
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

Form 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of The
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): December 13, 2012

Streamline Health Solutions, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-28132
(Commission
File Number)

31-1455414
(IRS Employer
Identification No.)

**1230 Peachtree St. NE,
Suite 1000, Atlanta, GA**
(Address of principal executive offices)

30309
(Zip Code)

Registrant's telephone number, including area code (404) 446-0050

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On December 13, 2012, Streamline Health Solutions, Inc. (“Streamline Health”) issued the press release attached hereto as Exhibit 99.1, which press release contains financial information about Streamline Health’s first fiscal quarter ended October 31, 2012. Following issuance of that press release and approval of the information contained in that press release by the company’s independent auditors, the auditors determined that there should be a \$3,600,000 non-cash reduction in the company’s tax valuation allowance in the three and nine months ended October 31, 2012 relating to deferred tax liabilities recorded in conjunction with the company’s acquisition of Meta Health Technology. This reduction in the tax valuation allowance resulted in positive adjustments to the net income and earnings per share previously reported by the company. On December 14, 2012, the company issued the updated press release attached hereto as Exhibit 99.2. The information hereunder shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into a filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

EXHIBIT NUMBER	DESCRIPTION
99.1	Third Quarter Earnings News Release of Streamline Health Solutions, Inc. dated December 13, 2012.
99.2	Updated Third Quarter Earnings News Release of Streamline Health Solutions, Inc. dated December 14, 2012.

SIGNATURES

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

Streamline Health Solutions, Inc.

Date: December 14, 2012

By: /s/ Stephen H. Murdock
Stephen H. Murdock
Chief Financial Officer

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1	Third Quarter Earnings News Release of Streamline Health Solutions, Inc. dated December 13, 2012.
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News Release

Visit our website at: www.streamlinehealth.net

**STREAMLINE HEALTH® REPORTS THIRD QUARTER FISCAL YEAR 2012
FINANCIAL RESULTS**

*52% Increase in Revenue; 49% Increase in Adjusted EBITDA**

Atlanta, Georgia – December 13, 2012 – Streamline Health Solutions, Inc. (NASDAQ: STRM), a leading provider of enterprise content management, business analytics, computer assisted coding (CAC), and clinical documentation improvement (CDI) solutions for healthcare providers, today announced financial results for the third quarter of fiscal year 2012, which ended October 31, 2012.

Revenues for the three-month period ended October 31, 2012, were \$6,534,000 as compared to \$4,312,000 in the comparable period of fiscal 2011. The quarterly increase was primarily attributable to revenues provided by increases in recurring SaaS revenues.

“We had a very successful third quarter,” said Robert E. Watson, President and Chief Executive Officer of Streamline Health. “Revenue and adjusted EBITDA continued to grow. Additionally, we closed the acquisition of Meta Health Technology which expanded our solutions portfolio significantly and we completed a very significant financing. It is important to note that we did not forecast these major accomplishments when we began this fiscal year. Consequently, the accounting treatment for these transactions has negatively impacted our GAAP EPS for this fiscal year. However, these strategic moves were major steps in positioning our company for further growth, enabling us to invest in world-class healthcare information technology solutions, and helping our clients improve their financial outcomes.”

Highlights for the quarter included:

- Recorded net loss of \$1,165,000; of which \$494,000 is attributable to non-recurring transaction related expenses; resulting in an adjusted non-GAAP net loss of \$671,000
- Adjusted EBITDA* for third quarter 2012 was \$1.6 million, an increase of 49% over third quarter 2011;
- Software as a Service (SaaS) revenues for the quarter increased 23% over the prior year comparable quarter, excluding \$821,000 of incremental SaaS revenue from the acquired operations of Interpoint Partners;
- New sales bookings for the quarter were \$2.9 million;
- Maintenance and SaaS contract renewals for the quarter were \$2.5 million;
- Backlog at the end of the quarter was \$48.7 million.

New sales bookings for the second quarter were \$2.9 million, primarily consisting of professional services and software as a service contracts. Maintenance and SaaS renewals or extensions were \$2.5 million. For the comparable prior period in 2011, new sales bookings were \$1.4 million and renewals or extensions were \$1.6 million.

Backlog at October 31, 2012 was \$48.7 million, compared with \$32.2 million at July 31, 2012. The increase in the current backlog reflects significant new SaaS contract signings as well as current clients purchasing additional solutions.

