STREAMLINE HEALTH SOLUTIONS INC.
Form DEF 14A
April 17, 2009

Table of Contents

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12
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Streamline Health Solutions, Inc.
(Name of Registrant as Specified in its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
1. Title of each class of securities to which transaction applies:

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4. Proposed maximum aggregate value of transaction:

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3. Filing party:

4. Date filed:

TABLE OF CONTENTS

PROXY STATEMENT
PROPOSAL -- ELECTION OF DIRECTORS
STOCK OWNERSHIP BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT
EXECUTIVE COMPENSATION
TRANSACTIONS WITH RELATED PERSONS, PROMOTERS, AND CERTAIN CONTROL PERSONS
AUDIT COMMITTEE REPORT
OTHER SECURITIES FILINGS
COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
OTHER BUSINESS
ANNUAL REPORT ON FORM 10-K
STOCKHOLDER PROPOSALS FOR NEXT ANNUAL MEETING
Annex 1

Table of Contents

STREAMLINE HEALTH SOLUTIONS, INC.
10200 Alliance Road, Suite 200
Cincinnati, Ohio 45242-4716

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 27, 2009

To the Stockholders of Streamline Health Solutions, Inc.:

You are cordially invited to attend the Annual Meeting of the Stockholders of Streamline Health Solutions, Inc. to be held on May 27, 2009, at 9:30 a.m., Eastern Time, at the offices of Streamline Health Solutions, Inc., 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242-4716, for the following purposes:

1. Election of six directors each to hold office until a successor is duly elected and qualified at the 2010 Annual Meeting of Stockholders or otherwise or until any earlier removal or resignation;

2. To transact any and all other business that may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on April 7, 2009 will be entitled to notice of, and to vote at, the Annual Meeting and any adjournment thereof.

By Order of the Board of Directors

Donald E. Vick, Jr.
Interim Chief Financial Officer & Secretary
Cincinnati, Ohio
April 17, 2009

A proxy statement and proxy are submitted herewith. As a stockholder, you are urged to complete and mail the proxy promptly whether or not you plan to attend the Annual Meeting in person. The enclosed envelope for the return of the proxy requires no postage if mailed in the USA. Stockholders of record attending the meeting may personally vote on all matters that are considered in which event the signed proxies are revoked. It is important that your shares be voted. In order to avoid the additional expense to the Company of further solicitation, we ask your cooperation in mailing your proxy promptly.

Registration and seating will begin at approximately 9:00 a.m. Communication and recording devices will not be permitted at the Annual Meeting. A copy of the regulations for conduct at the Annual Meeting is attached as Annex 1 to the proxy statement.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2009 ANNUAL STOCKHOLDERS MEETING TO BE HELD ON MAY 27, 2009.

The Company s Notice of Annual Stockholders Meeting, Proxy Statement for the 2009 Annual Stockholders Meeting and Annual Report on Form 10-K is also available at www.envisionreports.com/STRM.

Table of Contents

STREAMLINE HEALTH SOLUTIONS, INC.
10200 Alliance Road, Suite 200
Cincinnati, Ohio 45242-4716

PROXY STATEMENT

The accompanying proxy is solicited on behalf of the Board of Directors (Board) of Streamline Health Solutions, Inc., a Delaware corporation (the Company or Streamline Health®), for use at the 2009 annual meeting of stockholders of the Company (Annual Meeting). The Annual Meeting will be held on May 27, 2009 at 9:30 a.m., Eastern Time, or any adjournment thereof, for the purposes set forth in the accompanying Notice of Annual Meeting. The Annual Meeting will be held at the offices of Streamline Health Solutions, Inc., 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242-4716. All holders of record of the Company s common stock, par value $.01 per share (Common Stock), on April 7, 2009, the record date, will be entitled to notice of and to vote at the Annual Meeting. At the close of business on the record date, the Company had 9,354,782 shares of Common Stock outstanding and entitled to vote. A majority, or 4,677,392, of these shares of Common Stock will constitute a quorum for the transaction of business at the Annual Meeting.

The proxy card, this Proxy Statement, and the Company s fiscal year 2008 Annual Report on Form 10-K will be mailed to stockholders on or about April 20, 2009.

Voting Rights and Solicitation of Proxies

Stockholders are entitled to one vote for each share of Common Stock held. Shares of Common Stock may not be voted cumulatively.

