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

FORM 10-K

(Mark One)

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

For the fiscal year ended January 31, 2020

OR

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

For the transition period from to

Commission File Number: 000-28132

STREAMLINE HEALTH SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

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

**11800 Amber Park Dr., Suite 125
Alpharetta, GA 30009**
(Address of principal executive offices) (Zip Code)

(888) 997-8732
(Registrant's telephone number, including area code)

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes] No [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, 2019, was \$23,263,695.

The number of shares outstanding of the Registrant's Common Stock, \$.01 par value, as of April 15, 2020: 30,914,826.

Documents incorporated by reference:

Information required by Part III is incorporated by reference from Streamline's Proxy Statement for its 2020 annual meeting of Stockholders or an amendment to this Annual Report on Form 10-K, which will be filed with the Securities and Exchange Commission within 120 days after the end of its fiscal year ended January 31, 2020.

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. These statements about future events and expectations are “forward-looking” within the meaning of Sections 27A of the Securities Act of 1933, as amended, and 21E of the Exchange Act. 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,” “should,” “will,” “would” and similar expressions also are forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. The forward-looking statements we make are not guarantees of future performance, and we have based these statements on our assumptions and analyses in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such statements. Management cautions against putting undue reliance on forward-looking statements or projecting any future results based on such statements or present or historical earnings levels.

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

- competitive products and pricing;
- product demand and market acceptance;
- entry into new markets;
- new product and services development and commercialization;
- key strategic alliances with vendors and channel partners that resell our products;
- uncertainty in continued relationships with clients due to termination rights;
- our ability to control costs;
- availability, quality and security of products produced and services provided by third-party vendors;
- the healthcare regulatory environment;
- potential changes in legislation, regulation and government funding affecting the healthcare industry;
- healthcare information systems budgets;
- availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems;
- the success of our relationships with channel partners;

- fluctuations in operating results;
- our future cash needs;
- the potential delisting of our common stock from the Nasdaq Capital Market;
- the consummation of resources in researching acquisitions, business opportunities or financings and capital market transactions;
- the failure to adequately integrate past and future acquisitions into our business;
- 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 organizations;
- changes in economic, business and market conditions impacting the healthcare industry and the markets in which we operate; 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.

PART I

Item 1. Business

Company Overview

Incorporated in 1989, the Company is a provider of solutions and services in the middle of the revenue cycle for healthcare providers throughout the United States and Canada. Streamline Health®'s technology helps hospitals improve their financial performance by moving later revenue cycle interventions earlier in the process to optimize their coding accuracy for every patient encounter prior to bill submission. By improving coding accuracy before billing, providers can reduce revenue leakage, mitigate the risk of overbilling, and reduce days in accounts receivable. This enables providers to turn previously unpredictable revenue cycles into more predictable revenue streams.

The Company provides computer software-based solutions and auditing services, which capture, aggregate and translate structured and unstructured data to deliver intelligently organized, easily accessible predictive insights to its clients. Hospitals and physician groups use the knowledge generated by Streamline Health to help them improve their financial performance.

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

The Company operates exclusively in one segment as a provider of health information technology solutions and associated services 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 through its direct sales force and its reseller partnerships. On February 24, 2020 (subsequent to the Company's fiscal year ended January 31, 2020), the Company divested its content management product (hereafter, the "ECM Assets") to Hyland Software in a transaction accounted for as a sale of assets.

Unless the context requires otherwise, references to "Streamline Health," the "Company," "we," "us" and "our" are intended to mean Streamline Health Solutions, Inc. and its wholly-owned subsidiary. 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 and services to assist its clients in revenue cycle management including Coding and Clinical Documentation Improvement (CDI), Health Information Management (HIM), Financial Management and eValuator™, its flagship cloud-based solution which delivers 100% automated coding analysis prior to billing. The Company's solutions are designed to improve the flow of critical patient information throughout the enterprise. The solutions and services help 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. Solutions can be accessed securely through SaaS, or delivered either by a perpetual license or by a fixed-term license installed locally. The Company has further distinguished its products between "Growth" and "Legacy." Growth products are those that for which the Company is heavily investing and are part of the Company's growth strategy for the future. Legacy products, on the other hand, are products that have matured in the marketplace, and are not necessarily, part of the Company's growth strategy.

(GROWTH) eValuator Coding Analysis Platform - This technology is a cloud-based SaaS analytics solution that delivers the capability of fully automated analysis on 100% of billing codes entered by a healthcare provider's coding team. This is done on a pre-bill basis, enabling providers to identify and address their highest-impact cases prior to bill drop. Rule sets are enabled for inpatient, outpatient and pro-fee cases. With eValuator, providers can add an audit and review function on a pre-bill basis to all cases, allowing the provider to better optimize reimbursements and mitigate risk on its billing practices.

(GROWTH) Coding & CDI Solutions - These solutions provide an integrated cloud-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 workflows such as 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.

(Legacy) Enterprise Content Management (“ECM Assets”) – This legacy product has been around since the inception of the Company. This product assists hospitals with workflow on electronic health records. Historically, this has been one of the largest products, in terms of revenue, for the Company. This ECM Assets were sold on February 24, 2020 to Hyland Software in a transaction accounted for as a sale of assets. See Note 14 to the audited consolidated financial statements for additional information.

(Legacy) Financial Management Solutions - These solutions enable financial 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. 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.

(Legacy) Patient Care Solution – Although outside the Company’s primary focus of solutions in the middle of the revenue cycle for healthcare providers, the Company’s Clinical Analytics solution enables clients to improve their patient care via cohort building and data visualization, fostering an open, continuous learning culture inside a healthcare organization. Providers using Clinical Analytics are empowered with real-time, on-demand predicative insight for improved patient outcomes.

Services

(Growth) Audit Services — The Company provides technology-enabled coding audit services to help clients review and optimize their internal clinical documentation and coding functions across the applicable segment of the client’s enterprise. The Company provides these services using experienced auditors and its eValuator proprietary software to improve the targeting of records with the highest likelihood of requiring an audit. The audit services are provided for inpatient DRG coding auditing, outpatient APC auditing, HCC auditing and Physician/Pro-Fee services coding auditing.

(Growth) 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-site for multiple staff members or as few as one person.

(Growth) Custom Integration Services for CDI/Abstracting — 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.

(Legacy) Custom Integration Services, Electronic Imaging and Database Monitoring for ECM Business — 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 for the ECM Assets. The Company’s electronic image conversion service allows organizations to protect their repository of images while taking advantage of its content management technology. These services were sold to Hyland Software on February 24, 2020 in a transaction accounted for as sale of assets. See Note 14 to the audited consolidated financial statements for additional information.

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. The Company provides these solutions through a combination of direct sales and relationships with strategic channel partners.

During fiscal year 2019 and 2018, no one individual client accounted for 10% or more of our total revenues. Four clients represented 17%, 15%, 11% and 10%, respectively, of total accounts receivable as of January 31, 2020 and two clients represented 12% and 9%, respectively, of total accounts receivable as of January 31, 2019.

For more information regarding our major clients, please see “Risks Relating to Our Business - Our sales have been concentrated in a small number of clients” in Part 1, Item 1A, “Risk Factors” herein.

Acquisitions and Divestitures

The Company regularly evaluates opportunities for acquisitions and divestitures for portions of the Company that may not align with current growth strategies. The Company divested its legacy ECM Assets, effective February 24, 2020 (after the Company’s fiscal year-ended January 31, 2020) in a transaction accounted for as a sale of assets. This sale of assets is consistent with the Company’s efforts to offer and invest in products that serve the middle of the revenue cycle, primarily for acute care healthcare organizations. See Note 14 to the audited consolidated financial statements for additional information.

Business Segments

We manage our business as one single business segment. For our total assets at January 31, 2020 and 2019 and total revenue and net loss for the fiscal years ended January 31, 2020 and 2019, see our consolidated financial statements included in Part II, Item 8 herein.

Contracts, License and Services Fees

The Company enters into agreements with its clients that specify the scope of the system to be installed and/or services to be provided by the Company, as well as the agreed-upon aggregate price, applicable term duration and the timetable for the associated licenses and services.

For clients purchasing software to be installed locally or provided on a SaaS model, these are multi-element arrangements that include either a perpetual or term license and right to access the applicable software functionality (whether installed locally at the client site or the right to use the Company’s solutions as a part of SaaS services), terms regarding maintenance and support services, terms for any third-party components such as hardware and software, and professional services for implementation, integration, process engineering, optimization and training, as well as fees and payment terms for each of the foregoing. If the client purchases solutions on a perpetual license model, the client is billed the license fee up front. Maintenance and support is provided on a term basis for separate fees, with an initial term typically from one to five years in length. The maintenance and support fee is charged annually in advance, commencing either upon contract execution or deployment of the solution in live production. If the client purchases solutions on a term-based model, the client is billed periodically a combined access fee for a specified term, typically from one to seven years in length. The access fee includes the access rights along with all maintenance and support services.

The Company also generally provides software and SaaS clients professional services for implementation, integration, process engineering, optimization and training. These services and the associated fees are separate from the license, maintenance and access fees. Professional services are provided on either a fixed-fee or hourly arrangements billable to clients based on agreed-to payment milestones (fixed fee) or monthly payment structure on hours incurred (hourly). These services can either be included at the time the related locally installed software or SaaS solution is licensed as part of the initial purchase agreement or added as an addendum to the existing agreement for services required after the initial implementation.

For coding audit services clients, these review services are provided either through a stand-alone services agreement or services addendum to an existing master agreement with the client. These review services are available as either a one-time service or recurring monthly, quarterly or annual review structure. These services are typically provided on a per reviewed account/chart basis. Monthly minimums are required where material discounts have been offered. Payment typically occurs upon completion of the applicable review project.

The commencement of revenue recognition varies depending on the size and complexity of the system and/or services involved, the implementation or performance schedule requested by the client and usage by clients of SaaS for software-based components. The Company's agreements are generally non-cancelable but provide that the client may terminate its agreement upon a material breach by the Company and/or or may delay certain aspects of the installation or associated payments in such events. The Company does allow for termination for convenience in certain situations. The Company also includes trial or evaluation periods for certain clients, especially for new or modified solutions. Therefore, it is difficult for the Company to accurately predict the revenue it expects to achieve in any particular period, and 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, as further discussed in Part 1, Item 1A, "Risk Factors" herein. 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.

Third-Party License Fees

The Company incorporates software licensed from various third-party vendors into its proprietary software. Stand-alone third-party software is also required to operate certain of the Company's proprietary software and/or SaaS services. The Company licenses these software products and pays the required license fees when such software is delivered to clients.

Associates

As of January 31, 2020, the Company had 80 employees (with 78 as full-time employees and 2 as part-time employees), a net decrease of 26 employees during fiscal 2019. 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 Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Competition

Regarding our Patient Care Solutions, HIM, Coding and CDI Solutions, eValuator Coding Analysis Platform, and Financial Management Solutions, 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, creating and utilizing 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 has many competitors including clinical information system vendors that are larger, more established and have substantially more resources than the Company.

Regarding our Audit Services, there are numerous medium and small companies and independent consultants who offer these services. Barriers to entry to this market include creating and utilizing a well-established client base and distribution channels, brand recognition, establishing differentiators for our services 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 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.

Additional Intellectual Property Rights

In addition to the software licenses described in other sections of this Item 1, "Business", the Company also holds registered trademarks for its Streamline Health® and other key trademarks used in selling our products. These marks are currently active, with registrations being valid for a period of 3 years each. The Company actively renews these marks at the end of each registration period.

Regulation

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 clients also have express handling and retention obligations under information-based laws such as the Health Insurance Portability and Accountability Act of 1996. There are no material regulatory proposals of which the Company is aware that we believe currently have a high likelihood of passage that we anticipate would have a material impact on the operation or demand of the Company's products and services. However, the Company acknowledges there is currently great uncertainty in the US healthcare market generally from a regulatory perspective. In addition, there is regulatory uncertainty in the data and technology sectors as it relates to information security regulations. Material changes could have unanticipated impact on demand or usability of the Company's solutions, require the Company to incur additional development and/or operating costs (on a one-time or recurring basis) or cause clients to terminate their agreements or otherwise be unable to pay amounts owed to the Company, as further discussed in Part 1, Item 1A, "Risk Factors" herein.

Available Information

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, proxy statements and all amendments to those reports and statements, 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, or incorporated by reference into, this annual report on Form 10-K. Copies can be downloaded free of charge from the Company's web site or directly from the SEC web site, <https://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, 11800 Amber Park Dr., Suite 125, Alpharetta, GA 30009.

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 fiscal years ended January 31, 2020 and 2019, our five largest clients accounted for 26% and 29%, respectively, of our total revenues. If one or more clients terminate all or any portion of a master agreement, delay installations or if we fail to procure additional agreements, there could be a material adverse effect on our business, financial condition and results of operations. See Note 8 - Major Clients to our consolidated financial statements included in Part II, Item 8 herein for further notes regarding representation of the largest individual major clients.

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

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

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

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

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

The Company generally does not allow for termination of a client's agreement except at the end of the agreed upon term or for cause. However, certain of the Company's client contracts provide that the client may terminate the contract without cause prior to the end of the term of the agreement by providing written notice, sometimes with relatively short notice periods. The Company also provides trial or evaluation periods for certain clients, especially for new products and services. Furthermore, there can be no assurance that a client will not cancel all or any portion of an agreement, even without an express early termination right. And, the Company may face additional costs or hardships collecting on amounts owed if a client terminates an agreement without such a right. Whether resulting from termination for cause or the limited termination for convenience rights discussed above, the existence of contractual relationships with these clients is not an assurance that we will continue to provide services for our clients through the entire term of their respective agreements. If clients representing a significant portion of our revenue terminated their agreements unexpectedly, we may not, in the short-term, be able to replace the revenue and income from such contracts and this would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. In addition, client contract terminations could harm our reputation within the industry, especially any termination for cause, which could negatively impact our ability to obtain new clients.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the potential failure to achieve the expected benefits of the acquisition, including the inability to generate sufficient revenue to offset acquisition costs, or the inability to achieve expected synergies or cost savings;
- unanticipated expenses related to acquired businesses or technologies and their integration into our existing businesses or technology;
- the diversion of financial, managerial and other resources from existing operations;
- the risks of entering into new markets in which we have little or no experience or where competitors may have stronger positions;
- potential write-offs or amortization of acquired assets or investments;
- the potential loss of key employees, clients or partners of an acquired business;
- delays in client purchases due to uncertainty related to any acquisition;
- potential unknown liabilities associated with an acquisition; and
- the tax effects of any such acquisitions.

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

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

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

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

Third party products are essential to our software.

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

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

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

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

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

Our SaaS and support services could experience interruptions.

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

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

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

The loss of key personnel could adversely affect our business.

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

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

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

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

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

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

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

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

If internally generated funds are not available from operations, we may be required to rely on the banking and credit markets to meet our financial commitments and short-term liquidity needs. Our access to funds under our revolving credit 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 or receive a waiver for any non-compliance. The failure to maintain compliance could have a material adverse effect on our ability to finance our ongoing operations and we may not be able to find an alternative lending source if a default occurs.

On December 11, 2019, the Company entered into a new Loan and Security Agreement (the “Loan and Security Agreement”) with Bridge Bank, a division of Western Alliance Bank, consisting of a \$4,000,000 term loan and a \$2,000,000 revolving credit facility.

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

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.

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

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

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

The ongoing COVID-19 pandemic may adversely affect our business, results of operations and financial condition.

The global outbreak of the coronavirus disease (COVID-19), which the World Health Organization has characterized as a "pandemic", has resulted in a crisis affecting economies and financial markets worldwide. The pandemic, and its attendant economic damage, could adversely affect our business, results of operations and financial condition. The ultimate extent of its impact on us will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the pandemic and actions taken to contain or prevent its further spread, among others. These and other potential impacts of COVID-19 could therefore materially and adversely affect our business, results of operations and financial condition.

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

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

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

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

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

Risks Relating to our Common Stock

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.

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

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

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

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

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

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

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

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

As of January 31, 2020, we had no shares of preferred stock outstanding.

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

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

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

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

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

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

Note Regarding Risk Factors

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

In March 2020, the Company moved its principal offices to a subleased office space at 11800 Amber Park Drive, Suite 125, Alpharetta, GA. The office space totals 7,409 square feet and the sublease expires on March 31, 2023.

During fiscal 2019, the Company occupied shared office space under a membership agreement which provides for membership fees based on the number of contracted seats.

The Company believes that its space is adequate for its current needs and that suitable alternative space is available to accommodate expansion of the Company's operations.

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. We are not aware of any legal matters that could have a material adverse effect on our consolidated results of operations, financial position or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

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.

According to the stock transfer agent's records, the Company had 204 stockholders of record as of March 30, 2020. 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 its search of individual participants in security position listings.