Conference Call Information

Interested parties can access the call by dialing 888-427-9419 and then entering the passcode 8521046. A live webcast will also be available by clicking this link: bit.ly/VrdPro

A replay of the conference call will be available from Thursday, December 13, 2012 at 2:00 p.m. EST to Tuesday, December 18, 2012 at 2:00 p.m. EST by dialing 888-203-1112 and entering passcode 8521046.

*** Non-GAAP Financial Measures**

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

Streamline Health defines “adjusted EBITDA” as net earnings (loss) plus interest expense, tax expense, depreciation and amortization expense of tangible and intangible assets, stock-based compensation expense, and non-recurring transaction costs. A table illustrating this measure is included in this publication.

About Streamline Health

Streamline Health Solutions, Inc. (NASDAQ: STRM) is a leading provider of SaaS-based healthcare information technology (HCIT) solutions for hospitals and physician groups with offices in Atlanta, Cincinnati and New York. The company’s comprehensive suite of solutions includes: enterprise content management (ECM), business analytics, integrated workflow systems, clinical documentation improvement (CDI), and computer assisted coding (CAC). Across the revenue cycle, these solutions offer healthcare enterprises a flexible, customizable way to communicate between disparate departments and information systems to improve processes, boost productivity, and optimize clinical, administrative and financial performance. For more information, please visit our website at <http://www.streamlinehealth.net>.

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

Statements made by Streamline Health Solutions, Inc. that are not historical facts are forward-looking statements that are subject to risks and uncertainties and are no guarantee of future performance. The forward looking statements contained herein are subject to certain risks, uncertainties and important factors that could cause actual results to differ materially from those reflected in the forward-looking statements, included herein. These risks and uncertainties include, but are not limited to, the timing of contract negotiations and execution of contracts and the related timing of the revenue recognition related thereto, the potential cancellation of existing contracts or clients not completing projects included in the backlog, the impact of competitive products and pricing, product demand and market acceptance, new product development, key strategic alliances with vendors that resell the Company's products, the ability of the Company to control costs, availability of products obtained from third party vendors, the healthcare regulatory environment, potential changes in legislation, regulation and government funding affecting the healthcare industry, healthcare information systems budgets, availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems, fluctuations in operating results, effects of critical accounting policies and judgments, changes in accounting policies or procedures as may be required by the Financial Accountings Standards Board or other similar entities, changes in economic, business and market conditions impacting the healthcare industry, the markets in which the Company operates and nationally, and the Company's ability to maintain compliance with the terms of its credit facilities, and other risks detailed from time to time in the Streamline Health Solutions, Inc. filings with the U. S. Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly release the results of any revision to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three and Nine Months Ended October 31,
(Unaudited)

	<u>Three Months</u>		<u>Nine Months</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Systems sales	\$ 290,294	\$ 232,395	\$ 719,495	\$ 526,597
Professional services	1,089,814	833,592	3,153,672	2,708,824
Maintenance and support	3,148,442	2,279,886	7,797,263	6,558,484
Software as a service	2,005,813	966,218	5,358,120	2,804,141
Total revenues	<u>6,534,363</u>	<u>4,312,091</u>	<u>17,028,550</u>	<u>12,598,046</u>
Operating expenses:				
Cost of systems sales	717,901	583,388	1,936,761	1,751,890
Cost of professional services	854,997	572,056	1,910,951	1,923,576
Cost of maintenance and support	918,750	513,868	2,349,745	1,651,884
Cost of software as a service	550,875	480,368	1,849,962	1,334,659
Selling, general and administrative	2,926,830	1,494,891	6,800,794	4,742,084
Product research and development	866,659	303,973	1,833,865	1,063,903
Total operating expenses	<u>6,836,012</u>	<u>3,948,544</u>	<u>16,682,078</u>	<u>12,467,996</u>
Operating income (loss)	<u>(301,649)</u>	<u>363,547</u>	<u>346,472</u>	<u>130,050</u>
Other income (expense):				
Interest expense	(895,142)	(25,896)	(1,494,161)	(67,529)
Miscellaneous income (expenses)	43,549	(36,885)	55,805	(42,155)
Earnings (loss) before income taxes	<u>(1,153,242)</u>	<u>300,766</u>	<u>(1,091,884)</u>	<u>20,366</u>
Income tax expense	(11,733)	(5,000)	(44,733)	(12,315)
Net earnings (loss)	<u>\$ (1,164,975)</u>	<u>\$ 295,766</u>	<u>\$ (1,136,617)</u>	<u>\$ 8,051</u>
Less: deemed dividends on Preferred Shares	(139,133)		(139,133)	
Net earnings (loss) attributable to common shareholders	<u>\$ (1,304,108)</u>		<u>\$ (1,275,750)</u>	
Basic net earnings (loss) per common share	<u>\$ (0.11)</u>	<u>\$ 0.03</u>	<u>\$ (0.11)</u>	<u>\$ 0.00</u>
Number of shares used in basic per common share computation	<u>12,393,314</u>	<u>9,943,567</u>	<u>11,346,415</u>	<u>9,823,937</u>
Diluted net earnings (loss) per common share	<u>\$ (0.11)</u>	<u>\$ 0.03</u>	<u>\$ (0.11)</u>	<u>\$ 0.00</u>
Number of shares used in diluted per common share computation	<u>12,393,314</u>	<u>9,958,947</u>	<u>11,346,415</u>	<u>9,837,750</u>