The shares represented by all properly executed proxies which are timely sent to the Company will be voted as designated and each proxy not designated will be voted affirmatively. Any person signing a proxy in the form accompanying this Proxy Statement has the power to revoke it at any time before the shares subject to the proxy are voted by notifying the Corporate Secretary of the Company in writing or by attendance at the meeting and voting in person.

The expense of electronically hosting, printing and mailing proxy materials will be borne by the Company. In addition to the solicitation of proxies by mail, solicitation may be made by certain directors, officers, and other employees of the Company by personal interview, telephone, or facsimile. No additional compensation will be paid for such solicitation. The Company will request brokers and nominees who hold shares of Common Stock in their names to furnish proxy materials to beneficial owners of the shares and will reimburse such brokers and nominees for the reasonable expenses incurred in forwarding the materials to such beneficial owners.

The Company s bylaws provide that the holders of a majority of all of the shares of Common Stock issued, outstanding, and entitled to vote, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business at the Annual Meeting. Shares that are voted FOR , AGAINST or WITHHELD , as applicable, with respect to a matter are treated as being present at the meeting for purposes of establishing a quorum and are also treated as shares entitled to vote at the Annual Meeting with respect to such matter. If a broker, bank, custodian, nominee, or other record holder of shares indicates on a proxy that it does not have the discretionary authority to vote certain shares on a particular matter (broker non-vote), then those shares will not be considered entitled to vote with respect to that matter, but will be counted in determining the presence of a quorum.

All shares represented by valid proxies received prior to the Annual Meeting will be voted and, where a stockholder specifies by means of the proxy how the shares are to be voted with respect to any matter to be acted upon, the shares

will be voted in accordance with the specification so made. If the stockholder fails to so specify, except for broker non-votes, the shares will be voted FOR the election of the Board s nominees as directors.

J. Brian Patsy, a Director and the co-founder of the Company, and the five other Directors of the Company, and the Named Executive Officers (as identified on page 5), together beneficially own 1,539,218 shares of Common Stock. Messrs. Patsy, Levy, Phillips, Turner, Miller, and VonderBrink, have each indicated that they intend to vote for the election of all those nominated by the Board for election as Directors. For information regarding the

Table of Contents

ownership of Common Stock by holders of more than five percent of the outstanding shares and by the management of the Company, see Stock Ownership by Certain Beneficial Owners and Management.

In accordance with Delaware law, a list of stockholders entitled to vote at the Annual Meeting will be available at the Annual Meeting at the principal executive offices of Streamline Health Solutions, Inc., 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242-4716, on May 27, 2009, and for ten days prior to the Annual Meeting, between the hours of 9:00 a.m. and 4:00 p.m. Eastern Time, at the principal executive offices of the Company.

PROPOSAL ELECTION OF DIRECTORS

At the Annual Meeting, the stockholders will elect six Directors, comprising the entire membership of the Board, each to hold office until a successor is duly elected and qualified at the 2010 annual meeting of stockholders of the Company or otherwise or until any earlier resignation or removal. Shares represented by the accompanying proxy will be voted for the election of the six nominees recommended by the Board, unless the proxy is marked in such a manner as to withhold authority to vote. All nominees standing for reelection are currently serving as members of the Board and have consented to continue to serve. If any nominee for any reason is unable to serve or will not serve, the proxies may be voted for such substitute nominee as the proxy holder may determine. The Company is not aware of any nominee who will be unable or unwilling to serve as a Director. The Company has not implemented a formal policy regarding Director attendance at the Annual Meeting. Typically, the Board holds its annual organizational meeting directly following the Annual Meeting, which results in most Directors being able to attend the Annual Meeting. All Directors attended the 2008 Annual Meeting and it is the current expectation that all Directors standing for reelection will attend the 2009 Annual Meeting except for Richard C. Levy, M.D. who will not be able to attend due to a previous commitment.

Provided a quorum is duly constituted at the Annual Meeting, the affirmative vote by the holders of a plurality of the shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of Directors is required to approve the election of Directors. A broker non-vote and a withheld vote are not counted for purposes of electing the Directors and will have no effect on the election. The Company s Interim Chief Financial Officer will serve as the inspector of election for the election of the Directors.

Nominees For Election As Directors

The following incumbent Directors are being nominated by the Board for reelection to the Board: Richard C. Levy, M.D., Jay D. Miller, J. Brian Patsy, Jonathan R. Phillips, Andrew L. Turner and Edward J. VonderBrink.