The following table sets forth information with respect to our repurchases of common stock during the three months ended January 31, 2020:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs
November 1 - November 30	22,592	\$ 1.29	—	—
December 1 - December 31	—	—	—	—
January 1 - January 31	17,522	1.14	—	—
Total	<u>40,114</u>	<u>\$ 1.22</u>	<u>—</u>	<u>—</u>

(1) Amount represents shares surrendered by employees to satisfy tax withholding obligations resulting from restricted stock that vested during the three months ended January 31, 2020

Item 6. Selected Financial Data

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

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

Executive Overview

In fiscal 2016, the Company evaluated all of its solutions and determined it could best assist healthcare providers in improving their revenue cycle management by providing solutions and services in the middle portion of the revenue cycle, that is, the revenue cycle operations from initial charge capture to bill drop. Since that time in 2016, the Company continues to make decisions supporting our focus in the middle of the revenue cycle. In late fiscal 2017, the Company introduced a new product for the middle of the revenue cycle, eValuator. This product has significant implications to the timing and accuracy of our customers' invoicing through rules that are created to review the accuracy of invoicing prior to the physical invoices being released. This is a notable change to existing processes of our customers. The development activities continued through the end of fiscal 2018. There are continued development efforts planned for eValuator in fiscal 2020, generally, in the same levels as fiscal 2019 and 2018.

Fiscal year 2017 was the first full year of this new, more narrowly focused effort to sell solutions and services in the middle of the revenue cycle, improving healthcare providers' coding accuracy to help them capture all of the financial reimbursement they deserve for the patient care they provide. With this focus, the Company is committed to leading an industry movement to improve hospitals' financial performance by moving mid-cycle billing interventions upstream, to improve coding accuracy before billing, enabling our clients to reduce revenue leakage, mitigate overbill risk, and reduce denials and days in accounts receivable.

By narrowing our focus to the middle of the revenue cycle we believe we have a more distinct and compelling value proposition that can help us attract more clients. By innovating new technologies, we have been able to expand our target markets beyond just hospitals and into outpatient centers, clinics and physician practices. Our coding solutions like CDI, Physician Query, Abstracting and eValuator are competitive in the market and enabled us to engage three significant new clients in fiscal year 2019. These three new clients are some of the largest names in healthcare as we moved upstream to clients that were more likely to change their internal processes to the pre-bill audit.

The Company divested its ECM Assets on February 24, 2020 (after its fiscal year end of January 31, 2020). As discussed (above), this continues the Company's efforts to focus on the middle of the revenue cycle and its pre-bill technology, eValuator. Management believes that the revenue cycle technology platforms have higher growth opportunities than its legacy products, including the ECM Assets. The Company accounted for the sale of the ECM Assets as a sale of assets. See Note 14 to the audited consolidated financial statements for more information about the sale of the assets.

The Company has continued to implement and maintain tight cost and investment controls so that the transition to focusing our efforts in the middle of the revenue cycle has not resulted in a negative impact to our cash flows. While there have been lower revenues as a result of the Company's focus on the mid-revenue cycle products, the Company's earnings and EBITDA have expanded. During fiscal 2019, the Company recorded non-recurring costs that are added back to adjusted EBITDA. These costs include; (i) \$789,000 for executive transition, (ii) \$631,000 of transaction costs toward the sale of the ECM Assets, (iii) \$388,000 for severance related to the Company's previously disclosed workforce rationalization plan, (iv) \$150,000 related to the extinguishment of the Wells Fargo term loan and revolving credit facility, and (v) \$230,000 related to the Company's correction of immaterial errors (See Note 2 to the audited consolidated financial statements).

Regardless of the state of the Affordable Care Act, 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. We believe these changes represent ongoing opportunities for our Company to work with our direct clients and partner with various resellers to provide information technology solutions to help providers meet these new requirements.

As reported nationally, near the end of the Company's fiscal year ended January 31, 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. Additionally, there was a number of cases in the United States by the balance sheet date, January 31, 2020. The Company serves acute care hospitals throughout the United States. While the Company has not been materially impacted by the "shelter in place" movements of local and state governments across the United States, it is not possible to reliably estimate the length or severity of the pandemic, and whether it may have an adverse financial impact on the Company's financial condition.

Results of Operations

Statements of Operations for the fiscal years ended January 31 (in thousands):

	2020	2019	\$ Change	% Change
Systems sales	\$ 1,219	\$ 2,472	\$ (1,253)	(51)%
Professional services	1,801	1,336	465	35%
Audit services	1,712	1,118	594	53%
Maintenance and support	11,309	12,586	(1,277)	(10)%
Software as a service	4,702	4,853	(151)	(3)%
Total revenues	<u>20,743</u>	<u>22,365</u>	<u>(1,622)</u>	<u>(7)%</u>
Cost of sales	7,480	8,137	(657)	(8)%
Selling, general and administrative	9,811	10,554	(743)	(7)%
Research and development	3,555	4,261	(706)	(17)%
Executive transition cost	789	—	789	100%
Rationalization charges	388	—	388	100%
Transaction costs	861	—	861	100%
Impairment of long-lived assets	—	3,681	(3,681)	(100)%
Loss on exit of operating lease	—	1,034	(1,034)	(100)%
Total operating expenses	<u>22,884</u>	<u>27,667</u>	<u>(4,783)</u>	<u>(17)%</u>
Operating loss	(2,141)	(5,302)	3,161	(60)%
Other expense, net	(700)	(563)	(137)	24%
Income tax benefit	(22)	—	(22)	100%
Net loss	<u>\$ (2,863)</u>	<u>\$ (5,865)</u>	<u>\$ 3,002</u>	<u>(51)%</u>
Adjusted EBITDA(1)	<u>\$ 3,133</u>	<u>\$ 2,889</u>	<u>\$ 244</u>	<u>8%</u>

(1) Non-GAAP measure meaning net earnings (loss) before net interest expense, tax expense (benefit), depreciation, amortization, stock-based compensation expense, transactional and other expenses that do not relate to our core operations. See "Use of Non-GAAP Financial Measures" below for additional information and reconciliation.

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

Statements of Operations (1)

	Fiscal Year	
	2019	2018
Systems sales	5.9%	11.1%
Professional services	8.7	6.0
Audit services	8.3	5.0
Maintenance and support	54.5	56.2
Software as a service	22.7	21.7
Total revenues	<u>100.1%</u>	<u>100.0%</u>
Cost of sales	36.1	36.4
Selling, general and administrative	47.3	47.2
Research and development	17.1	19.1
Executive transition cost	3.8	—
Rationalization charges	1.9	—
Transaction costs	4.2	—
Impairment of long-lived assets	—	16.5
Loss on exit of operating lease	—	4.6
Total operating expenses	<u>110.4</u>	<u>123.8</u>
Operating loss	(10.3)	(23.7)
Other expense, net	(3.4)	(2.5)
Income tax benefit	(0.1)	—
Net loss	<u>(13.8)%</u>	<u>(26.2)%</u>
Cost of Sales to Revenues ratio, by revenue stream:		
Systems sales	<u>83.8%</u>	<u>38.1%</u>
Services, maintenance and support	<u>34.0%</u>	<u>41.2%</u>
Software as a service	<u>30.1%</u>	<u>20.4%</u>

(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 results nor are they necessarily indicative of the future results 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 year 2019 with 2018

Revenues

(in thousands):	Fiscal Year		2019 to 2018 Change	
	2019	2018	\$	%
Systems sales:				
Proprietary software - perpetual license	\$ 936	\$ 1,398	\$ (462)	(33)%
Term license	180	899	(719)	(80)%
Hardware and third-party software	103	175	(72)	(41)%
Professional services	1,801	1,336	465	35%
Audit services	1,712	1,118	594	53%
Maintenance and support	11,309	12,586	(1,277)	(10)%
Software as a service	4,702	4,853	(151)	(3)%
Total Revenues	\$ 20,743	\$ 22,365	\$ (1,622)	(7)%

Proprietary software and term licenses — Proprietary software revenues recognized in fiscal 2019 were \$936,000, as compared to \$1,398,000 in fiscal 2018. The decreased fiscal 2019 revenues as compared to 2018 revenues are primarily attributable to two larger perpetual license sales of our Streamline Health® Abstracting; one in our first quarter and one in our second quarter of fiscal 2018. These perpetual license sales have been gaining traction from a significant distributor partner to the Company. The Company continues to see a positive trend in the volumes with this significant distributor partner. Term license revenue for fiscal 2019 decreased \$719,000 from fiscal 2018, to \$180,000. The decrease is related to the lower revenues from certain Clinical Analytics contracts that terminated in fiscal 2018.

Hardware and third-party software — Revenues from hardware and third-party software sales in fiscal 2019 were \$103,000, as compared to \$175,000 in fiscal 2018. Fluctuations from year to year are a function of client demand and the customers' timing of replacing or enhancing their scanning capabilities through our vendors. This revenue stream is from the ECM Assets. The ECM Assets were sold to Hyland Software on February 24, 2020 in a transaction accounted for a sale of assets. See Note 14 of the audited consolidated financial statements for additional information.

Professional services — Revenues from professional services in fiscal 2019 were \$1,801,000, as compared to \$1,336,000 in fiscal 2018. The increases in professional services revenue are primarily due to the completion of large implementation projects in fiscal 2019. These professional fees are driven, primarily, from certain large CDI & Abstracting projects that were sold in 2018 and 2019, and the related implementation and services associated with these. A portion of this revenue is related to the ECM Assets that were sold on February 24, 2020 in a transaction accounted for as a sale of assets. See Note 14 of the audited consolidated financial statements for additional information on the transaction.

Audit services — Audit services revenue for fiscal 2019 increased, to \$1,712,000 from \$1,118,000 in fiscal 2018. Audit services revenue was positively impacted by the Company's audit services personnel using the eValuator solution to increase efficiency and effectiveness. Looking ahead to fiscal 2020, the Company continues to see demand for on-shore, technically proficient auditors in the marketplace. The Company has technically proficient and on-shore resources to address this need.

Maintenance and support — Revenues from maintenance and support in fiscal 2019 were \$11,309,000 as compared to \$12,586,000 in fiscal 2018. The decrease in maintenance and support revenues in fiscal 2019 resulted primarily from pricing pressure and certain terminations on the Company's content management software solution, ECM Assets. The Company believes it has mitigated future pricing pressure and terminations through aggressively pursuing long-term contracts with our significant legacy product customers. These activities have proven useful, as they have resulted in substantially better visibility in the near-term revenue base for our Company. This "Maintenance and Support" revenue category will be most impacted by the Company's divestiture of the ECM Assets. See Note 14 to the audited consolidated financial statements for additional information on the sale of the ECM Assets.

Software as a service (SaaS). — Revenues from SaaS in fiscal 2019 were \$4,702,000, as compared to \$4,853,000 in fiscal 2018. The decrease in fiscal 2019 revenue was attributable to cancellations by a few customers of our Financial Management solutions, offset by growth associated with the Company's new eValuator product. The Company's new eValuator product had three, new, significant sales in the second quarter, of fiscal 2019. These did not have substantial impact to the full year fiscal 2019 revenue, however, will have a significant impact to the Company's fiscal 2020 revenue, because of the way revenue is recognized on these SaaS products. eValuator revenue was \$360,000 in fiscal 2018, that grew approximately three times, to \$970,000 for fiscal 2019.

Cost of Sales

(in thousands):	Fiscal Year		2019 to 2018 Change	
	2019	2018	\$	%
Cost of systems sales	\$ 1,022	\$ 942	\$ 80	8%
Cost of professional services	2,103	2,657	(554)	(21)%
Cost of audit services	1,255	1,373	(118)	(9)%
Cost of maintenance and support	1,685	2,173	(488)	(22)%
Cost of software as a service	1,415	992	423	43%
Total cost of sales	\$ 7,480	\$ 8,137	\$ (657)	(8)%

Total cost of sales includes personnel directly affiliated with earning the revenue, amortization and impairment of capitalized software expenditures, depreciation and amortization, royalties and the cost of third-party hardware and software. The Company realized cost savings from its cost containment efforts in all categories of total cost of sales. The decrease in expense for fiscal 2019 compared with fiscal 2018 was derived primarily due to its cost reduction initiatives completed in fiscal 2017 and 2018, with the impacts being fully realized in fiscal 2019. These cost increases offset a reduction in amortization on internally-developed software. We incurred amortization expense on internally-developed software of \$1,458,000 and \$1,160,000 in fiscal 2019 and 2018, respectively. Increases in amortization expense for internally-developed software correlate to increases in the number and magnitude of projects placed into service.

Cost of systems sales varies from period-to-period depending on hardware and software configurations of the systems sold. The increase in cost of systems sales in fiscal 2019 from 2018 was primarily due to an increase in amortization of capitalized software costs due to an increased number of projects being placed into service in fiscal 2018 and 2019.

The cost of professional services includes compensation and benefits for personnel and related expenses. The decrease in expense for fiscal 2019 as compared with 2018 is primarily due to the decrease in professional services personnel as the implementation effort for SaaS implementations requires substantially less time than our legacy on-premise products.

The cost of audit services includes compensation and benefits for audit services personnel, and related expenses. The decrease in expense for fiscal 2019 compared to 2018 is attributed to the reduction in personnel. Again, the Company is beginning to receive renewed interest in its audit services as a result of the Company's on-shore capabilities and expertise in pre-billing audit and coding services. Further, the internal use of eValuator is making our coders and auditors more efficient. Accordingly, the Company is experiencing lower cost on higher volumes of revenue for Audit Services.

The cost of maintenance and support includes compensation and benefits for client support personnel and the cost of third-party maintenance contracts. The decrease in expense for fiscal 2019 as compared with 2018 was primarily due to a decrease in personnel costs and a reduction in third-party maintenance contracts. The decrease in the cost of maintenance and support is proportionate with the decrease in the corresponding revenue.

The cost of SaaS solutions is relatively fixed, subject to inflation for the goods and services it requires. The increase in expense for fiscal 2019 as compared to 2018 was primarily due to the increase in amortization expense as a result of the increased number projects being put into service in fiscal year 2018 and 2019, primarily related to the increased investment in eValuator.

Selling, General and Administrative Expense

(in thousands):	Fiscal Year		2019 to 2018 Change	
	2019	2018	\$	%
General and administrative expenses	\$ 5,951	\$ 6,782	\$ (831)	(12)%
Sales and marketing expenses	3,860	3,772	88	2%
Total selling, general, and administrative expense	\$ 9,811	\$ 10,554	\$ (743)	(7)%

General and administrative expenses consist primarily of compensation and related benefits, reimbursable travel and entertainment expenses related to our executive and administrative staff, general corporate expenses, amortization of intangible assets, and occupancy costs. The decrease in general and administrative expenses for fiscal 2019 as compared to fiscal 2018 is primarily the result of lower bonus expense. A large portion of the bonuses for fiscal year 2019 are included in the Company's CEO transition cost, while fiscal year 2018 bonuses of \$799,000 were included in general and administrative expenses. The bonuses recorded in fiscal 2018 was \$647,000 higher than fiscal year 2019 within general and administrative costs. The Company continues to critically analyze the overhead cost of the Company, relative to its revenue. The Company announced a rationalization as of January 30, 2020, where the Company reduced its headcount by 20% and will result in approximately \$2,500,000 of annualized savings. This will benefit future periods in terms of lower cost.

Sales and marketing expenses consist primarily of compensation and related benefits and reimbursable travel and entertainment expenses related to our sales and marketing staff, as well as advertising and marketing expenses, including expenses related to trade shows. The slight increase in sales and marketing expense for fiscal 2019 compared with 2018 was primarily due to the Company's continued investment in its sales and marketing efforts. The Company's previously announced a rationalization that has little impact on sales and marketing expenses. The Company expects to continue investment in sales and marketing at the same levels of fiscal 2019, for fiscal 2020 in an effort to grow certain products, primarily eValuator, through personnel cost, trade shows expense, and sales, marketing, and investor relations consultant fees.

Research and Development

(in thousands):	Fiscal Year		2019 to 2018 Change	
	2019	2018	\$	%
Research and development expense	\$ 3,555	\$ 4,261	\$ (706)	(17)%
Plus: Capitalized research and development cost	3,358	3,003	355	12%
Total research and development cost	\$ 6,913	\$ 7,264	\$ (351)	(5)%

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 costs. The Company invested in its technology relatively consistently between fiscal 2019 and 2018. The lower total cost comes from fewer personnel and the Company's desire to focus development activities on those products with its highest growth prospects. However, more of the cost in fiscal 2019 was apportioned to enhancements. This is primarily related to the Company's investment in its new eValuator product. In fiscal 2018 tax year, the Company was awarded \$94,000. At the end of fiscal 2019, the cumulative balance of unused research and development credits is \$108,000. These research and development tax credit can be applied to current Georgia Payroll Taxes due. The fiscal 2020 and future research and development tax credits are expected to be approximately \$70,000 per year. Total research and development cost will come down, in fiscal year 2020 and beyond, due to the sale of the ECM Assets (see Note 14 to audited consolidated financial statements) and the Company's previously announced efforts to focus its development activity to those products with higher growth potential.

Executive Transition Cost

(in thousands):	Fiscal Year		2019 to 2018 Change	
	2019	2018	\$	%
Executive transition cost	\$ 789	\$ —	\$ 789	100%

We recorded \$789,000 in cost related to replacing the Company's CEO in the fiscal year ended January 31, 2020. These costs, which include placement fees, retention bonuses for existing key personnel and certain required consulting costs were previously announced and expected to total \$800,000 for fiscal year 2019. Each of these costs are directly attributable to the successful placement of our new CEO with the Company.

