UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2022

OR

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

For the transition period from __________ to ____________

Commission File Number: 000-28132

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

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

11800 Amber Park Drive, 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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**STRM**	**Nasdaq Capital Market**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

Emerging growth company ☐

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

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

The number of shares outstanding of the Registrant's Common Stock, $.01 par value per share, as of September 01, 2022 was 48,786,709.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

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

	As of	
	July 31, 2022	**January 31, 2022**
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,918,000	$ 9,885,000
Accounts receivable, net	3,545,000	3,823,000
Contract receivables	771,000	843,000
Prepaid and other current assets	945,000	568,000
Total current assets	11,179,000	15,119,000
Non-current assets:		
Property and equipment, net	106,000	123,000
Right of use asset	127,000	218,000
Capitalized software development costs, net	5,579,000	5,555,000
Intangible assets, net	15,707,000	16,763,000
Goodwill	23,089,000	23,089,000
Other	1,175,000	948,000
Total non-current assets	45,783,000	46,696,000
Total assets	$ 56,962,000	$ 61,815,000

See accompanying notes to condensed consolidated financial statements.

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

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

	As of	
	July 31, 2022	**January 31, 2022**
	(Unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 669,000	$ 778,000
Accrued expenses	2,436,000	1,803,000
Current portion of term loan	500,000	250,000
Deferred revenues	6,189,000	5,794,000
Current portion of lease obligation	138,000	204,000
Acquisition earnout liability	4,734,000	4,672,000
Total current liabilities	14,666,000	13,501,000
Non-current liabilities:		
Term loan, net of current portion and deferred financing costs	9,444,000	9,654,000
Deferred revenues, less current portion	155,000	136,000
Lease obligations, less current portion	—	33,000
Acquisition earnout liability, less current portion	4,074,000	4,161,000
Other non-current liabilities	116,000	286,000
Total non-current liabilities	13,789,000	14,270,000
Total liabilities	28,455,000	27,771,000
Stockholders' equity:		
Common stock	488,000	478,000
Additional paid in capital	119,737,000	119,225,000
Accumulated deficit	(91,718,000)	(85,659,000)
Total stockholders' equity	28,507,000	34,044,000
Total liabilities and stockholders' equity	$ 56,962,000	$ 61,815,000

See accompanying notes to condensed consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2022	**2021**	**2022**	**2021**
Revenue:				
Software licenses	$ 52,000	$ —	$ 123,000	$ 135,000
Professional services	1,038,000	30,000	2,282,000	108,000
Audit services	667,000	443,000	1,346,000	947,000
Maintenance and support	1,118,000	1,087,000	2,228,000	2,144,000
Software as a service	3,117,000	1,308,000	5,948,000	2,485,000
Total revenue	5,992,000	2,868,000	11,927,000	5,819,000
Operating expenses:				
Cost of software licenses	92,000	143,000	193,000	279,000
Cost of professional services	1,034,000	261,000	2,160,000	475,000
Cost of audit services	456,000	376,000	895,000	765,000
Cost of maintenance and support	90,000	80,000	136,000	166,000
Cost of software as a service	1,532,000	578,000	3,029,000	1,188,000
Selling, general and administrative expense	3,934,000	2,515,000	8,435,000	5,068,000
Research and development	1,461,000	964,000	2,773,000	1,941,000
Acquisition-related costs	49,000	336,000	139,000	777,000
Total operating expenses	8,648,000	5,253,000	17,760,000	10,659,000
Operating loss	(2,656,000)	(2,385,000)	(5,833,000)	(4,840,000)
Other (expense) income:				
Interest expense	(189,000)	(9,000)	(321,000)	(22,000)
Other	(425,000)	(8,000)	108,000	6,000
Forgiveness of PPP loan and accrued interest	—	2,327,000	—	2,327,000
Loss from continuing operations before income taxes	(3,270,000)	(75,000)	(6,046,000)	(2,529,000)
Income tax (expense) benefit	(2,000)	4,000	(13,000)	(5,000)
Loss from continuing operations	(3,272,000)	(71,000)	(6,059,000)	(2,534,000)
Income from discontinued operations:				
Income from discontinued operations	—	11,000	—	332,000
Income from discontinued operations, net of tax	—	11,000	—	332,000
Net loss	$ (3,272,000)	$ (60,000)	$ (6,059,000)	$ (2,202,000)
Basic Earnings Per Share:				
Continuing operations	$ (0.07)	$ —	$ (0.13)	$ (0.06)
Discontinued operations	—	—	—	0.01
Net loss per share	$ (0.07)	$ —	$ (0.13)	$ (0.05)
Weighted average number of common shares – basic	47,231,296	41,288,709	47,129,879	39,393,333
Diluted Earnings Per Share:				
Continuing operations	$ (0.07)	$ —	$ (0.13)	$ (0.06)
Discontinued operations	—	—	—	0.01
Net loss per share	$ (0.07)	$ —	$ (0.13)	$ (0.05)
Weighted average number of common shares – diluted	47,410,949	41,737,231	47,348,455	39,960,998

See accompanying notes to condensed consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF 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, 2022	47,840,950	$ 478,000	$ 119,225,000	$ (86,659,000)	$ 34,044,000
Restricted stock issued	408,031	4,000	(4,000)	—	—
Restricted stock forfeited	(63,900)	—	—	—	—
Surrender of shares	(95,701)	(1,000)	(140,000)	—	(141,000)
Share-based compensation	—	—	326,000	—	326,000
Net loss	—	—	—	(2,787,000)	(2,787,000)
Balance at April 30, 2022	48,089,380	$ 481,000	$ 119,407,000	$ (88,446,000)	$ 31,442,000
Exercise of Stock Options	5,000	—	6,000	—	6,000
Restricted stock issued	726,801	7,000	(7,000)	—	—
Restricted stock forfeited	(20,000)	—	—	—	—
Share-based compensation	—	—	331,000	—	331,000
Net loss	—	—	—	(3,272,000)	(3,272,000)
Balance at July 31, 2022	48,801,181	$ 488,000	$ 119,737,000	$ (91,718,000)	$ 28,507,000

	Common stock shares	Common Stock	Additional paid in capital	Accumulated deficit	Total stockholders' equity
Balance at January 31, 2021	31,597,975	$ 316,000	$ 96,290,000	$ (79,117,000)	$ 17,489,000
Restricted stock issued	740,752	7,000	(7,000)	—	—
Surrender of shares	(78,562)	(1,000)	(160,000)	—	(161,000)
Share-based compensation	—	—	565,000	—	565,000
Issuance of Common Stock	10,062,500	101,000	15,999,000	—	16,100,000
Offering Expenses	—	—	(1,293,000)	—	(1,293,000)
Net loss	—	—	—	(2,142,000)	(2,142,000)
Balance at April 30, 2021	42,322,665	$ 423,000	$ 111,394,000	$ (81,259,000)	$ 30,558,000
Restricted stock issued	112,500	1,000	(1,000)	—	—
Restricted stock forfeited	(10,000)	—	—	—	—
Surrender of shares	(69,289)	—	(130,000)	—	(130,000)
Share-based compensation	—	—	557,000	—	557,000
Offering Expenses	—	—	(25,000)	—	(25,000)
Net loss	—	—	—	(60,000)	(60,000)
Balance at July 31, 2021	42,355,876	$ 424,000	$ 111,795,000	$ (81,319,000)	$ 30,900,000

See accompanying notes to condensed consolidated financial statements.

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

(rounded to the nearest thousand dollars)

	Six months Ended July 31, 2022	Six months Ended July 31, 2021
Net Loss	$ (6,059,000)	$ (2,202,000)
LESS: Income from discontinued operations, net of tax	—	(332,000)
Loss from continuing operations, net of tax	(6,059,000)	(2,534,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	27,000	37,000
Amortization of capitalized software development costs	847,000	984,000
Amortization of intangible assets	1,056,000	231,000
Amortization of other deferred costs	229,000	242,000
Change in fair value of acquisition earnout liability	(25,000)	—
Amortization of deferred financing costs	40,000	—
Share-based compensation expense	657,000	1,122,000
Provision (benefit) for accounts receivable allowance	21,000	(1,000)
Forgiveness of PPP loan and accrued interest	—	(2,327,000)
Changes in assets and liabilities:		
Accounts and contract receivables	329,000	243,000
Other assets	(742,000)	(622,000)
Accounts payable	(109,000)	91,000
Accrued expenses and other liabilities	364,000	352,000
Deferred revenue	414,000	645,000
Net cash used in operating activities	(2,951,000)	(1,537,000)
Net cash provided by operating activities – discontinued operations	—	436,000
Cash flows from investing activities:		
Proceeds from sale of ECM Assets	—	800,000
Purchases of property and equipment	(10,000)	(3,000)
Capitalization of software development costs	(871,000)	(706,000)
Net cash (used in) provided by investing activities	(881,000)	91,000
Cash flows from financing activities:		
Proceeds from issuance of common stock	—	16,100,000
Payments for costs directly attributable to the issuance of common stock	—	(1,318,000)
Payments related to settlement of employee share-based awards	(141,000)	(291,000)
Payment for deferred financing costs	—	(38,000)
Other	6,000	(5,000)
Net cash (used in) provided by financing activities	(135,000)	14,448,000
Net (decrease) increase in cash and cash equivalents	(3,967,000)	13,438,000
Cash and cash equivalents at beginning of period	9,885,000	2,409,000
Cash and cash equivalents at end of period	$ 5,918,000	$ 15,847,000

See accompanying notes to condensed consolidated financial statements.

NOTE 1 — BASIS OF PRESENTATION

Streamline Health Solutions, Inc. and each of its wholly-owned subsidiaries, Streamline Health, LLC, Avelead Consulting, LLC, Streamline Consulting Solutions, LLC and Streamline Pay & Benefits, LLC, (collectively, unless the context requires otherwise, “we,” “us,” “our,” “Streamline,” or the “Company”), operate in one segment as a provider of healthcare information technology solutions and associated services. The Company provides these capabilities through the licensing of its Coding & CDI, eValuator coding analysis platform, RevID, and other workflow software applications and the use of such applications by software as a service (“SaaS”). The Company also provides audit and coding services to help customers 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.

The accompanying unaudited condensed consolidated financial statements have been prepared by us pursuant to the rules and regulations applicable to quarterly reports on Form 10-Q of the U.S. Securities and Exchange Commission (the “SEC”). Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. The condensed consolidated financial statements include the accounts of Streamline Health Solutions, Inc. and each of its wholly-owned subsidiaries. In the opinion of the Company’s management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the condensed consolidated financial statements have been included. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s most recent annual report on Form 10-K. Operating results for the three and six months ended July 31, 2022 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2023.

Two or more operating segments may be aggregated into a single operating segment if they are considered to be similar. Operating segments are considered to be similar if they can be expected to have essentially the same economic characteristics and future prospects. Using the aggregation guidance, the Company determined that it has one operating segment due to the similar economic characteristics of the Company’s products, product development, distribution, regulatory environment and customer base as a provider of computer software-based solutions and services for acute-care healthcare providers. The Company has two reporting units for evaluation of intangible assets. These two reporting units are the legacy Streamline products and Avelead Consulting, LLC. Refer to “Note 3 – Business Combination and Divestiture”.

All amounts in the condensed consolidated financial statements, notes and tables have been rounded to the nearest thousand dollars, except share and per share amounts, unless otherwise indicated. 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 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies are presented in "Note 2 – Significant Accounting Policies" in the fiscal year 2021 Annual Report on Form 10-K. Users of financial information for interim periods are encouraged to refer to the notes to the consolidated financial statements contained in the Annual Report on Form 10-K when reviewing interim financial results.