Richard C. Levy, M.D., age 62, has been a Director of the Company since January 2001. He currently serves as a Professor at the University of Cincinnati, a position that he has held since 1984, and where he was the founding Chairman of the Department of Emergency Medicine. Dr. Levy is the founder of Medical Reimbursement, Inc., a privately held physician reimbursement company. He also serves as a member of the Executive Committee of UCP, Inc. a specialty medical practice group. Dr. Levy s educational background consists of the following degrees: B.S. Chemistry University of Kentucky, earned in 1968; M.D. Medical Science University of Louisville, earned in 1972; M.P.H. Health Administration Harvard University, earned in 1973.

Jay D. Miller, age 49, has been a Director of the Company since February 2009. Mr. Miller is currently an independent consultant. He has spent approximately 25 years in the medical technology industry with executive-level responsibilities for product development, sales and marketing, and profit and loss. From 2002 to 2008, Mr. Miller served as President and Chief Executive Officer of Vital Images, Inc., a leading provider of enterprise-wide advanced visualization and analysis software solutions. Prior to becoming president and CEO of Vital Images, Mr. Miller served as their Vice President of marketing and business development. From 1989 until his employment by Vital Images,

Mr. Miller was employed by GE Medical Systems, Inc. in various marketing positions. Prior to GE, Mr. Miller served at Siemens Medical Systems as a product specialist providing technical marketing and sales support for Siemens MR products. Mr. Miller s educational background consists of the following degrees: Bachelor of Arts degree from Dartmouth College, majoring in Chemistry, earned in 1982; a Master of Engineering degree from the University of Virginia, in Biomedical Engineering, earned in 1987; and a Master of Business Administration degree from the J. L. Kellogg School of Management, Northwestern University, earned in 1994.

Table of Contents

J. Brian Patsy, age 58, is a founder of the Company and has served as President and Director of the Company or its predecessor since the Company s or its predecessor s inception in October, 1989. Mr. Patsy was appointed Chairman of the Board and Chief Executive Officer in March 1996. Prior to founding Streamline Health, Mr. Patsy served in various executive, management and engineering capacities with Wang Laboratories, AT&T, Ameritch, the Ohio Bell Telephone Company and the National Security Agency. Mr. Patsy has over 35 years of experience in the information technology industry. Mr. Patsy received a Masters of Business Administration from Kent State University with a major in Finance and Economics in 1976 and a Bachelor of Science Degree in Electrical Engineering from the University of Akron in 1973.

Jonathan R. Phillips, age 36, has been a Director of the Company since May 2005. He is the founder of Healthcare Growth Partners, a provider of strategic and financial advisory services to healthcare technology companies. He has served as the Managing Director since its founding in 2005. Prior to founding Healthcare Growth Partners, Mr. Phillips was a member of the Healthcare Investment Banking Group at William Blair and Company, LLC, where he provided financial advisory services to healthcare growth companies in the areas of mergers and acquisitions and equity offerings, including initial public offerings, secondary offerings and private placements. At William Blair, Mr. Phillips was a Vice President from 2002 to 2005 and an Associate from 2000 to 2001. Prior to William Blair, he served in various roles in the healthcare practice of Deloitte Consulting for more than four years where he provided strategic consulting to healthcare providers and other organizations. Mr. Phillips is also a director of Ophthalmic Imaging Systems, Inc., a public company. Mr. Phillips received a Masters of Business Administration at the J. L. Kellogg School of Management, Northwestern University in 1998, with a major in Finance, Marketing and Health Services Management, and a Bachelor of Arts from DePauw University with a major in Economics and Management in 1995.

Andrew L. Turner, age 62, has been a Director of the Company since November 2006. He currently serves as Chairman of the Board of privately held EnduraCare Therapy Management, Inc. (formerly known as EnduraCare, LLC), a provider of rehabilitation and therapy management services founded by Mr. Turner in 2000 and Chairman of the Board of privately held Raindance Healthcare Group, an operator of skilled nursing and assisted living facilities founded by Mr. Turner in 2007. Mr. Turner has also been a director of Watson Pharmaceuticals, Inc., a public company, since 1997, where he has served as Chairman of the Audit Committee, and the Chairman of the Governance and Nominating Committee. Mr. Turner was elected Chairman of the Board at Watson in 2008. Since 1994, Mr. Turner has also served as a director of The Sports Club Company, Inc., an upscale workout public company. From 1989 until August 2000, Mr. Turner served as Chairman of the Board and Chief Executive Officer of Sun Healthcare Group, Inc., a health care services provider. Mr. Turner received a Bachelor of Arts in Business Administration and Political Science from The Ohio State University in 1970.

