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, 2024

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.)*

2400 Old Milton Pkwy., Box 1353
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, $0.01 par value per share, as of September 9, 2024, was 63,324,103.

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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)

	July 31, 2024 (Unaudited)	January 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,536,000	$ 3,190,000
Accounts receivable, net of allowance for credit losses of $ 59,000 and $86,000, respectively	2,521,000	4,237,000
Contract receivables	969,000	780,000
Prepaid and other current assets	659,000	629,000
Total current assets	7,685,000	8,836,000
Non-current assets:		
Property and equipment, net of accumulated amortization of $ 316,000 and $291,000 respectively	64,000	88,000
Capitalized software development costs, net of accumulated amortization of $ 8,848,000 and $7,960,000, respectively	5,403,000	5,798,000
Intangible assets, net of accumulated amortization of $ 4,837,000 and $4,019,000, respectively	11,253,000	12,071,000
Goodwill	13,276,000	13,276,000
Other	1,344,000	1,666,000
Total non-current assets	31,340,000	32,899,000
Total assets	$ 39,025,000	$ 41,735,000

See accompanying notes to condensed consolidated financial statements.

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

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

	July 31, 2024 (Unaudited)	January 31, 2024
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,413,000	$ 1,253,000
Accrued expenses	1,948,000	2,023,000
Current portion of term loan	2,000,000	1,500,000
Deferred revenues	6,591,000	7,112,000
Acquisition earnout liability	577,000	1,794,000
Total current liabilities	12,529,000	13,682,000
Non-current liabilities:		
Term loan, net of current portion and deferred financing costs	6,611,000	7,566,000
Line of credit	—	1,500,000
Notes payable, net of deferred financing costs	3,853,000	—
Deferred revenues, less current portion	134,000	173,000
Total non-current liabilities	10,598,000	9,239,000
Total liabilities	23,127,000	22,921,000
Commitments and contingencies – Note 8		
Stockholders' equity:		
Common stock, $0.01 par value per share, 85,000,000 shares authorized; 63,307,832 and 58,945,498 shares issued and outstanding, respectively	633,000	590,000
Additional paid in capital	136,506,000	133,923,000
Accumulated deficit	(121,241,000)	(115,699,000)
Total stockholders' equity	15,898,000	18,814,000
Total liabilities and stockholders' equity	$ 39,025,000	$ 41,735,000

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,	
	2024	2023	2024	2023
Revenues:				
Software as a service	$ 3,078,000	$ 3,531,000	$ 5,801,000	$ 6,706,000
Maintenance and support	883,000	1,100,000	1,773,000	2,257,000
Professional fees and licenses	515,000	1,139,000	1,233,000	2,139,000
Total revenues	4,476,000	5,770,000	8,807,000	11,102,000
Operating expenses:				
Cost of software as a service	1,495,000	1,893,000	2,844,000	3,482,000
Cost of maintenance and support	43,000	32,000	84,000	121,000
Cost of professional fees and licenses	840,000	1,022,000	1,727,000	2,130,000
Selling, general and administrative expense	2,989,000	4,116,000	6,181,000	7,957,000
Research and development	1,324,000	1,305,000	2,435,000	3,006,000
Total operating expenses	6,691,000	8,368,000	13,271,000	16,696,000
Operating loss	(2,215,000)	(2,598,000)	(4,464,000)	(5,594,000)
Other (expense) income:				
Interest expense	(496,000)	(267,000)	(961,000)	(515,000)
Valuation adjustments	(91,000)	359,000	(115,000)	723,000
Other	(1,000)	(1,000)	(2,000)	31,000
Loss before income taxes	(2,803,000)	(2,507,000)	(5,542,000)	(5,355,000)
Income tax expense	—	(8,000)	—	(61,000)
Net loss	$ (2,803,000)	$ (2,515,000)	$ (5,542,000)	$ (5,416,000)
Basic and Diluted Earnings Per Share:				
Net loss per common share – basic and diluted	$ (0.05)	$ (0.04)	$ (0.09)	$ (0.10)
Weighted average number of common shares – basic and diluted	60,110,178	56,357,684	59,167,134	56,164,282

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 (Amount)	Additional paid in capital	Accumulated deficit	Total stockholders' equity
Balance at January 31, 2024	58,945,498	$ 590,000	$ 133,923,000	$ (115,699,000)	$ 18,814,000
Restricted stock issued	1,215,000	11,000	(11,000)	—	—
Restricted stock forfeited	(48,350)	—	—	—	—
Surrender of shares	(139,105)	(1,000)	(66,000)	—	(67,000)
Share-based compensation	—	—	529,000	—	529,000
Issuance of common stock	1,852,544	17,000	753,000	—	770,000
Offering expenses	—	—	(4,000)	—	(4,000)
Net loss	—	—	—	(2,739,000)	(2,739,000)
Balance at April 30, 2024	61,825,587	$ 617,000	$ 135,124,000	$ (118,438,000)	$ 17,303,000
Restricted stock issued	1,706,517	17,000	(17,000)	—	—
Restricted stock forfeited	(282,250)	(3,000)	3,000	—	—
Surrender of shares	(51,777)	1,000	(11,000)	—	(10,000)
Share-based compensation	—	—	571,000	—	571,000
Issuance of common stock	—	—	—	—	—
Cashless exercise of warrants	109,755	1,000	(1,000)	—	—
Warrant liability reclassification	—	—	837,000	—	837,000
Net loss	—	—	—	(2,803,000)	(2,803,000)
Balance at July 31, 2024	63,307,832	$ 633,000	$ 136,506,000	$ (121,241,000)	$ 15,898,000

	Common stock (Shares)	Common stock (Amount)	Additional paid in capital	Accumulated deficit	Total stockholders' equity
Balance at January 31, 2023	57,567,210	$ 576,000	$ 131,973,000	$ (97,038,000)	$ 35,511,000
Restricted stock issued	1,185,927	12,000	(12,000)	—	—
Restricted stock forfeited	(28,400)	(1,000)	1,000	—	—
Surrender of shares	(88,326)	(1,000)	(178,000)	—	(179,000)
Share-based compensation	—	—	595,000	—	595,000
Adoption of ASU 2016-13	—	—	—	36,000	36,000
Net loss	—	—	—	(2,901,000)	(2,901,000)
Balance at April 30, 2023	58,636,411	$ 586,000	$ 132,379,000	$ (99,903,000)	$ 33,062,000
Restricted stock issued	385,720	4,000	(4,000)	—	—
Restricted stock forfeited	(77,000)	(1,000)	1,000	—	—
Surrender of shares	(50,060)	—	(73,000)	—	(73,000)
Share-based compensation	—	—	630,000	—	630,000
Net loss	—	—	—	(2,515,000)	(2,515,000)
Balance at July 31, 2023	58,895,071	$ 589,000	$ 132,933,000	$ (102,418,000)	$ 31,104,000

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, 2024	Six Months Ended July 31, 2023
Net loss	$ (5,542,000)	$ (5,416,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,290,000	2,134,000
Accrued interest expense - notes payable	326,000	—
Valuation adjustments	115,000	(723,000)
Benefit for deferred income taxes	—	43,000
Share-based compensation expense	1,032,000	1,109,000
Provision for credit losses	(58,000)	—
Changes in assets and liabilities:		
Accounts and contract receivables	1,585,000	4,985,000
Other assets	(71,000)	(146,000)
Accounts payable	78,000	31,000
Accrued expenses and other liabilities	(75,000)	(1,361,000)
Deferred revenue	(560,000)	(1,592,000)
Net cash used in operating activities	(880,000)	(936,000)
Cash flows from investing activities:		
Purchases of property and equipment	—	(47,000)
Capitalization of software development costs	(426,000)	(1,026,000)
Net cash used in investing activities	(426,000)	(1,073,000)
Cash flows from financing activities:		
Repayment of bank term loan	(500,000)	(250,000)
Repayment of line of credit	(1,500,000)	—
Proceeds from issuance of common stock	100,000	—
Proceeds from notes payable	4,400,000	—
Payments of acquisition earnout liabilities	(686,000)	—
Payments for deferred financing costs	(86,000)	—
Repurchase of common shares to satisfy employee tax withholding	(77,000)	(252,000)
Other	1,000	—
Net cash provided (used in) by financing activities	1,652,000	(502,000)
Net increase (decrease) in cash and cash equivalents	346,000	(2,511,000)
Cash and cash equivalents at beginning of period	3,190,000	6,598,000
Cash and cash equivalents at end of period	$ 3,536,000	$ 4,087,000

See accompanying notes to condensed consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2024

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 & Clinical Documentation Improvement (CDI) solutions, 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 services to help clients optimize their internal clinical documentation and coding functions, as well as implementation and consulting services to complement its software solutions. The Company's software and services enable hospitals and integrated healthcare delivery systems in the United States and Canada to capture, store, manage, route, retrieve and process patient clinical, financial and other healthcare provider information related to the patient revenue cycle.

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. All intercompany balances and transactions have been eliminated in consolidation. 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, 2024, are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2025.

The Company has one operating segment and one reporting unit due to the singular nature of our products, product development and distribution process, and client base as a provider of computer software-based solutions and services for acute-care healthcare providers.