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

Assets

	(Unaudited)	
	October 31,	January 31,
	2012	2012
Current assets:		
Cash and cash equivalents	\$10,528,695	\$ 2,243,054
Accounts receivable, net of allowance for doubtful accounts of \$134,000 and \$100,000, respectively	3,389,738	4,484,605
Contract receivables	648,736	430,370
Prepaid hardware and third party software for future delivery	22,777	38,193
Prepaid client maintenance contracts	1,038,035	788,917
Prepaid and other assets	555,310	256,104
Deferred income taxes	326,618	167,000
Total current assets	16,509,909	8,408,243
Non-current assets:		
Property and equipment:		
Computer equipment	3,418,500	2,892,885
Computer software	2,196,236	2,131,730
Office furniture, fixtures and equipment	818,231	756,375
Leasehold improvements	693,890	667,000
	7,126,857	6,447,990
Accumulated depreciation and amortization	(5,778,675)	(5,232,321)
Property and equipment, net	1,348,182	1,215,669
Contract receivables, less current portion	142,021	221,596
Capitalized software development costs, net of accumulated amortization of \$16,733,274 and \$14,805,236, respectively	13,119,354	9,830,175
Intangible assets, net	8,517,084	417,666
Deferred financing cost, net	1,211,912	145,857
Goodwill	12,038,226	4,060,504
Other, including deferred income taxes of \$711,000 and \$711,000, respectively	1,077,857	841,348
Total non-current assets	37,454,636	16,732,815
	\$53,964,545	\$25,141,058

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

Liabilities and Stockholders' Equity

	<u>(Unaudited)</u> <u>October 31,</u> <u>2012</u>	<u>January 31,</u> <u>2012</u>
Current liabilities:		
Accounts payable	\$ 832,657	\$ 879,027
Accrued compensation	1,603,355	887,130
Accrued other expenses	1,373,307	479,526
Deferred revenues	6,262,960	6,496,938
Contingent consideration for earn-out	1,319,559	—
Current portion of long-term debt	1,250,000	—
Total current liabilities	<u>12,641,838</u>	<u>8,742,621</u>
Non-current liabilities:		
Term loans	12,750,000	4,120,000
Convertible note payable, net of unamortized discount of \$1,822,255	3,877,322	3,000,000
Warrants liability	4,138,783	—
Lease incentive liability	101,453	47,193
Contingent consideration for earn-out, less current portion	—	1,232,720
Deferred income tax liability	4,602,230	—
Total non-current liabilities	<u>25,469,788</u>	<u>8,399,913</u>
Total liabilities	<u>38,111,626</u>	<u>17,142,534</u>
Series A 0% Convertible redeemable preferred stock, \$.01 par value per share, \$7,250,355 redemption value, 5,000,000 shares authorized, 2,416,785 shares issued	2,979,170	—
Stockholders' equity:		
Common stock, \$.01 par value per share, 25,000,000 shares authorized, 12,582,598 and 10,433,716 shares issued and outstanding, respectively	125,826	104,338
Additional paid in capital	44,351,334	38,360,980
Accumulated deficit	(31,603,411)	(30,466,794)
Total stockholders' equity	<u>12,873,749</u>	<u>7,998,524</u>
	<u>\$ 53,964,545</u>	<u>\$ 25,141,058</u>

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

Nine Months Ended October 31,
(Unaudited)