Edward J. VonderBrink, CPA, age 64, has been a Director of the Company since May 2005. He is the retired Southeast Area Managing Partner of Grant Thornton LLP, Certified Public Accountants. Mr. VonderBrink began his career with Grant Thornton in 1967, became a partner in 1977, and served in such capacity until his retirement in 1999. He then became Director of the Entrepreneurial Center of Xavier University, in Cincinnati, OH from 2000 to 2004. He is currently an independent consultant to closely held businesses with emphasis on strategic planning. Mr. VonderBrink is a Certified Public Accountant. Mr. VonderBrink received his BSBA in accounting from Xavier University in 1966 and his MBA from Xavier University in 1968.

The Board of Directors has determined that Dr. Levy, Mr. Miller, Mr. Phillips, Mr. Turner and Mr. VonderBrink are Independent Directors as defined by Item 407(a)(1)(i) of Regulation S-K and as that term is currently defined in The NASDAQ Stock Market Marketplace Rules.

There are no family relationships among any of the above named nominees for Director or among any of the nominees and any executive officers of the Company.

The Board recommends a vote FOR the election of each of the nominees.

Communications with the Board of Directors

Stockholders may communicate with the Board of Directors by sending a letter to Streamline Health Solutions, Inc. Board of Directors, c/o Corporate Secretary, 10200 Alliance Road, Suite 200, Cincinnati, OH 45242-4716. All

Table of Contents

communications directed to the Board of Directors will be transmitted promptly to all of the Directors without any editing or screening by the Corporate Secretary.

Board of Directors Meetings and Committees

The Board met fourteen times during fiscal year 2008. Standing committees of the Board currently include an audit committee and a compensation committee.

The Board does not have a governance and nominating committee as the Board of Directors has determined that it is not necessary and would have no direct benefit, at this time, because of the relatively small size of the Company. All nominees for election of Directors at the 2009 Annual Meeting were nominated by the unanimous consent of the current Board, including all of the independent Directors. The Board does not have a formal policy for the consideration of director candidates proposed by stockholders.

In fiscal year 2008, all current Directors attended all meetings of the Board and all committee meetings of the committees on which such Directors served during the period, for which each such Director has been a Director, except for one Director who was unavailable for one Board meeting. Accordingly, all Directors attended more than 75% of such meetings.

The independent Directors, Messrs. VonderBrink (Chairman), Levy, Miller, Phillips and Turner, are presently the members of the Audit Committee. The Audit Committee operates under a charter approved by the Board of Directors which can be found at the Company s web site at www.streamlinehealth.net. The Audit Committee met separately as a committee four times during fiscal year 2008. The Audit Committee, along with management, met as part of the whole Board of Directors to review each of the Company s quarterly and annual financial statements filed on Form 10-Q or Form 10-K, prior to the filing of those reports with the Securities and Exchange Commission. The Audit Committee Chairman separately discusses the Company s financial reports with the auditors on a regular basis. The Audit Committee s functions include the engagement of the Company s independent registered public accounting firm, review of the results of the audit engagement and the Company s financial results, review of the Company s financial statements by the independent registered public accounting firm and their opinion thereon, review of the auditors independence, review of the effectiveness of the Company s internal controls and similar functions and approval of all auditing and non-auditing service performed by the independent registered public accounting firm for the Company. The Board of Directors has determined that Mr. VonderBrink is an audit committee financial expert. See Nominees For Election As Directors for the biographical information of Mr. VonderBrink

The Audit Committee has established procedures through which confidential complaints may be made by employees, directly to the Chairman of the Audit Committee, regarding: illegal or fraudulent activity; questionable accounting, internal controls or auditing matters; conflicts of interest, dishonest or unethical conduct; disclosures in the Company s Securities and Exchange Commission filings that are not accurate; violations of the Company s Code of Conduct and Ethics; or any other matters.

The independent Directors, Messrs. Levy (Chairman), Miller, Phillips, Turner and VonderBrink, are presently the members of the Compensation Committee. The Compensation Committee does not have a formal written charter but retains full authority to determine all compensation matters for the Named Executive Officers. The Compensation Committee met three times during fiscal year 2008. The Compensation Committee reviews the performance of and establishes the salaries and all other compensation of the Company s Named Executive Officers. The Compensation Committee also administers the Company s 2005 Incentive Compensation Plan and is responsible for recommending grants of Equity Awards under the plan, subject to the approval of the Board.