Use of Estimates

The preparation of financial statements in conformity with 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, share-based compensation, capitalization of software development costs, intangible assets, the allowance for doubtful accounts, contingent consideration, and income taxes. Actual results could differ from those estimates.

Fair Value of Financial Instruments

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

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

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

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

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value based on the short-term maturity of these instruments. Cash and cash equivalents are classified as Level 1. There were no transfers of assets or liabilities between Levels 1, 2, or 3 during the six months ended July 31, 2022 and 2021.

The table below provides information on the fair value of our liabilities:

	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At January 31, 2022				
Acquisition earnout liability (1)	$ 8,833,000	$ –	$ –	$ 8,833,000
At July 31, 2022				
Acquisition earnout liability (1)	$ 8,808,000	$ –	$ –	$ 8,808,000

(1) The fair value of the acquisition earnout liability is based upon a probability-weighted discounted cash flow that was completed at the date of acquisition and updated as of July 31, 2022. The change in the fair value of the acquisition earnout liability increased $475,000 for the three months ended July, 31, 2022, and decreased $25,000 for the six months ended July 31, 2022. The change in the fair value is recognized in "other expense" in the accompanying condensed consolidated statement of operations.

The fair value of the Company's term loan under its Second Amended and Restated Loan and Security Agreement was determined through an analysis of the interest rate spread from the date of closing the loan (August 2021) to the date of the most recent balance sheets, July 31, 2022 and January 31, 2022. The term loan bears interest at a per annum rate equal to the Prime Rate (as published in The Wall Street Journal) plus 1.5%, with a Prime "floor" rate of 3.25%. The prime rate is variable and, thus accommodates changes in the market interest rate. However, the interest rate spread (the 1.5% added to the Prime Rate) is fixed. We estimated the impact of the changes in the interest rate spread by analogizing the effect of the change in the Corporate bond rates, reduced for any changes in the market interest rate. This provided us with an estimated change to the interest rate spread of approximately 0.5% from the date we entered the debt agreement to the end of the second quarter, July 31, 2022 and end of the fiscal year, January 31, 2022. The discount to the value of the debt as of July 31, 2022 and January 31, 2022 was estimated to be $9,839,000 and $9,798,000, or a discount to book value of $161,000 and $202,000, respectively. Long-term debt is classified as Level 2.

Revenue Recognition

We derive revenue from the sale of internally-developed software, either by licensing for local installation or by a SaaS delivery model, through the Company's direct sales force or through third-party resellers. Licensed, locally-installed customers on a perpetual model utilize the Company's 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 and consulting services.

We recognize revenue in accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, 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 recognize revenue (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

Contracts may 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 customers 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 a right of refund terms exist, revenue may not be recognized until the satisfaction of such criteria.

The determined transaction price is allocated based on the standalone selling price of the performance obligations in the 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. The Company recognizes revenue for implementation for certain of its eValuator SaaS solution over the contract term, as it has been determined that those implementation services are not a distinct performance obligation. Services for other SaaS and Software solutions such as CDI, RevID and Compare, have been determined as a distinct performance obligation. For these agreements, 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, software as a service 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.

Software Licenses

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 customers 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 a right to use of the Company's platform and support which represent a single promise to provide continuous access to its software solutions. Implementation services for the Company's eValuator product are included as part of the single promise for its respective contracts. The Company recognizes revenue for implementation of the eValuator product over the contract term as it is determined that the implementation on eValuator is not a distinct performance obligation. Implementation services for other SaaS products are deemed to be separate performance obligations.

Audit Services

The Company provides technology-enabled coding audit services to help customers 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 as the services are performed.

Disaggregation of Revenue

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

	Three Months Ended		Six Months Ended	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Recurring revenue	$ 4,235,000	$ 2,395,000	$ 8,176,000	$ 4,629,000
Non-recurring revenue	1,757,000	473,000	3,751,000	1,190,000
Total revenue:	$ 5,992,000	$ 2,868,000	$ 11,927,000	$ 5,819,000

The Company includes revenue categories of (i) maintenance and support and (ii) software as a service as recurring revenue. The Company includes revenue categories of (i) software licenses, (ii) professional services, and (iii) audit services as non-recurring revenue.

Business Combinations

Acquisitions have been accounted for as business combinations, using the acquisition method and, accordingly, the results of operations of the acquired businesses have been included in the condensed consolidated financial statements since their dates of acquisition. The assets and liabilities assumed of these businesses were recorded in the financial statements at their respective estimated fair values as of the acquisition date. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions as a part of the purchase price allocation process to accurately value the assets acquired, including intangible assets, and the liabilities assumed at the acquisition date, the Company's estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair values of the assets acquired and the liabilities assumed, with a corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or the liabilities assumed, whichever comes first, any subsequent adjustments are reflected in our consolidated statements of operations.

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 revenue includes payments received in advance of performance under the contract. The Company's 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 six months ended July 31, 2022, the Company recognized approximately $3,690,000 in revenue from deferred revenues outstanding as of January 31, 2022. Revenue allocated to remaining performance obligations was $21,833,000 as of July 31, 2022, of which the Company expects to recognize approximately 68% over the next 12 months and the remainder thereafter.

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

The Company defers 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 period of expected benefit which is the contractual term. As of July 31, 2022 and January 31, 2022, the Company had deferred costs of $112,000 and $125,000, respectively, net of accumulated amortization of $134,000 and $93,000, respectively. Amortization expense of these costs was $21,000 and $28,000 for the three months ended July 31, 2022 and 2021, respectively, and $40,000 and $67,000 for the six months ended July 31, 2022 and 2021, respectively, and is included in various costs of revenue in the condensed consolidated statements of operations.

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, the Company expenses sales commissions as incurred when the amortization period of related deferred commission costs is expected to be one year or less.

As of July 31, 2022 and January 31, 2022, deferred commission costs paid and payable, which are included on the consolidated balance sheets within other non-current assets totaled $1,026,000 and $806,000, respectively, net of accumulated amortization of $597,000 and $408,000, respectively. For the three months ended July 31, 2022 and 2021, $95,000 and $90,000, respectively, and for the six months ended July 31, 2022 and 2021, $186,000 and $160,000, respectively, in amortization expense associated with deferred sales commissions was included in selling, general and administrative expenses in the condensed consolidated statements of operations. There were no impairment losses for these capitalized costs for these periods.

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, and forfeitures are recognized as incurred. For awards to non-employees, the Company recognizes compensation expense in the same manner as if the entity had paid cash for the goods or services. The Company incurred total compensation expense related to share-based awards of $331,000 and $557,000 for the three months ended July 31, 2022 and 2021, respectively, and $657,000 and $1,122,000 in the six months ended July 31, 2022 and 2021, respectively.

The fair value of the stock options granted 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. 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 share-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.

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. Refer to Note 6 – 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 July 31, 2022, 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 the Company’s common stock.

The Company’s 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. Diluted EPS for the Company’s common stock is computed using the treasury stock method.

The following is the calculation of the basic and diluted net earnings (loss) per share of common stock for the three and six months ended July 31, 2022 and 2021:

	Three Months Ended		Six Months Ended	
	July 31, 2022	July 31,2021	July 31, 2022	July 31, 2021
Basic earnings (loss) per share:				
Continuing operations				
Loss from continuing operations, net of tax	$ (3,272,000)	$ (71,000)	$ (6,059,000)	$ (2,534,000)
Basic net loss per share of common stock from continuing operations	$ (0.07)	$ —	(0.13)	(0.06)
Discontinued operations				
Income available to common stockholders from discontinued operations	$ —	$ 11,000	—	332,000
Basic net earnings per share of common stock from discontinued operations	$ —	$ —	$ —	$ 0.01
Diluted earnings (loss) per share:				
Continuing operations				
Loss available to common stockholders from continuing operations	$ (3,272,000)	$ (71,000)	(6,059,000)	(2,534,000)
Diluted net loss per share of common stock from continuing operations	$ (0.07)	$ —	(0.13)	(0.06)
Discontinued operations				
Income available to common stockholders from discontinued operations	$ —	$ 11,000	—	332,000
Diluted net earnings per share of common stock from discontinued operations	$ —	$ —	$ —	$ 0.01
Net loss	$ (3,272,000)	$ (60,000)	$ (6,059,000)	$ (2,202,000)
Weighted average shares outstanding - Basic (1)	47,231,296	41,288,709	47,129,879	39,393,333
Effect of dilutive securities - Stock options and Restricted stock (2)	179,653	448,522	218,576	567,665
Weighted average shares outstanding – Diluted	47,410,949	41,737,231	47,348,455	39,960,998
Basic net loss per share of common stock	$ (0.07)	$ —	$ (0.13)	$ (0.05)
Diluted net loss per share of common stock	$ (0.07)	$ —	$ (0.13)	$ (0.05)

(1) Includes the effect of vested and excludes the effect of unvested restricted shares of common stock, which are considered non-participating securities. As of July 31, 2022 and 2021, there were 1,564,031 and 1,015,950 unvested restricted shares of common stock outstanding, respectively.

(2) Diluted net loss per share excludes the effect of shares that are anti-dilutive. For the three and six months ended July 31, 2022, diluted earnings per share excludes 684,125 outstanding stock options and 1,564,031 unvested restricted shares of common stock. For the three and six months ended July 31, 2021, diluted earnings per share excludes 573,630 outstanding stock options and 1,015,950 unvested restricted shares of common stock.

Other Operating Costs

Acquisition-related Costs

	Three Months ended		Six Months ended	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Professional fees	$ 49,000	$ 336,000	$ 139,000	$ 427,000
Executive bonuses	—	—	—	350,000
Total acquisition-related costs	$ 49,000	$ 336,000	$ 139,000	$ 777,000

For the three months ended July 31, 2022 and 2021, the Company incurred certain acquisition-related costs related to the acquisition of Avelead totaling $49,000 and $336,000, respectively, consisting primarily of fees for professional services.

Non-Cash Items

For the three and six months ended July 31, 2021, the Company recorded the forgiveness of the PPP loan and accrued interest, totaling $2,327,000, as non-cash items related to the condensed consolidated statements of cash flow.

Accounting Pronouncements Recently Adopted

In July 2021, the FASB issued ASU 2021-05, *Lessors - Certain Leases with Variable Lease Payments* to ASC Topic 842, *Leases* (“ASC 842”) (“ASU 2021-05”). ASU 2021-05 provides additional ASC 842 classification guidance as it relates to a lessor’s accounting for certain leases with variable lease payments. ASU 2021-05 requires a lessor to classify a lease with variable payments that do not depend on an index or rate as an operating lease if either a sales-type lease or direct financing lease classification would trigger a day-one loss. ASU 2021-05 became effective for the Company on February 1, 2022. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements or disclosures.

Recent Accounting Pronouncements Not Yet Adopted

In November 2019, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which improves guidance around accounting for financial losses on accounts receivable. For smaller reporting entities, ASU 2016-13 is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. The Company does not anticipate that the adoption of this ASU will have a material impact on the Company’s consolidated financial statements.

NOTE 3 — BUSINESS COMBINATION AND DIVESTITURE

Avelead Acquisition

The Company acquired all of the equity interests of Avelead Consulting, LLC (“Avelead”) as part of the Company’s strategic expansion into the acute-care health care revenue cycle management industry on August 16, 2021 (the “Transaction”). The acquisition was completed on August 16, 2021.