	2012	2011
Operating activities:		
Net earnings (loss)	\$ (1,136,617)	\$ 8,051
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities, net of effect of acquisition:		
Depreciation and amortization	2,847,665	2,008,432
Loss on disposal of equipment	—	26,667
Stock-based compensation expense	645,407	529,104
Provision for accounts receivable	—	40,000
Amortization of debt discount	111,584	—
Fair value adjustment for contingent earnout	86,839	—
Net loss from conversion of convertible notes	56,682	—
Change in assets and liabilities:		
Accounts and contract receivables	(1,351,935)	419,517
Other assets	(482,785)	(89,066)
Accounts payable	(137,107)	161,609
Accrued expenses	947,630	(574,012)
Deferred revenues	881,677	(1,904,641)
Net cash provided by operating activities	<u>2,469,040</u>	<u>625,661</u>
Investing activities:		
Purchases of property and equipment	(546,061)	(245,262)
Capitalization of software development costs	(1,571,420)	(1,970,000)
Payment for acquisition, net of cash acquired	(12,161,634)	—
Net cash used in investing activities	<u>(14,279,115)</u>	<u>(2,215,262)</u>
Financing activities:		
Net change in borrowings	9,880,000	550,000
Payment of deferred financing costs	(1,246,107)	—
Proceeds from exercise of stock options and stock purchase plan	161,823	92,711
Proceeds from private placement	12,000,000	—
Payment of success fees	(700,000)	—
Payments on capital lease obligation	—	(156,621)
Net cash provided by financing activities	<u>20,095,716</u>	<u>486,090</u>
Increase (decrease) in cash and cash equivalents	8,285,641	(1,103,511)
Cash and cash equivalents at beginning of period	2,243,054	1,403,949
Cash and cash equivalents at end of period	<u>\$ 10,528,695</u>	<u>\$ 300,438</u>
Supplemental cash flow disclosures:		
Interest paid	\$ 1,181,929	\$ 61,532
Income taxes paid	<u>\$ 78,041</u>	<u>\$ 19,136</u>

Supplemental Disclosure of Non-Cash Financing and Investing Activities:

- In June 2012, the \$3,000,000 convertible note and accrued interest was converted to 1,529,729 common shares at \$2.00 per share.
- In August 2012, we issued 393,086 shares of our common stock at a price of \$4.07, as part of the Meta acquisition purchase price.
- In October 2012, we issued approximately 200,000 common stock warrants, convertible into common stock shares at \$4.06 per share.
- During the third quarter of 2012, we recorded approximately \$139,000 of deemed dividends from preferred shares discount accretion.

STREAMLINE HEALTH SOLUTIONS, INC.

Backlog
(Unaudited)

Table A

Backlog

	<u>October 31, 2012</u>	<u>January 31, 2012</u>	<u>October 31, 2011</u>
Streamline Health Software Licenses	\$ 3,650,000	\$ 181,000	\$ 67,000
Hardware and Third Party Software	84,000	194,000	190,000
Professional Services	4,348,000	5,945,000	4,946,000
Software as a service	19,117,000	10,542,000	6,237,000
Maintenance and support	21,535,000	10,504,000	5,374,000
Total	<u>\$ 48,734,000</u>	<u>\$ 27,366,000</u>	<u>\$ 16,814,000</u>

STREAMLINE HEALTH SOLUTIONS, INC.

Bookings
(Unaudited)

Table B

New bookings (1)

	Three Months Ended October 31, 2012	
	Value	% of Total Bookings
Streamline Health Software licenses	\$ —	— %
Software as a service	2,200,000	76%
Maintenance and support	—	— %
Professional services	684,000	23%
Hardware & third party software	20,000	1%
Total bookings	<u>\$ 2,904,000</u>	<u>100%</u>

	Nine Months Ended October 31, 2012	
	Value	% of Total Bookings
Streamline Health Software licenses	\$ 50,000	— %
Software as a service	9,757,000	86%
Maintenance and support	64,000	1%
Professional services	1,160,000	10%
Hardware & third party software	368,000	3%
Total bookings	<u>\$ 11,399,000</u>	<u>100%</u>

- (1) Bookings are the aggregate of signed contracts and/or completed customer purchase orders approved and accepted by the Company as binding commitments to purchase its products and/or services. New bookings do not include maintenance services as these tend to be recurring in nature on an annual or more frequent basis.

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

This press release contains a non-GAAP financial measure under the rules of the U.S. Securities and Exchange Commission for adjusted EBITDA. This non-GAAP information supplements and is not intended to represent a measure of performance in accordance with disclosures required by generally accepted accounting principles. Non-GAAP financial measures are used internally to manage the business, such as in establishing an annual operating budget. Non-GAAP financial measures are used by Streamline Health's management in its operating and financial decision-making because management believes these measures reflect ongoing business in a manner that allows meaningful period-to-period comparisons. Accordingly, the Company believes it is useful for investors and others to review both GAAP and non-GAAP measures in order to (a) understand and evaluate current operating performance and future prospects in the same manner as management does and (b) compare in a consistent manner the company's current financial results with past financial results. The primary limitations associated with the use of non-GAAP financial measures are that these measures may not be directly comparable to the amounts reported by other companies and they do not include all items of income and expense that affect operations. The Company's management compensates for these limitations by considering the company's financial results and outlook as determined in accordance with GAAP and by providing a detailed reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures in the tables attached to this press release.