Rationalization Costs

(in thousands):	Fiscal Year		2019 to 2018 Change	
	2019	2018	\$	%
Rationalization charges	\$ 388	\$ —	\$ 388	100%

In the fourth quarter of fiscal 2019, we implemented a rationalization plan to make the operation of the Company more efficient and for the purpose of aligning its personnel needs and capital requirements in light of the Company's sale of its enterprise content management business. The rationalization plan included a reduction in workforce resulting in the termination of approximately twenty (20) employees, or approximately twenty percent (20%) of the Company's workforce. As a result of the rationalization plan, the Company recorded \$388,000 in one-time severance and other employee termination-related costs and expects to realize annualized savings of approximately \$2,500,000, excluding the impact of any additional hires necessary to strengthen and invest in the eValuator™ platform. The Company is not currently aware of any other significant charges it will incur as a result of the rationalization plan.

Transaction Costs

(in thousands):	Fiscal Year		2019 to 2018 Change	
	2019	2018	\$	%
Transaction costs	\$ 861	\$ —	\$ 861	100%

In fiscal 2019, the Company incurred cost to (i) sale the ECM Assets and (ii) account for the immaterial correction of an error. In the sale of the ECM Assets, the Company incurred approximately \$631,000 of cost from its financial adviser and legal cost that were not conditioned upon the successful sale of the ECM Assets. These costs were accrued as of January 31, 2020. The Company incurred approximately \$1,300,000 of additional transaction cost that were incurred or conditioned upon closing the sale of the ECM Assets that are recorded in February 2020 (the date of closing the ECM Assets). Separately, the Company incurred approximately \$230,000 of legal and accounting cost in conjunction with the company's immaterial correction of an error (See Note 2 to the consolidated financial statements). These costs were necessary to file the Company's third quarter, 10-Q, for the period ended October 30, 2019 and this was completed on January 8, 2020.

Impairment of Long-Lived Assets

(in thousands):	Fiscal Year		2019 to 2018 Change	
	2019	2018	\$	%
Impairment of long-lived assets	\$ —	\$ 3,681	\$ (3,681)	(100)%

The Company acquired a product known as Clinical Analytics in its portfolio in October 2013. As a result of its focused attention in the marketplace on the middle of the revenue cycle, the Company moved away from selling the product. The Company identified a triggering event in the fourth quarter of fiscal 2018 for impairment of long-lived asset associated with Clinical Analytics. The Company sole customer on Clinical Analytics terminated its contract. Upon review, the Company has determined that the market for Clinical Analytics and for the middle of the revenue cycle are very different, and accordingly, the Company does not anticipate or forecast future sales for this product. The Company has determined that intangible assets and remaining software development associated with Clinical Analytics were fully impaired and should be removed from its balance sheet. In the fourth quarter of fiscal 2018, we took a charge to income of \$3,681,000 for impairment of the long-lived intangible assets (\$3,226,000) and the remaining software development costs (\$455,000) associated with this product. The Company has no other intangible assets or software development that is not associated with its core solutions in the middle of the revenue cycle.

Loss on Exit of Operating Lease

(in thousands):	Fiscal Year		2019 to 2018 Change	
	2019	2018	\$	%
Loss on exit of operating lease	\$ —	\$ 1,034	\$ (1,034)	(100)%

In an effort to reduce ongoing operating expenses, we closed our New York office in the second quarter of fiscal 2018 and subleased the office space for the remaining period of the original lease term, which ended on November 2019. As a result of vacating and subleasing the office, we recorded a \$472,000 loss on exit of the operating lease in the second quarter of fiscal 2018, which captures the net cash flows associated with the vacated premises, including receipts of rent from our sublessee totaling \$384,000, and the \$48,000 loss incurred on the disposal of fixed assets. In addition, in the third quarter of fiscal 2018, we assigned our then current Atlanta office lease that would have expired in November 2022 and entered into a membership agreement to occupy shared office space in Atlanta. As a result of assigning the office lease, we recorded a \$562,000 loss on exit of the operating lease in fiscal 2018.

Refer to Note 12 – Commitments and Contingencies in our consolidated financial statements included in Part II, Item 8 for further details and development with respect to the shared office arrangement in Atlanta.

Other Expense

(in thousands):	Fiscal Year		2019 to 2018 Change	
	2019	2018	\$	%
Interest expense	\$ (309)	\$ (384)	\$ 75	(20)%
Loss on early extinguishment of debt	(150)	—	(150)	100%
Miscellaneous expense	(241)	(179)	(62)	35%
Total other expense	\$ (700)	\$ (563)	\$ (137)	24%

Interest expense consists of interest and commitment fees on the revolving credit facility and interest on the term loans, and is inclusive of deferred financing cost amortization. Amortization of deferred financing cost was \$82,000 and \$69,000 in fiscal 2019 and 2018, respectively. Interest expense was lower in fiscal 2019 as compared with 2018 primarily due to higher amounts of interest expense that is capitalized to software development cost. The interest capitalized to software development in fiscal 2019 and 2018 was \$191,000 and \$69,000, respectively. The interest capitalized to software development cost reduces the Company's interest expense recognized in the consolidated statements of operations.

The Company refinanced its term loan and revolving credit facility to a new bank on December 12, 2019. Upon completion of the refinancing, the Company had charges to income for (i) the write-off of deferred finance cost on the refinanced debt and (ii) legal and finance cost to close out the previous indebtedness. Aggregate extinguishment costs of \$150,000 were recorded in the fourth quarter of fiscal 2019.

The increase in miscellaneous expense in fiscal 2019 as compared to fiscal 2018 was primarily a result of losses from (i) certain failed financing cost, and (ii) losses from the acquisition of certain options from individuals that were about to expire, and were vacillating between in the money and out of the money. The Company had a minor amount of failed financing cost that it recorded as a miscellaneous expense on certain banks that it was not successful in completing the refinance. Additionally, the Company purchased certain options that were close to being "in the money" to allow the forfeited options back into the Company's Employee Stock Compensation Plan pool. Other items reported in miscellaneous expense are the valuation adjustments on the Montefiore minimum royalty liability and certain foreign exchange losses. The foreign exchange losses have been extinguished in fiscal 2019 due to a conversion of a contract that was required to be settled in Canadian dollars, to the contract being settled in US dollars. Refer to Note 12 – Commitments and Contingencies to our consolidated financial statements included in Part II, Item 8 for further information concerning the Montefiore liability.

Provision for Income Taxes

We recorded tax expense of \$22,000 and zero in fiscal 2019 and 2018, respectively. Refer to Note 7 - Income Taxes to our consolidated financial statements included in Part II, Item 8 for details on the provision for income taxes.

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, transaction related expenses and other expenses that do not relate to our core operations such as severances and impairment charges; (iii) Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of GAAP net revenue; and (iv) Adjusted EBITDA per diluted share as Adjusted EBITDA divided by adjusted diluted shares outstanding. EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA per diluted share are used to facilitate a comparison of our operating performance on a consistent basis from period to period and provide for a more complete understanding of factors and trends affecting our business than GAAP measures alone. These measures assist management and the board and may be useful to investors in comparing our operating performance consistently over time as they remove the impact of our capital structure (primarily interest charges), asset base (primarily depreciation and amortization), items outside the control of the management team (taxes) and expenses that do not relate to our core operations including: transaction-related expenses (such as professional and advisory services), 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 (i) as one of the primary methods for planning and forecasting overall expectations and for evaluating, on at least a quarterly and annual basis, actual results against such expectations; and (ii) as a performance evaluation metric in determining achievement of certain executive and associate incentive compensation programs.

Our lender uses a measurement that is similar to the Adjusted EBITDA measurement described herein to assess our operating performance. The lender under our Loan and Security Agreement requires delivery of compliance reports certifying compliance with financial covenants, certain of which are based on a measurement that is similar to the Adjusted EBITDA measurement reviewed by our management and Board of Directors.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not measures of liquidity under GAAP or otherwise, and are not alternatives to cash flow from continuing operating activities, despite the advantages regarding the use and analysis of these measures as mentioned above. EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EBITDA per diluted share, as disclosed in this 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;
- EBITDA does not reflect the interest expense, or the cash requirements to service interest or principal payments under our Loan and Security Agreement ;
- EBITDA does not reflect income tax payments that we may be required to make; and
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements.

Adjusted EBITDA has all the inherent limitations of EBITDA. To properly and prudently evaluate our business, 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 these non-GAAP financial measures to the most comparable GAAP measure in this section, along with the consolidated financial statements included in Part II, Item 8.

The following table reconciles EBITDA and Adjusted EBITDA to net loss, and Adjusted EBITDA per diluted share to loss per diluted share for the fiscal years ended January 31, 2020 and 2019 (amounts in thousands, except per share data). All of the items included in the reconciliation from EBITDA and Adjusted EBITDA to net loss and the related per share calculations are either recurring non-cash items, or items that management does not consider in assessing our on-going operating performance. In the case of the non-cash items, management believes that investors may find it useful to assess 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 are more reflective of other factors that affect operating performance. In the case of items that do not relate to our core operations, management believes that investors may find it useful to assess our operating performance if the measures are presented without these items because their financial impact does not reflect ongoing operating performance.

In thousands, except per share data	Fiscal Year	
	2019	2018
Adjusted EBITDA Reconciliation		
Net loss	\$ (2,863)	\$ (5,865)
Interest expense	309	384
Income tax expense	22	—
Depreciation	137	450
Amortization of capitalized software development costs	1,458	1,160
Amortization of intangible assets	554	937
Amortization of other costs	237	346
EBITDA	(146)	(2,588)
Share-based compensation expense	934	629
Impairment of long-lived assets	—	3,681
Loss on disposal of fixed assets	—	7
Non-cash valuation adjustments to assets and liabilities	64	126
Executive transition cost (1)	725	—
Rationalization charges	388	—
Transaction costs	861	—
Loss on early extinguishment of debt	150	—
Loss on exit of operating lease	—	1,034
Other non-recurring expenses	157	—
Adjusted EBITDA	\$ 3,133	\$ 2,889
Adjusted EBITDA margin (2)	15%	13%
Adjusted EBITDA per Diluted Share Reconciliation		
Net income (loss) per common share — diluted	\$ (0.13)	\$ (0.30)
Adjusted EBITDA per adjusted diluted share	\$ 0.12	\$ 0.13
Diluted weighted average shares (3)	22,739,679	19,540,980
Includable incremental shares — adjusted EBITDA (4)	2,343,382	3,065,402
Adjusted diluted shares	25,083,061	22,606,382

(1) Executive transition cost on the consolidated statement of operations includes \$64,000 in stock compensation expense for fiscal 2019, which is included within Share-based compensation expense in the Adjusted EBITDA calculation above.

(2) Adjusted EBITDA as a percentage of GAAP net revenues.

(3) 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.

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

Application of Critical Accounting Policies

The following is a summary of the Company's most critical accounting policies. Refer to Note 2 - Significant Accounting Policies to our consolidated financial statements included in Part II, Item 8 for a complete discussion of the significant accounting policies and methods used in the preparation of our consolidated financial statements.

Revenue Recognition

The Company derives revenue from the sale of internally-developed software, either by licensing for local installation or by a software as a service (“SaaS”) delivery model, through our direct sales force or through third-party resellers. Licensed, locally-installed clients on a perpetual model utilize our support and maintenance services for a separate fee, whereas term-based locally installed license fees and SaaS fees include support and maintenance. The Company also derives revenue from professional services that support the implementation, configuration, training and optimization of the applications, as well as audit services provided to help clients review their internal coding audit processes. Additional revenues are also derived from reselling third-party software and hardware components. The Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Performance obligations are the unit of accounting for revenue recognition and generally represent the distinct goods or services that are promised to the customer. If we determine that we have not satisfied a performance obligation, we will defer recognition of the revenue until the performance obligation is deemed to be satisfied. Maintenance and support and SaaS agreements are generally non-cancelable or contain significant penalties for early cancellation, although clients typically have the right to terminate their contracts for cause if we fail to perform material obligations. However, if non-standard acceptance periods, non-standard performance criteria, or cancellation or right of refund terms are required, revenue is recognized upon the satisfaction of such criteria. Significant judgment is required to determine the standalone selling price (“SSP”) for each performance obligation, the amount allocated to each performance obligation and whether it depicts the amount that the Company expects to receive in exchange for the related product and/or service. As the selling prices of the Company’s software licenses are highly variable, the Company estimates SSP of its software licenses using the residual approach when the software license is sold with other services and observable SSPs exist for the other services. The Company estimates the SSP for maintenance, professional services, and audit services based on observable standalone sales.

Refer to Note 2 - Significant Accounting Policies to our consolidated financial statements included in Part II, Item 8 for additional information regarding our revenue recognition policies.

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 periodically to determine the payment status based upon the most currently available information. During these periodic 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 for software to be sold, leased, or marketed are accounted for in accordance with Accounting Standards Codification (“ASC”) 985-20, *Software — Costs of Software to be Sold, Leased or Marketed*. Costs associated with the planning and design phase of software development are classified as research and development costs and are expensed as incurred. Once technological feasibility has been established, a portion of the costs incurred in development, including coding, testing and quality assurance, are capitalized until available for general release to clients, and subsequently reported at the lower of unamortized cost or net realizable value. Amortization is calculated on a solution-by-solution basis and is included in Cost of system sales on the consolidated statements of operations. Annual amortization is measured at the greater of a) the ratio of the software product’s current gross revenues to the total of current and expected gross revenues or b) straight-line over the remaining economic life of the software (typically three to five years). Unamortized capitalized costs determined to be in excess of the net realizable value of a solution are expensed at the date of such determination.

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

Goodwill and Intangible Assets

Goodwill and other intangible assets were recognized in conjunction with the acquisitions of Interpoint Partners, LLC (“Interpoint”), Meta Health Technology, Inc. (“Meta”), Clinical Looking Glass® (“CLG”), Opportune IT and Unibased Systems Architecture, Inc. (“Unibased”). Identifiable intangible assets include purchased intangible assets with finite lives, which primarily consist of internally-developed software, client relationships, non-compete agreements and license agreements. Finite-lived purchased intangible assets are amortized over their expected period of benefit, which generally ranges from one month to 10 years, using the straight-line and undiscounted expected future cash flows methods.

We assess the useful lives and possible impairment of existing recognized goodwill on at least an annual basis, and 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 credits 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. Refer to Note 7 - Income Taxes to our consolidated financial statements included in Part II, Item 8 for further details.

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 SaaS data center infrastructure. 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, 2020 and 2019 were \$1,649,000 and \$2,376,000, 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 liquidity through the Loan and Security Agreement described in more detail in Note 5 - Debt to our consolidated financial statements included in Part II, Item 8. The Company has a \$2,000,000 revolving credit facility, which can be advanced based upon 80% of eligible accounts receivable, as defined in the Loan and Security Agreement. In order to draw upon the revolving credit facility, the Company's must comply with certain financial covenants, including the requirement that the Company maintain certain minimum Bank EBITDA levels, calculated pursuant to the Loan and Security Agreement, measured on a monthly basis over a trailing three-month period then ended, and which shall not deviate by the greater of (i) thirty percent of its projected Bank EBITDA or (ii) \$150,000. Our lender uses a measurement that is similar to the Adjusted EBITDA, a non-GAAP financial measure described above. The bank uses an Adjusted EBITDA that is further reduced by the Company's spend on capitalized software development for the period. The required minimum EBITDA level for the period ended January 31, 2020 was \$364,000. The Company was not in compliance with its minimum EBITDA covenant as of January 31, 2020. Accordingly, Bridge Bank provided a waiver of this covenant as of January 31, 2020. The Company's future EBITDA covenants for fiscal year 2020 are based upon its budget prepared and submitted by the Company to Bridge Bank which necessarily excludes the ECM Assets (and revenues and expenses). Accordingly, the Company does not believe that this covenant violation would continue in the future.

The Loan and Security Agreement also requires the Company to (i) achieve a minimum asset coverage ratio of at least 0.75 to 1.00 from December 31, 2019 through November 30, 2020 and of at least 1.50 to 1.00 each month thereafter, and (ii) not deviate by more than 15% percent from its revenue projections over a trailing 3-month basis or not deviate its recurring revenue by more than 20% over a cumulative year-to-date basis from its revenue projections. Pursuant to the Loan and Security Agreement's definition, the Company's minimum asset coverage ratio as of January 31, 2020 was 1.29, which satisfies the minimum asset coverage ratio financial covenant in the Loan and Security Agreement.

The Company was in compliance with the asset coverage ratio covenant, however, was not compliant with the EBITDA covenant, as described above. An appropriate waiver was received by Bridge Bank for the covenant violation as of January 31, 2020. Based upon the borrowing base formula set forth in the Loan and Security Agreement, as of January 31, 2020, the Company had access to the full amount of the \$2,000,000 revolving credit facility.

The Loan and Security Agreement prohibits the Company 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 Loan and Security 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 Loan and Security Agreement.

Upon closing and funding of the sale of the ECM Assets, the Company repaid the Term Loan; however, the Company will continue to have access to the revolving credit facility. Accordingly, the Company has classified the term loan as current as of January 31, 2020, because of its intent and ability to repay the Term Loan, in full, upon closing and funding the sale of the ECM Assets.

