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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **September 13, 2017**

**Streamline Health Solutions, Inc.**

(Exact name of registrant as specified in its charter)

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

**0-28132**  
(Commission File Number)

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

**1230 Peachtree Street, NE, Suite 600  
Atlanta, GA 30309**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(404) 446-2052**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has 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.

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**Item 2.02. Results of Operations and Financial Condition.**

On September 13, 2017, Streamline Health Solutions, Inc. (the “Company”) issued a press release announcing second quarter 2017 financial results. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information contained in this Item 2.02, as well as Exhibit 99.1 referenced herein, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor incorporated by reference in any filing under the Securities Act of 1933, as amended, unless the Company expressly so incorporates such information by reference.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

| <b>EXHIBIT<br/>NUMBER</b> | <b>DESCRIPTION</b>  |
|---------------------------|---|
| 99.1                      | Press release, dated September 13, 2017, regarding Second Quarter 2017 Financial Results. |

INDEX TO EXHIBITS

EXHIBIT  
NUMBER

DESCRIPTION

99.1

[Press release, dated September 13, 2017, regarding Second Quarter 2017 Financial Results.](#)

**SIGNATURES**

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

Streamline Health Solutions, Inc.

Date: September 13, 2017

By: /s/ Nicholas A. Meeks  
Name: Nicholas A. Meeks  
Title: Senior Vice President and Chief Financial Officer



#### News Release

**STREAMLINE HEALTH® REPORTS SECOND QUARTER 2017 REVENUES OF \$5.9 MILLION; (\$1.1 MILLION) NET LOSS; ADJUSTED EBITDA OF \$0.5 MILLION**

**Total First Half Fiscal 2017 Revenue \$11.8 Million; Net Loss (\$3.1 million)**

#### **Break-Even Adjusted EBITDA**

**Atlanta, GA — September 13, 2017** — Streamline Health Solutions, Inc. (NASDAQ: STRM), provider of integrated solutions, technology-enabled services and analytics supporting revenue cycle optimization for healthcare enterprises, today announced **financial results for the second quarter** and first half of fiscal 2017, which ended July 31, 2017.

**Revenues for the three-month period ended July 31, 2017 decreased approximately 20% to \$5.9 million over the revenues for the three-month period ended July 31, 2016 of \$7.4 million, which included \$1.0 million of perpetual license revenue. Revenue was down approximately 7% year-over-year in the second quarter of fiscal 2017 when excluding the perpetual license revenue for the same period in 2016 (\$5.9 million as compared to \$6.4 million). Recurring revenue comprised 82% of total revenue in the quarter.** Revenues for the first six months of fiscal year 2017 were \$11.8 million, down approximately 16% as compared to \$14.1 million in the first half of fiscal 2016. Revenue for the first six months of fiscal 2017 was down approximately 9% from the same period in 2016 when excluding the perpetual license revenue for the same period in 2016.

**Net loss for the second quarter of fiscal 2017 was \$(1.1 million) as compared to a (\$0.7 million) net loss in the same period a year ago. Net loss for the six months of fiscal 2017 was (\$3.1 million) as compared to (\$2.2 million) net loss for the same period in 2016.**

**Adjusted EBITDA for the second quarter of fiscal 2017 was \$0.5 million, down from \$1.6 million in the second quarter of 2016.** Adjusted EBITDA for the first six months of fiscal 2017 was break-even, as compared to \$2.2 million in the first half of fiscal 2016.

**“Our second quarter financial performance started to show some of the promise we envisioned when we refocused our efforts to the middle of the revenue cycle. During the quarter, we sold auditing services to four new clients such as Iora Health headquartered in Boston, Union General in Louisiana and St. Francis Medical Center in Missouri,”** stated David Sides, President and Chief Executive Officer, Streamline Health. **“Although these new contracts are small in terms of initial revenue contribution, we believe there is the opportunity for growth within each of these as we bring new technology to the relationships. Our pipeline for our new Streamline Health eValuator™ remains robust. We closed a new client after the second quarter ended which we believe will be one of many throughout the second half of our fiscal year. We continue to believe that we will generate incremental growth in our bookings in the second half of this year and into 2018.**

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Our balance sheet was mostly unchanged from the first quarter of this year as our cash on hand decreased the same amount as our debt. Going forward, we do not foresee paying down our debt at such an accelerated pace; rather we plan to grow our cash on hand.”