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.

Going Concern

The Company's financial statements are prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of obligations in the normal course of business. To date, the Company has not generated sufficient revenues to allow it to generate cash flow from operations and the Company anticipates the need for additional liquidity in the next twelve months. The Company has historically accumulated losses and used cash from its financing activities to supplement its operations. The Company's current forecast projects the Company may not be able to maintain compliance with certain of its financial covenants under its current credit agreement with the term loan lender in the next twelve months. Further, our recent private placement notes payables have cross-default conditions with the senior term loan debt. These conditions raise substantial doubt about the ability of the Company to continue as a going concern within one year after the date that the financial statements are issued.

In view of these matters, continuation as a going concern is dependent upon the Company's ability to achieve cash from operations and raise additional debt or equity capital to fund its ongoing operations.

As of July 31, 2024, the Company had approximately $ 12.4 million of total outstanding debt associated with its term loan and private placement notes payables, $2 million of which is classified as a current liability. The Company is engaged in ongoing discussions with its current banking partner, Western Alliance Bank, with whom it maintains a good working relationship. The Company's ability to refinance its existing debt is based upon credit markets and economic forces that are outside of its control. There can be no assurance that the Company will be successful in raising additional capital or that such capital, if available, will be on terms that are acceptable to the Company.

The financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies are presented in “Note 2 – Significant Accounting Policies” in the Annual Report on Form 10-K for fiscal year 2023. 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 credit losses, contingent consideration, and income taxes. Actual results could differ from those estimates.

Reclassification

Certain amounts for the three and six months ended July 31, 2023, were reclassified to conform to the current period classification. For the three and six months ended July 31, 2023, the Company incurred acquisition-related costs totaling $9,000 and $44,000, respectively, consisting primarily of professional service fees. The aforementioned acquisition-related costs for the three and six months ended July 31, 2023, were previously presented in a separate, single caption and are now included in selling, general, and administrative expense in the accompanying condensed consolidated statements of operations, which is consistent with the presentation for the current period.

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. The acquisition earnout liability transferred out of Level 3 as of April 30, 2024.

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

	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At January 31, 2024				
Acquisition earnout liability (1)	$ 1,794,000	$ —	$ —	$ 1,794,000

(1) On March 27, 2024, the Company issued the shares of its common stock owed as part of the acquisition earnout liability related to the acquisition of Avelead Consulting, LLC ("Avelead"). The remaining obligation related to the acquisition earnout liability is to be settled in cash (refer to Note 3 – Business Combinations for more information). At that time, the acquisition earnout liability no longer qualified as a Level 3 fair value calculation and was transferred out. As of that date, the Company recorded a valuation adjustment of $159,000 using the value of the shares issued adjusted for a discount for lack of marketability. See the table below for the roll-forward of values including the amount transitioned out of Level 3.

The table below provides the Level 3 roll-forward on the fair value of our acquisition earnout liability for the six months ended July 31, 2024. There was no Level 3 roll-forward activity for the three months ended July 31, 2024.

	Six-months ended July 31, 2024
Beginning balance	$ 1,794,000
Settlement – common stock	(690,000)
Settlement – cash	(447,000)
Realized loss	159,000
Transfer out	(817,000)
Ending balance	$ —

The value of the Company's acquisition earnout liability at July 31, 2024, represents the remaining cash obligation of $577,000. The Company reached an agreement with the former owners of Avelead to settle the cash obligation by making periodic payments through October 31, 2024.

The fair value of the Company's term loan under its Second Amended and Restated Loan and Security Agreement (as amended and modified, the "Second Amended and Restated Loan 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, 2024 and January 31, 2024. 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 published "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 Second Amended and Restated Loan Agreement for the term loan. The fair value of the Company's term loan as of July 31, 2024 and January 31, 2024, was estimated to be $8,314,000 and $8,807,000, respectively, or a discount to book value of $ 186,000 and $193,000, respectively.

The estimated fair value of the Company's notes payable under its private placement notes payables was determined through an analysis of the interest rate spread from the date of closing of the private placement (February 7, 2024) to the date of the most recent balance sheet, July 31, 2024. The Company estimated the yield of a 30-month treasury by interpolating the yields of the 1-month through 10-year treasury yields on February 7, 2024 (the "Issuance Date") and the measurement date. A High Yield Index Option Adjusted Spread, as published by the Federal Reserve Bank of St. Louis, for the same dates was added to the treasury yield spread to calculate a High-Yield Spread Adjusted 30-Month Rate. This provided an estimated change to the effective interest rate spread of approximately 0.23% less than the Issuance Date. The fair value of the Company's notes payable as of July 31, 2024, was estimated to be $3,847,000, or a discount to book value of $ 5,000.

The estimated fair value of the warrant liability is calculated using a Black-Scholes pricing model. The model input uses the warrant strike prices of $0.38 and $0.39, market prices on the measurement dates ($ 0.34 as of *February 7, 2024,* $0.30 as of *April 30, 2024,* and $0.33 as of *May 7, 2024)* plus assumptions and model inputs for expected term, historical 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 and expected term). The warrants carry a term of 48 months and the Company assumes they are held until expiration. The risk-free rate was determined from the U.S. Treasury published daily treasury yields corresponding with the remaining expected term which ranged between 4% - 5%. The Company's common stock volatility was estimated between 91% - 92% utilizing its historical average closing price for preceding trading days equal to expected term remaining.

Using this methodology, the Company recorded an opening warrant liability of $ 881,000 as of February 7, 2024. Re-measurements as of April 30, 2024 and May 7, 2024 are reflected under the "Valuation adjustments" header on the condensed consolidated statement of operations as a valuation loss of $91,000 and a valuation gain of $ 44,000 for the three months ending and the six months ending July 31, 2024, respectively. As of May 7, 2024, the Company had eliminated the potential cash settlement feature that caused liability accounting ensuring the warrants will be settled with shares, and accordingly, the warrants met the criteria for equity classification and reclassified $837,000 to paid in capital after a final re-measurement.

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. Certain contracts may include aspects of variable consideration as it relates to performance guarantees and service level agreements. Significant judgment is required to determine the standalone selling price ("SSP") for each performance obligation, impact of variable consideration on total contract price, 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.

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, 2024	July 31, 2023	July 31, 2024	July 31, 2023
Over time revenue	$ 4,476,000	$ 5,770,000	$ 8,672,000	$ 11,028,000
Point in time revenue	—	—	135,000	74,000
Total revenue	$ 4,476,000	$ 5,770,000	$ 8,807,000	$ 11,102,000

The Company includes revenue categories of (i) over time and (ii) point in time revenue. The Company includes revenue categories of (i) SaaS, (ii) maintenance and support, (iii) professional services, and (iv) audit services as over time revenue. For point in time revenue, the performance obligation is recognized as the point in time when the obligation is fully satisfied. The Company includes software licenses as point in time revenue.

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. During the three and six months ended July 31, 2024, the Company recognized approximately $ 1,795,000 and $4,625,000, respectively, in revenue from deferred revenues outstanding as of January 31, 2024. Revenue allocated to remaining performance obligations was $ 31,039,000 as of July 31, 2024, of which the Company expects to recognize approximately 43% 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, 2024 and January 31, 2024, the Company had deferred costs of $55,000 and $77,000, respectively, net of accumulated amortization of $136,000 and $102,000, respectively. Amortization expense of these costs was $33,000 and $34,000 for the six months ended July 31, 2024 and 2023, respectively, and is included in cost of SaaS in the condensed consolidated statements of operations. For the three months ended July 31, 2024 and 2023, the Company had amortization expense of $13,000 and $17,000, respectively.

Contract acquisition costs, which consist of sales commissions paid or payable, are 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, 2024 and January 31, 2024, deferred commission costs paid and payable, which are included on the consolidated balance sheets within other non-current assets totaled $1,279,000 and $1,461,000, respectively. Amortization expense associated with deferred sales commissions, which is included in selling, general and administrative expense in the condensed consolidated statements of operations, was $169,000 and $125,000 for the three months ended July 31, 2024 and 2023, respectively. For the six months ended July 31, 2024 and 2023, the amortization expense associated with deferred sales commissions was $310,000 and $254,000, respectively.

Allowance for Credit Losses

The Company estimates current expected credit losses based on historical credit loss rates and applied an increase to account for future economic conditions. The changes in the Company's allowance for credit losses is as follows:

	January 31, 2024	CECL Adoption	Provision adjustments	Write-offs & Recoveries	July 31, 2024
Allowance for credit losses	$ 86,000	$ —	(58,000)	31,000	$ 59,000

	January 31, 2023	CECL Adoption	Provision adjustments	Write-offs & Recoveries	July 31, 2023
Allowance for credit losses	$ 132,000	$ (36,000)	$ —	$ —	$ 96,000

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 for the three and six months ended July 31, 2024, of $533,000 and $1,032,000 respectively, net of $38,000 and $67,000, respectively, of capitalized non-employee stock compensation, compared to share-based compensation expense of $537,000 and $1,109,000, respectively, net of $93,000 and $116,000, respectively, of capitalized non-employee stock compensation, for the three and six months ended July 31, 2023.