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, was signed into law on March 17, 2020. Among other things, the Cares Act provided for a business loan program known as the Paycheck Protection Act (“PPP”). Companies are able to borrow, through the SBA, up to two months of payroll. The Company has filed for approximately \$2,300,000 through the SBA for the PPP loan program. The Company has not signed definitive debt agreements, nor has it been notified of funding as it relates to this program.

As discussed in Note 14 to the audited and consolidated financial statements, the Company signed a definitive agreement to sell its legacy ECM business to Hyland Software and plans to use the proceeds of the sale to pay off its term loan with Bridge Bank and to fund the continuing development and incremental investment in sales and marketing in support of its eValuator™ cloud-based pre- and post-bill coding analysis platform. The closing of the transaction is subject to customary closing conditions, including the approval of the transaction by Streamline Health’s stockholders, and the Company closed the transaction on February 24, 2020. As a result, the Company received approximately \$6.0 million in cash and cash equivalents after all transaction related expenses and repaying its term loan.

Significant cash obligations

(in thousands)	As of January, 31	
	2020	2019
Term loan (1)	\$ 3,825	\$ 3,948
Royalty liability (2)	969	905

Refer to Note 12 — Commitments and Contingencies, Note 5 — Debt and Note 14 — Subsequent Events to our consolidated financial statements included in Part II, Item 8 for additional information. Subsequent to year end, the Company settled the term loan at the time of closing on the sale of the ECM Assets on February 24, 2020. The term loan is reflected as current in the accompanying consolidated balance sheet as the Company had the intention and ability to settle the loan as a result of the closing of sale of the ECM Assets.

Operating cash flow activities

(in thousands)	Fiscal Year	
	2019	2018
Net loss	\$ (2,863)	\$ (5,865)
Non-cash adjustments to net loss	3,576	8,452
Cash impact of changes in assets and liabilities	(721)	(1,190)
Net cash (used in) provided by operating activities	\$ (8)	\$ 1,397

The decrease in net cash provided by operating activities is primarily due to the impacts of the Company’s non-recurring expenses of approximately \$2.3 million for fiscal 2019 that was not present in fiscal 2018. These cost include; (i) \$789,000 for executive transition, (ii) \$631,000 of transaction cost toward the sale of the ECM Assets, (iii) \$388,000 for severance related to the Company’s previously disclosed workforce rationalization plan, (iv) \$150,000 related to the extinguishment of the Wells Fargo term loan and revolving credit facility, and \$230,000 related to the Company’s correction of immaterial errors (See Note 2 to the consolidated financial statements).

The Company’s clients typically have been well-established hospitals, 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 liquidity for some of our clients.

Investing cash flow activities

<u>(in thousands)</u>	<u>Fiscal Year</u>	
	<u>2019</u>	<u>2018</u>
Purchases of property and equipment	\$ (52)	\$ (21)
Proceeds from sales of property and equipment	—	21
Capitalized software development costs	(3,358)	(3,003)
Net cash used in investing activities	<u>\$ (3,410)</u>	<u>\$ (3,003)</u>

Cash used for investing activities in fiscal 2019 was approximately \$407,000 higher than fiscal 2018. See research and development cost (above). The reason that the investment in capitalized software development costs in fiscal 2019 was higher than 2018 is related, primarily, to the apportionment of costs to capitalized costs.

The Company estimates that to replicate its existing internally-developed software would cost significantly more than the stated net book value of \$7,598,000, including the acquired internally-developed software of Opportune IT, at January 31, 2020. 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

<u>(in thousands)</u>	<u>Fiscal Year</u>	
	<u>2019</u>	<u>2018</u>
Proceeds from issuance of common stock	\$ 9,663	\$ —
Payments for costs directly attributable to the issuance of common stock	(711)	—
Proceeds from term loan	4,000	—
Principal payments on term loan	(4,030)	(597)
Payments related to settlement of employee shared-based awards	(99)	(62)
Redemption of Series A Convertible Preferred Stock	(5,791)	—
Fees paid for redemption of Series A Convertible Preferred Stock	(22)	—
Payment of deferred financing costs	(325)	(23)
Other	6	44
Net cash provided by (used in) financing activities	<u>\$ 2,691</u>	<u>\$ (638)</u>

The substantial increase in cash from financing activities in fiscal 2019 over the prior year was primarily the result of the Company's private placement that occurred in the third quarter of fiscal 2019. The Company raised \$9,663,000 (before expenses) to redeem the Company's preferred shares. The Company executed on the private placement and redemption of the preferred stock to finalize its ability to refinance the company's senior debt. The redemption of the preferred was beneficial to the Company in selling its ECM Assets. Each of the initiatives built upon themselves and were dependent upon one-another to achieve them all.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Item 8. Financial Statements and Supplementary Data

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE COVERED BY REPORTS OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRMS**

Reports of Independent Registered Public Accounting Firms	38
Consolidated Balance Sheets at January 31, 2020 and 2019	40
Consolidated Statements of Operations for the two years ended January 31, 2020	42
Consolidated Statements of Changes in Stockholders' Equity for the two years ended January 31, 2020	43
Consolidated Statements of Cash Flows for the two years ended January 31, 2020	44
Notes to Consolidated Financial Statements	45
Schedule II — Valuation and Qualifying Accounts	69

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.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Streamline Health Solutions, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Streamline Health Solutions, Inc. and its subsidiary (the “Company”) as of January 31, 2020, and the related consolidated statements of operations, changes in stockholders’ equity and cash flows for the year then ended, and the related notes and financial statement schedule II (collectively, the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2020, and the results of their operations and their cash flows for the year ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Dixon Hughes Goodman LLP

We have served as the Company’s auditor since 2019.

Atlanta, Georgia
April 22, 2020

Report of Independent Registered Public Accounting Firm

To the Board of Directors of Streamline Health Solutions, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Streamline Health Solutions, Inc. and its subsidiary (the Company) as of January 31, 2019, the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements and schedule (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2019, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting 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.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ RSM US LLP

We served as the Company's auditor from December 10, 2015 to April 22, 2019.

Atlanta, Georgia
April 22, 2019

**STREAMLINE HEALTH SOLUTIONS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**

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

ASSETS	January 31,	
	2020	2019
Current assets:		
Cash and cash equivalents	\$ 1,649,000	\$ 2,376,000
Accounts receivable, net of allowance for doubtful accounts of \$96,000 and \$345,000, respectively	3,166,000	2,933,000
Contract receivables	820,000	1,263,000
Prepaid and other current assets	919,000	1,048,000
Total current assets	6,554,000	7,620,000
Non-current assets:		
Property and equipment, net of accumulated amortization of \$1,589,000 and \$1,516,000, respectively	152,000	237,000
Contract receivables, less current portion	—	407,000
Capitalized software development costs, net of accumulated amortization of \$21,004,000 and \$19,689,000, respectively	7,598,000	5,698,000
Intangible assets, net of accumulated amortization of \$4,282,000 and \$3,858,000, respectively	1,115,000	1,669,000
Goodwill	15,537,000	15,537,000
Other	695,000	572,000
Total non-current assets	25,097,000	24,120,000
Total assets	\$ 31,651,000	\$ 31,740,000

See accompanying notes to consolidated financial statements.

	January 31,	
	2020	2019
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,270,000	\$ 1,280,000
Accrued expenses	1,537,000	1,814,000
Current portion of term loan, net of deferred financing costs	3,825,000	597,000
Deferred revenues	7,990,000	8,338,000
Royalty liability	969,000	—
Other	—	94,000
Total current liabilities	<u>15,591,000</u>	<u>12,123,000</u>
Non-current liabilities:		
Term loan, net of current portion and deferred financing costs	—	3,351,000
Royalty liability	—	905,000
Deferred revenues, less current portion	55,000	432,000
Other	—	41,000
Total non-current liabilities	<u>55,000</u>	<u>4,729,000</u>
Total liabilities	<u>15,646,000</u>	<u>16,852,000</u>
Series A 0% Convertible Redeemable Preferred Stock, \$0.01 par value per share, 5,000,000 shares authorized, no and 2,895,464 shares issued and outstanding, respectively	—	8,686,000
Stockholders' equity:		
Common stock, \$0.01 par value per share, 45,000,000 shares authorized; 30,530,643 and 20,767,708 shares issued and outstanding, respectively	305,000	208,000
Additional paid in capital	95,113,000	82,544,000
Accumulated deficit	(79,413,000)	(76,550,000)
Total stockholders' equity	<u>16,005,000</u>	<u>6,202,000</u>
Total liabilities and stockholders' equity	<u>\$ 31,651,000</u>	<u>\$ 31,740,000</u>

See accompanying notes to consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Fiscal Year	
	2019	2018
Revenues:		
System sales	\$ 1,219,000	\$ 2,472,000
Professional services	1,801,000	1,336,000
Audit services	1,712,000	1,118,000
Maintenance and support	11,309,000	12,586,000
Software as a service	4,702,000	4,853,000
Total revenues	20,743,000	22,365,000
Operating expenses:		
Cost of system sales	1,022,000	942,000
Cost of professional services	2,103,000	2,657,000
Cost of audit services	1,255,000	1,373,000
Cost of maintenance and support	1,685,000	2,173,000
Cost of software as a service	1,415,000	992,000
Selling, general and administrative expense	9,811,000	10,554,000
Research and development	3,555,000	4,261,000
Executive transition cost	789,000	—
Rationalization charges	388,000	—
Transaction costs	861,000	—
Impairment of long-lived assets	—	3,681,000
Loss on exit of operating lease	—	1,034,000
Total operating expenses	22,884,000	27,667,000
Operating loss	(2,141,000)	(5,302,000)
Other expense:		
Interest expense	(309,000)	(384,000)
Loss on early extinguishment of debt	(150,000)	—
Miscellaneous expense	(241,000)	(179,000)
Loss before income taxes	(2,841,000)	(5,865,000)
Income tax expense	(22,000)	—
Net loss	(2,863,000)	(5,865,000)
Add: Redemption of Series A Preferred Stock	4,894,000	—
Net income (loss) attributable to common shareholders	2,031,000	(5,865,000)
Net income (loss) per common share - basic	\$ 0.09	\$ (0.30)
Weighted average number of common shares - basic	22,739,679	19,540,980
Net loss per common share - diluted	\$ (0.13)	\$ (0.30)
Weighted average number of common shares - diluted	22,739,679	19,540,980

See accompanying notes to consolidated financial statements.

**STREAMLINE HEALTH SOLUTIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

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

	Common stock shares	Common stock	Additional paid in capital	Accumulated deficit	Total stockholders' equity
Balance at January 31, 2018	20,005,977	\$ 200,000	\$ 81,777,000	\$ (72,125,000)	\$ 9,852,000
Cumulative effect of ASC 606 implementation	—	—	—	1,440,000	1,440,000
Stock issued pursuant to Employee Stock Purchase Plan and exercise of stock options	48,616	—	44,000	—	44,000
Restricted stock issued	826,666	8,000	(8,000)	—	—
Restricted stock forfeited	(130,833)	(1,000)	1,000	—	—
Surrender of stock	(37,249)	—	(62,000)	—	(62,000)
Conversion of Series A Preferred Stock	54,531	1,000	163,000	—	164,000
Share-based compensation expense	—	—	629,000	—	629,000
Net loss	—	—	—	(5,865,000)	(5,865,000)
Balance at January 31, 2019	20,767,708	\$ 208,000	\$ 82,544,000	\$ (76,550,000)	\$ 6,202,000
Stock issued pursuant to Employee Stock Purchase Plan and exercise of stock options	8,310	—	8,000	—	8,000
Restricted stock issued	912,518	9,000	(9,000)	—	—
Restricted stock forfeited	(556,097)	(6,000)	6,000	—	—
Surrender of stock	(75,487)	(1,000)	(98,000)	—	(99,000)
Issuance of common stock, net of \$711,000 directly attributable offering expenses	9,473,691	95,000	8,857,000	—	8,952,000
Redemption of Series A Preferred Stock	—	—	2,873,000	—	2,873,000
Share-based compensation expense	—	—	934,000	—	934,000
Stock Options repurchased	—	—	(18,000)	—	(18,000)
Capital contribution	—	—	16,000	—	16,000
Net loss	—	—	—	(2,863,000)	(2,863,000)
Balance at January 31, 2020	30,530,643	\$ 305,000	\$ 95,113,000	\$ (79,413,000)	\$ 16,005,000

See accompanying notes to consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Fiscal Year	
	2019	2018
Cash flows from operating activities:		
Net loss	\$ (2,863,000)	\$ (5,865,000)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	137,000	450,000
Amortization of capitalized software development costs	1,458,000	1,160,000
Amortization of intangible assets	554,000	937,000
Amortization of other deferred costs	480,000	415,000
Valuation adjustments	64,000	126,000
Loss on early extinguishment of debt	150,000	—
Impairment of long-lived assets	—	3,681,000
Loss on exit of operating lease	—	1,034,000
Loss on disposal of fixed assets	—	7,000
Share-based compensation expense	934,000	629,000
Accounts receivable provision (reversal)	(201,000)	13,000
Changes in assets and liabilities:		
Accounts and contract receivables	818,000	(640,000)
Other assets	(392,000)	466,000
Accounts payable	(10,000)	859,000
Accrued expenses	(412,000)	129,000
Deferred revenues	(725,000)	(2,004,000)
Net cash (used in) provided by operating activities	<u>(8,000)</u>	<u>1,397,000</u>
Cash flows from investing activities:		
Purchases of property and equipment	(52,000)	(21,000)
Proceeds from sales of property and equipment	—	21,000
Capitalization of software development costs	(3,358,000)	(3,003,000)
Net cash used in investing activities	<u>(3,410,000)</u>	<u>(3,003,000)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	9,663,000	—
Payments for costs directly attributable to the issuance of common stock	(711,000)	—
Proceeds from term loan	4,000,000	—
Principal payments on term loan	(4,030,000)	(597,000)
Payments related to settlement of employee shared-based awards	(99,000)	(62,000)
Proceeds from exercise of stock options and stock purchase plan	8,000	44,000
Redemption of Series A Convertible Preferred Stock	(5,791,000)	—
Fees paid for redemption of Series A Convertible Preferred Stock	(22,000)	—
Payment of deferred financing costs	(325,000)	(23,000)
Other	(2,000)	—
Net cash provided by (used in) financing activities	<u>2,691,000</u>	<u>(638,000)</u>
Net decrease in cash and cash equivalents	(727,000)	(2,244,000)
Cash and cash equivalents at beginning of period	2,376,000	4,620,000
Cash and cash equivalents at end of period	<u>\$ 1,649,000</u>	<u>\$ 2,376,000</u>
Supplemental cash flow disclosures:		
Interest paid, net of amounts capitalized	\$ 337,000	\$ 417,000
Income taxes paid	\$ 9,000	\$ 11,000
Supplemental disclosure of non-cash financing activities:		
Conversion of shares of Series A Preferred Stock to common shares	\$ —	\$ 164,000
Modification of royalty liability associated with the acquisition of Clinical Analytics	\$ —	\$ 1,644,000

See accompanying notes to consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2020 and 2019

NOTE 1 — ORGANIZATION AND DESCRIPTION OF BUSINESS

Streamline Health Solutions, Inc. and its subsidiary (“we”, “us”, “our”, “Streamline”, or the “Company”) operates in one segment as a provider of healthcare information technology solutions and associated services. The Company provides these capabilities through the licensing of its HIM, Coding & CDI, eValuator Coding Analysis Platform, Financial Management and Patient Care solutions and other workflow software applications and the use of such applications by software as a service (“SaaS”). The Company also provides audit services to help clients optimize their internal clinical documentation and coding functions, as well as implementation and consulting services to complement its software solutions. The Company’s software and services enable hospitals and integrated healthcare delivery systems in the United States and Canada to capture, store, manage, route, retrieve and process patient clinical, financial and other healthcare provider information related to the patient revenue cycle.

Fiscal Year

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.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Streamline Health Solutions, Inc. and its wholly-owned subsidiary, Streamline Health, Inc. All significant intercompany transactions and balances are eliminated in consolidation. All amounts in the consolidated financial statements, notes and tables have been rounded to the nearest thousand dollars, except share and per share amounts, unless otherwise indicated.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates and judgments, including those related to the recognition of revenue, stock-based compensation, capitalization of software development costs, intangible assets, the allowance for doubtful accounts, and income taxes. Actual results could differ from those estimates.

Reclassification

Certain amounts in the preparation of financial statements for fiscal year 2019, resulted in reclassifications of fiscal year 2018 amounts, with a total of \$298,000 current prepaid assets being reclassified to other non-current assets.

Immaterial Correction of Errors

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

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

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

The two corrections relating to the amortization of capitalized software development costs off-set one another in certain previous periods. Additionally, the differences between (i) the amounts calculated, as adjusted for these corrections, and (ii) the amount recorded in previous periods substantially self-corrected by the end of the third quarter, October 31, 2019. The Company, in consultation with the Audit Committee of the Board of Directors, evaluated the effect of these adjustments on the Company’s financial statements under ASC 250: *Accounting Changes and Error Corrections and Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* and determined it was not necessary to restate its previously issued financial statements, or unaudited interim period financial statements, because the errors did not materially misstate any previously issued financial statements and the correction of the errors in the current fiscal year is also not material. The Company looked at both quantitative and qualitative characteristics of the required corrections.