Highlights for the three months ended July 31, 2017 included:

- Revenue for the second quarter 2017 was \$5.9 million;
- Net loss for the second quarter 2017 was \$(1.1 million);
- Adjusted EBITDA for the second quarter 2017 was \$0.5 million;
- New sales bookings for the quarter were \$1.1 million; and
- Backlog at the end of the quarter was \$46.3 million.

#### Conference Call Information

An accompanying conference call will be hosted by David Sides, Chief Executive Officer and Nicholas Meeks, Senior Vice President and Chief Financial Officer. The call will be held at 9:00 AM ET, on Thursday, September 14, 2017 and will be accompanied by a live webcast. Please refer to the information below for conference call dial-in information and webcast registration.

**Conference Date:** September 14, 2017, 9:00 AM ET

**Webcast Registration:** [Click Here](#)

**Conference Dial-In:** 866-564-2842

**Conference Passcode:** 5680323

**Conference Call Name:** Streamline Health Solutions Second Quarter 2017 Results Call

Following the call, a replay will be available on the Company’s website, [www.streamlinehealth.net](http://www.streamlinehealth.net), in the Investor Relations section.

#### \*Non-GAAP Financial Measures

*Streamline Health reports its financial results in accordance with U.S. generally accepted accounting principles (“GAAP”). Streamline Health’s management also evaluates and makes operating decisions using various other measures. One such measure is adjusted EBITDA, which is a non-GAAP financial measure. Streamline Health’s management believes that this measure provides useful supplemental information regarding the performance of Streamline Health’s business operations.*

*Streamline Health defines “adjusted EBITDA” as net earnings (loss) plus interest expense, tax expense, depreciation and amortization expense of tangible and intangible assets, stock-based compensation expense, significant non-recurring operating expenses, and transactional related expenses including: gains and losses on debt and equity conversions, associate severances and related restructuring expenses, associate inducements, professional and advisory fees, and internal direct costs incurred to complete transactions. A table illustrating this measure is included in this press release.*

#### About Streamline Health

Streamline Health Solutions, Inc. (NASDAQ: STRM) is a healthcare industry leader in capturing, aggregating, and translating enterprise data into knowledge — providing actionable insights that support revenue cycle optimization for healthcare enterprises. We deliver integrated solutions and analytics that enable providers to drive reimbursement in a value-based world. We share a common calling and commitment to advance the quality of life and the quality of healthcare — for society, our clients, the communities they serve, and the individual patient. For more information, please visit our website at [www.streamlinehealth.net](http://www.streamlinehealth.net).

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**Safe Harbor statement under the Private Securities Litigation Reform Act of 1995**

*Statements made by Streamline Health Solutions, Inc. that are not historical facts are forward-looking statements that are subject to certain risks, uncertainties and important factors that could cause actual results to differ materially from those reflected in the forward-looking statements included herein. Forward-looking statements contained in this press release include, without limitation, statements regarding the Company's estimates of future revenue, backlog, results of investments in sales and marketing, success of future products and related expectations and assumptions. These risks and uncertainties include, but are not limited to, the timing of contract negotiations and execution of contracts and the related timing of the revenue recognition related thereto, the potential cancellation of existing contracts or clients not completing projects included in the backlog, the impact of competitive solutions and pricing, solution demand and market acceptance, new solution development and enhancement of current solutions, key strategic alliances with vendors and channel partners that resell the Company's solutions, the ability of the Company to control costs, availability of solutions from 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, fluctuations in operating results, effects of critical accounting policies and judgments, changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other similar entities, changes in economic, business and market conditions impacting the healthcare industry generally and the markets in which the Company operates and nationally, and the Company's ability to maintain compliance with the terms of its credit facilities, and other risks detailed from time to time in the Streamline Health Solutions, Inc. filings with the U. S. Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly release the results of any revision to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.*

**Company Contact:**

Randy Salisbury  
SVP, Chief Marketing Officer  
(404) 229-4242  
randy.salisbury@streamlinehealth.net