The aggregate consideration for the purchase of Avelead was approximately $29.7 million (at fair value) consisting of (i) $12.4 million in cash, net of cash acquired, (ii) $0.1 million in holdback, which was paid to sellers during the fourth quarter of fiscal 2021, (iii) $6.5 million in common stock, and (iv) approximately $10.7 million in contingent consideration (see below). The Company issued 5,021,972 shares of its restricted common stock (the "Acquisition Restricted Common Stock"). The Acquisition Restricted Common Stock has a fair value as of the closing date of the acquisition of $6.5 million. Additionally, the Company contracted two types of contingent consideration; the first is referred to herein as "SaaS Contingent Consideration" and the second is referred to herein as "Renewal Contingent Consideration." The SaaS Contingent Consideration and Renewal Contingent Consideration had an aggregate value of approximately $10.7 million as of the date of closing. The owners of Avelead are also referred to herein as "Sellers" and are enumerated in the UPA (as defined below).

The Company acquired all of the equity interests of Avelead, effective August 16, 2021, pursuant to a Unit Purchase Agreement (hereafter referred to as the "UPA"). The UPA stated that the purchase price for Avelead at closing included a cash payment of $11.9 million. Additionally, the Company paid $285,000 of the Sellers' closing costs, and $285,000 related to the working capital adjustment as defined in the UPA. Finally, at closing, the Company issued the Acquisition Restricted Common Stock with a fair value of approximately $6.5 million, based on a 30-day average of the closing price of the Company's common stock prior to the closing date. The SaaS Contingent Consideration and the Renewal Contingent Consideration described in more detail below were included in the UPA as potential future consideration for the Transaction. These are reflected on the Company's balance sheet as "Acquisition earnout liability."

The Company acquired Avelead on a cash-free and debt-free basis. The Transaction was structured as a purchase of units (equity), however, Avelead was taxed as a partnership. Accordingly, the Company realized a step-up in the tax basis of the assets acquired and the goodwill is tax deductible. The gross deferred tax assets and liabilities will be consolidated, and the gross deferred tax assets have a full valuation allowance.

The contingent consideration is comprised of "SaaS Contingent Consideration" and "Renewal Contingent Consideration" which are described in more detail as follows:

- The SaaS Contingent Consideration is calculated based upon Avelead's recurring SaaS revenue recognized during the first and second year following the acquisition. The Company will pay the SaaS Contingent Consideration as follows: (i) 50% in cash and (ii) 50% in shares of Company common stock valued at the time the earnout is paid subject to a collar, as described below.

- The first year of SaaS Contingent Consideration is calculated as 75% of Avelead's recognized SaaS revenue from September 1, 2021 to August 31, 2022. The first-year payment is subject to a deduction of $665,000 spread equally between the cash and common stock portion of the earnout consideration. The first year earnout will be paid on or about October 15, 2022, subject to a dispute and resolution period. Assuming that Avelead is within 80% of its forecasted SaaS revenue in the first year earnout[1], the Company agreed to a floor and ceiling on the value of the Company's restricted common stock issued as consideration for the earnout. That collar has a floor of $3.50 per share and a ceiling of $5.50 per share for the first year earnout.

- The second year of SaaS Contingent Consideration is calculated as 40% of Avelead's recognized SaaS revenue from September 1, 2022 to August 31, 2023. The second year earnout will be paid on or about October 15, 2023, subject to a dispute and resolution period. Assuming that Avelead is within 80% of its forecasted SaaS revenue in the second year earnout[1], the Company agreed to a floor and ceiling on the Company's restricted common stock issued as consideration for the earnout. That collar has a floor of $4.50 per share and a ceiling of $6.50 per share for the second year earnout.

- The Renewal Contingent Consideration is tied directly to a successful renewal of a specific customer of Avelead. To meet the definition of a renewal, Avelead must achieve a minimum threshold of contracted revenue in an updated, annual, renewed contract with the specified customer. The renewal occurs on or about June 1, 2022 and June 1, 2023. The Company will remit the Renewal Contingent Consideration on or about each of October 15, 2022 and 2023, respectively. The Renewal Contingent Consideration is payable in shares of Company restricted common stock valued as of the date of Closing. Accordingly, upon achieving the Renewal Contingent Consideration, the Company will issue 627,747 shares of restricted common stock on or about each of October 15, 2022 and October 15, 2023, subject to a dispute and resolution period. The Renewal Contingent Consideration is either earned or not earned based upon the renewal of the specified customer at the minimum amount of contracted revenue. There is no pro-ration of the underlying Renewal Contingent Consideration.

1 *If Avelead does not achieve 80% of its forecasted revenue, the price per share will revert back to the Company's market price based upon a 30-day average.*

The components of the total consideration as of the acquisition date are as follows:

(in thousands)		
Components of total consideration, net of cash acquired:		
Cash	$	11,900
Cash, seller expenses		285
Cash, estimated net working capital adjustment		285
Restricted Common Stock		6,554
Acquisition earnout liabilities		10,684(a)
Total consideration	**$**	**29,708**

(a) Acquisition earnout liabilities represents the net present value and risk adjusted probability of the required future payments underlying the Company's SaaS Contingent Consideration and Renewal Contingent Consideration as described above. Due to the dates that the Company is required to measure, report and agree on the calculations, $4,734,000 is shown as a short-term liability and $4,074,000 is shown as a long-term liability as of July 31, 2022.

The acquisition earnout liability is re-measured at fair value on a recurring basis and the change to the liability is recorded as a valuation adjustment recorded through "other expenses or income" in the accompanying condensed consolidated statements of operations. The change in the fair value recorded for the six months ended July 31, 2022 was $25,000. A range of possible outcomes is not available under the specific valuation method that was used in determining fair value of the acquisition earnout liability.

The Company is presenting the allocation of the total consideration to net tangible and intangible assets as of the date of the closing of Avelead as follows:

(in thousands)		
Net tangible assets (liabilities):		
Accounts receivable	$	1,246
Unbilled revenue		200
Prepaid expenses		178
Fixed assets		37
Accounts payable		(490)
Accrued expenses		(397)
Deferred revenues		(863)
Net tangible assets (liabilities)		(89)
Goodwill		12,377
Customer Relationships (SaaS)		8,370
Customer Relationships (Consulting)		1,330
Internally Developed Software		6,380
Trademarks and Tradenames		1,340
Net assets acquired and liabilities assumed	**$**	**29,708**

The intangible assets recorded as a result of the Avelead acquisition, and their related estimated useful lives are as follows:

	Estimated Useful Lives
Goodwill	*Indefinite*
Customer Relationships (SaaS)	*10 years*
Customer Relationships (Consulting)	*8 years*
Internally Developed Software	*9 years*
Trademarks and Tradenames	*15 years*

The Company's pro forma revenues and loss from continuing operations for the three and six months ended July 31, 2021, assuming Avelead was acquired on February 1, 2021, are as follows. The unaudited pro forma information is not necessarily indicative of the results of operations that the Company would have reported had the acquisition occurred at the beginning of these periods nor is it indicative of future results. The unaudited pro forma financial information does not reflect the impact of future events that may occur after the acquisition, including, but not limited to, anticipated costs savings from synergies or other operational improvements.

	Three Months ended July 31, 2021		Six Months ended July 31, 2021	
	Actual	**Pro Forma**	**Actual**	**Pro Forma**
Revenues	$ 2,868,000	$ 5,039,000	$ 5,819,000	$ 10,521,000
Loss from continuing operations	$ (71,000)	$ (1,082,000)	$ (2,534,000)	$ (3,696,000)

Included in the accompanying unaudited pro forma statement of operations for the three months ended July 31, 2021 are $2,171,000 of Avelead revenue and $(1,011,000) of loss from continuing operations. For the three months ended July 31, 2022, Avelead contributed $2,478,000 to the Company's consolidated revenues and $(770,000) to the Company's consolidated loss from continuing operations. For the six months ended July 31, 2021, included are $4,702,000 of Avelead revenue and $(1,162,000), of loss from continuing operations. For the six months ended July 31, 2022, Avelead contributed $5,039,000 to the Company's consolidated revenues and $(1,314,000) to the Company's consolidated loss from continuing operations.

The Company entered into one employment agreement and one separation agreement with each of the two Sellers. Included in the transaction costs related to the Avelead acquisition is the cost of a two-year separation agreement with one Seller, fully expensed at the closing of the transaction. See Note 2 – Summary of Significant Accounting Policies. The employment agreement is a two-year employment agreement that entitles the Seller to a six-month separation pay in the case of termination without cause. The expense for the employment agreement is recognized ratably over the service period customary with other employment agreements within selling, general, and administrative expense.

The Company granted options to purchase 583,333 shares of the Company's common stock to the Sellers at the closing of the Transaction. These options have a strike price of $1.53 per share, the closing stock price on the trading date immediately preceding the closing. 500,000 options were awarded to one Seller that will vest, monthly, over a three (3) year service period. The remaining 83,333 options were awarded to another Seller and vested immediately upon issuance. The Company utilized the Black-Scholes method to determine the grant-date fair value of these options. The 83,333 options were not exercised prior to their expiration date of November 15, 2021. The 500,000 options have a grant-date fair value of approximately $395,000 and are expensed over the vesting period within selling, general, and administrative expense.

Additionally, the Company granted 100,000 restricted stock awards (RSAs) to certain Avelead employees as of the closing date.

ECM Assets Divestiture

On February 24, 2020, the Company sold a portion of its business (the “ECM Assets”). The Company is reporting the results of operations and cash flows, and related balance sheet items associated with the ECM Assets in discontinued operations in the accompanying condensed consolidated statements of operations, cash flows and balance sheets for the current and comparative prior periods. Refer to Note 9 – Discontinued Operations for details of the Company’s discontinued operations.

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 and 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.

Alpharetta Office Lease

On October 1, 2021, the Company entered into an agreement with a third-party to sublease its office space in Alpharetta, Georgia, (the “Sublease Agreement”). The sublease term is for 18 months which coincides with the Company’s underlying lease (see below). The Company expects to receive $292,000 from the sublessee over the term of the sublease. The sublease did not relieve the Company of its original obligation under the lease, and therefore the Company did not adjust the operating lease right-of-use asset and related liability. For the three and six months ended July 31, 2022, the Company recorded $48,000 and $96,000, respectively, as other income related to the sublease.

The Company entered into a lease for office space in Alpharetta, Georgia, on March 1, 2020. The lease terminates on March 31, 2023. At inception, the Company recorded a right-of use asset of $540,000, and related current and long-term operating lease obligation in the accompanying consolidated balance sheet. As of July 31, 2022, operating lease right-of use assets totaled $127,000, and the associated lease liability is included in current liabilities of $138,000. The Company used a discount rate of 6.5% to the determine the lease liability. For the three and six months ended July 31, 2022 and 2021, the Company had lease operating costs of approximately $48,000 and $97,000, respectively, for each period.

Maturities of operating lease liabilities associated with the Company's operating lease as of July 31, 2022 are as follows for payments due based upon the Company's fiscal year:

2022	$	106,000
2023		35,000
Total lease payments		141,000
Less present value adjustment		(3,000)
Present value of lease liabilities	$	138,000

Suwanee Office Lease

Upon acquiring Avelead on August 16, 2021 (refer to Note 3 – Business Combination and Divestiture), the Company assumed an operating lease agreement for the corporate office space of Avelead. The lessor is an entity controlled by one of the Sellers that is employed by the Company The 36-month term lease commenced March 1, 2019 and expired on February 28, 2022. In February 2022, the Company renewed the lease for twelve months with monthly payments totaling $71,984 over the term of the lease. There is no renewal clause contained in the current lease. For the three and six months ended July 31, 2022, the Company recorded rent expense of $18,000 and $37,000, respectively.