The net impact of these errors resulted in a \$532,000 overstatement and a corresponding \$532,000 understatement of amortization expense for capitalized software development costs for the years ended January, 31 2020 and 2019, respectively. The Company’s previously reported amortization expense for capitalized software development costs was misstated by the following amounts:

Period	Overstatement / (Understatement) of Amortization Expense
Prior to fiscal year ended January 31, 2019	\$ 532,000
Three months ended April 30, 2019	\$ (153,000)
Three months ended July 31, 2019	\$ (165,000)
Three months ended October 31, 2019	\$ (214,000)

Cash and Cash Equivalents

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash demand deposits. Cash deposits are placed in Federal Deposit Insurance Corporation (“FDIC”) insured financial institutions. Cash deposits may exceed FDIC insured levels from time to time. For purposes of the consolidated balance sheets and consolidated statements of cash flows, the Company considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Receivables

Accounts and contract receivables are comprised of amounts owed to the Company for licensed software, professional services, including coding audit services, maintenance services, and software as a service and are presented net of the allowance for doubtful accounts. The timing of revenue recognition may not coincide with the billing terms of the client contract, resulting in unbilled receivables or deferred revenues; therefore certain contract receivables represent revenues recognized prior to client billings. Individual contract terms with clients or resellers determine when receivables are due. Accounts receivable represent amounts that the entity has an unconditional right to consideration. For billings where the criteria for revenue recognition have not been met, deferred revenue is recorded until the Company satisfies the respective performance obligations.

Allowance for Doubtful Accounts

The Company adjusts accounts receivable down to net realizable value with its allowance methodology. In determining the allowance for doubtful accounts, aged receivables are analyzed periodically by management. Each identified receivable is reviewed based upon the most recent information available and the status of any open or unresolved issues with the client preventing the payment thereof. Corrective action, if necessary, is taken by the Company to resolve open issues related to unpaid receivables. During these periodic 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. The allowance for doubtful accounts was approximately \$96,000 and \$345,000 at January 31, 2020 and 2019, respectively. The Company believes that its reserve is adequate, however results may differ in future periods.

Bad debt expense for fiscal years 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Bad debt expense	\$ (201,000)	\$ 13,000

Concessions Accrual

In determining the concessions accrual, the Company evaluates historical concessions granted relative to revenue. The company records a provision, reducing revenue, each period for the estimated amount of concessions incurred. The Company evaluates the amount of the provision and the concession accrual each period. The concession accrual included in accrued other expenses on the Company's consolidated balance sheets was \$43,000 and \$44,000 as of January 31, 2020 and 2019, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method, over the estimated useful lives of the related assets. Estimated useful lives are as follows:

Computer equipment and software	3-4 years
Office equipment	5 years
Office furniture and fixtures	7 years
Leasehold improvements	Term of lease or estimated useful life, whichever is shorter

Depreciation expense for property and equipment in fiscal 2019 and 2018 was \$137,000 and \$450,000, respectively.

Normal repair and maintenance is expensed as incurred. Replacements are capitalized and the property and equipment accounts are relieved of the items being replaced or disposed of, if no longer of value. The related cost and accumulated depreciation of the disposed assets are eliminated and any gain or loss on disposition is included in the results of operations in the year of disposal.

Leases

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

We recognize operating lease cost on a straight-line basis by aggregating any rent abatement with the total expected rental payments and amortizing the expense ratably over the term of the lease. See Note 4 – Operating Leases for further details.

As of January 31, 2020 and 2019, the Company had no financing or capital lease obligations.

Debt Issuance Costs

Costs related to the issuance of debt are capitalized and amortized to interest expense on a straight-line basis, which is not materially different from the effective interest method, over the term of the related debt. Deferred financing costs are presented on the Company's consolidated balance sheets as a direct deduction from the carrying amount of the non-current portion of our term loan.

Impairment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets for impairment whenever facts and circumstances exist that would suggest that assets might be impaired or that the useful lives should be modified. Among the factors the Company considers in making the evaluation are changes in market position and profitability. If facts and circumstances are present which may indicate that the carrying amount of the assets may not be recoverable, the Company will prepare a projection of the undiscounted cash flows of the specific asset or asset group and determine if the long-lived assets are recoverable based on these undiscounted cash flows. If impairment is indicated, an adjustment will be made to reduce the carrying amount of these assets to their fair values.

Capitalized Software Development Costs

Software development costs for software to be sold, leased, or marketed are accounted for in accordance with ASC 985-20, *Software — Costs of Software to be Sold, Leased or Marketed*. Costs associated with the planning and design phase of software development are classified as research and development costs and are expensed as incurred. Once technological feasibility has been established, a portion of the costs incurred in development, including coding, testing and quality assurance, are capitalized until available for general release to clients, and subsequently reported at the lower of unamortized cost or net realizable value. Amortization is calculated on a solution-by-solution basis and is included in Cost of system sales on the consolidated statements of operations. Annual amortization is measured at the greater of a) the ratio of the software product's current gross revenues to the total of current and expected gross revenues or b) straight-line over the remaining economic life of the software (typically three to five years). Unamortized capitalized costs determined to be in excess of the net realizable value of a solution are expensed at the date of such determination. Capitalized software development costs for software to be sold, leased, or marketed, net of accumulated amortization, totaled \$3,089,000 and \$2,919,000 as of January 31, 2020 and 2019, respectively.

Internal-use software development costs are accounted for in accordance with ASC 350-40, *Internal-Use Software*. The costs incurred in the preliminary stages of development are expensed as research and development costs as incurred. Once an application has reached the development stage, internal and external costs incurred to develop internal-use software are capitalized and amortized on a straight-line basis over the estimated useful life of the software (typically three to five years). Maintenance and enhancement costs, including those costs in the post-implementation stages, are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the software that result in added functionality, in which case the costs are capitalized and amortized on a straight-line basis over the estimated useful life of the software. The Company reviews the carrying value for impairment whenever facts and circumstances exist that would suggest that assets might be impaired or that the useful lives should be modified. Amortization expense related to capitalized internal-use software development costs is included in Cost of software as a service on the consolidated statements of operations. Capitalized software development costs for internal-use software, net of accumulated amortization, totaled \$4,509,000 and \$2,779,000 as of January 31, 2020 and 2019, respectively.

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

Amortization expense on all capitalized software development cost was \$1,458,000 and \$1,160,000 in fiscal 2019 and 2018, respectively. Further, the Company recognized an impairment of approximately \$354,000 for cancelled or abandoned enhancement projects during fiscal 2019 that has been recognized within amortization expense. There were no impairments recognized during fiscal 2018.

	Fiscal Year	
	2019	2018
Amortization expense on internally-developed software included in:		
Cost of systems sales	\$ 928,000	\$ 768,000
Cost of software as a service	517,000	379,000
Cost of audit services	13,000	13,000
Total amortization expense on internally-developed software	\$ 1,458,000	\$ 1,160,000

Interest capitalized to software development cost in fiscal 2019 and 2018 was \$191,000 and \$69,000, respectively. The interest capitalized to software development cost reduces the Company's interest expense recognized in the consolidated statements of operations.

Research and development expense was \$3,555,000 and \$4,261,000 in fiscal 2019 and 2018, respectively.

Fair Value of Financial Instruments

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

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

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

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

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value based on the short-term maturity of these instruments. Cash and cash equivalents are classified as Level 1. The carrying amount of the Company's long-term debt approximates fair value since the variable interest rates being paid on the amounts approximate the market interest rate. Long-term debt is classified as Level 2. The Company recognizes transfers between levels at the end of period. There were no transfers of assets or liabilities between Levels 1, 2, or 3 as of January 31, 2020 or 2019.

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

	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At January 31, 2020				
Royalty liability (1)	\$ 969,000	\$ —	\$ —	\$ 969,000
At January 31, 2019				
Royalty liability (1)	\$ 905,000	\$ —	\$ —	\$ 905,000

(1) The fair value of the royalty liability was determined based on discounting the portion of the modified royalty commitment payable in cash (refer to Note 12 – Commitments and Contingencies for additional information on our royalty liability). During fiscal 2019 and 2018, the Company recognized fair value adjustments of \$64,000 and \$126,000, respectively. There were no changes to the fair value methods. Fair value adjustments are included within miscellaneous expense in the consolidated statements of operations.

Revenue Recognition

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

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

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

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

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

If we determine that we have not satisfied a performance obligation, we defer recognition of the revenue until the performance obligation is satisfied. Maintenance and support and SaaS agreements are generally non-cancelable or contain significant penalties for early cancellation, although clients typically have the right to terminate their contracts for cause if we fail to perform material obligations. However, if non-standard acceptance periods, non-standard performance criteria, or cancellation or right of refund terms are required, revenue is recognized upon the satisfaction of such criteria.

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

Contract Combination

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

The Company has utilized the portfolio approach as the practical expedient. We have applied the revenue model to a portfolio of contracts with similar characteristics where we expected that the financial statements would not differ materially from applying it to the individual contracts within that portfolio.

Systems Sales

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

Maintenance and Support Services

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

Software-Based Solution Professional Services

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

Software as a Service

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

Audit Services

The Company provides technology-enabled coding audit services to help clients review and optimize their internal clinical documentation and coding functions across the applicable segment of the client's enterprise. Audit services are a separate performance obligation. We recognize revenue over time as the services are performed.

Disaggregation of Revenue

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

	Year Ended January 31, 2020		
	Recurring Revenue	Non-recurring Revenue	Total
Systems sales	\$ 180,000	\$ 1,039,000	\$ 1,219,000
Professional services	—	1,801,000	1,801,000
Audit services	—	1,712,000	1,712,000
Maintenance and support	11,309,000	—	11,309,000
Software as a service	4,702,000	—	4,702,000
Total revenue:	\$ 16,191,000	\$ 4,552,000	\$ 20,743,000

Contract Receivables and Deferred Revenues

The Company receives payments from customers based upon contractual billing schedules. Contract receivables include amounts related to the Company's contractual right to consideration for completed performance obligations not yet invoiced. Deferred revenues include payments received in advance of performance under the contract. Our contract receivables and deferred revenue are reported on an individual contract basis at the end of each reporting period. Contract receivables are classified as current or noncurrent based on the timing of when we expect to bill the customer. Deferred revenue is classified as current or noncurrent based on the timing of when we expect to recognize revenue. In the year ended January 31, 2020, we recognized \$7,838,000 in revenue from deferred revenues outstanding as of January 31, 2019. Revenue allocated to remaining performance obligations was \$21 million as of January 31, 2020, of which the Company expects to recognize approximately 56% over the next 12 months and the remainder thereafter.

Deferred costs (costs to fulfill a contract and contract acquisition costs)

We defer the direct costs, which include salaries and benefits, for professional services related to SaaS contracts as a cost to fulfill a contract. These deferred costs will be amortized on a straight-line basis over the contractual term. As of January 31, 2020, and 2019, we had deferred costs of \$144,000 and \$251,000, respectively, net of accumulated amortization of \$332,000 and \$399,000, respectively. Amortization expense of these costs was \$237,000 and \$346,000 in fiscal 2019 and 2018, respectively. There were no impairment losses for these capitalized costs for the fiscal years 2019 and 2018.

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

Deferred commissions costs paid and payable, which are included on the consolidated balance sheets within other non-current assets totaled \$421,000 and \$298,000, respectively, as of January 31, 2019 and 2018. In fiscal 2019 and 2018, \$161,000 and \$145,000, respectively, in amortization expense associated with deferred sales commissions was included in selling, general and administrative expenses on the consolidated statements of operations. There were no impairment losses for these capitalized costs for the years ended January 31, 2020 and 2019.

Concentrations

Financial instruments, which potentially expose the Company to concentrations of credit risk, consist primarily of accounts receivable. The Company's accounts receivable are concentrated in the healthcare industry. However, the Company's clients typically are well-established hospitals, medical facilities or major health information systems companies that resell the Company's solutions that have good credit histories. Payments from clients have been received within normal time frames for the industry. However, some hospitals and medical facilities have experienced significant operating losses as a result of limits on third-party reimbursements from insurance companies and governmental entities and extended payment of receivables from these entities is not uncommon.

To date, the Company has relied on a limited number of clients and remarketing partners for a substantial portion of its total revenues. The Company expects that a significant portion of its future revenues will continue to be generated by a limited number of clients and its remarketing partners.

The Company currently buys all of its hardware and some major software components of its healthcare information systems from third-party vendors. Although there are a limited number of vendors capable of supplying these components, management believes that other suppliers could provide similar components on comparable terms.

Goodwill and Intangible Assets

Goodwill and other intangible assets were recognized in conjunction with the Interpoint, Meta, CLG and Opportune IT acquisitions, as well as the Unibased acquisition (prior to divestiture of such assets). Identifiable intangible assets include purchased intangible assets with finite lives, which primarily consist of internally-developed software and client relationships. Finite-lived purchased intangible assets are amortized over their expected period of benefit, which generally ranges from one to 10 years, using the straight-line and undiscounted expected future cash flows methods.

The Company assesses the useful lives and possible impairment of intangible assets when an event occurs that may trigger such a review. Factors considered important which could trigger a review include:

- significant underperformance 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.

The Company assesses goodwill annually (as of November 1), or more frequently when events and circumstances, such as the ones mentioned above, occur indicating that the recorded goodwill may be impaired. During the years ended January 31, 2020 and 2019, the Company did not note any of the above qualitative factors, which would be considered a triggering event for goodwill impairment. In assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company assesses relevant events and circumstances that may impact the fair value and the carrying amount of a reporting unit. The identification of relevant events and circumstances and how these may impact a reporting unit's fair value or carrying amount involve significant judgments by management. These judgments include the consideration of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, events which are specific to the Company and trends in the market price of the Company's common stock. Each factor is assessed to determine whether it impacts the impairment test positively or negatively, and the magnitude of any such impact.

The two-step goodwill impairment test requires the Company to identify its reporting units and to determine estimates of the fair values of those reporting units as of the impairment testing date. Reporting units are determined based on the organizational structure the entity has in place at the date of the impairment test. A reporting unit is an operating segment or component business unit with the following characteristics: (a) it has discrete financial information, (b) segment management regularly reviews its operating results (generally an operating segment has a segment manager who is directly accountable to and maintains regular contact with the chief operating decision maker to discuss operating activities, financial results, forecasts or plans for the segment), and (c) its economic characteristics are dissimilar from other units (this contemplates the nature of the products and services, the nature of the production process, the type or class of customer for the products and services and the methods used to distribute the products and services).

The Company determined that it has one operating segment and one reporting unit.

To conduct a quantitative two-step goodwill impairment test, the fair value of the reporting unit is first compared to its carrying value. If the reporting unit's carrying value exceeds its fair value, the Company performs the second step and records an impairment loss to the extent that the carrying value of goodwill exceeds its implied fair value. The Company estimates the fair value of its reporting unit using a blend of market and income approaches. The market approach consists of two separate methods, including reference to the Company's market capitalization, as well as the guideline publicly traded company method. The market capitalization valuation method is based on an analysis of the Company's stock price on and around the testing date, plus a control premium. The guideline publicly traded company method was made by reference to a list of publicly traded software companies providing services to healthcare organizations, as determined by management. The market value of common equity for each comparable company was derived by multiplying the price per share on the testing date by the total common shares outstanding, plus a control premium. Selected valuation multiples are then determined and applied to appropriate financial statistics based on the Company's historical and forecasted results. The Company estimates the fair value of its reporting unit using the income approach, via discounted cash flow valuation models which include, but are not limited to, assumptions such as a "risk-free" rate of return on an investment, the weighted average cost of capital of a market participant and future revenue, operating margin, working capital and capital expenditure trends. Determining the fair value of reporting unit and goodwill includes significant judgment by management, and different judgments could yield different results.

The Company performed its annual assessment of goodwill during the fourth quarter of fiscal 2019, using the two-step approach described above. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. Based on the analysis performed for step one, the fair value of the reporting unit exceeded the carrying amount of the reporting unit, including goodwill, and, therefore, a goodwill impairment loss was not recognized. As the Company passed step one of the analysis, step two was not required.

In fiscal 2018, long-lived assets associated with our Clinical Analytics solution were deemed impaired and their corresponding balance was fully written off (see Note 6 - Goodwill and Intangible Assets to our consolidated financial statements included herein).

Equity Awards

The Company accounts for share-based payments based on the grant-date fair value of the awards with compensation cost recognized as expense over the requisite service period. The Company incurred total annual compensation expense related to stock-based awards of \$934,000 and \$629,000 in fiscal 2019 and 2018, respectively.

The fair value of the stock options granted in fiscal 2019 and 2018 was estimated at the date of grant using a Black-Scholes option pricing model. Option pricing model input assumptions such as expected term, expected volatility and risk-free interest rate impact the fair value estimate. Further, the forfeiture rate impacts the amount of aggregate compensation. These assumptions are subjective and are generally derived from external (such as, risk-free rate of interest) and historical data (such as, volatility factor, expected term and forfeiture rates). Future grants of equity awards accounted for as stock-based compensation could have a material impact on reported expenses depending upon the number, value and vesting period of future awards.