The fair value of stock options granted are 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 and expected term). 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 closing price per share on the grant date. For the three and six months ended July 31, 2024, the Company issued 0 and 1,015,000 shares of restricted common stock to employees, respectively, compared to 0 and 1,085,000 shares of restricted common stock for the three and six months ended July 31, 2023, respectively. The Company expenses the compensation cost of these awards as the restriction period lapses, which is typically over a three-year period. For the three and six months ended July 31, 2024, the Company issued 1,500,000 and 1,700,000, respectively, shares of restricted common stock to certain members of the Board of Directors, compared to 258,621 and 458,621 shares of restricted common stock for the three and six months ended July 31, 2023, respectively.

Market-Based Awards

For awards with a market condition, the Company adjusts the grant date fair value for the condition. The Company used separate Monte Carlo valuation models, as of the grant date, to determine the expected length and fair value of this particular award. Both models used the Company's historical equity volatility, current stock price, and hurdle target price for vesting. The service period model also included an assumption for the Company's 10-year normalized risk-free rate. The associated compensation expense is recognized provided the service condition is provided regardless of whether the market condition is satisfied.

On July 18, 2024, the Company, as a component of the Board awards discussed above, executed a Restricted Stock Agreement to issue 200,000 shares of Restricted Stock with a market vesting condition to a member of the board. The shares will vest on the date the stock closes at a fair market value of $1.75 per share.

Warrants

The Company reviews the specific terms for its warrants and applies the authoritative FASB guidance under ASC topics 480, Distinguishing Liabilities from Equity ("ASC 480") and ASC 815, Derivatives and Hedging ("ASC 815") to account for the warrants as either equity-classified or liability-classified instruments. This review identifies if the warrants are freestanding financial instruments under ASC 480, should be defined as a liability under ASC 480, and whether the warrants meet all requirements of ASC 815 to be classified as equity, including whether the warrants are indexed to the Company's own common stock, if there are conditions where warrant holders could potentially require "net cash settlement" in a circumstance that would be outside of the Company's control, among other conditions for equity classification. This assessment requires the use of professional judgment and is conducted at the time of warrant issuance plus as of each subsequent quarterly period end date while the warrants are outstanding.

For the issued or modified warrants that qualify for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do *not* meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the condensed consolidated Statements of Operations as "valuation adjustments." The fair value of the warrants is estimated using a Black-Scholes pricing model.

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. The Company believes it has appropriately accounted for any uncertain tax positions as of July 31, 2024.

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 warrants, unvested restricted stock awards, and options are considered non-participating securities because holders are not entitled to non-forfeitable rights to dividends or dividend equivalents during the vesting term or while unexercised. 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 loss per share of common stock for the three and six months ended July 31, 2024 and 2023:

	Three Months Ended		Six Months Ended	
	July 31, 2024	**July 31, 2023**	**July 31, 2024**	**July 31, 2023**
Basic and diluted loss per share:				
Net loss	$ (2,803,000)	$ (2,515,000)	$ (5,542,000)	$ (5,416,000)
Basic and diluted net loss per share of common stock	$ (0.05)	$ (0.04)	$ (0.09)	$ (0.10)
Weighted average shares outstanding – basic and diluted (1)(2)	60,110,178	56,357,684	59,167,134	56,164,282

(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, 2024 and 2023, there were 3,467,600 and 2,484,071 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, 2024, diluted earnings per share excludes 66,000 outstanding stock options, 3,467,600 unvested restricted shares of common stock, and 3,555,499 shares of common stock issuable through the exercise of warrants. For the three and six months ended July 31, 2023, diluted earnings per share excludes 618,958 outstanding stock options and 2,484,071 unvested restricted shares of common stock.

Restructuring

On October 16, 2023, the Company announced it was executing a strategic restructuring (the "Strategic Restructuring") designed to reduce expenses while maintaining the Company's ability to expand its SaaS business. The Strategic Restructuring initiatives included a reduction in force, resulting in the termination of 26 employees, or approximately 24% of the Company's workforce. To execute the Strategic Restructuring, the Company incurred one-time restructuring costs associated with the workforce reduction of $759,000, and the Company has recognized all expenses associated with the Strategic Restructuring as of the end of fiscal 2023. The costs pertain to severance and other employee termination-related costs and various professional fees the Company required to assist with execution of the Strategic Restructuring. For the six months ended July 31, 2024, there were no costs incurred or accrued related to the strategic restructuring. The following is a reconciliation of the Strategic Restructuring liability reflected on the Company's condensed consolidated balance sheet under "accrued expenses."

	(in thousands)					
					As of July 31, 2024	
	Accrued Balance as of January 31, 2024	**2024 Expenses to Date**	**2024 Cash Payments**	**Accrued Balance as of July 31, 2024**	**Total Costs Incurred to Date**	**Total Expected Costs**
Severance expense						
Cost of sales	$ —	$ —	$ —	$ —	$ 154	$ 154
Selling, general, and administrative	74	—	(74)	—	350	350
Research and development	—	—	—	—	227	227
Total severance expense	$ 74	$ —	$ (74)	$ —	$ 731	$ 731
Professional fees	—	—	—	—	28	28
Total	$ 74	$ —	$ (74)	$ —	$ 759	$ 759

Non-Cash Items

For the six months ended July 31, 2024 and 2023, the Company recorded a change in capitalized software purchased with stock, totaling $ 67,000 and $116,000, respectively, as non-cash items as it relates to non-cash investing activities in the condensed consolidated statements of cash flow.

For the six months ended July 31, 2024, the Company settled the second year acquisition earnout liability in connection with the Avelead acquisition with the issuance of common shares in the amount of $690,000, issued warrants in the amount of $ 881,000 as debt discounts, settled the warrant liability of $837,000 with an equity based warrant classification, deferred financing costs for the Notes (refer to Note 5 – Debt) in the amount of $ 102,000 (with $20,000 capitalized and paid in fiscal year 2023 and an additional $ 82,000 capitalized but unpaid as of July 31, 2024), and professional fees for the Common Stock Private Placement (refer to Note 7 – Equity) in the amount of $ 4,000, respectively, as non-cash items as it relates to non-cash financing activities in the condensed consolidated statements of cash flows. The Company did not have any non-cash financing activities in the six months ended July 31, 2023.

Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which improves guidance around the disclosures about a public entity's reportable segments and additional details about a reportable segment's expenses. ASU 2023-07 is effective for all public entities for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company's adoption of ASU 2023-07 will be effective in the annual report for the fiscal year ending January 31, 2026. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements or disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which enhance the transparency and decision usefulness of income tax disclosures. For public entities, ASU 2023-09 is effective for annual periods beginning after December 15, 2024. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements or disclosures.

NOTE 3 — BUSINESS COMBINATION

Avelead Acquisition

The Company acquired all 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 (the "Transaction"). The Transaction was completed on August 16, 2021.

As of January 31, 2024, the estimated aggregate value of the second year earnout consideration was $1,794,000. On March 27, 2024, the Company issued 1,589,386 unregistered securities in the form of restricted common stock, par value $ 0.01 per share, with respect to the second year earnout consideration. For the three and six months ended July 31, 2024, the Company made cash payments of $240,000 and $687,000 respectively, related to the second year earnout consideration, with periodic payments to be made through October 31, 2024. The remaining cash liability is reflected on the Company's condensed consolidated balance sheet as "acquisition earnout liability" and totaled $577,000 as of July 31, 2024.

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.

The Company has moved to a virtual office model and does not have a physical office space. Membership agreements and daily space rentals are leveraged by the Company when groups need to meet in person with the costs expensed as incurred. For the three and six months ended July 31, 2024 and 2023, the Company recorded $9,000 and $17,000, respectively, and $6,000 and $10,000, respectively, related to such office space rentals.

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 term was for 18 months, which coincided with the Company's underlying lease (see below). The Company received $ 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. The sublease terminated on March 31, 2023. For the six months ended July 31, 2024 and 2023, the Company recorded $0 and $32,000, respectively, as other income related to the sublease. There was no income related to the sublease in the three months ended July 31, 2024 and 2023.

The Company entered into a lease for office space in Alpharetta, Georgia, on March 1, 2020. The lease terminated 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. The Company used a discount rate of 6.5% to determine the lease liability. For the six months ended July 31, 2024 and 2023, the Company had lease operating costs of approximately $0 and $32,000, respectively. There was no expense related to lease operating costs in the three months ended July 31, 2024 and 2023.

Suwanee Office Lease

Upon acquiring Avelead on August 16, 2021 (refer to Note 3 – Business Combination), 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 and that Seller is a former employee of the Company. The initial 36-month term lease commenced March 1, 2019, and expired on February 28, 2022. The Company previously renewed the lease for an additional 12-month term which expired February 28, 2023, and was not renewed. For the six months ended July 31, 2024 and 2023, the Company recorded rent expense of $0 and $6,000, respectively. There was no expense recorded for the three months ended July 31, 2024 and 2023.