The independent Directors of the Board periodically meet in executive session as part of regularly scheduled Board Meetings and no presiding Director has been designated to conduct the executive sessions.

Code of Conduct and Ethics

The Board of Directors has adopted the Streamline Health Solutions, Inc. Code of Conduct and Ethics which applies to all Directors, officers, (including its Chief Executive Officer, Chief Financial Officer, Controller, and any person performing similar functions) and employees. The Company has made the Code of Conduct and Ethics available on its web site at www.streamlinehealth.net.

Table of Contents

STOCK OWNERSHIP BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information, as of April 7, 2009, with respect to the beneficial ownership of Common Stock by: (i) each stockholder known by the Company to be the beneficial owner of more than 5% of Common Stock; (ii) each Director and each nominee for Director; (iii) each Named Executive Officer listed in the Summary Compensation Table; and (iv) all Directors and current Named Executive Officers as a group.

Name and Address of Beneficial Owner[1]	Amount and Nature of Beneficial Ownership	Percent of Class[2]
Eric S. Lombardo 7173 Royalgreen Drive Cincinnati, Ohio 45244	1,497,127	16.0%
J. Brian Patsy 10200 Alliance Road, Suite 200 Cincinnati, Ohio 45242-4716	1,128,124	12.1%
Sharon Brightman 5019 Parkview Court Centerville, OH 45458	1,038,800	11.1%
Richard C. Levy, M.D.[3]	74,999	*
Jay D. Miller		*
Jonathan R. Phillips[4]	46,999	*
Andrew L. Turner[5]	35,853	*
Edward J. VonderBrink[6]	46,999	*
Joseph O. Brown, II[7]	34,510	*
B. Scott Boyden, Jr.[8]	5,000	*
Gary M. Winzenread[9]	24,589	*
Paul W. Bridge, Jr.[10]	118,296	1.3%
Donald E. Vick, Jr.[11]	23,849	*
All current Directors and Named Executive Officers as a group (11 persons)	1,539,218	16.2%

* Represents less than 1%.

1 Unless otherwise indicated below, each person listed has sole voting and investment power with respect to all shares shown as beneficially owned, subject to community property laws where applicable. For purposes of this table, shares subject to stock options or warrants are considered to be beneficially owned if by their terms they may be exercised as of the date of mailing of this Proxy Statement or if they become exercisable within sixty days thereafter.

2 These percentages assume the exercise of certain currently exercisable stock options and warrants.

3 Includes 30,000 shares owned by Dr. Levy and 44,999 shares that are issuable upon the exercise of currently exercisable options.

[4] Includes 12,000 shares owned by Mr. Phillips and 34,999 shares that are issuable upon exercise of currently exercisable options.

[5] Includes 22,520 shares owned by Mr. Turner and 13,333 shares that are issuable upon exercise of currently exercisable options.

[6] Includes 12,000 shares owned by Mr. VonderBrink and 34,999 shares that are issuable upon exercise of currently exercisable options.

[7] Includes 18,680 shares owned by Mr. Brown and 830 shares of which Mr. Brown is custodian under the Uniform Gifts to Minor Act and 15,000 shares that are exercisable by Mr. Brown upon the exercise of currently exercisable options. Mr. Brown first became an executive officer of the Company in October 2007. See Executive Compensation Employment Agreements.

Table of Contents

[8] Includes 5,000 shares that are exercisable by Mr. Boyden upon the exercise of currently exercisable options. Mr. Boyden first became an executive officer of the Company in June 2008. See Executive Compensation Employment Agreements.

[9] Includes 17,923 shares owned by Mr. Winzenread and 6,666 shares that are issuable upon exercise of currently exercisable options. Mr. Winzenread first became an executive officer of the Company in October 2007. See Executive Compensation Employment Agreements.