The Company issues restricted stock awards in the form of Company common stock. The fair value of these awards is based on the market close price per share on the grant date. The Company expenses the compensation cost of these awards as the restriction period lapses, which is typically a one- to four-year service period to the Company. In fiscal 2019 and 2018, 75,487 and 37,249 shares of common stock were surrendered to the Company to satisfy tax withholding obligations totaling \$99,000 and \$62,000, respectively, in connection with the vesting of restricted stock awards. Shares surrendered by the restricted stock award recipients in accordance with the applicable plan are deemed canceled, and therefore are not available to be reissued. The Company awarded 862,518 and 501,666 shares of restricted stock to officers and directors of the Company in fiscal 2019 and 2018, respectively.

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, the Company considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The Company establishes a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized. See Note 7 - Income Taxes for further details.

The Company provides for uncertain tax positions and the related interest and penalties based upon management's assessment of whether certain tax positions are more likely than not to be sustained upon examination by tax authorities. At January 31, 2020, the Company believes it has appropriately accounted for any uncertain tax positions.

Net Loss Per Common Share

The Company presents basic and diluted earnings per share ("EPS") data for our common stock. Our Series A Convertible Preferred Stock were considered participating securities under ASC 260, *Earnings Per Share* ("ASC 260") which means the security may participate in undistributed earnings with common stock. The holders of the Series A Convertible Preferred Stock were entitled to share in dividends, on an as-converted basis, if the holders of common stock were to receive dividends, other than dividends in the form of common stock. In accordance with ASC 260, the Company is required to use the two-class method when computing EPS. The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. In determining the amount of net earnings to allocate to common stockholders, earnings are allocated to both common and participating securities based on their respective weighted-average shares outstanding for the period (with the exception of the gain on the redemption of our Series A Convertible Preferred Stock, which was allocated in its entirety to the common stock).

Our unvested restricted stock awards are considered non-participating securities because holders are not entitled to non-forfeitable rights to dividends or dividend equivalents during the vesting term. In accordance with ASC 260, securities are deemed not to be participating in losses if there is no obligation to fund such losses. The Series A Convertible Preferred Stock does not participate in losses, and as a result, the Company does not allocate losses to these securities in periods of loss. Diluted EPS for our common stock is computed using the more dilutive of the two-class method or the "if-converted" and treasury stock methods. See Note 3 – Preferred Stock for further discussion of the redemption of our Series A Convertible Preferred Stock.

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

	Fiscal Year	
	2019	2018
Net loss	\$ (2,863,000)	\$ (5,865,000)
Add: redemption of Series A Convertible Preferred Stock	4,894,000	—
Net income (loss) attributable to common shareholders	2,031,000	(5,865,000)
Weighted average shares outstanding - Basic (1)	22,739,679	19,540,980
Effect of dilutive securities - Stock options, Restricted stock and Series A Convertible Preferred Stock (2)	—	—
Weighted average shares outstanding - Diluted	22,739,679	19,540,980
Basic net income (loss) per share of common stock (3)	\$ 0.09	\$ (0.30)
Diluted net loss per share of common stock (3)	\$ (0.13)	\$ (0.30)

- (1) Excludes 803,498 and 1,063,866 unvested restricted shares of common stock as of January 31, 2020 and 2019, respectively, which are considered non-participating securities.
- (2) Diluted net loss per share excludes the effect of shares that are anti-dilutive. As of January 31, 2020, there were zero outstanding shares of Series A Convertible Preferred Stock, 798,603 outstanding stock options and 803,498 unvested restricted shares of common stock. As of January 31, 2019, there were 2,895,464 shares of Series A Convertible Preferred Stock, 1,580,657 outstanding stock options and 1,063,866 unvested restricted shares of common stock.
- (3) See Note 3 – Preferred Stock for further discussion of the redemption of our Series A Convertible Preferred Stock, which resulted in an adjustment to net income (loss) attributable to common stockholders in the Company's basic and diluted EPS calculations for year ended January 31, 2020.

Other Operating Costs

Executive Transition Costs

We recorded \$789,000 in cost related to replacing the Company's CEO in the fiscal year ended January 31, 2020. These costs, which include placement fees, retention bonuses for existing key personnel and certain required consulting costs. Each of these costs are directly attributable to the successful placement of our new CEO with the Company.

Rationalization Charges

In the fourth quarter of fiscal 2019, we implemented a rationalization plan to make the operation of the Company more efficient and for the purpose of aligning its personnel needs and capital requirements with the sale of the ECM Assets. The rationalization plan included a reduction in workforce of approximately twenty (20) employees, or approximately twenty percent (20%) of the Company's total workforce. As a result of the rationalization plan, the Company recorded \$388,000 in one-time severance and other employee termination-related costs that has been accrued for within accrued expenses and will be paid in fiscal 2020. The Company is not currently aware of any other significant charges it will incur as a result of the rationalization plan.

Transaction Costs

The Company incurred costs to (i) sell the ECM Assets and (ii) account for the immaterial correction of an error in the third quarter ended October 31, 2019. In the sale of the ECM Assets, the Company incurred approximately \$631,000 of cost from its financial adviser, legal cost and certain consulting costs that were not conditioned upon the successful sale of the ECM Assets. These costs were accrued as of January 31, 2020. The Company incurred approximately \$1,300,000 of additional transaction cost that were incurred or conditioned upon closing the sale of the ECM Assets that are recorded in February 2020 (the date of closing the ECM Assets). Separately, the Company incurred approximately \$230,000 of legal and accounting cost in conjunction with the company's immaterial correction of an error (See above in this Note). These costs were necessary to file the Company's third quarter, 10-Q, for the period ended October 30, 2019 and this was completed on January 8, 2020.

Impairment of Long-Lived Assets

The Company acquired a product known as Clinical Analytics in its portfolio in October 2013. As a result of its focused attention in the marketplace in the middle of the revenue cycle, the Company moved away from selling the product. The Company identified a triggering event in the fourth quarter of fiscal 2018 for impairment of long-lived asset associated with Clinical Analytics. The Company sole customer on Clinical Analytics terminated its contract. Upon review, the Company has determined that the market for Clinical Analytics and for the middle of the revenue cycle are very different, and accordingly, the Company does not anticipate or forecast future sales for this product. The Company has determined that intangible assets and remaining software development associated with Clinical Analytics were fully impaired and should be removed from its balance sheet. In the fourth quarter of fiscal 2018, we took a charge to income of \$3,681,000 for impairment of the long-lived intangible assets (\$3,226,000) and the remaining software development costs (\$455,000) associated with this product. The Company has no other intangible assets or software development that is not associated with its core solutions in the middle of the revenue cycle.

Loss on Exit of Operating Lease

In an effort to reduce ongoing operating expenses, we closed our New York office in the second quarter of fiscal 2018 and subleased the office space for the remaining period of the original lease term, which ended on November 2019. As a result of vacating and subleasing the office, we recorded a \$472,000 loss on exit of the operating lease in the second quarter of fiscal 2018, which captures the net cash flows associated with the vacated premises, including receipts of rent from our sublessee totaling \$384,000, and the \$48,000 loss incurred on the disposal of fixed assets. In addition, in the third quarter of fiscal 2018, we assigned our then current Atlanta office lease that would have expired in November 2022 and entered into a membership agreement to occupy shared office space in Atlanta. As a result of assigning the office lease, we recorded a \$562,000 loss on exit of the operating lease in fiscal 2018.

Loss Contingencies

We are subject to the possibility of various loss contingencies arising in the normal course of business. We consider the likelihood of the loss or impairment of an asset or the incurrence of a liability as well as our ability to reasonably estimate the amount of loss in determining loss contingencies. An estimated loss contingency is accrued when it is probable that a liability has been incurred or an asset has been impaired and the amount of loss can be reasonably estimated. We regularly evaluate current information available to us to determine whether to accrue for a loss contingency and adjust any previous accrual.

Recent Accounting Pronouncements

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

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

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU is intended to simplify various aspects related to accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and clarifying certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for annual periods beginning after December 15, 2020 and interim periods within those annual periods, with early adoption permitted. An entity that elects early adoption must adopt all the amendments in the same period. Most amendments within this ASU are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. The standard will become effective for us on February 1, 2021. We are currently evaluating the impact of the new standard on our consolidated financial statements and related disclosures.

NOTE 3 — PREFERRED STOCK

Redemption of Series A Convertible Preferred Stock

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

Pursuant to the guidance in ASC 260-10-S99-2 for redemptions of preferred stock, the Company compared the difference between the carrying amount of the Series A Convertible Preferred Stock, net of issuance costs, of \$8,686,000 to the fair value of the consideration transferred of \$5,813,000, which was reduced by the commitment date intrinsic value of the conversion option since the redemption included the reacquisition of a previously recognized beneficial conversion feature of \$2,021,000, and added this difference to net income to arrive at income available to common stockholders in the calculation of basic earnings per share. As the carrying value of the Series A Convertible Preferred Stock was \$8,686,000 on the date of redemption, the Company reflected the resulting return from the preferred stockholders of \$4,894,000 as an adjustment to net income (loss) attributable to common stockholders in the Company's basic and diluted EPS calculations for year ended January 31, 2020.

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

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

NOTE 4 — OPERATING LEASES

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

Our only operating lease relates to our New York office sublease, which expired in November 2019. In the second quarter of fiscal year 2018, we closed our New York office and subleased the office space for the remaining period of the original lease term. As a result of vacating and subleasing the office, we recorded a \$472,000 loss on exit of the operating lease in fiscal year 2018. The Company sub-subleases the office space for \$24,000 per month until the lease expired on November 30, 2019. The Company has not been relieved of its leasing obligation during the sub-lease period. The associated cease use liability reduced the right-of-use asset upon adoption of ASC 842. The Company used a discount rate of 8.0% to determine the lease liability.

Total costs associated with leased assets are as follows:

	Year Ended January 31, 2020
Operating lease cost	\$ 189,000
Sublease income	(240,000)
Total operating lease income	\$ (51,000)

In fiscal 2019, operating lease payments of \$478,000 and cash receipts from the sublease totaling \$240,000 were included within cash flows from operating activities in the consolidated statements of cash flows.

In the third quarter of fiscal 2018, we assigned our then current Atlanta office lease that would have expired in November 2022 and entered into a membership agreement to occupy shared office space in Atlanta. As a result of assigning the office lease, we recorded a \$562,000 loss on exit of the operating lease in the third quarter of fiscal 2018. As of January 31, 2019, the total minimum rentals due and to be received under this noncancelable sublease were \$478,000 and \$216,000, respectively. The membership agreement does not qualify as a lease under ASC 842 as the owner has substantive substitution rights, therefore the Company recognizes expenses as incurred. See Note 12 – Commitments and Contingencies for further details on our shared office arrangement.

Rent and leasing expense for facilities and equipment was \$174,000 and \$964,000 for fiscal years 2019 and 2018, respectively. Substantially all, of the Company's rent expense for fiscal year 2019 is related to the membership agreement with WeWork (a shared office space located in Atlanta, GA) which is not considered a lease.

The Company entered into a new operating lease for its corporate headquarters subsequent to January 31, 2020, see Note 14.

NOTE 5 — DEBT

Term Loan and Line of Credit with Wells Fargo

On November 21, 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. Amounts outstanding under the Credit Agreement bear interest at either LIBOR or the base rate, as elected by the Company, plus an applicable margin. Subject to the Company's leverage ratio, pursuant to the terms of the amendment to the Credit Agreement entered into as of April 15, 2015, the applicable LIBOR rate margin varies from 4.25% to 6.25%, and the applicable base rate margin varies from 3.25% to 5.25%, plus, after the effective date of the amendment to the Credit Agreement entered into as of September 11, 2019, a "paid in kind" rate, or PIK Rate, of 2.75%. Amendments to the Credit Agreement reduced the Company's capacity on the existing revolving credit from \$5,000,000 to \$1,500,000 and extended the original term loan and line of credit maturity date to August 21, 2020. The senior term loan principal balance was payable in quarterly installments, which started in March 2015 and would continue through the maturity date, with the full remaining unpaid principal balance due at maturity. Financing costs associated with the new credit facility were being amortized over its term on a straight-line basis, which is not materially different from the effective interest method.

The Credit Agreement included customary financial covenants, including the requirements that the Company maintain minimum liquidity and achieve certain minimum EBITDA levels (as defined in the Credit Agreement). In addition, the Credit Agreement prohibited the Company from paying dividends on the common and preferred stock.

In connection with entering into the Loan and Security Agreement with Bridge Bank as discussed below, the Company terminated the Credit Agreement, as amended from time to time, effective December 11, 2019, and repaid all outstanding amounts due thereunder.

Term Loan and Revolving Credit Facility with Bridge Bank

On December 11, 2019, the Company entered into a new Loan and Security Agreement (the "Loan and Security Agreement") with Bridge Bank, a division of Western Alliance Bank, consisting of a \$4,000,000 term loan and a \$2,000,000 revolving credit facility. The proceeds from the term loan were used to repay all outstanding balances under its existing term loan with Wells Fargo Bank. Amounts outstanding under the new term loan shall bear interest at a per annum rate equal to the higher of (a) the Prime Rate (as published in The Wall Street Journal) plus 1.50% or (b) 6.50%. Under the terms of the Loan and Security Agreement the Company shall make interest-only payments through the twelve-month anniversary date after which the Company shall repay the new term loan in thirty-six equal and consecutive installments of principal, plus monthly payments of accrued interest. The term loan and revolving credit facility provide support for working capital, capital expenditures and other general corporate purposes, including permitted acquisitions. The outstanding term loan is secured by substantially all of our assets. Financing costs associated with the Loan and Security Agreement are being amortized over its term on a straight-line basis, which is not materially different from the effective interest method.

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

The Loan and Security Agreement, as amended, includes financial covenants, including requirements that the Company maintain a minimum asset coverage ratio and certain other financial covenants, including requirements that the Company shall not deviate by more than fifteen percent its revenue projections over a trailing three-month basis or the Company's recurring revenue shall not deviate by more than twenty percent over a cumulative year-to-date basis of its revenue projections. In addition, beginning on December 31, 2019, the Company's Bank EBITDA, measured on a monthly basis over a trailing three-month period then ended, shall not deviate by the greater of thirty percent its projected Bank EBITDA or \$150,000. The agreement also requires the Company to maintain a minimum Asset Coverage Ratio. The Asset Coverage Ratio is determined based on the ratio of unrestricted cash plus certain accounts that arise in the ordinary course the Company's business divided by all outstanding obligations to the bank. Pursuant to the terms of the new Loan and Security Agreement, the Company is required to maintain a minimum Asset Coverage Ratio of at least 0.75 to 1.00 from December 31, 2019 through November 30, 2020 and a minimum Asset Coverage Ratio of at least 1.50 to 1.00 each month thereafter. The Company was in compliance with the asset coverage ratio covenant, however, was not compliant with the EBITDA covenant, as described above. An appropriate waiver was received by Bridge Bank for the covenant violation as of January 31, 2020. Based upon the borrowing base formula set forth in the Loan and Security Agreement, as of January 31, 2020, the Company had access to the full amount of the \$2,000,000 revolving credit facility. As of January 31, 2020, the Company had no outstanding borrowings under the revolving credit facility.

In connection with entering into the Loan and Security Agreement discussed above, effective December 11, 2019 the Company terminated the Credit Agreement with Wells Fargo Bank, N.A., as administrative agent, and other lender parties thereto., dated November 21, 2014, as amended from time to time, and repaid all outstanding amounts due thereunder.

As described in Note 14 – Subsequent Events, in February 2020 the Company prepaid the \$4.0 million outstanding term loan with Bridge Bank in full with proceeds from the sale of the ECM Business, as required under the Loan and Security Agreement. Accordingly, we reclassified the term loan from non-current to current on the consolidated balance sheet as of January 31, 2020.

Outstanding principal balances on debt consisted of the following at:

	January 31, 2020	January 31, 2019
Term loan	\$ 4,000,000	\$ 4,030,000
Deferred financing cost	(175,000)	(82,000)
Total	3,825,000	3,948,000
Less: Current portion	(3,825,000)	(597,000)
Non-current portion of debt	\$ —	\$ 3,351,000

NOTE 6 — GOODWILL AND INTANGIBLE ASSETS

Intangible assets consist of the following:

	January 31, 2020			
	Estimated Useful Life	Gross Assets	Accumulated Amortization	Net Assets
Finite-lived assets:				
Client relationships	5-10 years	\$ 5,397,000	\$ 4,282,000	\$ 1,115,000
	January 31, 2019			
	Estimated Useful Life	Gross Assets	Accumulated Amortization	Net Assets
Finite-lived assets:				
Client relationships	5-10 years	\$ 5,397,000	\$ 3,756,000	\$ 1,641,000
Covenants not to compete	3 years	130,000	102,000	28,000
Total		\$ 5,527,000	\$ 3,858,000	\$ 1,669,000

In fiscal 2018, we recognized an impairment charge of \$3,681,000 as the carrying value of finite-lived intangible assets and capitalized product development cost relating to our Clinical Analytics solution no longer appeared recoverable. This impairment charge is included in the “Impairment of long-lived assets” line in our consolidated statements of operations. See Note 12 – Commitments and Contingencies for royalty liability associated with our Clinical Analytics solution.

The Company recognized amortization expense on intangible assets of \$554,000 and \$937,000 for fiscal years 2019 and 2018, respectively.