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STREAMLINE HEALTH SOLUTIONS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

|   | Three Months Ended<br>July 31, |                       | Six Months Ended<br>July 31, |                       |
|---|--------------------------------|-----------------------|------------------------------|-----------------------|
|   | 2017                           | 2016                  | 2017                         | 2016                  |
| <b>Revenues:</b>  |                                |                       |                              |                       |
| Systems sales   | \$ 328,692                     | \$ 1,364,771          | \$ 707,415                   | \$ 1,876,038          |
| Professional services   | 571,812                        | 548,080               | 991,847                      | 1,238,695             |
| Audit Services  | 291,441                        | —                     | 639,460                      | —                     |
| Maintenance and support                                       | 3,278,562                      | 3,732,488             | 6,633,334                    | 7,488,041             |
| Software as a service   | 1,442,652                      | 1,728,724             | 2,867,784                    | 3,438,510             |
| Total revenues  | <u>5,916,159</u>               | <u>7,374,063</u>      | <u>11,839,840</u>            | <u>14,041,284</u>     |
| <b>Operating expenses:</b>                                    |                                |                       |                              |                       |
| Cost of systems sales   | 596,799                        | 671,631               | 1,162,850                    | 1,417,115             |
| Cost of professional services                                 | 543,206                        | 529,024               | 1,258,421                    | 1,167,788             |
| Cost of Audit Services  | 391,439                        | —                     | 832,078                      | —                     |
| Cost of maintenance and support                               | 768,140                        | 835,353               | 1,574,662                    | 1,693,171             |
| Cost of software as a service                                 | 285,832                        | 455,370               | 625,208                      | 939,613               |
| Selling, general and administrative                           | 2,790,171                      | 3,341,949             | 6,163,699                    | 6,940,790             |
| Research and development                                      | 1,495,972                      | 2,108,567             | 3,052,910                    | 3,830,754             |
| Total operating expenses                                      | <u>6,871,559</u>               | <u>7,941,894</u>      | <u>14,669,828</u>            | <u>15,989,231</u>     |
| Operating loss  | (955,400)                      | (567,831)             | (2,829,988)                  | (1,947,947)           |
| <b>Other expense (income):</b>                                |                                |                       |                              |                       |
| Interest expense  | (120,377)                      | (120,014)             | (247,645)                    | (282,026)             |
| Miscellaneous income (expenses)                               | (19,681)                       | (44,756)              | (57,725)                     | 21,466                |
| Loss before income taxes                                      | (1,095,458)                    | (732,601)             | (3,135,358)                  | (2,208,507)           |
| Income tax benefit (expense)                                  | (2,607)                        | (1,701)               | (5,215)                      | (3,402)               |
| Net loss  | \$ (1,098,065)                 | \$ (734,302)          | \$ (3,140,573)               | \$ (2,211,909)        |
| Less: deemed dividends on Series A Preferred Shares           | —                              | (418,506)             | —                            | (803,225)             |
| Net loss attributable to common shareholders                  | <u>\$ (1,098,065)</u>          | <u>\$ (1,152,808)</u> | <u>\$ (3,140,573)</u>        | <u>\$ (3,015,134)</u> |
| Basic net loss per common share                               | <u>\$ (0.06)</u>               | <u>\$ (0.06)</u>      | <u>\$ (0.16)</u>             | <u>\$ (0.16)</u>      |
| Number of shares used in basic per common share computation   | <u>19,834,859</u>              | <u>19,791,805</u>     | <u>19,765,125</u>            | <u>19,393,547</u>     |
| Diluted net loss per common share                             | <u>\$ (0.06)</u>               | <u>\$ (0.06)</u>      | <u>\$ (0.16)</u>             | <u>\$ (0.16)</u>      |
| Number of shares used in diluted per common share computation | <u>19,834,859</u>              | <u>19,791,805</u>     | <u>19,765,125</u>            | <u>19,393,547</u>     |