NOTE 5 — DEBT

Outstanding principal balances consisted of the following at July 31, 2024:

	July 31, 2024	January 31, 2024
Term loan	$ 8,499,000	$ 9,000,000
Financing cost payable	164,000	135,000
Less: Deferred financing cost	(52,000)	(69,000)
Total	8,611,000	9,066,000
Less: Current portion of term loan	(2,000,000)	(1,500,000)
Non-current portion of term loan	$ 6,611,000	$ 7,566,000

	July 31, 2024	January 31, 2024
Notes payable and accrued interest	$ 4,726,000	$ —
Less: Discount on notes payable	(721,000)	—
Less: Deferred financing costs	(152,000)	—
Total	3,853,000	—
Less: Current portion of notes payable	—	—
Non-current portion of notes payable	$ 3,853,000	$ —

Term Loan and Revolving Line of Credit

On November 29, 2022, the Company executed a Second Modification to Second Amended and Restated Loan Agreement (the "Second Modification"). The Second Modification includes an expansion of the Company's total borrowing to include a $2,000,000 non-formula revolving line of credit. The revolving line of credit will be co-terminus with the term loan and matures on August 26, 2026. There are no requirements to draw on the line of credit. Amounts outstanding under the line of credit portion of the Second Amended and Restated Loan 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%. The Second Modification amended certain financial covenants in the Second Amended and Restated Loan Agreement.

Under the Second Amended and Restated Loan Agreement, the Company has a term loan facility with an initial maximum principal amount of $10,000,000. Amounts outstanding under the Second Amended and Restated Loan 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%. The Second Amended and Restated Loan Agreement has a five-year term, and the maximum principal amount was advanced in a single-cash advance on or about the original closing date (August 2021). Interest is due monthly, and the Company shall make monthly interest-only payments through the one-year anniversary of the original closing date. Under the Second Amended and Restated Loan Agreement, principal repayments are required 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 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 Agreement may also require early repayments if certain conditions are met.

The Company executed a Third Modification and Waiver to Second Amended and Restated Loan Agreement (the "Third Modification") and a Fourth Modification to Second Amended and Restated Loan Agreement (the "Fourth Modification") on February 7, 2024 and April 5, 2024, respectively (collectively, the "Third and Fourth Modifications"). The Third and Fourth Modifications reestablished the customary financial covenants for the Second Amended and Restated Loan Agreement as follows:

- **Minimum Adjusted EBITDA**. Commencing with the quarter ending January 31, 2024, the Company shall maintain Adjusted EBITDA, measured on a quarterly basis as of the last day of each fiscal quarter, in an amount not less than the amounts (or, in the case of amounts set forth in parentheses, no worse than the amounts) set forth under the heading "Minimum Adjusted EBITDA" as of, and for each of the dates appearing adjacent to such "Minimum Adjusted EBITDA."

Quarter Ending	**Minimum Adjusted EBITDA**
January 31, 2024	$ (5,750,000)
April 30, 2024	(4,560,000)
July 31, 2024	(2,960,000)
October 31, 2024	(1,500,000)
January 31, 2025	430,000

- **Maximum ARR Net Leverage Ratio**. The Company's ARR Net Leverage 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 ARR Net Leverage Ratio" as of, and for each of the dates appearing adjacent to such "Maximum ARR Net Leverage Ratio."

Quarter Ending	**Maximum ARR Net Leverage Ratio**
April 30, 2024	0.50 to 1.00
July 31, 2024	0.45 to 1.00
October 31, 2024	0.40 to 1.00
January 31, 2025	0.35 to 1.00

- **Maximum Debt to Adjusted EBITDA Ratio**. Commencing with the quarter ending April 30, 2025, the Company's 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, 2025	3.50 to 1.00
July 31, 2025	3.00 to 1.00
October 31, 2025	2.50 to 1.00
January 31, 2026 and on the last day of each quarter thereafter	2.00 to 1.00

- **Fixed Charge Coverage Ratio**. Commencing with the quarter ending April 30, 2025, the Company 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 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 a cross default provision with the Second Amended and Restated Loan Agreement and a change of control default provision. The line of credit also is subject to customary prepayment requirements. Substantially all the assets of the Company are collateralized by the Second Amended and Restated Loan Agreement. As of July 31, 2024, the Company was in compliance with the financial covenants under the Second Amended and Restated Loan Agreement. However, the Company’s current forecast projects the Company may not be able to maintain compliance with certain of its financial covenants under the Second Amended and Restated Loan Agreement in the future. See Note 1 - Basis of Presentation for detail regarding the Company’s assessment as a going concern.

The Company records costs related to the maintenance of the Second Amended and Restated Loan Agreement as deferred financing costs, net of the term loan. These deferred financing costs are being amortized over the remaining term of the loan. The Company has incurred $250,000 in financing costs which become payable 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 $250,000 over the remaining term of the loan.

Debt Private Placement

On February 1, 2024, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with certain accredited investors, including certain directors and officers of the Company (collectively, the "Investors"), pursuant to which the Company agreed to sell to the Investors unsecured subordinated promissory notes (the "Notes") in the aggregate principal amount of $4.4 million and warrants (the "Warrants") to purchase up to an aggregate of 4,016,025 shares of the Company's common stock in a private placement (the "Debt Private Placement"). The closing of the Debt Private Placement occurred on February 7, 2024 (the "Closing Date").

Notes Payable

The Notes bear interest at a rate of 15% per annum and mature on August 7, 2026 (the "Maturity Date"). All accrued and unpaid interest on the Notes will be capitalized and added to the outstanding principal balance of the Notes and will be payable in cash on the Maturity Date. The Company may redeem the Notes, in whole or in part, prior to the Maturity Date without any premium or penalty. In the event the Company prepays any portion of the then outstanding principal balance of the Notes on or before the twelve (12) month anniversary of the Closing Date, in addition to such prepayment of the principal balance, the Company must pay to the Investors a prepayment fee (in accordance with the each Investor's pro-rata share of the Notes) in an amount equal to the amount of interest that would have accrued but for the prepayment from the date of such prepayment through such twelve (12) month anniversary of the Closing Date.

The Notes also include customary negative covenants, subject to exceptions, which limit dispositions of assets and the business activities of the Company, as well as customary representations and warranties, affirmative covenants and events of default, including a cross default provision with the Second Amended and Restated Loan Agreement and a change of control default provision.

The rights of each Investor to receive payments under the Notes are subordinate to the rights of Western Alliance Bank ("WAB"), pursuant to a subordination agreement which the Investors entered into with WAB concurrently with the Debt Private Placement.

The Company allocated the original total proceeds at inception from the Debt Private Placement and Common Stock Private Placement (refer to Note 7 – Equity) across the securities issued in connection with the offerings. The Company has recorded the Notes at a relevant residual fair value of $3,538,000, consisting of the $4,400,000 face value of the notes and $862,000 discount. The Company allocated $183,000 in issuance costs. The discount is being accreted and the financing costs amortized as interest expense over the term of the Notes using the effective interest method.

Warrants

The Warrants have an exercise price of $0.38 (except for Warrants issued to the Company's directors and officers which have an exercise price of $0.39), are immediately exercisable, and will expire on the fourth anniversary of the Closing Date. The Warrants are subject to customary adjustments for certain transactions affecting the Company's capitalization. The terms of the Warrants preclude a holder thereof from exercising such holder's Warrants, and the Company from giving effect to such exercise, if after giving effect to the issuance of common stock upon such exercise, the holder (together with the holder's affiliates and any other persons acting as a group together with the holder or any of the holder's affiliates) would beneficially own in excess of 9.99% of the number of shares of common stock outstanding immediately after giving effect to the issuance of common stock upon such exercise.

The Notes and the Warrants described above were offered in a private placement under Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and/or Regulation D promulgated thereunder and, along with the common stock underlying the Warrants, were "restricted securities" under the Securities Act or applicable state securities laws. Accordingly, the Notes, the Warrants and the common stock underlying the Warrants may not be offered or sold in the United States absent registration with the SEC or an applicable exemption from such registration requirements and in accordance with applicable state securities laws. The securities were offered and sold to "accredited investors" as that term is defined in Rule 501(a) under the Securities Act.

The Warrants contain a registration rights provision for the Company to provide the Warrant holder with registered common stock upon their exercise of a Warrant. If the Company is not able to deliver registered common stock for exercised Warrants that results in the Warrant holder acquiring registered common stock, then the Warrant holder has the discretion to request the Company remit cash compensation up to the corresponding purchase price. Accordingly, the Company determined the feature required liability accounting treatment upon issuance. On May 7, 2024, the Company filed a Registration Statement on Form S-3 (Registration No. 333-279190), as amended by that certain Pre-Effective Amendment No. 1 to Form S-3 filed on May 24, 2024 (collectively, the "Registration Statement"), for purpose of registering for resale 4,016,025 shares of common stock underlying the Warrants. The Registration Statement was declared effective by the SEC on June 10, 2024. The filing of the Registration Statement eliminated the potential cash settlement feature that caused liability accounting ensuring the Warrants will be settled with shares, and accordingly, the Warrants met the criteria for equity classification and reclassified them to paid in capital after a final re-measurement.