Future amortization expense for intangible assets is estimated as follows:

	Annual Amortization Expense
2020	\$ 491,000
2021	455,000
2022	169,000
Total	\$ 1,115,000

NOTE 7 — INCOME TAXES

Income taxes consist of the following:

	Fiscal Year	
	2019	2018
Current tax (expense) benefit:		
Federal	\$ —	\$ 7,000
State	(22,000)	(7,000)
Total current provision	(22,000)	—
Deferred tax expense:		
Federal	—	—
State	—	—
Total deferred tax benefit	—	—
Current and deferred tax expense	\$ (22,000)	\$ —

The income tax benefit differs from the amount computed using the federal statutory income tax rates of 21% for fiscal 2019 and 2018 as follows:

	Fiscal Year	
	2019	2018
Federal tax benefit at statutory rate	\$ (591,000)	\$ (1,232,000)
State and local tax expense, net of federal (benefit)	18,000	(95,000)
Decrease in valuation allowance	(178,000)	(767,000)
Permanent items:		
Incentive stock options	8,000	18,000
Other	7,000	1,000
Reserve for uncertain tax position	29,000	32,000
R&D Credit (Federal)	(144,000)	(158,000)
R&D Credit (State)	—	134,000
Expiring carryforwards	463,000	1,965,000
Stock-based compensation	70,000	73,000
Other	340,000	29,000
Income tax expense	\$ 22,000	\$ —

The Company provides deferred income taxes for temporary differences between assets and liabilities recognized for financial reporting and income tax purposes. The income tax effects of these temporary differences and credits are as follows:

	January 31,	
	2020	2019
Deferred tax assets:		
Allowance for doubtful accounts	\$ 24,000	\$ 84,000
Deferred revenue	26,000	63,000
Accruals	45,000	141,000
Net operating loss carryforwards	10,063,000	9,532,000
Stock compensation expense	70,000	205,000
Property and equipment	6,000	30,000
R&D credit	1,365,000	1,102,000
Other	153,000	133,000
Total deferred tax assets	11,752,000	11,290,000
Valuation allowance	(10,902,000)	(11,045,000)
Net deferred tax assets	850,000	245,000
Deferred tax liabilities:		
Finite-lived intangible assets	(850,000)	(245,000)
Total deferred tax liabilities	(850,000)	(245,000)
Net deferred tax liabilities	\$ —	\$ —

At January 31, 2020, the Company had U.S. federal net operating loss carry forwards of \$43,053,000. \$32,920,000 of these net operating losses expire at various dates through fiscal 2037. The remaining \$10,133,000 of these net operating losses can be carried forward indefinitely under the provisions of the Tax Cuts and Jobs Act (TCJA). The TCJA also eliminated the ability to carryback net operating losses. The Company also had state net operating loss carry forwards of \$16,845,000 and Federal R&D credit carry forwards of \$1,521,000, and Georgia R&D credit carry forwards of \$188,000, all of which expire through fiscal 2039.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The Company established a valuation allowance of \$10,902,000 and \$11,045,000 at January 31, 2020 and 2019, respectively. The decrease in the valuation allowance of \$143,000 was driven primarily by the expiration of federal net operating loss carry forwards.

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

The Company has recorded a reserve, including interest and penalties, for uncertain tax positions of \$304,000 and \$275,000 as of January 31, 2020 and 2019, respectively. As of January 31, 2020 and 2019, the Company had no accrued interest and penalties associated with unrecognized tax benefits.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits (excluding interest and penalties) is as follows:

	<u>2019</u>	<u>2018</u>
Beginning of fiscal year	\$ 275,000	\$ 295,000
Additions for tax positions for the current year	30,000	32,000
Additions for tax positions of prior years	—	—
Subtractions for tax positions of prior years	(1,000)	(52,000)
End of fiscal year	<u>\$ 304,000</u>	<u>\$ 275,000</u>

NOTE 8 — MAJOR CLIENTS

During fiscal year 2019 and 2018, no one individual client accounted for 10% or more of our total revenues. Four clients represented 17%, 15%, 11% and 10%, respectively, of total accounts receivable as of January 31, 2020 and two clients represented 12% and 9%, respectively, of total accounts receivable as of January 31, 2019.

NOTE 9 — EMPLOYEE RETIREMENT PLAN

The Company has established a 401(k) retirement plan that covers all associates. Company contributions to the plan may be made at the discretion of the board of directors. The Company matched 100% up to the first 4% of compensation deferred by each associate in the 401(k) plan through December 31, 2018. Effective January 1, 2019, the Company's matched amount was decreased to 50% up to the first 4% of compensation deferred by each associate. The total compensation expense for this matching contribution was \$262,000 and \$483,000 in fiscal 2019 and 2018, respectively.

NOTE 10 — EMPLOYEE STOCK PURCHASE PLAN

Though December 2019, the Company had an Employee Stock Purchase Plan under which associates were able to purchase up to 1,000,000 shares of common stock. Under the plan, eligible associates could elect to contribute, through payroll deductions, up to 10% of their base pay to a trust during any plan year, i.e., January 1 through December 31 of the same year. Semi-annually, typically in January and July of each year, the plan issued, for the benefit of the employees, shares of common stock at the lesser of (a) 85% of the fair market value of the common stock on the first day of the vesting period (January 1 or July 1), or (b) 85% of the fair market value of the common stock on the last day of the vesting period (June 30 or December 31 of the same year).

The Company recognized compensation expense of \$4,000 for fiscal years 2019 and 2018 under this plan.

During fiscal 2019, 5,072 shares were purchased at the price of \$0.75 per share and 3,238 shares were purchased at the price of \$1.18 per share; during fiscal 2018, 13,339 shares were purchased at the price of \$0.69 per share and 10,370 shares were purchased at the price of \$1.20 per share. The cash received for shares purchased from the plan was \$8,000 and \$22,000 in fiscal 2019 and 2018, respectively.

Effective January 1, 2020, the Company discontinued its Employee Stock Purchase Plan.

NOTE 11 — STOCK-BASED COMPENSATION

Stock Option Plans

The Company's Third Amended and Restated 2013 Stock Incentive Plan (the "2013 Plan") replaced the 2005 Incentive Compensation Plan (the "2005 Plan"). Under these plans, the Company is authorized to issue equity awards (stock options, stock appreciation rights or "SARs", and restricted stock) to directors and associates of the Company. Outstanding awards under the 2005 Plan continue to be governed by the terms of the 2005 Plan until exercised, expired or otherwise terminated or canceled, but no further equity awards are allowed to be granted under the 2005 Plan. Under the 2013 Plan, the Company is authorized to issue a number of shares not to exceed (i) 3,300,000 plus (ii) the number of shares remaining available for issuance under the 2005 Plan as of the date the 2005 Plan was replaced, plus (iii) the number of shares that become available under the 2005 Plan pursuant to forfeiture, termination, lapse, or satisfaction of a 2005 Plan award in cash or property other than shares of common stock. The options granted under the 2013 Plan and 2005 Plan have terms of ten years or less, and typically vest and become fully exercisable ratably over three years of continuous service to the Company from the date of grant. At January 31, 2020 and 2019, options to purchase 673,603 and 1,355,657 shares of the Company's common stock, respectively, have been granted and are outstanding under these Plans. There are no SARs outstanding.

Inducement grants are approved by the Company's compensation committee pursuant to NASDAQ Marketplace Rule 5635(c)(4). The terms of the grants were nearly identical to the terms and conditions of the Company's stock incentive plans in effect at the time of each inducement grant. For the year ended January 31, 2020, with regard to inducement grants, no stock options were issued, no options expired, 100,000 options were forfeited and no stock options were exercised. For the year ended January 31, 2019, with regard to inducement grants, no stock options were issued, no options expired, 75,000 options were forfeited and no stock options were exercised. As of January 31, 2020 and 2019, there were 125,000 and 225,000 options outstanding, respectively, under inducement grants.

Please see "Restricted Stock" section for information on the restricted shares.

A summary of stock option activity follows:

	Options	Weighted Average Exercise Price	Remaining Life in Years	Aggregate intrinsic value
Outstanding as of February 1, 2019	1,580,657	\$ 3.50		
Granted	28,000	1.30		
Exercised	—	—		
Expired	(158,681)	3.75		
Forfeited	(651,373)	3.36		
Outstanding as of January 31, 2020	798,603	\$ 3.49	5.19	\$ —
Exercisable as of January 31, 2020	763,086	\$ 3.58	5.03	\$ —
Vested or expected to vest as of January 31, 2020	787,980	\$ 3.51	5.14	\$ —

For fiscal 2019 and 2018, the weighted average grant date fair value of options granted during the year was \$0.72 and \$1.03, respectively, and the total intrinsic value of options exercised during fiscal 2018 was \$13,000. No options were exercised in fiscal 2019.

The fiscal 2019 and 2018 stock-based compensation was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for each fiscal year:

	2019	2018
Expected life	6.36 years	6 years
Risk-free interest rate	2.07%	2.89%
Weighted average volatility factor	0.57	0.65
Dividend yield	—	—
Forfeiture rate	29%	20%

At January 31, 2020, there was \$25,000 of unrecognized compensation cost related to non-vested stock-option awards. That cost is expected to be recognized over a remaining weighted average period of 1.33 years. The expense associated with stock option awards was \$45,000 and \$244,000, respectively, for fiscal 2019 and 2018. Cash received from the exercise of options was zero in both fiscal 2019 and 2018.

The 2005 Plan and the 2013 Plan contain change in control provisions whereby any outstanding equity awards under the plans subject to vesting, which have not fully vested as of the date of the change in control, shall automatically vest and become immediately exercisable. One of the change in control provisions is deemed to occur if there is a change in beneficial ownership, or authority to vote, directly or indirectly, of securities representing 20% or more of the total of all of the Company's then-outstanding voting securities, unless through a transaction arranged by or consummated with the prior approval of the Board of Directors. Other change in control provisions relate to mergers and acquisitions or a determination of change in control by the Company's Board of Directors.

Restricted Stock

The Company is authorized to grant restricted stock awards to associates and directors under the 2013 Plan. The Company has also issued restricted stock as inducement grants to certain new employees. The restrictions on the shares granted generally lapse over a one- to four-year term of continuous employment from the date of grant. On October 17, 2019, our CEO was awarded 250,000 shares of restricted stock: 50,000 of which vested upon grant, 100,000 shares that will vest in four substantially equal quarterly installments commencing on the first anniversary of the date of grant, and 100,000 shares that are subject to performance-based vesting and may vest on July 31, 2020 based upon the achievement of certain growth rates of revenue specified in agreement. The grant date fair value per share of restricted stock, which is based on the closing price of our common stock on the grant date, is expensed on a straight-line basis as the restriction period lapses. The shares represented by restricted stock awards are considered outstanding at the grant date, as the recipients are entitled to voting rights. A summary of restricted stock award activity for fiscal 2019 and 2018 is presented below:

	Non-vested Number of Shares	Weighted Average Grant Date Fair Value
Non-vested balance at January 31, 2018	821,587	\$ 1.59
Granted	826,666	1.15
Vested	(453,537)	1.34
Forfeited	(130,850)	1.61
Non-vested balance at January 31, 2019	1,063,866	\$ 1.27
Granted	912,518	1.26
Vested	(616,806)	1.29
Forfeited	(556,080)	1.31
Non-vested balance at January 31, 2020	803,498	\$ 1.22

At January 31, 2020, there was \$1,041,000 of unrecognized compensation cost related to restricted stock awards. That cost is expected to be recognized over a remaining period of 1.68 years.

The expense associated with restricted stock awards was \$885,000 and \$383,000, respectively, for fiscal 2019 and 2018.

NOTE 12 — COMMITMENTS AND CONTINGENCIES

Membership agreement to occupy shared office space

In fiscal 2018, the Company entered into a membership agreement to occupy shared office space in Atlanta, Georgia. Our new shared office arrangement commenced upon taking possession of the space and ends in November 2020. Fees due under the membership agreement are based on the number of contracted seats and the use of optional office services. As of January 31, 2020, minimum fees due under the shared office arrangement totaled \$130,000.

In March 2020, the Company moved its principal offices from the share office space to a subleased office space at 11800 Amber Park Drive, Suite 125, Alpharetta, GA. The office space totals 7,409 square feet and the corresponding sublease expires on March 31, 2023. See Note 14 – Subsequent Events.

Royalty Liability

On October 25, 2013, we entered into a Software License and Royalty Agreement (the “Royalty Agreement”) with Montefiore Medical Center (“Montefiore”) pursuant to which Montefiore granted us an exclusive, worldwide 15-year license of Montefiore’s proprietary clinical analytics platform solution, Clinical Looking Glass® (“CLG”), now known as our Clinical Analytics solution. In addition, Montefiore assigned to us the existing license agreement with a customer using CLG. As consideration under the Royalty Agreement, we paid Montefiore a one-time initial base royalty fee of \$3,000,000. Additionally, we originally committed that Montefiore would receive at least an additional \$3,000,000 of on-going royalty payments related to future sublicensing of CLG by us within the first six and one-half years of the license term. On July 1, 2018, we entered into a joint amendment to the Royalty Agreement and the existing Software License and Support Agreement with Montefiore to modify the payment obligations of the parties under both agreements. According to the modified provisions, our obligation to pay on-going royalties under the Royalty Agreement was replaced with the obligation to (i) provide maintenance services for 24 months and waive associated maintenance fees, and (ii) pay \$1,000,000 in cash by July 31, 2020. As a result of the commitment to fulfill a portion of our obligation by providing maintenance services at no cost, the royalty liability was significantly reduced, with a corresponding increase to deferred revenues. As of January 31, 2020, we had \$345,000 in deferred revenues associated with this modified royalty liability. The fair value of the royalty liability as of January 31, 2020 was determined based on the amount payable in cash. As of January 31, 2020 and 2019, the present value of this royalty liability was \$969,000 and \$905,000, respectively.

Litigation

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

NOTE 13 - RELATED PARTY TRANSACTIONS

In the second quarter of fiscal year 2019, in connection with the appointment of Wyche T. “Tee” Green, III, Chairman of the Board of the Company and Managing Member of 121G, LLC (“121G”), as interim President and Chief Executive Officer of the Company, we entered into a consulting agreement with 121G Consulting, LLC (“121G Consulting”), to provide an assessment of the Company’s innovation and growth teams and strategies and to develop a set of prioritized recommendations to be consolidated into a strategic plan for the Company’s leadership team. Mr. Green is a “member” of 121G Consulting, and, accordingly, has a financial interest in that entity. In October 2019, Mr. Green was appointed as President and Chief Executive Officer of the Company on a full-time basis.

For the year ended January 31, 2020, 121G Consulting fees totaled \$276,000. Of that amount, \$88,000 was included in executive transition cost and \$188,000 was included in the Company’s operating cost in the accompanying consolidated statements of operations. As of January 31, 2020, consulting fees payable to 121G Consulting totaled \$40,000 and are included in accounts payable in the accompanying consolidated balance sheet.

NOTE 14 — SUBSEQUENT EVENTS

We have evaluated subsequent events occurring after January 31, 2020, and based on our evaluation we did not identify any events that would have required recognition or disclosure in these consolidated financial statements, except for the following.

Sale of the ECM Business

On February 24, 2020, the Company consummated the previously-announced sale of the Company’s legacy Enterprise Content Management business (the “ECM Business”) pursuant to that certain Asset Purchase Agreement, dated December 17, 2019, as amended (the “Asset Purchase Agreement”), to Hyland Software, Inc. (the “Purchaser”),

Pursuant to the Asset Purchase Agreement, the Purchaser has acquired the ECM Business and assumed certain liabilities of the Seller for a purchase price of \$16.0 million, subject to certain adjustments for customer prepayments as set forth in the Asset Purchase Agreement.

In addition, \$800,000 of the purchase price will be held in a third-party escrow account, with a scheduled release date on the 15-month anniversary of the closing date to satisfy potential indemnification liabilities of the Company.

Prepayment of Term Loan

On February 24, 2020, in connection with the consummation of the sale of the ECM Business, the Company prepaid the \$4.0 million outstanding term loan with Bridge Bank in full as required under the Loan and Security Agreement.

New office space lease

In March 2020, the Company moved its principal offices to a new office space. The total minimal lease payments due under this new sublease, which commenced on March 1, 2020 and expires on March 31, 2023, totals \$598,000.

Consulting Agreement with 180 Consulting

On March 19, 2020, as previously disclosed in an 8-k, the Company entered into a Master Services Agreement (the “MSA”) with 180 Consulting, LLC (“180 Consulting”), pursuant to which 180 Consulting will provide a variety of consulting services including product management, internal systems platform integration and software engineering services, among others, through separate statements of work (“SOWs”). Contemporaneously, the Company entered into three SOWs under the MSA and has contracted to enter into two more SOWs within sixty (60) days of the date of entry into the MSA, the terms and conditions of such SOWs to be determined. The first three SOWs have a future commitment to the Company of \$500,000 for services that is to be paid in a combination of cash and stock to 180 Consulting. While no related person has a direct or indirect material interest in this MSA or the related SOWs, individuals providing services to us under the MSA and the SOWs may share workspace and administrative costs with 121G Consulting.