STREAMLINE HEALTH SOLUTIONS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

Assets

|   | July 31,<br>2017     | January 31,<br>2017  |
|---|----------------------|----------------------|
| <b>Current assets:</b>  |                      |                      |
| Cash and cash equivalents   | \$ 2,916,459         | \$ 5,654,093         |
| Accounts receivable, net of allowance for doubtful accounts of \$286,084 and \$198,449, respectively                  | 4,621,331            | 4,489,789            |
| Contract receivables  | 69,625               | 466,423              |
| Prepaid hardware and third party software for future delivery   | 5,858                | 5,858                |
| Prepaid client maintenance contracts  | 710,309              | 595,633              |
| Other prepaid assets  | 861,300              | 732,496              |
| Other current assets  | 665                  | 439                  |
| <b>Total current assets</b>   | <b>9,185,547</b>     | <b>11,944,731</b>    |
| <b>Non-current assets:</b>  |                      |                      |
| <b>Property and equipment:</b>  |                      |                      |
| Computer equipment  | 3,081,856            | 3,110,274            |
| Computer software   | 831,242              | 827,642              |
| Office furniture, fixtures and equipment  | 683,443              | 683,443              |
| Leasehold improvements  | 729,348              | 729,348              |
|   | 5,325,889            | 5,350,707            |
| Accumulated depreciation and amortization   | (3,814,938)          | (3,447,198)          |
| <b>Property and equipment, net</b>  | <b>1,510,951</b>     | <b>1,903,509</b>     |
| Capitalized software development costs, net of accumulated amortization of \$17,688,421 and \$16,544,797 respectively | 4,285,069            | 4,584,245            |
| Intangible assets, net of accumulated amortization of \$6,473,451 and \$5,807,338, respectively                       | 6,330,485            | 6,996,599            |
| Goodwill  | 15,537,281           | 15,537,281           |
| Other   | 636,232              | 672,133              |
| <b>Total non-current assets</b>   | <b>28,300,018</b>    | <b>29,693,767</b>    |
|   | <b>\$ 37,485,565</b> | <b>\$ 41,638,498</b> |

STREAMLINE HEALTH SOLUTIONS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

Liabilities and Stockholders' Equity

|  | July 31,<br>2017     | January 31,<br>2017  |
|--|----------------------|----------------------|
| <b>Current liabilities:</b>  |                      |                      |
| Accounts payable   | \$ 1,566,454         | \$ 1,116,525         |
| Accrued compensation   | 481,528              | 496,706              |
| Accrued other expenses   | 188,172              | 484,391              |
| Current portion of term loan   | 596,980              | 655,804              |
| Deferred revenues  | 9,298,192            | 9,916,454            |
| Current portion of capital lease obligations   | 23,188               | 91,337               |
| <b>Total current liabilities</b>   | <b>12,155,214</b>    | <b>12,761,217</b>    |
| <b>Non-current liabilities:</b>  |                      |                      |
| Term loan, net of deferred financing cost of \$181,477 and \$199,211, respectively   | 4,164,381            | 4,883,286            |
| Warrants liability   | 360                  | 46,191               |
| Royalty liability  | 2,423,602            | 2,350,754            |
| Lease incentive liability  | 311,585              | 339,676              |
| Deferred revenues, less current portion  | 363,910              | 568,515              |
| <b>Total non-current liabilities</b>   | <b>7,263,838</b>     | <b>8,188,422</b>     |
| <b>Total liabilities</b>   | <b>19,419,052</b>    | <b>20,949,639</b>    |
| Series A 0% Convertible Redeemable Preferred stock, \$.01 par value per share, \$8,849,985 redemption value, 4,000,000 shares authorized, 2,949,995 issued and outstanding, net of unamortized preferred stock discount of \$0 | 8,849,985            | 8,849,985            |
| <b>Stockholders' equity:</b>   |                      |                      |
| Common stock, \$.01 par value per share, 45,000,000 shares authorized, 19,962,672 and 19,695,391 shares issued and outstanding, respectively   | 199,627              | 196,954              |
| Additional paid in capital   | 81,183,325           | 80,667,771           |
| Accumulated deficit  | (72,166,424)         | (69,025,851)         |
| <b>Total stockholders' equity</b>  | <b>9,216,528</b>     | <b>11,838,874</b>    |
|  | <b>\$ 37,485,565</b> | <b>\$ 41,638,498</b> |