The Company allocated the total proceeds from the Debt Private Placement and Common Stock Private Placement (refer to Note 7 – Equity) across the securities issued in connection with offerings. The Company recorded an initial liability of $881,000 for the Warrants at fair value using a Black-Scholes model. The Company immediately recognized $46,000 in issuance costs as expense related to the agreements for the Warrants. For the three months ended July 31, 2024, the Company reclassified the $837,000 remeasured value of the Warrants as additional paid in capital on the condensed consolidated Balance Sheet.

NOTE 6 — INCOME TAXES

Income tax expense was $0 for the six months ended July 31, 2024, compared to income tax expense of $61,000 in the prior year comparable period. The effective income tax rate on continuing operations of approximately 0% differs from our combined federal and state statutory rate of 24% primarily due to the full valuation allowance the Company currently maintains on its net deferred tax asset.

The Company has recorded $346,000 and $340,000 in reserves for uncertain tax positions as of July 31, 2024 and January 31, 2024, 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, 2020. All material state and local income tax matters have been concluded for years through January 31, 2019. The Company is no longer subject to IRS examination for periods prior to the tax year ended January 31, 2020; however, carryforward losses that were generated prior to the tax year ended January 31, 2020, may still be adjusted by the IRS if they are used in a future period.

NOTE 7 — EQUITY

Common Stock Private Placement

On February 6, 2024, the Company completed the sale of 263,158 shares of the Company's common stock to an accredited investor at a purchase price of $0.38 per share for an aggregate purchase price of $100,000 (the "Common Stock Private Placement").

The common stock described above was offered in a private placement under Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder and has not been registered under the Securities Act or applicable state securities laws. Accordingly, such common stock may not be offered or sold in the United States absent registration with the SEC or an applicable exemption from such registration requirements and in accordance with applicable state securities laws. The common stock was offered and sold to an "accredited investor" as that term is defined in Rule 501(a) under the Securities Act.

The Company allocated the total proceeds of the Common Stock Private Placement across the underlying components. As a result, $ 77,000 of net proceeds, comprised of $81,000 of the proceeds less $4,000 of issuance costs, was recorded for the Common Stock Private Placement as equity.

Registration of Shares Issued to 180 Consulting

On June 28, 2023, the Company filed a Registration Statement on Form S-3 (Registration No. 333-272993) for purpose of registering for resale 394,127 shares of common stock issued to 180 Consulting, LLC ("180 Consulting"). The Registration Statement was declared effective by the SEC on July 10, 2023.

On May 7, 2024, the Company filed a Registration Statement on Form S-3 (Registration No. 333-279190), as amended by that certain Pre-Effective Amendment No. 1 to Form S-3 filed on May 24, 2024, for purpose of registering for resale 564,707 shares of common stock issued to 180 Consulting. The Registration Statement was declared effective by the SEC on June 10, 2024.

2024 Omnibus Incentive Compensation Plan

At the 2024 Annual Meeting of Stockholders held on June 13, 2024, the Company's stockholders approved the Streamline Health Solutions, Inc. 2024 Omnibus Incentive Compensation Plan (the "2024 Plan"). The 2024 Plan replaced the Streamline Health Solutions, Inc. Third Amended and Restated 2013 Stock Incentive Plan (as amended, the "2013 Plan"). The Compensation Committee of the Board of Directors administers the 2024 Plan and approves the grant and terms of awards (consistent with the terms of the 2024 Plan).

The 2024 Plan permits the grant of any or all of the following types of awards to grantees: stock options, including non-qualified options and incentive stock options ("ISOs"); stock appreciation rights ("SARs"); restricted stock; deferred stock and restricted stock units; performance units and performance shares; dividend equivalents; and other stock-based awards. Eligible grantees include employees, officers, non-employee consultants and non-employee directors of the Company and its affiliates. A total of 6,738,902 shares of common stock were initially available for issuance under the 2024 Plan.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Consulting Agreement with 180 Consulting, LLC

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"). On September 20, 2021, the Company entered into a separate MSA in support of Avelead products. As of December 2023, all outstanding SOWs under both MSAs were effectively replaced by two new SOWs. As of July 31, 2024, there were three active SOWs under the eValuator MSA. One of the active SOWs includes the ability to earn stock at a conversion rate to be calculated 20 days after the execution of the related SOW. 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 the Company under the MSA and the SOWs may share workspace and administrative costs with 121G Consulting, LLC ("121G"). Mr. Green is a "member" of 121G, and, accordingly, has a financial interest in that entity. 180 Consulting earned 817,018 and 258,153 shares for the six months ended July 31, 2024 and 2023, respectively, and has earned an aggregate of 2,296,925 shares of the Company's common stock through July 31, 2024. For the three months ended July 31, 2024 and 2023, 180 Consulting earned 398,365 and 131,054 shares, respectively. For services rendered by 180 Consulting during the three and six months ended July 31, 2024, the Company incurred fees of $760,000 and $1,323,000. The Company incurred fees of $ 966,000 and $1,919,000 for services rendered by 180 Consulting during the three and six months ended July 31, 2023, respectively. For the three and six months ended July 31, 2024, the Company recorded capitalized non-employee stock compensation of $38,000 and $67,000. The Company recorded capitalized non-employee stock compensation of $ 93,000 and $116,000, for the three and six months ended July 31, 2023, respectively. The Company paid fees of $ 264,000 and $640,000 for services rendered by 180 Consulting during the three and six months ended July 31, 2024, respectively. For the three and six months ended July 31, 2023, the Company paid fees of $ 719,000 and $1,727,000, respectively, for services rendered by 180 Consulting.

Inclusive of the MSA executed with 180 Consulting are SOWs that provide for the Company to sublicense software through 180 Consulting that is owned by 121G. This is a services agreement for access to software that assists the Company in implementing and integrating with our clients' technology. The license agreement is designed such that there is no material financial benefit that accrues to 121G. 180 Consulting licenses the software from 121G at cost. The Company paid approximately $ 82,000 and $223,000, and $264,000 and $381,000 for the SOWs that include the sublicense agreement for the three and six months ended July 31, 2024 and 2023, respectively, which are included in the aforementioned totals above.

Litigation

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

NOTE 9 - RELATED PARTY TRANSACTIONS

Avelead Office Lease

The Company acquired Avelead on August 16, 2021. Accordingly, the Company assumed a lease for corporate office space from one of the selling shareholders of Avelead who was employed by the company through August 2023. This lease term ended February 2023. For the six months ended July 31, 2024 and 2023, the Company recorded rent expense of $0 and $6,000, respectively. There was no expense recorded in the three months ended July 31, 2024 and 2023. Refer to Note 3 – Business Combination for additional information.

Debt Private Placement

The following related parties participated in the Debt Private Placement (Refer to Note 5 – Debt for additional information):

Name of Investor	Investment Amount	Warrants Granted
121G, LLC (1)	$ 1,000,000	897,436
Matthew Etheridge (2)	1,000,000	921,053
Jonathan R. Phillips (3)	50,000	44,872
The Ferayorni Family Trust (4)	500,000	448,718

(1) The securities held in the account of 121G, LLC ("121G") may be deemed to be beneficially owned by Wyche "Tee" Green, III, the managing member of 121G. Mr. Green serves as Executive Chairman of the Company and is a member of the Company's Board of Directors.
(2) Mr. Etheridge became a member of the Company's Board of Directors subsequent to the closing of the Debt Private Placement.
(3) Mr. Phillips is a member of the Company's Board of Directors.
(4) The securities held in the account of The Ferayorni Family Trust may be deemed to be beneficially owned by Justin J. Ferayorni as co-trustee of The Ferayorni Family Trust. Mr. Ferayorni is a member of the Company's board of directors.

Common Stock Private Placement

On February 6, 2024, the Company completed the sale of 263,158 shares of the Company's common stock to Matthew Etheridge at a purchase price of $0.38 per share for an aggregate purchase price of $100,000. Mr. Etheridge became a director of the Company subsequent to the closing of the Debt Private Placement.

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 of 1933, as amended (the "Securities Act"), and 21E of the Securities Exchange Act of 1934, as amended (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, 2024 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;
- 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;
- impairment of our goodwill and other intangible assets;
- the extent to which health epidemics and other outbreaks of communicable diseases could disrupt our operations and/or materially and adversely affect our business and financial conditions;
- 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”).

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. 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.

Overview

On August 16, 2021, the Company entered into a Unit Purchase Agreement (“UPA”) 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 in our unaudited condensed consolidated financial statements included in Part I, Item I, “Financial Statements” for further information on the Avelead acquisition.

On October 16, 2023, the Company announced it was executing a Strategic Restructuring designed to reduce expenses while maintaining the Company’s ability to expand its SaaS business. The Strategic Restructuring initiatives included a reduction in force, resulting in the termination of 26 employees, or approximately 24% of the Company’s workforce. To execute the Strategic Restructuring, the Company recorded $759,000 of expenses in the three months ending January 31, 2024, which consisted of approximately $731,000 in severance and other employee termination-related expenses and approximately $28,000 in incurred legal fees. As of July 31, 2024, the Company has recorded all expenses related to the Strategic Restructuring.