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

Adjusted EBITDA Reconciliation	Three Months Ended,		Nine Months Ended,	
	October 31, 2012	October 31, 2011	October 31, 2012	October 31, 2011
Net earnings (loss)	\$ (1,165)	\$ 296	\$ (1,137)	\$ 8
Interest expense	895	26	1,494	68
Income tax expense	12	5	45	12
Depreciation and other amortization	184	163	548	553
Amortization of capitalized software development costs	708	454	1,930	1,455
Amortization of intangible assets	229	—	254	—
EBITDA	<u>863</u>	<u>944</u>	<u>3,134</u>	<u>2,096</u>
Stock-based compensation expense	245	133	645	529
Transaction expenses	494	—	1,043	—
Adjusted EBITDA	<u>\$ 1,602</u>	<u>\$ 1,077</u>	<u>\$ 4,822</u>	<u>\$ 2,625</u>
Adjusted EBITDA per diluted share				
Earnings (loss) per share—diluted	\$ (0.11)	\$ 0.03	\$ (0.11)	\$ 0.00
Adjusted EBITDA per adjusted diluted share	<u>\$ 0.10</u>	<u>\$ 0.11</u>	<u>\$ 0.33</u>	<u>\$ 0.27</u>
Diluted weighted average shares	12,393,314	9,958,947	11,346,415	9,837,750
Includable incremental shares—adjusted EBITDA ⁽¹⁾	3,683,574	—	3,117,999	—
Adjusted diluted shares	<u>16,076,888</u>	<u>9,958,947</u>	<u>14,464,414</u>	<u>9,837,750</u>

(1) Includes preferred shares on an as-if-converted basis and common stock warrants and options under the treasury stock method.



News Release

Visit our website at: www.streamlinehealth.net

**STREAMLINE HEALTH® REPORTS IMPROVED INCOME AND
EPS FOR THIRD QUARTER 2012**

*Adjustment in Tax Valuation Allowance Improves Quarterly Net Income to
\$2.3 Million and EPS to \$.18*

Atlanta, Georgia – December 14, 2012 – Streamline Health Solutions, Inc. (NASDAQ: STRM), a leading provider of enterprise content management, business analytics, computer assisted coding (CAC), and clinical documentation improvement (CDI) solutions for healthcare providers, today announced that following the release of its third quarter 2012 earnings on December 13, 2012, after having received approval for that press release from its independent auditors, the company has been encouraged by its auditors to take a non-cash adjustment in its tax valuation allowance, as a result of the deferred tax liabilities recorded in conjunction with the Meta Health Technology acquisition, thereby altering its net income and earnings per share (EPS) performance for the quarter.

The adjustment in the tax valuation allowance also increased the company's year-to-date net income and EPS, to \$2.3 million and \$.20 respectively.

About Streamline Health

Streamline Health Solutions, Inc. (NASDAQ: STRM) is a leading provider of SaaS-based healthcare information technology (HCIT) solutions for hospitals and physician groups with offices in Atlanta, Cincinnati, and New York. The company's comprehensive suite of solutions includes: enterprise content management (ECM), business analytics, integrated workflow systems, clinical documentation improvement (CDI), and computer assisted coding (CAC). Across the revenue cycle, these solutions offer healthcare enterprises a flexible, customizable way to communicate between disparate departments and information systems to improve processes, boost productivity, and optimize clinical, administrative and financial performance. For more information, please visit our website at <http://www.streamlinehealth.net>.

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

Statements made by Streamline Health Solutions, Inc. that are not historical facts are forward-looking statements that are subject to risks and uncertainties and are no guarantee of future performance. The forward looking statements contained herein are subject to certain risks, uncertainties and important factors that could cause actual results to differ materially from those reflected in the forward-looking statements, included herein. These risks and uncertainties include, but are not limited to, the timing of contract negotiations and execution of contracts and the related timing of the revenue recognition related thereto, the potential cancellation of existing contracts or clients not completing projects included in the backlog, the impact of competitive products and pricing, product demand and market acceptance, new product development, key strategic alliances with vendors that resell the Company's products, the ability of the Company to control costs, availability of products obtained from third party vendors, the healthcare regulatory environment, potential changes in legislation, regulation and government funding affecting the healthcare industry, healthcare information systems budgets, availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems, fluctuations in operating results, effects of critical accounting policies and judgments, changes in accounting policies or procedures as may be required by the Financial Accountings Standards Board or other similar entities, changes in economic, business and market conditions impacting the healthcare industry, the markets in which the Company operates and nationally, and the Company's ability to maintain compliance with the terms of its credit facilities, and other risks detailed from time to time in the Streamline Health Solutions, Inc. filings with the U. S. Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly release the results of any revision to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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800-368-1217