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

|   | Six Months Ended July 31, |                     |
|---|---------------------------|---------------------|
|   | 2017                      | 2016                |
| <b>Operating activities:</b>  |                           |                     |
| Net loss  | \$ (3,140,573)            | \$ (2,211,909)      |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                           |                     |
| Depreciation  | 403,090                   | 630,706             |
| Amortization of capitalized software development costs                                    | 1,143,624                 | 1,425,962           |
| Amortization of intangible assets   | 666,114                   | 650,892             |
| Amortization of other deferred costs  | 161,064                   | 115,113             |
| Valuation adjustment for warrants liability   | (45,831)                  | (61,856)            |
| Share-based compensation expense  | 555,229                   | 909,411             |
| Other valuation adjustments   | 86,192                    | 83,937              |
| Loss on disposal of property and equipment  | (720)                     | 567                 |
| Provision for accounts receivable   | 166,170                   | 88,472              |
| Changes in assets and liabilities, net of assets acquired:                                |                           |                     |
| Accounts and contract receivables   | 99,086                    | 357,774             |
| Other assets  | (333,401)                 | (214,327)           |
| Accounts payable  | 449,929                   | (403,600)           |
| Accrued expenses  | (352,132)                 | (472,420)           |
| Deferred revenues   | (822,867)                 | (759,411)           |
| Net cash (used in) provided by operating activities                                       | <u>(965,026)</u>          | <u>139,311</u>      |
| <b>Investing activities:</b>  |                           |                     |
| Purchases of property and equipment   | (9,812)                   | (60,518)            |
| Capitalization of software development costs  | (844,448)                 | (936,560)           |
| Net cash used in investing activities   | <u>(854,260)</u>          | <u>(997,078)</u>    |
| <b>Financing activities:</b>  |                           |                     |
| Principal repayments on term loan   | (813,197)                 | (2,075,172)         |
| Principal payments on capital lease obligation  | (68,149)                  | (438,962)           |
| Proceeds from exercise of stock options and stock purchase plan                           | —                         | 14,793              |
| Payments related to settlement of employee shared-based awards                            | (37,002)                  | (11,702)            |
| Net cash used in financing activities   | <u>(918,348)</u>          | <u>(2,511,043)</u>  |
| Decrease in cash and cash equivalents   | (2,737,634)               | (3,368,810)         |
| Cash and cash equivalents at beginning of period  | 5,654,093                 | 9,882,136           |
| Cash and cash equivalents at end of period  | <u>\$ 2,916,459</u>       | <u>\$ 6,513,326</u> |

STREAMLINE HEALTH SOLUTIONS, INC.

Backlog  
(Unaudited)  
**Table A**

|                                   | July 31,<br>2017     | January 31,<br>2017  | July 31,<br>2016     |
|-----------------------------------|----------------------|----------------------|----------------------|
| Company Proprietary Software      | \$ 11,458,000        | \$ 11,504,000        | \$ 15,133,000        |
| Third Party Hardware and Software | 50,000               | 150,000              | 200,000              |
| Professional Services             | 3,517,000            | 4,068,000            | 5,563,000            |
| Audit Services                    | 1,454,000            | 1,847,000            | —                    |
| Maintenance and Support           | 16,583,000           | 19,193,000           | 19,569,000           |
| Software as a Service             | 13,300,000           | 13,861,000           | 13,177,000           |
| <b>Total</b>                      | <b>\$ 46,362,000</b> | <b>\$ 50,623,000</b> | <b>\$ 53,642,000</b> |

STREAMLINE HEALTH SOLUTIONS, INC.

New Bookings  
(Unaudited)  
**Table B**

|                                 | Three Months Ended<br>July 31, 2017 |                        |
|---------------------------------|-------------------------------------|------------------------|
|                                 | Value                               | % of Total<br>Bookings |
| Streamline Health Software      |                                     |                        |
| licenses                        | \$ 59,000                           | 5%                     |
| Software as a service           | 47,000                              | 4%                     |
| Maintenance and support         | 122,000                             | 11%                    |
| Audit Services                  | 108,000                             | 10%                    |
| Professional services           | 777,000                             | 70%                    |
| Hardware & third party software | —                                   | 0%                     |
| <b>Total bookings</b>           | <b>\$ 1,113,000</b>                 | <b>100%</b>            |