NOTE 5 — DEBT

Term Loan Agreement and Discontinuance of Revolving Credit Facility

On August 26, 2021, the Company and its subsidiaries entered into the Second Amended and Restated Loan and Security Agreement with Bridge Bank, a division of Western Alliance Bank. Pursuant to the Second Amended and Restated Loan and Security Agreement, Bridge Bank agreed to provide the Company and its subsidiaries with a new term loan facility in the maximum principal amount of $10,000,000. Amounts outstanding under the term loan of the Second Amended and Restated Loan and Security Agreement bear interest at a per annum rate equal to the Prime Rate (as published in The Wall Street Journal) plus 1.5%, with a Prime "floor" rate of 3.25%. Pursuant to the Second Amended and Restated Loan and Security Agreement, the Company discontinued the existing $3,000,000 revolving credit facility with Bridge Bank. At the time of the discontinuance, there was no outstanding balance on the revolving credit facility.

The Second Amended and Restated Loan and Security Agreement has a five-year term, and the maximum principal amount was advanced in a single-cash advance on or about the closing date. Interest accrued under the Second Amended Loan and Security Agreement is due monthly, and the Company shall make monthly interest-only payments through the one-year anniversary of the closing date. From the first anniversary of the closing date through the maturity date, the Company shall make monthly payments of principal and interest that increase over the term of the agreement. The Second Amended and Restated Loan and Security Agreement requires principal repayments on the anniversary date of the closing of the debt agreement of $500,000 in the second year, $1,000,000 in the third year, $2,000,000 in the fourth year, and $3,000,000 in the fifth year, respectively, with the remaining outstanding principal balance and all accrued but unpaid interest due in full on the maturity date. The Second Amended and Restated Loan and Security Agreement may also require early repayments if certain conditions are met. The Second Amended and Restated Loan and Security Agreement is secured by substantially all of the assets of the Company, its subsidiaries, and certain of its affiliates.

The Company recorded $130,000 in deferred financing costs related to the Second Amended and Restated Loan and Security Agreement. These deferred financing costs are being amortized over the term of the loan. The Company will also incur $200,000 in financing costs at the earlier of the term date of the loan, or pre-payment. These costs are being accreted, through interest expense, to the full value of the $200,000 over the term of the loan.

The Second Amended and Restated Loan and Security Agreement includes customary financial covenants as follows:

a. **Minimum Cash.** Borrowers shall, at all times, maintain unrestricted cash of Borrowers at Bank in an amount not less than (i) on the Closing Date and for the first eleven (11) months immediately following the Closing Date, Five Million Dollars ($5,000,000) and (ii) at all times thereafter, Three Million Dollars ($3,000,000).

b. **Maximum Debt to ARR Ratio.** Borrowers' Maximum Debt to ARR Ratio, measured on a quarterly basis as of the last day of each fiscal quarter, shall not be greater than the amount set forth under the heading "Maximum Debt to ARR Ratio" as of, and for each of the dates appearing adjacent to such "Maximum Debt to ARR Ratio".

Quarter Ending	Maximum Debt to ARR Ratio
October 31, 2021	0.80 to 1.00
January 31, 2022	0.75 to 1.00
April 30, 2022	0.65 to 1.00
July 31, 2022	0.55 to 1.00
October 31, 2022	0.50 to 1.00
January 31, 2023	0.45 to 1.00

c. **Maximum Debt to Adjusted EBITDA Ratio.** Commencing with the quarter ending April 30, 2023, Borrowers' Maximum Debt to Adjusted EBITDA Ratio, measured on a quarterly basis as of the last day of each fiscal quarter for the trailing four (4) quarter period then ended, shall not be greater than the amount set forth under the heading "Maximum Debt to Adjusted EBITDA Ratio" as of, and for each of the dates appearing adjacent to such "Maximum Debt to Adjusted EBITDA Ratio".

Quarter Ending	Maximum Debt to Adjusted EBITDA Ratio
April 30, 2023	11.30 to 1.00
July 31, 2023	4.15 to 1.00
October 31, 2023	2.50 to 1.00
January 31, 2024 and on the last day of each quarter thereafter	2.00 to 1.00

d. **Fixed Charge Coverage Ratio**. Commencing with the quarter ending April 30, 2023, Borrowers shall maintain a Fixed Charge Coverage Ratio of not less than 1.20 to 1.00, measured on a quarterly basis as of the last day of each fiscal quarter for the trailing four (4) quarter period then ended.

The Second Amended and Restated Loan and Security Agreement also includes customary negative covenants, subject to exceptions, which limit transfers, capital expenditures, indebtedness, certain liens, investments, acquisitions, dispositions of assets, restricted payments and the business activities of the Company, as well as customary representations and warranties, affirmative covenants and events of default, including cross defaults and a change of control default. The line of credit also is subject to customary prepayment requirements. For the quarter ended July 31, 2022, the Company had a debt to ARR ratio of 0.59 to 1 and, therefore, was not in compliance with the maximum debt to ARR ratio covenant of the Second Amended and Restated Loan and Security Agreement. Subsequent to the Company's quarter end, Western Alliance Bank provided a waiver of non-compliance for the debt to ARR ratio covenant for the period quarter July 31, 2022. For the quarter ended July 31, 2022, the Company was in compliance with all other covenants set forth in the Second Amended and Restated Loan and Security Agreement.

Term Loan and Revolving Credit Facility with Bridge Bank

On March 2, 2021, the Company entered into an Amended and Restated Loan and Security Agreement, which replaced and superseded the Loan and Security Agreement, consisting of a $3,000,000 revolving credit facility (the "Amended Loan and Security Agreement"). This revolving credit facility was replaced with the Second Amended and Restated Security Agreement (above) that was put in place on August 26, 2021. Accordingly, the Company wrote-off $43,000 of deferred financing costs from this loan as a loss on extinguishment of debt in the accompanying condensed consolidated statement of operations. The Second Amended and Restated Loan Security Agreement had a two-year term and included customary financial covenants including the requirements that the Company achieve certain EBITDA levels and certain recurring revenue levels. The Company could not deviate by more than twenty percent its recurring revenue projections over a trailing three-month basis. Additionally, the Company's Bank EBITDA, measured on a monthly basis over a trailing three-month period then ended, could not deviate by more than 30% or $300,000. The Amended Loan and Security Agreement facility bore interest at a per annum rate equal to the higher of (a) the Prime Rate (as published in The Wall Street Journal) plus 1.00%, with a "floor" Prime Rate of 4.0%. The Amended Loan and Security agreement was secured by substantially all of our assets.

Outstanding principal balances on debt related to the new term loan agreement that the Company entered into on August 16, 2021 with Bridge Bank consisted of the following at:

	July 31, 2022	January 31, 2022
Term loan	$ 10,000,000	$ 10,000,000
Financing cost payable	45,000	21,000
Deferred financing cost	(101,000)	(117,000)
Total	9,944,000	9,904,000
Less: Current portion	(500,000)	(250,000)
Non-current portion of debt	$ 9,444,000	$ 9,654,000

NOTE 6 — INCOME TAXES

Income taxes consist of the following:

	July 31	
	2022	2021
Current tax expense:		
Federal	$ (8,000)	$ —
State	(5,000)	(5,000)
Total current tax provision	$ (13,000)	$ (5,000)

At January 31, 2022, the Company had U.S. federal net operating loss carry forwards of $46,250,000. The Company also had state net operating loss carry forwards of $21,318,000 and Federal R&D credit carry forwards of $1,575,000 and Georgia R&D credit carry forwards of $94,000, all of which expire through fiscal 2041.

The effective income tax rate on continuing operations of approximately 21% differs from our combined federal and state statutory rate of 25.15% primarily due to the full valuation allowance the Company currently maintains on its net deferred tax asset.

The Company has recorded $318,000 and $315,000 in reserves for uncertain tax positions as of July 31, 2022 and January 31, 2022, respectively.

The Company and its subsidiaries 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, 2018. All material state and local income tax matters have been concluded for years through January 31, 2017. The Company is no longer subject to IRS examination for periods prior to the tax year ended January 31, 2018; however, carryforward losses that were generated prior to the tax year ended January 31, 2018 may still be adjusted by the IRS if they are used in a future period.

NOTE 7 — EQUITY

Capital Raise

On February 25, 2021, the Company entered into an underwriting agreement with Craig-Hallum Capital Group LLC, as the sole managing underwriter, relating to the underwritten public offering of an aggregate of 10,062,500 shares of the Company's common stock, par value $0.01 per share, which included 1,312,500 shares of common stock sold pursuant to the underwriter's exercise of an option to purchase additional shares of common stock to cover over-allotments (the "Offering"). The price to the public in the Offering was $1.60 per share of common stock. The gross proceeds to the Company from the Offering were approximately $16,100,000, before deducting underwriting discounts, commissions, and estimated offering expenses. The Offering closed on March 2, 2021.

Registration of Shares Issued to 180 Consulting

On May 3, 2021, the Company filed a Registration Statement on Form S-3 (Registration No. 333-255723), which was subsequently amended on June 23, 2021, for purposes of registering for resale 248,424 shares of common stock issued to 180 Consulting, LLC ("180 Consulting"). The Registration Statement was declared effective by the SEC on July 14, 2021.

On June 22, 2022, the Company filed a Registration Statement on Form S-3 (Registration No. 333-265773) for purposes of registering for resale 272,653 shares of common stock issued to 180 Consulting, LLC. The Registration Statement was declared effective by the SEC on July 1, 2022.

Authorized Shares Increase

On May 24, 2021, the Company amended its Certificate of Incorporation to increase the total number of authorized shares of the Company's common stock from 45,000,000 shares to 65,000,000 shares (the "Charter Amendment"). The Charter Amendment was previously approved by the board of directors (the "Board") of the Company, subsequently approved by the Company's stockholders at the 2021 Annual Meeting of Stockholders of the Company, held on May 20, 2021 (the "2021 Annual Meeting"), and ratified by the Company's stockholders on July 29, 2021 at the Special Meeting (as defined and described in further detail below).

At the 2021 Annual Meeting, the Company's stockholders approved an amendment to the Streamline Health Solutions, Inc. Third Amended and Restated 2013 Stock Incentive Plan to increase the number of shares of the Company's common stock authorized for issuance thereunder by 2,000,000 shares, from 6,223,246 shares to 8,223,246 shares (the "Third Amended 2013 Plan Amendment").

As described in the Company's definitive proxy statement on Schedule 14A filed with the SEC on July 6, 2021, because there may have been uncertainty regarding the validity or effectiveness of the prior approval of the Charter Amendment, the authorized shares increase effected thereby and the Third Amended 2013 Plan Amendment at the 2021 Annual Meeting, the board of directors of the Company asked the Company's stockholders to ratify the approval, filing and effectiveness of the Charter Amendment and the approval and effectiveness of the Third Amended 2013 Plan Amendment at a special meeting of the stockholders held on July 29, 2021 in order to eliminate such uncertainty (the "Special Meeting"). At the Special Meeting, the Company's stockholders ratified the approval, filing and effectiveness of the Charter Amendment and the approval and effectiveness of the Third Amended 2013 Plan Amendment.

At the Annual Meeting of Stockholders held on June 7, 2022, the Company's stockholders approved an amendment to the Streamline Health Solutions, Inc. Third Amended and Restated 2013 Stock Incentive Plan to increase the number of shares of the Company's common stock authorized for issuance thereunder by 2,000,000 shares, from 8,223,246 shares to 10,223,246 shares. The Company's stockholders also approved an amendment to the Company's Certificate of Incorporation, as amended, to increase the total number of authorized shares of the Company's common stock from 65,000,000 shares to 85,000,000 shares.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Consulting Agreement with 180 Consulting

On March 19, 2020 the Company entered into a Master Services Agreement (the "MSA") with 180 Consulting, pursuant to which 180 Consulting has provided and will continue to provide a variety of consulting services in support of eValuator products including product management, operational consulting, staff augmentation, internal systems platform integration and software engineering services, among others, through separate executed statements of work ("SOWs"). The Company has entered into eleven SOWs under the MSA. Some of the SOWs include the ability to earn stock at a conversion rate to be calculated 20 days after the execution of the related SOW. 180 Consulting earned a cumulative number of shares through July 31, 2022 totaling 630,983, and 109,906 shares for the six months ended July 31, 2022. The Company paid fees of $770,000 and $716,000, respectively, for services rendered by 180 Consulting during the six months ended July 31, 2022 and 2021. In addition, on February 22, 2022, the Company issued to 180 Consulting an aggregate of 78,031 shares as compensation for services previously rendered during the three months ended January 31, 2022. Also on June 15, 2022, the Company issued 56,070 shares as compensation for services previously rendered during the three months ended April 30, 2022. Such shares were issued in a private placement in reliance on the exemption from registration available under Section 4(a)(2) of the Securities Act, including Regulation D promulgated thereunder. The MSA includes a termination clause upon a 90-day written notice. While no related party 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 (as defined and further discussed in Note 14 – Related Party Transactions in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2022).