Results of Operations

Revenues

($ in thousands):	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023	Change	% Change
Software as a service	$ 3,078	$ 3,531	$ (453)	(13)%
Maintenance and support	$ 883	1,100	(217)	(20)%
Professional fees and licenses	$ 515	1,139	(624)	(55)%
Total Revenues	$ 4,476	$ 5,770	$ (1,294)	(22)%

($ in thousands):	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023	Change	% Change
Software as a service	$ 5,801	$ 6,706	$ (905)	(13)%
Maintenance and support	1,773	2,257	(484)	(21)%
Professional fees and licenses	1,233	2,139	(906)	(42)%
Total Revenues	$ 8,807	$ 11,102	$ (2,295)	(21)%

Software as a Service (SaaS) — Revenue from SaaS for the three and six months ended July 31, 2024 decreased by $453,000 and $905,000, respectively, compared to the prior year periods. A previously announced client non-renewal contributed to a decrease of $ 953,000 and $1,897,000 for the three and six months ended July 31, 2024, respectively. New clients on the Company's eValuator and RevID products provided an offset to the negative impact of the client non-renewal. The Company expects relatively flat revenue in each quarter of fiscal 2024 as the Company delivers on executed agreements to replenish the lost revenue related to the non-renewal of the client contract.

The Company had approximately $2.9 million of annualized contract value of SaaS contracts to be implemented as of July 31, 2024. The Company is seeing improvements in the contract-to-implementation timelines compared to the prior year. The industry had been impacted by hospital personnel shortages and a backlog of hospital IT projects. Despite this positive trend, the Company remains uncertain how long the broader industry challenges will continue to affect our implementation schedules.

Maintenance and support — For the three and six months ended July 31, 2024, revenue from maintenance and support decreased by $217,000 and $484,000, respectively, compared to the prior year periods. As the Company continues to prioritize SaaS products, we anticipate maintenance and support revenue will decline in fiscal 2024 due to expected contract non-renewals and limited new sales.

Professional fees and licenses — Revenues from professional fees and licenses include proprietary software, term license, professional services and audit and coding services revenue. Total professional fees and license revenues for the three and six months ended July 31, 2024, decreased by $624,000 and $906,000, respectively, compared to the prior year periods. The Company has primarily shifted the business from perpetual software licenses to a SaaS model. Software license sales come solely from our channel partners; therefore, the periodic amounts are less predictable and consistent than recurring revenues.

For the three and six months ended July 31, 2024 , revenue from professional services decreased by $431,000 and $585,000, respectively, c ompared to the prior year periods. Professional services for a subset of the Company's solutions, are recognized as the services are performed. The Company expects professional services revenue to fluctuate based on the timing and combination of products currently being implemented. For the six month period ending July 31, 2024, the Company saw an increase in license revenue of $61,000 compared to the same period in the prior year. The Company is primarily focused on growth of its SaaS products, and, accordingly, is not expecting growth in license revenue for the remainder of fiscal 2024.

For the three and six months ended July 31, 2024, revenue fro m audit services decreased by $189,000 and $379,000, respectively, compared to the prior year periods. The decrease was driven primarily by three clients no longer requiring the Company's assistance with audit services. Increased demand for audit services from existing clients resulted in an increase of audit services revenue of $112,000 for the six month period ending July 31, 2024, compared to the prior year period. The Company believes demand for its onshore, technically proficient coders and auditors in the marketplace is strong and that it has a competitive edge in providing audit and coding services as an offering with the eValuator solution as a technology-enabled service. To support the shifting demand among clients, the Company anticipates the audit and coding services to remain relatively flat throughout fiscal year 2024.

Cost of Sales

(in thousands):	Three Months Ended July 31, 2024	July 31, 2023	Change	% Change
Cost of software as a service	$ 1,495	$ 1,893	$ (398)	(21)%
Cost of maintenance and support	43	32	11	34%
Cost of professional fees and licenses	840	1,022	(182)	(18)%
Total cost of sales	$ 2,378	$ 2,947	$ (569)	(19)%

(in thousands):	Six Months Ended July 31, 2024	July 31, 2023	Change	% Change
Cost of software as a service	$ 2,844	$ 3,482	$ (638)	(18)%
Cost of maintenance and support	84	121	(37)	(31)%
Cost of professional fees and licenses	1,727	2,130	(403)	(19)%
Total cost of sales	$ 4,655	$ 5,733	$ (1,078)	(19)%

Cost of software as a service (SaaS) – The cost of SaaS consists of expenses associated with (i) amortization of capitalized software, (ii) royalties payable to third-parties for use of their coding related content, and (iii) personnel and network infrastructure required to deploy and support applications for each client. For the three and six months ended July 31, 2024, the cost of SaaS solutions decreased $398,000 and $638,000, compared to the prior year periods. The decrease is driven by lower infrastructure costs and lower contract and personnel costs. The amortization of capitalized software remained relatively unchanged. Certain expenses included in our cost of SaaS are tied to volumes. These expenses include coding tools supporting eValuator and a third-party system that translates data from the hospital system to the Company's systems. The Company expects these costs of SaaS solutions to increase as revenue increases.

For the three and six months ended July 31, 2024, the cost of SaaS solutions includes non-cash charges of $556,000 and $1,101,000, respectively, related to the amortization of capitalized software. The Company expects margins related to SaaS solutions to increase in the future from clients currently in the process of implementation. Certain costs included in cost of SaaS, such as labor and third-party content providers, negatively impact gross margin before a client is fully implemented and revenue is recognized.

Cost of maintenance and support – The cost of maintenance and support includes compensation and benefits for client support personnel required to provide product support for clients on our CDI and Abstracting software licenses. For the three and six months ended July 31, 2024, the cost of maintenance and support increased by $11,000 and decreased by $37,000, respectively, compared to the prior year periods.

Cost of professional fees and licenses – The cost of professional fees and licenses includes the cost of software licenses, the cost of professional services and the cost of audit and coding services. The aggregate cost of professional fees and licenses decreased by $182,000 and $403,000, respectively, for the three and six months ended July 31, 2024, compared to the prior year periods.

The cost of professional fees i ncludes compensation and benefits for personnel and related expenses. For the three and six months ended July 31, 2024, professional services costs increased by approximately $9,000 and decreased by $52,000, respectively, compared to the prior year periods. This decrease was driven by a reduction in staff resulting in lower personnel and third-party contractor costs. The costs of professional fees are expected to remain relatively flat throughout fiscal year 2024.

The cost of audit services include s compensation and benefits for internal audit services personnel, and related expenses. The costs for the three and six months ended July 31, 2024, decreased by approximately $202,000 and $364,000, respectively, compared to the prior year periods. The reduction of personnel and related expenses is a response to matching the shifting demand for the Company's audit services.

The cost of software licenses for the three and six months ended July 31, 2024, increased by $14,000 and $24,000, respectively, compared to the prior year periods due to the amortization of development costs related to the Company's coding/CDI product. The Company expects the remaining capitalized Coding and CDI software license costs to be fully amortized by the end of fiscal 2024.

Selling, General and Administrative Expense

($ in thousands):	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023	Change	% Change
General and administrative expenses	$ 1,760	$ 2,804	$ (1,044)	(37)%
Sales and marketing expenses	1,229	1,312	(83)	(6)%
Total selling, general, and administrative expense	$ 2,989	$ 4,116	$ (1,127)	(27)%

($ in thousands):	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023	Change	% Change
General and administrative expenses	$ 4,006	$ 5,423	$ (1,417)	(26)%
Sales and marketing expenses	2,175	2,534	(359)	(14)%
Total selling, general, and administrative expense	$ 6,181	$ 7,957	$ (1,776)	(22)%

General and administrative expenses comprise various costs including compensation and associated benefits, reimbursable travel and entertainment expenses related to our executive and administrative staff, general corporate expenditures, amortization of intangible assets, and occupancy costs. For the three and six months ended July 31, 2024, the general and administrative expenses decreased by $1,044,000 and $1,417,000, respectively, compared to the prior year periods. The decrease was driven primarily by lower compensation and related benefits of approximately $508,000 and $930,000 for the three and six months ended July 31, 2024, respectively. The Company saw an increase in director fees and audit financial fees for the six months ended July 31, 2024, compared to the prior year period. Overall, despite some increases in specific areas, the Company is successfully implementing cost saving initiatives to its general and administrative expenses for the six months ended July 31, 2024.

Sales and marketing expenses primarily encompass compensation, associated benefits, travel and entertainment costs for our sales and marketing personnel. Additionally, sales and marketing expenses include costs from third parties related to advertising, marketing and trade show attendance. For the three and six months ended July 31, 2024, sales and marketing expenses decreased by $83,000 and $359,000, respectively, compared to the prior year periods. This decrease is primarily related to the Strategic Restructuring and is net of any severance expense incurred in the period. Overall, despite some increases in specific areas, the Company is successfully implementing cost saving initiatives to its sales and marketing expenses for the six months ended July 31, 2024.