Reconciliation of Non-GAAP Financial Measures  
(Unaudited)  
**Table C**

This press release contains a non-GAAP financial measure under the rules of the U.S. Securities and Exchange Commission for adjusted EBITDA. This non-GAAP information supplements and is not intended to represent a measure of performance in accordance with disclosures required by generally accepted accounting principles. Non-GAAP financial measures are used internally to manage the business, such as in establishing an annual operating budget. Non-GAAP financial measures are used by Streamline Health's management in its operating and financial decision-making because management believes these measures reflect ongoing business in a manner that allows meaningful period-to-period comparisons. Accordingly, the Company believes it is useful for investors and others to review both GAAP and non-GAAP measures in order to (a) understand and evaluate current operating performance and future prospects in the same manner as management does and (b) compare in a consistent manner the Company's current financial results with past financial results. The primary limitations associated with the use of non-GAAP financial measures are that these measures may not be directly comparable to the amounts reported by other companies and they do not include all items of income and expense that affect operations. The Company's management compensates for these limitations by considering the Company's financial results and outlook as determined in accordance with GAAP and by providing a detailed reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures in the tables attached to this press release. Streamline Health defines "adjusted EBITDA" as net earnings (loss) plus interest expense, tax expense, depreciation and amortization expense of tangible and intangible assets, stock-based compensation expense, significant non-recurring operating expenses, and transactional related expenses including: gains and losses on debt and equity conversions, associate severances and related restructuring expenses, associate inducements, professional and advisory fees, and internal direct costs incurred to complete transactions.

**Reconciliation of net earnings (loss) to non-GAAP adjusted EBITDA (in thousands)**

| Adjusted EBITDA Reconciliation   | Three Months Ended, |                   | Six Months Ended, |                   |
|--|---------------------|-------------------|-------------------|-------------------|
|  | July 31,<br>2017    | July 31,<br>2016  | July 31,<br>2017  | July 31,<br>2016  |
| Net loss   | \$ (1,098)          | \$ (734)          | \$ (3,134)        | \$ (2,212)        |
| Interest expense   | 120                 | 120               | 248               | 282               |
| Income tax expense   | 3                   | 2                 | 5                 | 3                 |
| Depreciation   | 200                 | 310               | 403               | 631               |
| Amortization of capitalized software development costs                                   | 572                 | 710               | 1,144             | 1,426             |
| Amortization of intangible assets  | 333                 | 325               | 666               | 651               |
| Amortization of other costs  | 43                  | 36                | 126               | 80                |
| EBITDA   | <u>173</u>          | <u>769</u>        | <u>(549)</u>      | <u>861</u>        |
| Share-based compensation expense   | 288                 | 432               | 555               | 909               |
| (Gain) Loss on disposal of fixed assets  | —                   | —                 | (1)               | 1                 |
| Associate severances and other costs relating to transactions or corporate restructuring | —                   | 110               | —                 | 110               |
| Non-cash valuation adjustments to assets and liabilities                                 | 23                  | 14                | 40                | 22                |
| Transaction related professional fees, advisory fees and other internal direct costs     | —                   | 236               | —                 | 255               |
| Adjusted EBITDA  | <u>\$ 484</u>       | <u>\$ 1,561</u>   | <u>\$ 45</u>      | <u>\$ 2,158</u>   |
| Adjusted EBITDA Margin(1)  | <u>8%</u>           | <u>21%</u>        | <u>—%</u>         | <u>15%</u>        |
| <b>Adjusted EBITDA per diluted share</b>   |                     |                   |                   |                   |
| Loss per share — diluted   | <u>\$ (0.06)</u>    | <u>\$ (0.06)</u>  | <u>\$ (0.16)</u>  | <u>\$ (0.16)</u>  |
| Adjusted EBITDA per adjusted diluted share (2)   | <u>\$ 0.02</u>      | <u>\$ 0.07</u>    | <u>\$ —</u>       | <u>\$ 0.10</u>    |
| Diluted weighted average shares  | 19,834,859          | 19,791,805        | 19,765,125        | 19,393,547        |
| Includable incremental shares — adjusted EBITDA (3)                                      | 3,378,484           | 3,376,285         | 3,322,319         | 3,313,870         |
| Adjusted diluted shares  | <u>23,213,343</u>   | <u>23,168,090</u> | <u>23,087,444</u> | <u>22,707,417</u> |

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

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

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