On September 20, 2021, the Company entered into an additional Master Services Agreement with 180 Consulting to provide a variety of consulting services including product management, operational consulting, staff augmentation, internal systems platform integration and software engineering services, among others, to the Company in support of the Avelead products acquired through separate executed SOW's. As of July 31, 2022, the Company has entered into two SOWs under the Avelead MSA. For services rendered by 180 Consulting during the three-month period ending July 31, 2022, the Company incurred fees totaling $260,000.

NOTE 9 – DISCONTINUED OPERATIONS

On February 24, 2020, the Company consummated the sale of the Company's legacy Enterprise Content Management business (the "ECM Assets").

For the three and six months ended July 31, 2021, the Company recorded the following into discontinued operations in the accompanying condensed consolidated statements of operations:

	Three Months Ended July 31, 2021	Six Months Ended July 31, 2021
Revenues:		
Transition service fees	$ 43,000	$ 396,000
Total revenues	43,000	396.000
Expenses:		
Cost of Sales	2,000	4,000
Transition service cost	30,000	60,000
Total expenses	32,000	64,000
Income from discontinued operations	$ 11,000	$ 332,000

The Company entered into an agreement with the Purchaser of the ECM Assets to maintain the current data center through a transition period. The transition services did not have a finite ending date at the signing of the agreement. However, the transition services were completed in the third quarter of fiscal 2021.

NOTE 10 - RELATED PARTY TRANSACTIONS

Refer to Note 3 – Business Combination and Divestiture. The Company acquired Avelead on August 16, 2021. In addition, the Company assumed a consulting agreement with AscendTek, LLC ("AscendTek"), a software development and system design company. AscendTek is owned by one of the Sellers of Avelead. The Company entered into a separation agreement with this Seller of Avelead on closing of the Avelead acquisition. For the three and six months ended July 31, 2022, the Company incurred approximately $16,000 and $32,000, respectively, in research and development services provided by AscendTek. Additionally, we assumed a lease for corporate office space from a Seller that is now employed by the Company. This lease term ended February 2022 but was renewed for a term of 12 months (refer to Note 4 – Operating Leases).

NOTE 11 — SUBSEQUENT EVENTS

We have evaluated subsequent events occurring after July 31, 2022, and based on our evaluation, except as set forth below, we did not identify any events that would have required recognition or disclosure in these condensed consolidated financial statements.

On August 31, 2022, the Company filed a Registration Statement on Form S-3 (Registration No. 333-267187) with the Securities and Exhange Commission (the "Commission"). The prospectus is part of a registration statement on Form S-3 that the Company filed with the Commission using a "shelf" registration process. Under this shelf registration process, we may, from time to time, offer and/or sell the securities referenced in this prospectus in one or more offerings for a maximum aggregate offering price not to exceed $25,000,000, subject to any applicable limits prescribed by General Instruction I.B.6 of Form S-3.

Subsequent to the Company's quarter end, Western Alliance Bank provided a waiver of non-compliance for the debt to ARR ratio covenant for the period quarter July 31, 2022. For the quarter ended July 31, 2022, the Company was in compliance with all other covenants set forth in the Second Amended and Restated Loan and Security Agreement.

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

FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Quarterly Report on Form 10-Q (this "Report") and in other materials we file with the SEC or otherwise make public. This Report, therefore, contains statements about future events and expectations which are forward-looking statements within the meaning of Sections 27A of the Securities Act, as amended, and 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). In addition, our senior management makes forward-looking statements to analysts, investors, the media and others. Statements with respect to expected revenue, income, receivables, backlog, client attrition, acquisitions and other growth opportunities, sources of funding operations and acquisitions, the integration of our solutions, the performance of our channel partner relationships, the sufficiency of available liquidity, research and development, and other statements of our plans, beliefs or expectations are forward-looking statements. These and other statements using words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would" and similar expressions also are forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. The forward-looking statements we make are not guarantees of future performance, and we have based these statements on our assumptions and analyses in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such statements. Management cautions against putting undue reliance on forward-looking statements or projecting any future results based on such statements or present or historical earnings levels.

Among the factors that could cause actual future results to differ materially from our expectations are the risks and uncertainties described under "Risk Factors" and elsewhere in our Annual Report on Form 10-K for the fiscal year ended January 31, 2022 and in our subsequent filings with the SEC, and include among others, the following:

- competitive products and pricing;
- product demand and market acceptance;
- entry into new markets;
- the extent to which health epidemics and other outbreaks of communicable diseases, including the ongoing coronavirus, or COVID-19, pandemic and the efforts to mitigate it, could disrupt our operations and/or materially and adversely affect our business and financial conditions;
- the possibility that any of the anticipated benefits of the acquisition of Avelead Consulting, LLC ("Avelead") will not be realized or will not be realized within the expected time period, the businesses of the Company and the Avelead segment may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected, or revenues following the Avelead acquisition may be lower than expected;
- new product and services development and commercialization;
- key strategic alliances with vendors and channel partners that resell our products;
- uncertainty in continued relationships with customers due to termination rights;
- our ability to control costs;
- availability, quality and security of products produced, and services provided by third-party vendors;
- the healthcare regulatory environment;
- potential changes in legislation, regulation and government funding affecting the healthcare industry;
- healthcare information systems budgets;
- availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems;
- the success of our relationships with channel partners;
- fluctuations in operating results;
- our future cash needs;
- the consummation of resources in researching acquisitions, business opportunities or financings and capital market transactions;
- the failure to adequately integrate past and future acquisitions into our business;
- 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;

- our ability to maintain compliance with the terms of our credit facilities; and

- our ability to maintain compliance with the continued listing standards of the Nasdaq Capital Market (“Nasdaq”).

Some of these factors and risks have been, and may further be, exacerbated by the ongoing COVID-19 pandemic.

Most of these risk 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.

On August 16, 2021, the Company entered into a Purchase Agreement to acquire Avelead, a recognized leader in providing solutions and services to improve Revenue Integrity for healthcare providers nationwide. The Company believes Avelead’s solutions will complement and extend the value the Company can deliver to its customers. Operations for Avelead are included in the Company’s consolidated financial information from the acquisition date. Refer to Note 3 – Business Combination and Divestiture in our unaudited condensed consolidated financial statements included in Part I, Item I, “Financial Statements” for further information on the Avelead acquisition.

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

Results of Operations

Revenues

($ in thousands):	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Change	% Change
Software licenses	$ 52	$ —	$ 52	100%
Professional services	1,038	30	1,008	3,360%
Audit services	667	443	224	51%
Maintenance and support	1,118	1,087	31	3%
Software as a service	3,117	1,308	1,809	138%
Total Revenues	$ 5,992	$ 2,868	$ 3,124	109%

($ in thousands):	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	Change	% Change
Software licenses	$ 123	$ 135	$ (12)	(9)%
Professional services	2,282	108	2,174	2,013%
Audit services	1,346	947	399	42%
Maintenance and support	2,228	2,144	84	4%
Software as a service	5,948	2,485	3,463	139%
Total Revenues	$ 11,927	$ 5,819	$ 6,108	105%

Software licenses —Proprietary software revenue for the three-month period ended July 31, 2022 increased by $52,000. Proprietary software revenue for the six-month period ended July 31, 2022 decreased by $12,000. The Company has primarily shifted the business from perpetual software licenses to a software as a service model. The software license sales come solely from our channel partners; therefore, the timing is difficult to estimate.

Professional services — For the three- and six-month periods ended July 31, 2022, revenue from professional services increased by $1,008,000 and $2,174,000, respectively, compared to the prior year periods. The increase in professional services includes $888,000 and $1,914,000, respectively, of Avelead professional services revenue as compared to prior year periods. The remaining increase was driven by professional services related to prior year software license agreements.

Audit services — For the three- and six-month periods ended July 31, 2022, revenue from audit services increased $224,000 and $399,000 from their respective prior year comparable period. The increases for both comparable periods include revenue from new audit service agreements. The Company is primarily focused on utilizing audit services to support its technology, eValuator. Accordingly, the Company expects modest revenue growth in the future.

Maintenance and support — For both the three- and six-month periods ended July 31, 2022, revenue from maintenance and support remained relatively consistent compared to the prior year periods. The Company does not anticipate maintenance and support growth due to the Company's shift to the Company's growth products that are classified as software as a service.

Software as a Service (SaaS) — Revenue from SaaS for the three- and six-month periods ended July 31, 2022 increased by $1,809,000 and $3,463,000 from the prior year comparable periods. The increases include $1,590,000 and $3,125,000, respectively, of SaaS revenue from Avelead. The remaining increase in SaaS revenue is due to new customers on the Company's eValuator product. The Company expects continued growth in its SaaS business.

Cost of Sales

	Three Months Ended			
(in thousands):	**July 31, 2022**	**July 31, 2021**	**Change**	**% Change**
Cost of software licenses	$ 92	$ 143	$ (51)	(36)%
Cost of professional services	1,034	261	773	296%
Cost of audit services	456	376	80	21%
Cost of maintenance and support	90	80	10	13%
Cost of software as a service	1,532	578	954	165%
Total cost of sales	$ 3,204	$ 1,438	$ 1,765	123%

	Six Months Ended			
(in thousands):	**July 31, 2022**	**July 31, 2021**	**Change**	**% Change**
Cost of software licenses	$ 193	$ 279	$ (86)	(31)%
Cost of professional services	2,160	475	1,685	355%
Cost of audit services	895	765	130	17%
Cost of maintenance and support	136	166	(30)	(18)%
Cost of software as a service	3,029	1,188	1,841	155%
Total cost of sales	$ 6,413	$ 2,873	$ 3,540	123%

The increase in overall cost of sales for the three- and six-month periods ended July 31, 2022 from the comparable prior year periods are primarily due to Avelead, which represents $1,564,000 and $3,274,000 of the increase, respectively, as compared to prior year periods.

The cost of software licenses reflects amortization of capitalized software expenditures. The amounts for the three- and six-month periods ended July 31, 2022 decreased compared to the respective prior year periods due to a reduction in research and development investments for the Company's CDI/Coding products, resulting in lower capitalized software amortization expense.

The cost of professional services includes compensation and benefits for personnel and related expenses. For the three- and six-month periods ended July 31, 2022, Avelead comprises $812,000 and $1,715,000 of the increase as compared to the respective prior year periods.

The cost of audit services includes compensation and benefits for audit services personnel, and related expenses. These costs for the three- and six-month periods ended July 31, 2022 increased compared to the respective prior year periods due to an increase in employee related expenses that are tied to increased audit service fees.

The cost of maintenance and support includes compensation and benefits for client support personnel and the cost of third-party content provider contracts. The costs for the three- and six-month periods ended July 31, 2022 remained consistent compared to the respective prior year periods.