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three and Nine Months Ended October 31,
(Unaudited)

	Three Months		Nine Months	
	2012	2011	2012	2011
Revenues:				
Systems sales	\$ 290,294	\$ 232,395	\$ 719,495	\$ 526,597
Professional services	1,089,814	833,592	3,153,672	2,708,824
Maintenance and support	3,148,442	2,279,886	7,797,263	6,558,484
Software as a service	2,005,813	966,218	5,358,120	2,804,141
Total revenues	<u>6,534,363</u>	<u>4,312,091</u>	<u>17,028,550</u>	<u>12,598,046</u>
Operating expenses:				
Cost of systems sales	717,901	583,388	1,936,761	1,751,890
Cost of professional services	854,997	572,056	1,910,951	1,923,576
Cost of maintenance and support	918,750	513,868	2,349,745	1,651,884
Cost of software as a service	550,875	480,368	1,849,962	1,334,659
Selling, general and administrative	2,926,830	1,494,891	6,800,794	4,742,084
Product research and development	866,659	303,973	1,833,865	1,063,903
Total operating expenses	<u>6,836,012</u>	<u>3,948,544</u>	<u>16,682,078</u>	<u>12,467,996</u>
Operating income (loss)	(301,649)	363,547	346,472	130,050
Other income (expense):				
Interest expense	(895,142)	(25,896)	(1,494,161)	(67,529)
Miscellaneous income (expenses)	43,549	(36,885)	55,805	(42,155)
Earnings (loss) before income taxes	(1,153,242)	300,766	(1,091,884)	20,366
Income tax benefit (expense)	3,552,879	(5,000)	3,519,879	(12,315)
Net earnings	<u>\$ 2,399,637</u>	<u>\$ 295,766</u>	<u>\$ 2,427,995</u>	<u>\$ 8,051</u>
Less: deemed dividends on Series A Preferred Shares	(139,133)		(139,133)	
Net earnings attributable to common shareholders	<u>\$ 2,260,504</u>		<u>\$ 2,288,862</u>	
Basic net earnings per common share	<u>\$ 0.18</u>	<u>\$ 0.03</u>	<u>\$ 0.20</u>	<u>\$ 0.00</u>
Number of shares used in basic per common share computation	<u>12,393,352</u>	<u>9,943,567</u>	<u>11,346,428</u>	<u>9,823,937</u>
Diluted net earnings per common share	<u>\$ 0.15</u>	<u>\$ 0.03</u>	<u>\$ 0.18</u>	<u>\$ 0.00</u>
Number of shares used in diluted per common share computation	<u>15,365,238</u>	<u>9,958,947</u>	<u>12,417,256</u>	<u>9,837,750</u>

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

Assets

	(Unaudited)	January 31,
	October 31,	2012
	2012	2012
Current assets:		
Cash and cash equivalents	\$10,528,695	\$ 2,243,054
Accounts receivable, net of allowance for doubtful accounts of \$134,000 and \$100,000, respectively	3,389,738	4,484,605
Contract receivables	648,736	430,370
Prepaid hardware and third party software for future delivery	22,777	38,193
Prepaid client maintenance contracts	1,038,035	788,917
Prepaid and other assets	555,310	256,104
Deferred income taxes	—	167,000
Total current assets	16,183,291	8,408,243
Non-current assets:		
Property and equipment:		
Computer equipment	3,418,500	2,892,885
Computer software	2,196,236	2,131,730
Office furniture, fixtures and equipment	818,231	756,375
Leasehold improvements	693,890	667,000
	7,126,857	6,447,990
Accumulated depreciation and amortization	(5,778,675)	(5,232,321)
Property and equipment, net	1,348,182	1,215,669
Contract receivables, less current portion	142,021	221,596
Capitalized software development costs, net of accumulated amortization of \$16,733,274 and \$14,805,236, respectively	13,119,354	9,830,175
Intangible assets, net	8,517,084	417,666
Deferred financing cost, net	1,211,912	145,857
Goodwill	12,038,226	4,060,504
Other, including deferred income taxes of \$0 and \$711,000, respectively	366,857	841,348
Total non-current assets	36,743,636	16,732,815
	\$52,926,927	\$25,141,058

