements of operations and comprehensive loss, changes in stockholders' equity and cash flows of Streamline Health Solutions, Inc. and subsidiaries (the "Company") for the year ended January 31, 2013. In connection with our audit of the financial statements, we have also audited the financial statement schedule for the year ended January 31, 2013 listed in the accompanying index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Streamline Health Solutions, Inc. and subsidiaries for the year ended January 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule for the year ended January 31, 2013, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Chicago, Illinois
April 26, 2013

/s/ BDO USA, LLP

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STREAMLINE HEALTH SOLUTIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	January 31	
	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$6,522,600	$17,924,886
Accounts receivable, net of allowance for doubtful accounts of $665,962 and $267,264, respectively	6,935,270	7,999,571
Contract receivables	191,465	1,181,606
Prepaid hardware and third party software for future delivery	55,173	25,640
Prepaid client maintenance contracts	935,858	909,464
Other prepaid assets	1,437,680	1,407,515
Deferred income taxes	220,004	95,498
Other current assets	207,673	144,049
Total current assets	16,505,723	29,688,229
Non-current assets:		
Property and equipment:		
Computer equipment	2,381,923	3,769,564
Computer software	964,857	2,239,654
Office furniture, fixtures and equipment	683,443	889,080
Leasehold improvements	724,015	697,570
	4,754,238	7,595,868
Accumulated depreciation and amortization	(1,617,423)	(6,676,824)
Property and equipment, net	3,136,815	919,044
Contract receivables, less current portion	43,553	78,395
Capitalized software development costs, net of accumulated amortization of $11,846,468 and $7,949,352, respectively	9,197,118	10,238,357
Intangible assets, net	9,500,317	12,175,634
Deferred financing costs, net of accumulated amortization of $13,677 and $98,102, respectively	387,199	44,898
Goodwill	16,184,667	11,933,683
Other non-current assets	823,723	500,634
Total non-current assets	39,273,392	35,890,645
	$55,779,115	$65,578,874

See accompanying notes to consolidated financial statements.

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	January 31, 2015	2014
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$2,298,851	$1,796,418
Accrued compensation	865,865	1,782,599
Accrued other expenses	563,838	554,877
Current portion of long-term debt	500,000	1,214,280
Deferred revenues	9,289,076	9,658,232
Current portion of note payable	—	300,000
Current portion of capital lease obligation	781,961	105,573
Total current liabilities	14,299,591	15,411,979
Non-current liabilities:		
Term loans	9,500,000	6,971,767
Warrants liability	1,834,380	4,117,725
Royalty liability	2,385,826	2,264,000
Swap contract	—	111,086
Note payable	—	600,000
Lease incentive liability, less current portion	342,129	74,434
Capital lease obligation	582,911	121,089
Deferred revenues, less current portion	964,933	—
Deferred income tax liabilities	229,579	816,079
Total non-current liabilities	15,839,758	15,076,180
Total liabilities	30,139,349	30,488,159
Series A 0% Convertible Redeemable Preferred Stock, $.01 par value per share, $8,849,985 redemption value, 4,000,000 shares authorized, 2,949,995 issued and outstanding, net of unamortized preferred stock discount of $2,212,007 and $3,250,317, respectively	6,637,978	5,599,668
Stockholders’ equity:		
Common stock, $.01 par value per share, 45,000,000 shares authorized; 18,553,389 and 18,175,787 shares issued and outstanding, respectively	185,534	181,758
Additional paid in capital	78,390,424	76,983,088
Accumulated deficit	(59,574,170)	(47,562,713)
Accumulated other comprehensive loss	—	(111,086)
Total stockholders’ equity	19,001,788	29,491,047
	$55,779,115	$65,578,874