Research and Development

($ in thousands):	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023	Change	% Change
Research and development expenses	$ 1,324	$ 1,305	$ 19	1%
Capitalized research and development cost	185	617	(432)	(70)%

($ in thousands):	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023	Change	% Change
Research and development expense	$ 2,435	$ 3,006	$ (571)	(19)%
Capitalized research and development cost	402	1,021	(619)	(61)%

Research and development expenses consist 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, 2024, increased by $19,000 and decreased by $571,000, respectively, compared to the prior year periods. The six months ended July 31, 2024, includes cost savings related to outside staff augmentation and headcount related expenses. The Company continues to focus research and development activities and make certain strategic investments on eValuator and RevID, its flagship SaaS solutions.

Capitalized research and development costs for the three and six months ended July 31, 2024, decreased by $432,000 and $619,000, respectively, compared to the prior year period.

Other Income (Expense)

($ in thousands):	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023	Change	% Change
Interest expense	$ (496)	$ (267)	$ (229)	86%
Valuation adjustments	(91)	359	(450)	(125)%
Miscellaneous income (expense)	(1)	(1)	—	0%
Total other (expense) income	$ (588)	$ 91	$ (679)	(746)%

($ in thousands):	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023	Change	% Change
Interest expense	$ (961)	$ (515)	$ (446)	87%
Valuation adjustments	(115)	723	(838)	(116)%
Miscellaneous income (expense)	(2)	31	(33)	(106)%
Total other (expense) income	$ (1,078)	$ 239	$ (1,317)	(551)%

Interest expense consists of interest associated with the term loan, notes payable, and their respective deferred financing costs, less interest related to capitalization of software. For the three and six months ended July 31, 2024, interest expense increased by $229,000 and $446,000, respectively. The increase was primarily attributable to interest accrued on the $4,400,000 of notes payable (See Note 5 – Debt).

Valuation adjustments (Refer to Note 2 – Summary of Significant Accounting Policies) are related to the liabilities associated with the Avelead acquisition and the common stock underlying the Warrants. For the three and six months ended July 31, 2024, the Company recorded valuation loss of $91,000 and gain of $44,000, for the Warrants, respectively. The valuation adjustments for the three and six months ended July 31, 2024, are attributable to the decrease in the value of the stock to be transferred to the holders and the corresponding effect on the Black Scholes pricing model for purposes of valuing the Warrants. There were no Warrant valuation adjustments in the three or six months ended July 31, 2023. For the six months ended July 31, 2024, the Company recorded a valuation loss of $159,000 related to the Avelead earnout liability, with no adjustment recorded in the three months ended July 31, 2024. For the three and six months ended July 31, 2023, the Company recorded valuation gains of $359,000 and $723,000, respectively, related to the Avelead earnout liability.

There was no miscellaneous income for the three and six months ended July 31, 2024. Miscellaneous income for the six months ended July 31, 2023, is primarily from 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”).

Provision for Income Taxes

We recorded an income tax benefit of $0 and income tax expense of $61,000 for the six months ended July 31, 2024 and 2023, 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. The effective income tax rate on continuing operations of approximately 0% differs from our combined federal and state statutory rate of 24% primarily due to the full valuation allowance the Company currently maintains on its net deferred tax asset.

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 and Adjusted EBITDA Margin.

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, and Adjusted EBITDA Margin

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; and (iii) Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of GAAP net revenue. EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are used to facilitate a comparison of our operating performance on a consistent basis from period to period and provide for a supplemental understanding of factors and trends affecting our business than GAAP measures alone. These measures assist management and the Board of Directors, 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.

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 Second Amended and Restated Loan 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 supplemental information provided by these measures regarding the use and analysis of these measures as mentioned above. EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin, 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 Second Amended and Restated Loan 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 for the three and six months ended July 31, 2024 and 2023 (amounts in thousands). All of the items included in the reconciliation from EBITDA and Adjusted EBITDA to net loss are either recurring non-cash items, or items that management does not consider in assessing our on-going operating performance. In the case of the non-cash items, management believes that investors may find it useful to assess the Company's comparative operating performance because the measures without such items are less susceptible to variances in actual performance resulting from depreciation, amortization and other expenses that do not relate to our core operations and are more reflective of other factors that affect operating performance. In the case of items that do not relate to our core operations, management believes that investors may find it useful to assess our operating performance if the measures are presented without these items because their financial impact does not reflect ongoing operating performance.

In thousands, except per share data	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023
Adjusted EBITDA Reconciliation				
Net Loss	$ (2,803)	$ (2,515)	$ (5,542)	$ (5,416)
Interest expense	496	267	961	515
Income tax expense	—	8	—	61
Depreciation and amortization	1,056	1,050	2,073	2,081
EBITDA	$ (1,251)	$ (1,190)	$ (2,508)	$ (2,759)
Share-based compensation expense	533	537	1,032	1,109
Non-cash valuation adjustments	91	(359)	115	(723)
Acquisition-related costs, severance, and transaction-related bonuses	325	119	356	176
Other non-recurring charges	—	—	—	(33)
Adjusted EBITDA	$ (302)	$ (893)	$ (1,005)	$ (2,230)
Adjusted EBITDA margin (1)	(7)%	(15)%	(11)%	(20)%

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

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 Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended January 31, 2024. 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, 2024.

Liquidity, Capital Resources and Going Concern

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, which generally include computer hardware. Operations are funded with cash generated by operations and borrowings under credit facilities. Information concerning the Company's assessment as a going concern is included in Note 1 – Basis of Presentation in our unaudited condensed consolidated financial statements included in Part I, Item I, "Financial Statements." Cash and cash equivalent balances at July 31, 2024 and January 31, 2024, were approximately $3,536,000 and $3,190,000, respectively.

The Company has liquidity through its Second Amended and Restated Loan Agreement (as amended and modified, the "Second Amended and Restated Loan Agreement") described in more detail in Note 5 – Debt in our unaudited condensed consolidated financial statements included in Part I, Item I, "Financial Statements." Under the Second Amended and Restated Loan Agreement, the Company has a term loan facility with an initial, maximum, principal amount of $10,000,000. Amounts outstanding under the Second Amended and Restated Loan 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%. The Company executed a Second Modification to Second Amended and Restated Loan Agreement (the "Second Modification") on November 29, 2022, which amended the covenants under the Second Amended and Restated Loan Agreement expanded the Company's total borrowing to include a $2,000,000 non-formula revolving line of credit. The revolving line of credit will be co-terminus with the term loan and matures on August 26, 2026. The Company executed a Third Modification and Waiver to Second Amended and Restated Loan Agreement (the "Third Modification") and a Fourth Modification to Second Amended and Restated Loan Agreement (the "Fourth Modification") on February 7, 2024 and April 5, 2024, respectively (collectively, the "Third and Fourth Modifications"). The Third and Fourth Modifications reestablished certain customary financial covenants for the Second Amended and Restated Loan Agreement. Refer to Note 5 – Debt for information regarding the Second Amended and Restated Loan Agreement, Second Modification and Third and Fourth Modifications.

The Second Amended and Restated Loan Agreement includes customary financial covenants, including the requirements that the Company achieve certain EBITDA levels and ratios, ARR net leverage ratios, and fixed charge coverage ratios. The Second Amended and Restated Loan 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 a cross default provision with the Second Amended and Restated Loan Agreement and a change of control default provision. As of July 31, 2024, the Company was in compliance with the financial covenants under the Second Amended and Restated Loan Agreement. However, the Company's current forecast projects the Company may not be able to maintain compliance with certain of its financial covenants under the Second Amended and Restated Loan Agreement in the future. See Note 1 - Basis of Presentation for detail regarding the Company's assessment as a going concern.

Significant cash obligations

(in thousands)	July 31, 2024	January 31, 2024
Term loan (1)	$ 8,611	$ 9,066
Notes payable (2)	3,853	—
Acquisition earnout liability (3)	577	1,794
Line of credit (4)	—	1,500

(1) Term loan balance is reported net of deferred financing costs of $52,000 and $69,000 as of July 31, 2024 and January 31, 2024, respectively, and financing cost payable of $164,000 and $135,000 as of July 31, 2024 and January 31, 2024, respectively. Refer to Note 5 – Debt for additional information. The term loan payable as of July 31, 2024 and January 31, 2024 was bank term debt under the Second Amended and Restated Loan Agreement.

(2) Refer to Note 5 – Debt for additional information. The cash obligation is net of discounts on notes payable of $721,000 and deferred financing costs of $152,000.

(3) The fair value of the acquisition earnout liability is based upon a probability-weighted discounted cash flow as of January 31, 2024. As of July 31, 2024, the acquisition earnout liability reflects the cash balance which is expected to be paid out by October 31, 2024. Refer to Note 3 – Business Combination for additional information.

(4) Refer to Note 5 – Debt for additional information. The outstanding balance on the line of credit was paid in full as of July 31, 2024.

Operating cash flow activities

(in thousands)	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023
Net loss	$ (5,542)	$ (5,416)
Non-cash adjustments to net loss	3,705	2,563
Cash impact of changes in assets and liabilities	957	1,917
Net cash (used in) provided by operating activities	$ (880)	$ (936)

The net cash used in operating activities increased during the six months ended July 31, 2024, compared to the prior year comparable period. The Company observed a slightly slower conversion of accounts receivable for the six months ended July 31, 2024, that contributed to the increase in cash used in operating activities.