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

Liabilities and Stockholders' Equity

	<u>(Unaudited)</u> <u>October 31,</u> <u>2012</u>	<u>January 31,</u> <u>2012</u>
Current liabilities:		
Accounts payable	\$ 832,657	\$ 879,027
Accrued compensation	1,603,355	887,130
Accrued other expenses	1,373,307	479,526
Deferred revenues	6,262,960	6,496,938
Contingent consideration for earn-out	1,319,559	—
Current portion of long-term debt	1,250,000	—
Total current liabilities	<u>12,641,838</u>	<u>8,742,621</u>
Non-current liabilities:		
Term loans	12,750,000	4,120,000
Convertible note payable, net of unamortized discount of \$1,822,255 and \$0, respectively	3,877,322	3,000,000
Warrants liability	4,138,783	—
Lease incentive liability	101,453	47,193
Contingent consideration for earn-out, less current portion	—	1,232,720
Total non-current liabilities	<u>20,867,558</u>	<u>8,399,913</u>
Total liabilities	<u>33,509,396</u>	<u>17,142,534</u>
Series A 0% Convertible Redeemable Preferred Stock, \$.01 par value per share, \$7,250,355 redemption value, 5,000,000 shares authorized, 2,416,785 shares issued	2,979,170	—
Stockholders' equity:		
Common stock, \$.01 par value per share, 25,000,000 shares authorized, 12,582,598 and 10,433,716 shares issued and outstanding, respectively	125,826	104,338
Convertible Redeemable Preferred Stock, \$0.01 par value per share, 1,000,000 authorized, no shares issued	—	—
Additional paid in capital	44,351,334	38,360,980
Accumulated deficit	(28,038,799)	(30,466,794)
Total stockholders' equity	<u>16,438,361</u>	<u>7,998,524</u>
	<u>\$ 52,926,927</u>	<u>\$ 25,141,058</u>

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

Nine Months Ended October 31,
(Unaudited)

	2012	2011
Operating activities:		
Net earnings	\$ 2,427,995	\$ 8,051
Adjustments to reconcile net earnings to net cash provided by operating activities, net of effect of acquisition:		
Depreciation and amortization	2,847,665	2,008,432
Loss on disposal of equipment	—	26,667
Share-based compensation expense	645,407	529,104
Deferred tax benefit	(3,564,612)	—
Provision for accounts receivable	—	40,000
Amortization of debt discount	111,584	—
Fair value adjustment for contingent earnout	86,839	—
Net loss from conversion of convertible note	56,682	—
Change in assets and liabilities:		
Accounts and contract receivables	(1,351,935)	419,517
Other assets	(482,785)	(89,066)
Accounts payable	(137,107)	161,609
Accrued expenses	947,630	(574,012)
Deferred revenues	881,677	(1,904,641)
Net cash provided by operating activities	<u>2,469,040</u>	<u>625,661</u>
Investing activities:		
Purchases of property and equipment	(546,061)	(245,262)
Capitalization of software development costs	(1,571,420)	(1,970,000)
Payment for acquisition, net of cash acquired	(12,161,634)	—
Net cash used in investing activities	<u>(14,279,115)</u>	<u>(2,215,262)</u>
Financing activities:		
Net change in borrowings	9,880,000	550,000
Payment of deferred financing costs	(1,246,107)	—
Proceeds from exercise of stock options and stock purchase plan	161,823	92,711
Proceeds from private placement	12,000,000	—
Payment of success fee	(700,000)	—
Payments on capital lease obligation	—	(156,621)
Net cash provided by financing activities	<u>20,095,716</u>	<u>486,090</u>
Increase (decrease) in cash and cash equivalents	8,285,641	(1,103,511)
Cash and cash equivalents at beginning of period	2,243,054	1,403,949
Cash and cash equivalents at end of period	<u>\$ 10,528,695</u>	<u>\$ 300,438</u>
Supplemental cash flow disclosures:		
Interest paid	\$ 1,181,929	\$ 61,532
Income taxes paid	<u>\$ 78,041</u>	<u>\$ 19,136</u>

Supplemental Disclosure of Non-Cash Financing and Investing Activities:

- In June 2012, the \$3,000,000 convertible note and accrued interest was converted to 1,529,729 common shares at \$2.00 per share.
- In August 2012, we issued 393,086 shares of our common stock at a price of \$4.07, as part of the Meta acquisition purchase price.
- In October 2012, we issued approximately 200,000 common stock warrants, convertible into common stock shares at \$4.06 per share.
- During the third quarter of 2012, we recorded approximately \$139,000 of deemed dividends from preferred shares discount accretion.