The cost of SaaS solutions is comprised of salaries, amortization of capitalized software development, and third-party content provider costs. For the three and six-month periods ended July 31, 2022, Avelead comprised $752,000 and $1,559,000 of the increase as compared to the respective prior year periods. The remaining increases were driven by personnel and third-party expenses driven by increased volume.

Selling, General and Administrative Expense

	Three Months Ended			%
($ in thousands):	**July 31, 2022**	**July 31, 2021**	**Change**	**% Change**
General and administrative expenses	$ 2,643	$ 1,716	$ 927	54%
Sales and marketing expenses	1,291	799	492	62%
Total selling, general, and administrative expense	$ 3,934	$ 2,515	$ 1,419	56%

	Six Months Ended			
($ in thousands):	**July 31, 2022**	**July 31, 2021**	**Change**	**% Change**
General and administrative expenses	$ 5,422	$ 3,451	$ 1,971	57%
Sales and marketing expenses	3,013	1,617	1,396	86%
Total selling, general, and administrative expense	$ 8,435	$ 5,068	$ 3,367	66%

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. For the three and six months ended July 31, 2022, $679,000 and $1,223,000, respectively, of the increase in general and administrative expenses from the comparable prior period is attributed to the Avelead acquisition. Of that Avelead cost increase, $273,000 and $546,000 are related to amortization of intangible cost for the three- and six-month periods ended July 31, 2022, respectively. The Company has also experienced an increase in employee related expenses, professional fees, and state registration fees.

Sales and marketing expenses consist primarily of compensation and related benefits and reimbursable travel and entertainment expenses related to our sales and marketing staff, as well as advertising and marketing expenses, including trade shows. Sales and marketing expense for the three- and six-months ended July 31, 2022 increased by approximately $500,000 and $941,000, respectively, due to the Avelead acquisition. The remaining increases are primarily due to an increase in salaries and benefits associated with the Company's previously announced expansion and upgrade of its direct and indirect sales personnel. The Company has seen an increase in travel to customer sites as well as industry trade shows, resulting in greater travel expense. The Company has been productive using web-based meeting media to continue its sales and customer service processes and will continue leveraging these methods where advantageous.

Research and Development

($ in thousands):	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Change	% Change
Research and development expense	$ 1,461	$ 964	$ 497	52%
Plus: Capitalized research and development cost	377	328	49	15%
Total research and development cost	$ 1,838	$ 1,292	$ 546	42%

($ in thousands):	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	Change	% Change
Research and development expense	$ 2,773	$ 1,941	$ 832	43%
Plus: Capitalized research and development cost	887	706	181	26%
Total research and development cost	$ 3,660	$ 2,647	$ 1,013	38%

Research and development expense consists primarily of compensation and related benefits and the use of independent contractors for specific near-term development projects. Research and development expenses for the three- and six-months ended July 31, 2022 increased by approximately $497,000 and $832,000, respectively, compared to the prior year periods. The increase of $497,000 for the three-month period ended July 31, 2022 is primarily driven by $498,000 in expenses related to Avelead. The increase of $832,000 in research and development expenses for the six-months ended July 31, 2022 from the comparable prior year period includes $891,000 in expenses related to Avelead.

Capitalized research and development costs for the three- and six-month periods ended July 31, 2022 increased by approximately $49,000 and $181,000, respectively, compared to the prior year periods. The increase of $49,000 for the three-month period ended July 31, 2022 included $119,000 related to Avelead. The increase of $181,000 for the six-month period ended July 31, 2022 includes $327,000 related to Avelead. These increases for the three- and six-month periods ended July 31, 2022 were offset by lower capitalization rates. The Company expects total research and development expenses will continue to increase, primarily from increased capitalizable projects for Avelead plus ongoing expansion of work with development partners on evaluator through the end of Fiscal 2022.

Acquisition-related Costs

($ in thousands):	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Change	% Change
Acquisition-related costs	$ 49	$ 336	$ (287)	(85)%

($ in thousands):	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	Change	% Change
Acquisition-related costs	$ 139	$ 777	$ (638)	(82)%

Refer to Note 2 – Summary of Significant Accounting Policies - Other Operating Costs – Acquisition-related costs – in the unaudited condensed consolidated financial statements included in Part I, Item I, “Financial Statements” for further details with respect to acquisition-related costs. The acquisition-related costs for the three- and six-months ended July 31, 2022 are primarily related to the transaction costs of Avelead acquisition. The acquisition-related costs for the six-months ended July 31, 2021 include a one-time bonus of approximately $350,000 to certain key executives for managing the successful closing of the Offering, and costs of approximately $427,000 in connection with the Avelead acquisition.

Other Income (Expense)

($ in thousands):	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Change	% Change
Interest expense	$ (189)	$ (9)	$ (180)	2000%
Other	(425)	(8)	(417)	5213%
Forgiveness of PPP loan and accrued interest	—	2,327	(2,327)	(100)%
Total other (expense) income	$ (614)	$ 2,310	$ (2,924)	(127)%

($ in thousands):	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	Change	% Change
Interest expense	$ (321)	$ (22)	$ (299)	1359%
Other	108	6	102	1700%
Forgiveness of PPP loan and accrued interest	—	2,327	(2,327)	(100)%
Total other (expense) income	$ (213)	$ 2,311	$ (2,524)	(109)%

Interest expense consists of interest associated with the term loan, deferred financing costs, and less interest related to capitalization of software. Interest expense increased for the three- and six-months ended July 31, 2022 from the comparable prior year period primarily due to the $10,000,000 term loan with Bridge Bank (See Note 5 – Debt).

Other expense for the three months ended July 31, 2022 includes a valuation adjustment of $475,000 related to the acquisition earnout liabilities associated with the Avelead acquisition (Refer to Note 3 – Business Combination and Divestiture of the unaudited condensed consolidated financial statements included in Part I, Item I, "Financial Statements"). Other income for the three- and six-month periods ended July 31, 2022 includes $48,000 and $96,000, respectively, related to the sublease of the Alpharetta location (Refer to Note 4 – Operating Leases of the unaudited condensed consolidated financial statements included in Part I, Item I, "Financial Statements"). Forgiveness of PPP loan and accrued interest for the three- and six-month periods ended July 31, 2021 reflects the financial impact of the $2,301,000 PPP loan being forgiven, along with the accrued interest of $26,000 being forgiven.

Provision for Income Taxes

We recorded an income tax expense of $2,000 and income tax benefit of $4,000 for the three months ended July 31, 2022 and 2021, respectively, and income tax expense of $13,000 and $5,000 for the six months ended July 31, 2022 and 2021, respectively, which is comprised of estimated federal, state and local income tax provisions. The Company has a substantial amount of net operating losses for federal and state income tax purposes.

Use of Non-GAAP Financial Measures

In order to provide investors with greater insight and allow for a more comprehensive understanding of the information used by management and the Board of Directors in its financial and operational decision-making, the Company has supplemented the condensed consolidated financial statements presented on a GAAP basis in this Report with the following non-GAAP financial measures: EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA per diluted share.

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

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

We define: (i) EBITDA as net earnings (loss) before net interest expense, income tax expense (benefit), depreciation and amortization; (ii) Adjusted EBITDA as net earnings (loss) before net interest expense, income tax expense (benefit), depreciation, amortization, share-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 Amended 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 Report 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 Amended 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 Report, and not rely on any single financial measure to evaluate our business. We also strongly urge readers to review the reconciliation of these non-GAAP financial measures to the most comparable GAAP measure in this section, along with the condensed consolidated financial statements included above.

The following table reconciles EBITDA and Adjusted EBITDA to net loss from continuing operations, and Adjusted EBITDA per diluted share to loss per diluted share for the three and six months ended July 31, 2022 (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.

	Three Months Ended		Six Months Ended	
In thousands, except per share data	**July 31, 2022**	**July 31, 2021**	**July 31, 2022**	**July 31, 2021**
Adjusted EBITDA Reconciliation				
Loss from continuing operations	$ (3,272)	$ (71)	$ (6,059)	$ (2,534)
Interest expense	189	9	321	22
Income tax (benefit)/ expense	2	(4)	13	5
Depreciation	13	16	27	37
Amortization of capitalized software development costs	418	478	847	984
Amortization of intangible assets	528	116	1,056	231
Amortization of other costs	117	126	229	242
EBITDA	$ (2,005)	$ 670	$ (3,566)	$ (1,013)
Share-based compensation expense	331	557	657	1,122
Non-cash valuation adjustments	475	—	(25)	—
Acquisition-related costs	49	336	139	777
Forgiveness of PPP loan and accrued interest	—	(2,327)	—	(2,327)
Other non-recurring charges	(19)	—	(67)	16
Severance	73	—	484	—
Adjusted EBITDA	$ (1,096)	$ (764)	$ (2,378)	$ (1,425)
Adjusted EBITDA margin (1)	(18)%	(27)%	(20)%	(24)%
Adjusted EBITDA per Diluted Share Reconciliation				
Loss from continuing operations per common share — diluted	$ (0.07)	$ —	$ (0.13)	$ (0.06)
Net loss per common share — diluted (3)	$ (0.07)	$ —	$ (0.13)	$ (0.05)
Adjusted EBITDA per adjusted diluted share (2)	$ (0.02)	$ (0.02)	$ (0.05)	$ (0.04)
Basic weighted average shares	47,231,296	41,288,709	47,129,879	39,393,333
Includable incremental shares — adjusted EBITDA (4)	179,653	448,522	218,576	567,665
Adjusted diluted shares	47,410,949	41,737,231	47,348,455	39,960,998

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

(2) Adjusted EBITDA per adjusted diluted share for the Company's common stock is computed using the treasury stock method. Since the Company was in a loss position for the periods presented, adjusted EBITDA per adjusted diluted share is the same as adjusted EBITDA per adjusted share as the inclusion of all potential common shares outstanding would have been anti-dilutive.

(3) Since the Company was in a loss position for the periods presented, diluted net loss per common share is the same as basic net loss per common share as the inclusion of all potential common shares outstanding would have been anti-dilutive.

(4) The number of incremental shares that would be dilutive under an assumption that the Company is profitable during the reported period, which is only applicable for a period in which the Company reports profit.

Application of Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Management considers an accounting policy to be critical if the accounting policy requires management to make particularly difficult, subjective, or complex judgments about matters that are inherently uncertain. A summary of our critical accounting policies is included in Note 2 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended January 31, 2022. There have been no material changes to the critical accounting policies disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2022.

Liquidity and Capital Resources

The Company's liquidity is dependent upon numerous factors including: (i) the timing and amount of revenue and collection of contractual amounts from customers, (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.

On February 25, 2021, the Company entered into an underwriting agreement with Craig-Hallum Capital Group LLC, as the sole managing underwriter, relating to the underwritten public offering of an aggregate of 10,062,500 shares of the Company's common stock, par value $0.01 per share, which included 1,312,500 shares of common stock sold pursuant to the underwriter's exercise of an option to purchase additional shares of common stock to cover over-allotments (the "Offering"). The price to the public in the Offering was $1.60 per share of common stock. The gross proceeds to the Company from the Offering were approximately $16,100,000, before deducting underwriting discounts, commissions, and estimated offering expenses. The Offering closed on March 2, 2021. The Company believes that cash flows from operations, the cash from the Offering and available credit facilities are adequate to fund current obligations for the next twelve months from issuance of these financial statements. Cash and cash equivalent balances at July 31, 2022 and January 31, 2022 were approximately $5,918,000 and 9,885,000 respectively. Continued expansion may require the Company to take on additional debt or raise capital through issuance of equity securities, or a combination of both. There can be no assurance the Company will be able to raise the capital required to fund further expansion.