The Cares Act and the PPP Loan Program

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, was signed into law on March 17, 2020. Among other things, the Cares Act provided for a business loan program known as the Paycheck Protection Act (“PPP”). Companies are able to borrow, through the SBA, up to two months of payroll. The Company has filed for approximately \$2,300,000 through the SBA for the PPP loan program. The Company has not signed definitive debt agreements, nor has it been notified of funding as it relates to this program.

Novel Coronavirus (COVID-19)

As reported nationally, near the end of the Company’s fiscal year ended January 31, 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. Additionally, there was a number of cases in the United States by the balance sheet date, January 31, 2020. The Company serves acute care hospitals throughout the United States. It has not been materially impacted by the “shelter in place” movements of local and state governments across the United States. Although it is not possible to reliably estimate the length or severity of the pandemic, it could have an adverse financial impact on the Company’s financial condition.

Schedule II

Valuation and Qualifying Accounts and Reserves

Streamline Health Solutions, Inc.
For the two years ended January 31, 2020

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>(1) Deductions</u>	<u>Balance at End of Period</u>
		<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>		
(in thousands)					
Year ended January 31, 2020:					
Allowance for doubtful accounts	\$ 345	\$ (201)	\$ —	\$ (48)	\$ 96
Year ended January 31, 2019:					
Allowance for doubtful accounts	\$ 349	\$ 13	\$ —	\$ (17)	\$ 345

(1) Uncollectible accounts written of, net of recoveries.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On April 18, 2019, the Audit Committee of the Board of Directors (the “Audit Committee”) of Streamline Health Solutions, Inc. (the “Company”) approved the engagement of Dixon Hughes Goodman LLP (“DHG”) as the Company’s new independent registered public accounting firm, effective as of immediately after the filing of the Company’s Annual Report on Form 10-K, which occurred on April 22, 2019. As a result, on April 18, 2019, the Audit Committee approved the dismissal of RSM US LLP (“RSM”) as the Company’s independent registered public accounting firm, to be effective as of immediately after the filing of the Company’s Annual Report on Form 10-K, which occurred on April 22, 2019. The engagement of DHG was the result of a comprehensive, competitive process conducted by the Company’s Audit Committee.

RSM’s audit reports on the Company’s consolidated financial statements for each of the two most recent fiscal years ended January 31, 2019 and 2018 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the two most recent fiscal years ended January 31, 2019 and 2018, and in the subsequent interim period through April 22, 2019, there were no disagreements between the Company and RSM on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of RSM, would have caused RSM to make reference to the subject matter of the disagreement in connection with its reports.

There were no reportable events (as such term is defined in Item 304(a)(1)(v) of Regulation S-K) during the fiscal years ended January 31, 2019 and 2018 and the subsequent interim period through April 22, 2019.

On April 18, 2019, the Company provided RSM with a copy of the disclosures that the Company is making in response to Item 304(a) of Regulation S-K and requested that RSM furnish the Company with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the statements made by the Company in response to Item 304(a) of Regulation S-K, and, if not, stating the respects in which it does not agree. The Company has received the requested letter from RSM, and a copy of RSM’s letter was filed on Form 8-K on April 22, 2019.

During the Company’s fiscal years ended January 31, 2019 and 2018 and the subsequent interim period through April 22, 2019, neither the Company nor anyone on its behalf consulted with DHG regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company’s consolidated financial statements, and neither a written report nor oral advice was provided to the Company that DHG concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a “disagreement” (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K) or a “reportable event” (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our President (who serves as our principal executive officer) and our Senior Vice President (who serves as our principal financial officer) have evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Annual Report on Form 10-K (January 31, 2020). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of January 31, 2020.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed by, and under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our management and our Board of Directors to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

An internal control material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the consolidated financial statements will not be prevented or detected.

Our management, including our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 31, 2020, and concluded that during the third quarter ended October 31, 2019, errors related to the “Capitalized software development costs” and related amortization expense for previous periods, existed, and as such our internal control over financial reporting was not effective as of October 31, 2019 and continues to not be effective as of January 31, 2020 as the Company continues its remediation. These immaterial errors resulted from (i) assets that did not begin to be amortized timely due to an administrative error, and (ii) an incorrect method of amortizing the assets due to a misapplication of GAAP. In making the assessment of internal control over financial reporting, management used the criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As part of our remediation of the weakness in internal control over financial reporting, we have taken the following actions during the fourth quarter of fiscal 2019: (i) implementing a number of additional policies and procedures (ii) improving the communication between the accounting and engineering departments through required meetings (iii) supervisory review of projects to ensure compliance with the new policies and procedures and (iv) periodic reporting to more effectively monitor the status of projects. The additional policies and procedures include but are not limited to; (a) guidelines on completing projects within two sprints under the Company’s processes for engineering, (b) assignment of accountability, and (c) strict policies around placing projects on temporary “HOLD.”

Our management, in consultation with the Audit Committee of the Board of Directors who evaluated the effectiveness of these adjustments on the Company’s financial statements under Accounting Standards Codification (“ASC”) 250; *Accounting Changes and Error Corrections and Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, determined that the errors did not materially misstate any previously issued financial statements and the correction of the errors in the current fiscal year is also not material. As such, it was not necessary to restate its previously issued financial statements, or unaudited interim period financial statements.

Changes in Internal Control Over Financial Reporting

The Company has taken the actions described under the above Management Report on Internal Control Over Financial Reporting during the fiscal fourth quarter ended January 31, 2020 in an attempt to remediate a material weakness that existed in the Company’s accounting for amortization expenses for (i) certain software projects underlying its “Capitalized Software Development costs” by not timely amortizing projects that were completed, and (ii) the application of GAAP on amortization of all the capitalized software development costs, as more thoroughly discussed in Note 2, which resulted in the asset not being appropriately amortized and, accordingly, the corresponding amortization expense and net Capitalized Software Development costs balance not being correct in the Company’s consolidated financial statements for fiscal years 2017 and 2018, and the first half of fiscal year 2019.

Except as set forth above, there were no other changes in our internal control over financial reporting during the fiscal quarter ended January 31, 2020 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding directors, executive officers and corporate governance will be set forth in the proxy statement for our 2020 annual meeting of stockholders or an amendment to this Annual Report on Form 10-K, which will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and is incorporated herein by reference.

Item 11. Executive Compensation

Information regarding executive compensation will be set forth in the proxy statement for our 2020 annual meeting of stockholders or an amendment to this Annual Report on Form 10-K, which will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and is incorporated herein by reference.

Item 12. Securities Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding security ownership of certain beneficial owners and management and related stockholder matters will be set forth in the proxy statement for our 2020 annual meeting of stockholders or an amendment to this Annual Report on Form 10-K, which will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Directors Independence

Information regarding certain relationships and related transactions and director independence will be set forth in the proxy statement for our 2020 annual meeting of stockholders or an amendment to this Annual Report on Form 10-K, which will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information regarding principal accountant fees and services will be set forth in the proxy statement for our 2020 annual meeting of stockholders or an amendment to this Annual Report on Form 10-K, which will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) See Index to Consolidated Financial Statements and Schedule Covered by Reports of Registered Public Accounting Firms included in Part II, Item 8 of this annual report on Form 10-K. See Index to Exhibits contained in this annual report on Form 10-K.

(b) Exhibits

See Index to Exhibits contained in this annual report on Form 10-K.

Item 16. Form 10-K Summary

None.

INDEX TO EXHIBITS

EXHIBITS

- 3.1 [Certificate of Incorporation of Streamline Health Solutions, Inc. f/k/a/ LanVision Systems, Inc., as amended through August 19, 2014 \(Incorporated by reference from Exhibit 3.1 of the Form 10-Q, as filed with the SEC on September 15, 2014\).](#)
- 3.2 [Bylaws of Streamline Health Solutions, Inc., as amended and restated through March 28, 2014, \(Incorporated by reference from Exhibit 3.1 of Form 8-K, as filed with the Commission on April 3, 2014\).](#)
- 4.1 Specimen Common Stock Certificate of Streamline Health Solutions, Inc. (Incorporated by reference from the Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996).
- 10.1# [Streamline Health Solutions, Inc. 1996 Employee Stock Purchase Plan, as amended and restated effective July 1, 2013 \(Incorporated by reference from the Registration Statement on Form S-8, File Number 333-188763, as filed with the Commission on May 22, 2013\).](#)
- 10.2# [2005 Incentive Compensation Plan of Streamline Health Solutions, Inc. \(Incorporated by reference from Exhibit 10.1 of the Form 8-K, as filed with the Commission on May 26, 2005\).](#)
- 10.2(a)# [Amendment No. 1 to 2005 Incentive Compensation Plan of Streamline Health Solutions, Inc.\(Incorporated by reference to Annex 1 of Definitive Proxy Statement on Schedule 14A, as filed with the Commission on April 13, 2011\).](#)
- 10.2(b)# [Amendment No. 2 to 2005 Incentive Compensation Plan of Streamline Health Solutions, Inc. \(Incorporated by reference to Exhibit 4.3 of Registration Statement on Form S-8, as filed with the Commission on November 15, 2012\).](#)
- 10.3# [Streamline Health Solutions, Inc. Third Amended and Restated 2013 Stock Incentive Plan \(Incorporated by reference to Appendix A to the Company’s Definitive Proxy Statement on Schedule 14A filed on April 22, 2019\).](#)
- 10.3(a)# [Form of Restricted Stock Award Agreement for Non-Employee Directors \(Incorporated by reference from Exhibit 10.2 of the Form 8-K, as filed with the Commission August 25, 2014\).](#)
- 10.3(b)# [Form of Restricted Stock Award Agreement for Executives \(Incorporated by reference from Exhibit 10.3 of the Form 8-K, as filed with the Commission August 25, 2014\).](#)
- 10.3(c)# [Form of Stock Option Agreement for Executives \(Incorporated by reference from Exhibit 10.4 of the Form 8-K, as filed with the Commission August 25, 2014\).](#)
- 10.4# [Employment Agreement, dated October 17, 2019, by and between the Company and Wyche T. “Tee” Green, III \(Incorporated by reference to Exhibit 10.2 of the Form 8-K, as filed with the Commission on October 18, 2019\).](#)
- 10.5# [Employment Agreement dated September 10, 2018 by and between Streamline Health Solutions, Inc. and Thomas J. Gibson \(Incorporated by reference from Exhibit 10.1 of the Form 10-Q, as filed with the Commission on September 12, 2018\).](#)
- 10.6# [Employment Agreement dated February 5, 2020 by and between Streamline Health Solutions, Inc. and Randolph W. Salisbury \(Incorporated by reference from Exhibit 10.1 of the Form 8-K, as filed with the Commission on February 6, 2020\).](#)
- 10.7# [Employment Agreement dated August 1, 2019 by and between Streamline Health Solutions, Inc. and William G. Garvis \(Incorporated by reference from Exhibit 10.1 of the Form 8-K, as filed with the Commission on August 6, 2019\).](#)
- 10.8# [Form of Indemnification Agreement for all directors and officers of Streamline Health Solutions, Inc. \(Incorporated by reference from Exhibit 10.1 of the Form 8-K, as filed with the Commission on June 7, 2006\).](#)

- 10.9 [Software License and Royalty Agreement dated October 25, 2013 between Streamline Health, Inc. and Montefiore Medical Center \(Incorporated by reference from Exhibit 10.2 of the Form 10-Q, as filed with the Commission on December 17, 2013\).](#)
- 10.9(a) [Joint Amendment dated July 1, 2018, to the Software License and Support Agreement and the Software License and Royalty Agreement by and between Streamline Health Solutions, Inc. and Montefiore Medical Center \(Incorporated by reference from Exhibit 10.2 of the Form 10-Q, as filed with the Commission on September 12, 2018\).](#)
- 10.10 [Loan and Security Agreement dated as of December 11, 2019 by and among Bridge Bank, a division of Western Alliance Bank, Streamline Health Solutions, Inc. and Streamline Health, Inc. \(Incorporated by reference from Exhibit 10.5 of the Form 10-Q, as filed with the Commission on January 7, 2020\).](#)
- 10.11 [Securities Purchase Agreement, dated October 10, 2019, between the Company and each purchaser identified on the signature pages thereto \(Incorporated by reference to Exhibit 10.1 of the Form 8-K, as filed with the Commission on October 11, 2019\).](#)
- 10.12 [Registration Rights Agreement, dated October 10, 2019, between the Company and each of the several purchasers signatory thereto \(Incorporated by reference to Exhibit 10.2 of the Form 8-K, as filed with the Commission on October 11, 2019\).](#)
- 10.13 [Asset Purchase Agreement, dated December 17, 2019, by and among the Company, Streamline Health, Inc., and Hyland Software, Inc. \(Incorporated by reference to Exhibit 2.1 of the Form 8-K, as filed with the Commission on December 18, 2019\).](#)
- 10.13(a) [Amendment No. 1 to the Asset Purchase Agreement, dated January 7, 2020, by and among the Company, Streamline Health, Inc., and Hyland Software, Inc. \(Incorporated by reference from Exhibit 10.6 of the Form 10-Q, as filed with the Commission on January 7, 2020\).](#)
- 14.1 [Code of Business Conduct and Ethics \(Incorporated by reference from Exhibit 14.1 of the Form 10-K, as filed with the Commission on April 16, 2015\).](#)
- 16.1 [Letter, dated April 22, 2019, from RSM US LLP to the Securities and Exchange Commission \(Incorporated by reference from Exhibit 16.1 of the Form 8-K, as filed with the Commission on April 22, 2019\).](#)
- 21.1* [Subsidiaries of Streamline Health Solutions, Inc.](#)
- 23.1* [Consent of Independent Registered Public Accounting Firm - Dixon Hughes Goodman LLP](#)
- 23.2* [Consent of Independent Registered Public Accounting Firm - RSM US LLP](#)
- 24 [Power of Attorney \(included in signature page\)](#)
- 31.1* [Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2* [Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1* [Certification by Chief Executive Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2* [Certification by Chief Financial Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following financial information from Streamline Health Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2020 filed with the SEC on April 30, 2019, formatted in XBRL includes: (i) Consolidated Balance Sheets at January 31, 2020 and 2019, (ii) Consolidated Statements of Operations for the two years ended January 31, 2020, (iii) Consolidated Statements of Changes in Stockholders' Equity for the two years ended January 31, 2020, (iv) Consolidated Statements of Cash Flows for the two years ended January 31, 2020, and (v) the Notes to Consolidated Financial Statements.

* Filed herewith.

Management Contracts and Compensatory Arrangements.

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

STREAMLINE HEALTH SOLUTIONS, INC.

SUBSIDIARIES OF STREAMLINE HEALTH SOLUTIONS, INC.

Name	Jurisdiction of Incorporation	% Owned
Streamline Health, Inc.	Ohio	100%

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-233727 and 333-234567) on Form S-3 and (Nos. 333-188764, 333-208752, 333-220953 and 333-233728) on Form S-8 of Streamline Health Solutions, Inc. of our report dated April 22, 2020, with respect to our audit of the consolidated balance sheet of Streamline Health Solutions, Inc. and its subsidiary as of January 31, 2020, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended, and related financial statement schedule, included in this annual report on Form 10-K.

/s/ Dixon Hughes Goodman LLP

Atlanta, Georgia
April 22, 2020

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Nos. 333-233727 and 333-234567) on Form S-3 and (Nos. 333-188764, 333-208752, 333-220953 and 333-233728) on Form S-8 of Streamline Health Solutions, Inc. of our report dated April 22, 2019, relating to our audit of the consolidated financial statements and the financial statement schedule of Streamline Health Solutions, Inc. and subsidiary, which appears in this Annual Report on Form 10-K of Streamline Health Solutions, Inc. for the year ended January 31, 2020.

/s/ RSM US LLP

Atlanta, Georgia
April 22, 2020

STREAMLINE HEALTH SOLUTIONS, INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Wyche T. "Tee" Green, certify that:

I have reviewed this annual report on Form 10-K of Streamline Health Solutions, Inc.

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

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

The registrant's other certifying officer and I:

- are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant;
- designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
- evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation.

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

- all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

Disclosed in this report any significant changes in the Registrant's internal control over financial reporting or in other factors that could significantly affect internal controls subsequent to their date of evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

April 22, 2019

/s/ Wyche T. "Tee" Green

Chief Executive Officer and President

STREAMLINE HEALTH SOLUTIONS, INC.

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas J. Gibson, certify that:

I have reviewed this annual report on Form 10-K of Streamline Health Solutions, Inc.

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

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

The registrant's other certifying officer and I:

- are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant;
- designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
- evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation.

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

- all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

Disclosed in this report any significant changes in the Registrant's internal control over financial reporting or in other factors that could significantly affect internal controls subsequent to their date of evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

April 22, 2019

/s/ Thomas J. Gibson
Chief Financial Officer

STREAMLINE HEALTH SOLUTIONS, INC.

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

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

- The annual report on Form 10-K of the Company for the annual period ended January 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C 78m); and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Wyche T. "Tee" Green

Chief Executive Officer and President

April 22, 2020

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

STREAMLINE HEALTH SOLUTIONS, INC.

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

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

- The annual report on Form 10-K of the Company for the annual period ended January 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C 78m); and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas J. Gibson

Chief Financial Officer

April 22, 2020

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