

Streamline Health Solutions, Inc.
Reconciliation of net earnings (loss) to non-GAAP adjusted EBITDA
Three Months Ended April 30, 2014

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

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

Adjusted EBITDA Reconciliation	Three Months Ended,	
	April 30, 2014	April 30, 2013
Net earnings (loss)	\$ (2,671)	\$ (2,710) \$
Interest expense	169	567
Income tax expense (benefit)	1	20
Depreciation	151	171
Amortization of capitalized software development costs	917	695
Amortization of intangible assets	359	314
Amortization of other costs	27	10
EBITDA	<u>(1,047)</u>	<u>(933)</u>
Share-based compensation expense	443	467
Associate severances and other costs relating to transactions or corporate restructuring	451	383
Transaction related professional fees, advisory fees and other internal direct costs	70	74
Other non-recurring operating expenses	574	49
Adjusted EBITDA	<u>\$ (515)</u>	<u>\$ 685</u>
Adjusted EBITDA Margin ⁽¹⁾	(7%)	11%
Adjusted EBITDA per diluted share		
Earnings (loss) per share – diluted	\$ (0.16)	\$ (0.24) \$
Adjusted EBITDA per adjusted diluted share ⁽²⁾	<u>\$ (0.03)</u>	<u>\$ 0.04</u> \$
Diluted weighted average shares	18,146,232	12,534,474
Includable incremental shares — adjusted EBITDA ⁽³⁾	-	5,213,514
Adjusted diluted shares	<u>18,146,232</u>	<u>17,747,988</u>

- (1) Adjusted EBITDA as a percentage of GAAP revenues
- (2) Adjusted EBITDA per adjusted diluted share for the Company's common stock is computed using the more dilutive of the two-class method or the if-converted method.
- (3) The number of incremental shares that would be dilutive under profit assumption, only applicable under a GAAP net loss. If GAAP profit is earned in the current period, no additional incremental shares are assumed.