On May 24, 2021, the Company amended its Certificate of Incorporation, as amended, to increase the total number of authorized shares of the Company's common stock from 45,000,000 shares to 65,000,000 shares (the "Charter Amendment"). The Charter Amendment was initially approved by the board of directors of the Company, subject to stockholder approval, approved by the Company's stockholders at the 2021 Annual Meeting of Stockholders of the Company, held on May 20, 2021 (the "2021 Annual Meeting"), and ratified by the Company's stockholders on July 29, 2021 at the Special Meeting (as defined and described in further detail below).

Also, at the 2021 Annual Meeting, the Company's stockholders approved an amendment to the Streamline Health Solutions, Inc. Third Amended and Restated 2013 Stock Incentive Plan to increase the number of shares of the Company's common stock authorized for issuance thereunder by 2,000,000 shares, from 6,223,246 shares to 8,223,246 shares (the "Third Amended 2013 Plan Amendment").

As described in the Company's definitive proxy statement on Schedule 14A filed with the SEC on July 6, 2021, because there may have been uncertainty regarding the validity or effectiveness of the prior approval of the Charter Amendment, the authorized shares increase effected thereby and the Third Amended 2013 Plan Amendment at the Annual Meeting, the board of directors of the Company asked the Company's stockholders to ratify the approval, filing and effectiveness of the Charter Amendment and the approval and effectiveness of the Third Amended 2013 Plan Amendment at a special meeting of the stockholders held on July 29, 2021 in order to eliminate such uncertainty (the "Special Meeting"). At the Special Meeting, the Company's stockholders ratified the approval, filing and effectiveness of the Charter Amendment and the approval and effectiveness of the Third Amended 2013 Plan Amendment.

At the Annual Meeting of Stockholders held on June 7, 2022, the Company's stockholders approved an amendment to the Streamline Health Solutions, Inc. Third Amended and Restated 2013 Stock Incentive Plan to increase the number of shares of the Company's common stock authorized for issuance thereunder by 2,000,000 shares, from 8,223,246 shares to 10,223,246 shares. The Company's stockholders also approved an amendment to the Company's Certificate of Incorporation, as amended, to increase the total number of authorized shares of the Company's common stock from 65,000,000 shares to 85,000,000 shares.

The Company has liquidity through the Second Amended and Restated Loan and Security Agreement described in more detail in Note 5 – Debt in our unaudited condensed consolidated financial statements included in Part I, Item I, "Financial Statements". The Company has a new term loan facility with an initial, maximum, principal amount of $10,000,000. Amounts outstanding under the Second Amended and Restated Loan and Security Agreement bear interest at a per annum rate equal to the Prime Rate (as published in The Wall Street Journal) plus 1.5%, with a Prime "floor" rate of 3.25%. Pursuant to the Second Amended Loan and Security Agreement, the Company's prior $3,000,000 revolving credit facility with Bridge Bank was terminated. At the time of the discontinuance, there was no outstanding balance on the revolving credit facility.

The Second Amended and Restated Loan and Security Agreement includes customary financial covenants, including the requirements that the Company achieve certain EBITDA levels and fixed coverage ratios and maintain certain cash balances and certain recurring revenue levels. The Second Amended and Restated Loan and Security Agreement also includes customary negative covenants, subject to exceptions, which limit transfers, capital expenditures, indebtedness, certain liens, investments, acquisitions, dispositions of assets, restricted payments, and the business activities of the Company, as well as customary representations and warranties, affirmative covenants and events of default, including cross defaults and a change of control default. The line of credit also is subject to customary prepayment requirements. For the period ended July 31, 2022, the Company had a debt to ARR ratio of 0.59 to 1 and, therefore, was not in compliance with the maximum debt to ARR ratio covenant of the Second Amended and Restated Loan and Security Agreement. Subsequent to the Company's quarter end, Bridge Bank provided a waiver of non-compliance for the debt to ARR ratio covenant for the period ended July 31, 2022. For the period ended July 31, 2022, the Company was in compliance with all other covenants set forth in the Second Amended and Restated Loan and Security Agreement.

The Company has cash on its balance sheet of $5,918,000 at July 31, 2022. The Company believes that its cash on-hand, along with the term debt is sufficient to support its operations until it is able to generate cash from operations.

Significant cash obligations

(in thousands)	July 31, 2022	January 31, 2022
Term loan (1)	$ 9,944	$ 9,904

(1) Term loan balance is reported net of deferred financing costs and financing cost payable of $56,000 and $96,000 as of July 31, 2022 and January 31, 2022, respectively. Refer to Note 5 - Debt for additional information. The term loan payable as of July 31, 2022 and January 31, 2022 was bank term debt under the Second Amended and Restated Loan and Security Agreement. The Company's PPP loan was forgiven in June 2021.

Operating cash flow activities

	Six months Ended	
(in thousands)	July 31, 2022	July 31, 2021
Net loss from continuing operations	$ (6,059)	$ (2,534)
Non-cash adjustments to net loss	2,852	288
Cash impact of changes in assets and liabilities	256	709
Net cash used in operating activities	$ (2,951)	$ (1,537)

The use of cash from operating activities is due to the loss from operations for the six months ended July 31, 2022. The Company had a higher net loss from operations and lower impact of changes in assets and liabilities in the first six months of fiscal 2022 compared to 2021, which also included a non-cash adjustment for forgiveness of the PPP loan in the amount of $2,301,000 and accrued interest of $26,000.

Investing cash flow activities

	Six months Ended	
(in thousands)	July 31, 2022	July 31, 2021
Purchases of property and equipment	$ (10)	$ (3)
Proceeds from sales of ECM Assets	—	800
Capitalized software development costs	(871)	(706)
Net cash (used in) provided by investing activities	$ (881)	$ 91

The cash used in investing activities for the six months ended July 31, 2022 and July 31, 2021, include capitalized software development costs. The Company expects increased capitalizable projects associated with the acquisition of Avelead, plus ongoing expansion of work with development partners on evaluator. Refer to Note 3 – Business Combination and Divestiture for more information on Avelead. During the six months ended July 31, 2021, escrowed funds of $800,000 associated with the sale of the ECM Assets were released to the Company. Refer to Note 8 – Discontinued Operations for more information on the sale of the ECM Assets.

Financing cash flow activities

	Six months Ended	
(in thousands)	July 31, 2022	July 31, 2021
Proceeds from issuance of common stock	$ —	$ 16,100
Payments for costs directly attributable to the issuance of common stock	—	(1,318)
Payments related to settlement of employee shared based awards	(141)	(291)
Payment for deferred financing costs	—	(38)
Other	6	(5)
Net cash (used in) provided by financing activities	$ (135)	$ 14,448

The cash provided by financing activities in the six months ended July 31, 2021, was from the public offering of the Company's common stock, which closed on March 2, 2021. Refer to Note 7 – Equity for additional information.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our President and Chief Executive Officer (who serves as our principal executive officer) and our Senior Vice President and Chief Financial Officer (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 July 31, 2022. Based on that evaluation, our President and Chief Executive Officer and Senior Vice President and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of July 31, 2022. Avelead, which was acquired on August 16, 2021, was excluded from the scope of the assessment of the effectiveness of our disclosure controls and procedures as of July 31, 2022.

Changes in Internal Control over Financial Reporting

On August 16, 2021, the Company completed the acquisition of Avelead (Refer to Note 3 – Business Combination and Divestiture in our unaudited condensed consolidated financial statements included in Part I, Item I, “Financial Statements” for further information on the Avelead acquisition). In accordance with the general guidance issued by the staff of the SEC, Avelead was excluded from the scope of management’s report on internal control over financial reporting for the year ending January 31, 2022. As part of the ongoing integration of Avelead, we are in the process of incorporating the controls and related procedures. However, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended July 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In connection with the acquisition, we have performed additional analyses and other procedures to enable management to conclude that our condensed consolidated financial statements included in this report fairly, in all material respects, our financial condition and results of operations as of and for the six months ended July 31, 2022.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

Item 1A. RISK FACTORS

An investment in our common stock or other securities involves a number of risks. You should carefully consider each of the risks described in our Annual Report on Form 10-K for the year ended January 31, 2022 which Annual Report includes a detailed discussion of the Company’s risk factors. There have been no material changes to the risk factors as disclosed in our Annual Report. Nevertheless, many of the risk factors disclosed in Item 1A of our Annual Report have been, and we expect will continue to be aggravated by the impact of the ongoing COVID-19 pandemic. If any of the risks develop 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.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended July 31, 2022, the Company issued to 180 Consulting an aggregate of 56,070 shares of common stock as compensation for services previously rendered during the three months ended April 30, 2022. Such shares were issued pursuant to the Master Services Agreement, effective March 19, 2020, by and between the Company and 180 Consulting and related statements of work. The shares were issued in a private placement in reliance on the exemption from registration available under Section 4(a)(2) of the Securities Act, including Regulation D promulgated thereunder and the certificate representing such shares has a legend imprinted on it stating that the shares have not been registered under the Securities Act and cannot be transferred until properly registered under the Securities Act or pursuant to an exemption from such registration.

There were no repurchases of common stock for the three months ended July 31, 2022.

Item 5. OTHER INFORMATION

On August 26, 2022, the Company entered into a Waiver to Second Amended and Restated Loan and Security Agreement (the "Waiver") with Western Alliance Bank. The Waiver, among other things, provided a one-time waiver of an event of default that occurred as a result of the Company's non-compliance as of the quarter ended July 31, 2022 with a covenant requiring the Company to maintain a debt to ARR ratio below 0.55 to 1. For the quarter ended July 31, 2022, the Company had a debt to ARR ratio of 0.59 to 1 and, therefore, was not in compliance with the maximum debt to ARR ratio covenant of the Second Amended and Restated Loan and Security Agreement.

The foregoing description of the Waiver is not intended to be complete and is qualified in its entirety by reference to the full text of the Waiver, a copy of which is filed herewith as Exhibit 10.2 and is incorporated herein by reference.

Item 6. EXHIBITS

See Index to Exhibits.

INDEX TO EXHIBITS

Exhibit No.	Description of Exhibit
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 Quarterly Report on Form 10-Q, filed September 15, 2014).
3.2	Certificate of Amendment of Certificate of Incorporation of Streamline Health Solutions, Inc. (Incorporated by reference from Exhibit 3.1 of the Current Report on Form 8-K, filed May 24, 2021).
3.3	Certificate of Amendment of Certificate of Incorporation of Streamline Health Solutions, Inc. (Incorporated by reference from Exhibit 3.1 of the Current Report on Form 8-K, filed June 8, 2022).
3.4	Bylaws of Streamline Health Solutions, Inc., as amended and restated through March 28, 2014 (Incorporated by reference from Exhibit 3.1 of the Current Report on Form 8-K, filed April 3, 2014).
10.1	Amendment No. 2 to Streamline Health Solutions, Inc. Third Amended and Restated 2013 Stock Incentive Plan, dated June 7, 2022 (Incorporated by reference from Exhibit 10.1 on Form 8-K, filed June 8, 2022).
10.2*	Waiver of Second Amended and Restated Loan and Security Agreement, dated August 26, 2022, by and among the Company, Streamline Health, LLC, Streamline Pay & Benefits, LLC, Avelead Consulting, LLC, Streamline Consulting Solutions, LLC and Western Alliance Bank.
31.1*	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act.
31.2*	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act.
32.1*	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2*	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101.INS*	INLINE XBRL INSTANCE DOCUMENT
101.SCH*	INLINE XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
101.CAL*	INLINE XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.DEF*	INLINE XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
101.LAB*	INLINE XBRL TAXONOMY EXTENSION LABELS LINKBASE
101.PRE*	INLINE XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE
104*	COVER PAGE INTERACTIVE DATA FILE (FORMATTED AS INLINE XBRL AND CONTAINED IN EXHIBIT 101)

* Filed herewith.