Investing cash flow activities

(in thousands)	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023
Purchases of property and equipment	$ —	$ (47)
Capitalized software development costs	(426)	(1,026)
Net cash (used in) provided by investing activities	$ (426)	$ (1,073)

The cash used in investing activities for the six months ended July 31, 2024 and July 31, 2023, includes capitalized software development costs. The Company expects continued capitalizable projects associated with the Company's flagship products; however, the rate of capitalization may temporarily remain constant or decrease as a result of the Strategic Restructuring announced in October 2023.

Financing cash flow activities

(in thousands)	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023
Proceeds from notes payable	4,400	$ —
Proceeds from issuance of common stock	100	—
Payments for deferred financing costs	(86)	—
Repurchase of common shares to satisfy employee tax withholding	(77)	(252)
Repayment of bank term loan	(500)	(250)
Payments of acquisition earnout liabilities	(686)	—
Repayment of line of credit	(1,500)	—
Other	1	—
Net cash (used in) provided by financing activities	$ 1,652	$ (502)

The cash used in financing activities for the six months ended July 31, 2024 and July 31, 2023, includes principal payments on the term loan related to the Second Amended and Restated Loan Agreement, repayment on the line of credit, payments of acquisition earnout liabilities, and the repurchase of common shares to satisfy employee tax withholding. The cash provided by financing activities for the six months ended July 31, 2024, includes proceeds received in connection with the issuance of the Notes in the Debt Private Placement, which closed in February 2024.

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 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(c)) as of July 31, 2024. Based on that evaluation, our President and Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of July 31, 2024, due to the material weakness described below.

Material Weakness in Internal Control Over Financial Reporting

The Company identified a material weakness in our internal control over financial reporting related to our accounting and classification for the warrants issued in connection with the debt private placement in February 2024. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Our internal control over financial reporting did not detect the proper accounting classification of the warrants issued in connection with the debt private placement. The change in the classification impacted initial allocation of proceeds for the transaction, the presentation and recognition of the warrants between equity and liability and the recognition of expenses allocated to the warrants originated. As a result of this material weakness, our management concluded that our internal control over financial reporting was not effective as of July 31, 2024.

Remediation of Material Weakness in Internal Control Over Financial Reporting

To respond to this material weakness, management is working to remediate the material weakness and enhance our overall control environment. Our remediation plan includes expanding and improving our review process, particularly in the context of complex financial instruments and related accounting standards, as well as internal communications in connection therewith. In addition, management will continue to engage third-party professionals with whom to consult regarding complex accounting applications. The Company will consider the material weakness remediated after the applicable controls operate for a sufficient period of time and are tested. We can provide no assurance that our remediation efforts described herein will be successful and that we will not have material weaknesses in the future.

Changes in Internal Control over Financial Reporting

Except for the material weakness described above, 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, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 fiscal year ended January 31, 2024 which Annual Report includes a detailed discussion of the Company's risk factors. 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.

Except as described below, there have been no material changes to the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 31, 2024.

We may not be able to generate sufficient cash flows or raise additional debt and equity capital to fund our ongoing operations. We will need to raise additional funding, which may not be available on acceptable terms, if at all. If we are unable to raise additional capital in amounts and on terms sufficient to fund our ongoing operations, our lack of additional capital and results of operations could limit our ability to continue operations.

Our ability to continue as a going concern is dependent upon generating sufficient cash flow from operations and obtaining additional debt and equity financing. If our ability to generate cash flow from operations is curtailed or delayed, our financial condition and results of operations could be materially impacted. We have been dependent on sales of our equity securities and debt financing to meet our ongoing cash requirements. There can be no assurances that we would be able to obtain debt or equity financing when needed, on terms acceptable to the Company, or at all, and our failure to raise additional capital in amounts and on terms sufficient to fund our operations could limit our ability to continue operations.

If we do not meet the continued listing standards of The Nasdaq Capital Market, our common stock could be delisted from trading, which could limit investors' ability to make transactions in our common stock and subject us to additional trading restrictions.

Our common stock is currently listed on The Nasdaq Capital Market which imposes continued listing requirements with respect to listed shares. On October 24, 2023, we received a letter from the Listing Qualifications Department (the "Staff") of Nasdaq, indicating that our common stock was subject to potential delisting from The Nasdaq Capital Market because, for a period of thirty (30) consecutive business days, the bid price of our common stock had closed below the minimum $1.00 per share requirement for continued listing on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Requirement"). Nasdaq stated in its letter that in accordance with the Nasdaq Listing Rules, we have been provided an initial period of one hundred eighty (180) calendar days, or until April 22, 2024, to regain compliance with the Bid Price Requirement. The letter states that Nasdaq will provide written notification that we have achieved compliance with the Bid Price Requirement if at any time before April 22, 2024, the bid price of our common stock closes at $1.00 per share or more for a minimum of ten (10) consecutive business days. Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company was initially provided 180 calendar days, or until April 22, 2024, to regain compliance with the Minimum Bid Price Requirement.

On April 23, 2024, the Company received a letter from the Staff informing the Company that, while the Company has not regained compliance with the Bid Price Requirement, the Staff has determined that the Company is eligible for an additional 180 calendar day period, or until October 21, 2024 (the "Second Compliance Period"), to regain compliance. If at any time during the Second Compliance Period, the closing bid price of our common stock is at least $1.00 per share for a minimum of 10 consecutive business days, the Staff will provide the Company with written confirmation of compliance. If compliance with the Bid Price Requirement cannot be demonstrated by October 21, 2024, the Staff will provide written notification that our common stock will be delisted. At that time, the Company may appeal the Staff's determination to a Hearings Panel.

On August 19, 2024, the Company filed a Definitive Proxy Statement with the SEC which includes a proposal related to the approval of a reverse stock split (the "Reverse Stock Split") of our issued and outstanding shares of common stock at a ratio of any whole number between 1-for-5 and 1-for-15, at any time prior to October 4, 2024, with the exact ratio to be set within that range at the discretion of the Board of Directors. The primary goal of the Reverse Stock Split is to increase the trading price of our common stock to meet the Bid Price Requirement. However, even if our stockholders approve the Reverse Stock Split proposal and the Reverse Stock Split is effected, the effect of the Reverse Stock Split, if any, upon the market price of our common stock cannot be accurately predicted. In particular, there can be no assurance that the price per share of our common stock will increase in proportion to the reduction of the number of shares of our common stock outstanding before the implementation of the Reverse Stock Split. In addition, the Reverse Stock Split could be viewed negatively by the market and other factors and may adversely affect the market price of the shares of our common stock. Even if the market price of our common stock does rise following the Reverse Stock Split, there can be no assurance that the market price of our common stock immediately after the Reverse Stock Split will be maintained for any period of time.

In the event that our common stock is delisted from The Nasdaq Capital Market and is not eligible for quotation or listing on another market or exchange, trading of our common stock could be conducted only in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it could become more difficult to dispose of, or obtain accurate price quotations for, our common stock, and there would likely also be a reduction in our coverage by securities analysts and the news media, which could cause the price of our common stock to decline further. Also, it may be difficult for us to raise additional capital if we are not listed on a major exchange.

Such a delisting would also likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. In the event of a delisting, we may take actions to restore our compliance with The Nasdaq Capital Market listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the Bid Price Requirement or prevent future non-compliance with The Nasdaq Capital Market listing requirements.

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

Share Repurchases

The following table sets forth information with respect to our repurchases of common stock during the three months ended July 31, 2024:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs
May 1 - May 31	35,219	$ 0.31	—	—
June 1 - June 30	—	—	—	—
July 1 - July 31	16,558	0.48	—	—
Total	51,777	$ 0.36	—	—

(1) Amount represents shares surrendered by employees to satisfy tax withholding obligations resulting from restricted stock that vested during the three months ended July 31, 2024.

Item 5. OTHER INFORMATION

During the three months ended July 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

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).
10.5	Second Amendment to Employment Agreement, dated May 7, 2024, by and between the Company and Wyche T. “Tee” Green, III (Incorporated by reference from Exhibit 10.1 of the Current Report on Form 8-K, filed May 13, 2024).
31.1*	Certification by President and 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 President and 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 12, 2024	By: *\/s/ Benjamin L. Stilwill* Benjamin L. Stilwill *President and Chief Executive Officer*
DATE: September 12, 2024	By: *\/s/ Bryant J. Reeves III* Bryant J. Reeves III *Chief Financial Officer*

Exhibit 31.1

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

I, Benjamin Louis Stilwill, 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 12, 2024

/s/ Benjamin L. Stilwill
President and Chief Executive Officer

Exhibit 31.2

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

I, Bryant J. Reeves III, 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 12, 2024

/s/ Bryant J. Reeves III
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, Benjamin Louis Stilwill, President and Chief Executive 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, 2024 (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/ Benjamin L. Stilwill
Benjamin L. Stilwill
President and Chief Executive Officer

September 12, 2024

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, Bryant J. Reeves III, 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, 2024 (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/ Bryant J. Reeves III
Bryant J. Reeves III
Chief Financial Officer

September 12, 2024

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.