STREAMLINE HEALTH SOLUTIONS, INC.

Backlog
(Unaudited)

Table A

Backlog

	<u>October 31, 2012</u>	<u>January 31, 2012</u>	<u>October 31, 2011</u>
Streamline Health Software Licenses	\$ 3,650,000	\$ 181,000	\$ 67,000
Hardware and Third Party Software	84,000	194,000	190,000
Professional Services	4,348,000	5,945,000	4,946,000
Software as a service	19,117,000	10,542,000	6,237,000
Maintenance and support	21,535,000	10,504,000	5,374,000
Total	<u>\$ 48,734,000</u>	<u>\$ 27,366,000</u>	<u>\$ 16,814,000</u>

STREAMLINE HEALTH SOLUTIONS, INC.

Bookings
(Unaudited)

Table B

New bookings (1)

	Three Months Ended October 31, 2012	
	Value	% of Total Bookings
Streamline Health Software licenses	\$ —	— %
Software as a service	2,200,000	76%
Maintenance and support	—	— %
Professional services	684,000	23%
Hardware & third party software	20,000	1%
Total bookings	<u>\$2,904,000</u>	<u>100%</u>

	Nine Months Ended October 31, 2012	
	Value	% of Total Bookings
Streamline Health Software licenses	\$ 50,000	— %
Software as a service	9,757,000	86%
Maintenance and support	64,000	1%
Professional services	1,160,000	10%
Hardware & third party software	368,000	3%
Total bookings	<u>\$ 11,399,000</u>	<u>100%</u>

- (1) Bookings are the aggregate of signed contracts and/or completed customer purchase orders approved and accepted by the Company as binding commitments to purchase its products and/or services. New bookings do not include maintenance services as these tend to be recurring in nature on an annual or more frequent basis.

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

This press release contains a non-GAAP financial measure under the rules of the U.S. Securities and Exchange Commission for adjusted EBITDA. This non-GAAP information supplements and is not intended to represent a measure of performance in accordance with disclosures required by generally accepted accounting principles. Non-GAAP financial measures are used internally to manage the business, such as in establishing an annual operating budget. Non-GAAP financial measures are used by Streamline Health's management in its operating and financial decision-making because management believes these measures reflect ongoing business in a manner that allows meaningful period-to-period comparisons. Accordingly, the Company believes it is useful for investors and others to review both GAAP and non-GAAP measures in order to (a) understand and evaluate current operating performance and future prospects in the same manner as management does and (b) compare in a consistent manner the company's current financial results with past financial results. The primary limitations associated with the use of non-GAAP financial measures are that these measures may not be directly comparable to the amounts reported by other companies and they do not include all items of income and expense that affect operations. The Company's management compensates for these limitations by considering the company's financial results and outlook as determined in accordance with GAAP and by providing a detailed reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures in the tables attached to this press release.

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

Adjusted EBITDA Reconciliation	Three Months Ended,		Nine Months Ended,	
	October 31, 2012	October 31, 2011	October 31, 2012	October 31, 2011
Net earnings	\$ 2,400	\$ 296	\$ 2,428	\$ 8
Interest expense	895	26	1,494	68
Income tax benefit (expense)	(3,553)	5	(3,520)	12
Depreciation and other amortization	184	163	548	553
Amortization of capitalized software development costs	708	454	1,930	1,455
Amortization of intangible assets	229	—	254	—
EBITDA	<u>863</u>	<u>944</u>	<u>3,134</u>	<u>2,096</u>
Stock-based compensation expense	245	133	645	529
Transaction expenses	494	—	1,043	—
Adjusted EBITDA	<u>\$ 1,602</u>	<u>\$ 1,077</u>	<u>\$ 4,822</u>	<u>\$ 2,625</u>
Adjusted EBITDA per diluted share				
Earnings per share - diluted	\$ 0.15	\$ 0.03	\$ 0.18	\$ 0.00
Adjusted EBITDA per adjusted diluted share	<u>\$ 0.10</u>	<u>\$ 0.11</u>	<u>\$ 0.39</u>	<u>\$ 0.27</u>
Diluted weighted average shares	<u>15,365,238</u>	<u>9,958,947</u>	<u>12,417,256</u>	<u>9,837,750</u>