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

SIGNATURES

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

	STREAMLINE HEALTH SOLUTIONS, INC.
DATE: September 08, 2022	By: *[/s/ WYCHE T. "TEE" GREEN, III]*
	Wyche T. "Tee" Green, III *Chief Executive Officer*
DATE: September 08, 2022	By: */s/ Thomas J. Gibson*
	Thomas J. Gibson *Chief Financial Officer*

Exhibit 10.2

WAIVER
TO
LOAN AND SECURITY AGREEMENT

THIS WAIVER TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "***Waiver***"), dated as of August 26, 2022, is entered into by and among STREAMLINE HEALTH SOLUTIONS, INC., a Delaware corporation ("***Streamline***"), STREAMLINE HEALTH, LLC, a Delaware limited liability company (f/k/a STREAMLINE HEALTH, INC., an Ohio corporation) ("***Streamline Health***"), STREAMLINE PAY & BENEFITS, LLC, a Delaware limited liability company ("***Streamline Pay***"), AVELEAD CONSULTING, LLC, a Georgia limited liability company ("***Avelead Consulting***"), STREAMLINE CONSULTING SOLUTIONS, LLC, a Delaware limited liability company ("***Streamline Consulting***" and, together with Streamline, Streamline Health, Streamline Pay, Avelead Consulting and any other Person who, from time to time, becomes a Borrower under the Loan Agreement (as defined below), collectively, the "***Borrowers***" and each individually, a "***Borrower***") and WESTERN ALLIANCE BANK, an Arizona corporation ("***Bank***"). Terms used herein without definition shall have the meanings ascribed to them in the Loan Agreement defined below.

RECITALS

A. Bank and Borrower have previously entered into that certain Second Amended and Restated Loan and Security Agreement dated as of August 26, 2021 (as amended, restated, supplemented and otherwise modified from time to time, the "***Loan Agreement***"), pursuant to which Bank has made certain loans and financial accommodations available to Borrower.

B. An Event of Default has occurred and is continuing under Section 8.2(a) of the Loan Agreement due to the failure of the Borrower to maintain, as of the last day of the month ending July 31, 2022, a Maximum Debt to ARR Ratio of not greater than 0.55 to 1.00, in violation of Section 6.8(b) of the Loan Agreement (the "***Known Existing Default***").

C. Borrower has requested that Bank waive the Known Existing Default on the terms and conditions set forth herein.

D. Borrower is entering into this Waiver with the understanding and agreement that, except as specifically provided herein, none of Bank's rights or remedies as set forth in the Loan Agreement or any other Loan Document is being waived by the terms of this Waiver.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Waiver of Known Existing Default.

(a) Borrowers acknowledge and agree that the Known Existing Default has occurred and is continuing.

(b) Bank hereby waives enforcement of its respective rights against Borrowers arising from the Known Existing Default; *provided, however*, nothing herein shall be deemed a waiver with respect to any other or future failure of Borrower to comply fully with Section 6.8(b) of the Loan Agreement. This waiver shall be effective only for the specific defaults comprising the Known Existing Default, and in no event shall this waiver be deemed to be a waiver of enforcement of any of Bank's rights with respect to any other Events of Default now existing or hereafter arising. Nothing contained in this Waiver nor any communications between Borrower and Bank shall be a waiver of any rights or remedies Bank has or may have against Borrowers, except as specifically provided herein. Except as specifically provided herein, each of Bank hereby reserves and preserves all of its rights and remedies against Borrowers under the Loan Agreement and the other Loan Documents.

2. Waiver Fee. In addition to all fees, costs and expenses payable by Borrowers to Bank under the Loan Agreement, Borrowers agree to pay to Bank a waiver fee in an amount equal to Five Thousand Dollars ($5,000) (such fee, the "Waiver Fee"), which Waiver Fee shall be fully earned, due and payable on the date hereof and nonrefundable in any event.

3. Release; Covenant Not to Sue.

(a) Each Borrower hereby absolutely and unconditionally releases and forever discharges Bank, and any and all of their respective participants, parent corporations, subsidiary corporations, affiliated corporations, insurers, indemnitors, successors and assigns thereof, together with all of the present and former directors, officers, agents and employees of any of the foregoing (each a "***Released Party***"), from any and all claims, demands or causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise, which any Borrower has had, now has or has made claim to have against any such person for or by reason of any act, omission, matter, cause or thing whatsoever arising from the beginning of time to and including the date of this Waiver, whether such claims, demands and causes of action are matured or unmatured or known or unknown. It is the intention of each Borrower in providing this release that the same shall be effective as a bar to each and every claim, demand and cause of action specified, and in furtherance of this intention it waives and relinquishes all rights and benefits under Section 1542 of the Civil Code of the State of California (or any comparable provision of any other applicable law), which provides:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him might have materially affected his settlement with the debtor."

Each Borrower acknowledges that it may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such claims, demands, or causes of action and agree that this instrument shall be and remain effective in all respects notwithstanding any such differences or additional facts. Each Borrower understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(b) Each Borrower, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Released Party above that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Released Party on the basis of any claim released, remised and discharged by any Borrower pursuant to the above release. If any Borrower or any of its successors, assigns or other legal representatives violates the foregoing covenant, such Borrower, for itself and its successors, assigns and legal representatives, agrees to pay, in addition to such other damages as any Released Party may sustain as a result of such violation, all attorneys' fees and costs incurred by such Released Party as a result of such violation.

4. Effectiveness of this Waiver. This Waiver shall become effective upon the satisfaction, as determined by Bank, of the following conditions.

(a) Waiver. Bank shall have received this Waiver fully executed in a sufficient number of counterparts for distribution to all parties.

(b) Waiver Fee. Bank shall have received the Waiver Fee, which may be paid as a charge to Borrowers' Loan Account.

(c) Representations and Warranties. The representations and warranties set forth herein and in the Loan Agreement must be true and correct.

(d) Other Required Documentation. All other documents and legal matters in connection with the transactions contemplated by this Waiver shall have been delivered or executed or recorded, as required by Bank.

5. Fees. Borrower shall pay Bank all out-of-pocket expenses in connection with this Waiver, including, without limitation, Bank's attorney's fees.

6. Representations and Warranties. Each Borrower that is a party to this Waiver represents and warrants as follows:

(a) Authority. Such Borrower has the requisite corporate power and authority to execute and deliver this Waiver, and to perform its obligations hereunder, under the Loan Agreement and under the other Loan Documents to which it is a party. The execution, delivery and performance by such Borrower of this Waiver have been duly approved by all necessary corporate action and no other corporate proceedings are necessary to consummate such transactions.

(b) Enforceability. This Waiver has been duly executed and delivered by each Borrower. This Waiver, the Loan Agreement and each other Loan Document is the legal, valid and binding obligation of each Borrower, enforceable against each Borrower in accordance with its terms, and is in full force and effect.

(c) Representations and Warranties. The representations and warranties contained in the Loan Agreement and each other Loan Document (other than any such representations or warranties that, by their terms, are specifically made as of a date other than the date hereof) are correct on and as of the date hereof as though made on and as of the date hereof.

(d) Due Execution. The execution, delivery and performance of this Waiver are within the power of each Borrower, have been duly authorized by all necessary corporate action, have received all necessary governmental approval, if any, and do not contravene any law or any contractual restrictions binding on any Borrower.

(e) No Default. After giving effect to the waivers contained in this Waiver, no event has occurred and is continuing that constitutes an Event of Default.

(f) No Duress. This Waiver has been entered into without force or duress, of the free will of each Borrower. Each Borrower's decision to enter into this Waiver is a fully informed decision and such Borrower is aware of all legal and other ramifications of such decision.

(g) Counsel. Each Borrower has read and understands this Waiver, has consulted with and been represented by legal counsel in connection herewith, and has been advised by its counsel of its rights and obligations hereunder and thereunder.

7. Choice of Law. This Waiver shall be governed by and construed in accordance with the laws of the State of California applied to contracts to be performed wholly within the State of California.

8. Counterparts; Facsimile Signatures. This Waiver may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile or other similar form of electronic transmission shall be deemed to be an original signature hereto.

9. Reference to and Effect on the other Loan Documents.

(a) Upon and after the effectiveness of this Waiver, each reference in the Loan Agreement to "***this Agreement***", "***hereunder***", "***hereof***" or words of like import referring to the Loan Agreement, and each reference in the other Loan Documents to "***the Loan Agreement***", "***thereof***" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement after giving effect to this Waiver.

(b) Except as expressly waived hereby, the Loan Agreement and all other Loan Documents, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed and shall constitute the legal, valid, binding and enforceable obligations of Borrower to Bank.

(c) The execution, delivery and effectiveness of this Waiver shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Bank under the Loan Agreement or any of the other Loan Documents, nor constitute a waiver of any provision of the Loan Agreement or any of the other Loan Documents.

(d) To the extent that any terms and conditions in any of the other Loan Documents shall contradict or be in conflict with any terms or conditions of the Loan Agreement, after giving effect to this Waiver, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Loan Agreement as modified or amended hereby.

10. Ratification. Each Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Loan Agreement, as amended hereby, and the other Loan Documents effective as of the date hereof.

11. Integration. This Waiver, together with the Loan Agreement and the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

12. Severability. If any part of this Waiver is contrary to, prohibited by, or deemed invalid under applicable laws, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder hereof shall not be invalidated thereby and shall be given effect so far as possible.

[Remainder of page Intentionally Blank]

IN WITNESS WHEREOF, the parties have entered into this Waiver as of the date first above written.

BORROWER:

STREAMLINE HEALTH SOLUTIONS, INC.

By: */s/ Thomas J. Gibson*
Name: Thomas J. Gibson
Title: Senior Vice President, Chief Financial Officer and Secretary

STREAMLINE HEALTH, LLC (F/K/A STREAMLINE HEALTH, INC.)

By: */s/ Thomas J. Gibson*
Name: Thomas J. Gibson
Title: Senior Vice President, Chief Financial Officer and Secretary

STREAMLINE PAY & BENEFITS, LLC

By: */s/ Thomas J. Gibson*
Name: Thomas J. Gibson
Title: Senior Vice President, Chief Financial Officer and Secretary

AVELEAD CONSULTING, LLC

By: */s/ Thomas J. Gibson*
Name: Thomas J. Gibson
Title: Treasurer

STREAMLINE CONSULTING SOLUTIONS, LLC

By: */s/ Thomas J. Gibson*
Name: Thomas J. Gibson
Title: Treasurer

BANK:

WESTERN ALLIANCE BANK

By: */s/ Blake Reid*
Name: Blake Reid
Title: Senior Director

[Signature page to Waiver]

Exhibit 31.1

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

I, Wyche “Tee” Green, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Streamline Health Solutions, Inc.;

2. 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;

3. 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;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) 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;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. 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):

   (a) 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

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: September 08, 2022

/s/ Wyche “Tee” Green
Chairman of the Board of Directors, Chief Executive Officer and President

Exhibit 31.2

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

I, Thomas J. Gibson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Streamline Health Solutions, Inc.;

2. 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;

3. 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;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) 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;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. 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):

   (a) 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

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 08, 2022

/s/ Thomas J. Gibson
Chief Financial Officer

Exhibit 32.1

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

I, Wyche "Tee" Green, Chairman of the Board of Directors, 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 to my knowledge:

(1) The quarterly report on Form 10-Q of the Company for the quarter ended July 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

/s/ Wyche "Tee" Green
Wyche "Tee" Green
Chairman of the Board of Directors, Chief Executive Officer and President

September 08, 2022

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

Exhibit 32.2

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 to my knowledge:

(1) The quarterly report on Form 10-Q of the Company for the quarter ended July 31, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

/s/ Thomas J. Gibson
Thomas J. Gibson
Chief Financial Officer

September 08, 2022

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.