[10] The ownership data for Mr. Bridge above is to the best of the Company s knowledge. The Company requested current information, but Mr. Bridge declined to provide an update. The data shown includes 45,000 shares held in trust for the benefit of Mr. Bridge s wife of which Mr. Bridge is a contingent beneficiary of the trust, 1,600 shares held in trust for the benefit of Mr. Bridge, 71,696 shares, which were acquired in the open market and through participation in the 1996 Employee Stock Purchase Plan or through the exercise of stock options and are held of record by Mr. and Mrs. Bridge as joint tenants in common with the right of survivorship. Mr. Bridge may be deemed to be the beneficial owner of all such shares and shares investment power with Mrs. Bridge with respect to 71,696 shares. See Executive Compensation Employment Agreements. Mr. Bridge resigned as an executive officer in November, 2008.

[11] Includes 3,349 shares held of record by Mr. and Mrs. Vick as joint tenants in common with the right of survivorship over which Mr. and Mrs. Vick share investment power. Mr. Vick s beneficial ownership also includes 20,500 shares that are issuable upon the exercise of currently exercisable stock options. Mr. Vick first became an executive officer of the Company in February 2002. See Executive Compensation Employment Agreements.

EXECUTIVE COMPENSATION

Compensation Overview

The Company qualifies as a smaller reporting company under the Securities and Exchange Commission s rules. The Company has elected to comply with the disclosure requirements applicable to smaller reporting companies. Accordingly, this Executive Compensation summary is not intended to meet the Compensation Discussion and Analysis disclosure required of larger reporting companies.

Role of the Compensation Committee. All compensation for the Named Executive Officers of the Company is determined by the Compensation Committee of the Board of Directors which is composed only of independent Directors. The Compensation Committee is charged with responsibility for reviewing the performance and establishing the total compensation of the Company s Named Executive Officers on an annual basis. The Committee often discusses compensation matters as part of regularly scheduled Board meetings and among the Committee members outside of regularly scheduled meetings. The Compensation Committee administers the Company s 2005 Incentive Compensation Plan and the Company s 1996 Stock Purchase Plan and is responsible for recommending grants of equity awards under the 2005 Incentive Compensation Plan to the Board of Directors for approval. The Chief Executive of the Company annually makes recommendations to the Compensation Committee regarding base salary, Non-equity Incentive Plan compensation and equity awards, which recommendations are considered by the Compensation Committee, however, the Committee retains full discretion and authority over the final compensation decisions for the Named Executive Officers. The Compensation Committee does not have a formal written charter.

The Compensation Committee has full authority to engage independent compensation consultants. The Committee has in the past, and may in the future, directly commission compensation studies from such consultants to provide benchmark and other data to be used by the Compensation Committee in determining the compensation and benefits

for the Named Executive Officers. The Compensation Committee does not obtain such compensation studies on an annual basis and, in 2008, the Committee did not use any current benchmark data in setting compensation for the Named Executive Officers.

Compensation Philosophy and Objectives. The Compensation Committee believes that compensation for the Named Executive Officers should be based on the performance of the Company. Because the Company is small, the performance of the Named Executive Officers directly affects all aspects of the Company s results. Therefore,

Table of Contents

the Compensation Committee typically has not adopted or utilized individual performance measures in establishing compensation for the Named Executive Officers, except for Mr. Winzenread and Mr. Boyden. In 2008, Mr. Winzenread s individual performance measure was based one-half on Company performance and one-half on his obtaining certain performance objectives related to the delivery of products currently under development. Mr. Boyden s individual performance objective was tied to his specific sales achievement objectives. The Compensation Committee also considers the Company s industry and geographic location norms in determining the various elements and amounts of compensation for the Named Executive Officers.

The Compensation Committee believes that several factors are critical to the future success of the Company. These factors include the quality, appropriate skills and dedication of the Named Executive Officers.

The Compensation Committee s compensation objectives are to attract and retain highly qualified individuals with a demonstrated record of achievement; reward past performance; provide incentives for future performance; and align the interests of the Named Executive Officers with the interests of the stockholders. To do this, the Company must offer a competitive total compensation package consisting of: base salary, annual non-equity incentive compensation opportunities, long-term incentives in the form of equity awards, and employee benefits.

Compensation Structure. The Total Targeted Cash Compensation, which includes base salary and non-equity incentive compensation, is intended to be an incentive for the Named Executive Officers to achieve above normal financial results at the Company level and to appropriately compensate the Named Executive Officers for successfully achieving such Company performance. All of the elements of the Company s executive compensation program are designed to deliver both year-to-year and long-term stockholder value increases. A significant portion of the executives compensation is at-risk, vests over time, and is tied directly to the Company s short-term and long-term success.

The Named Executive Officer non-equity incentive compensation is based on the Company s operational performance which the Compensation Committee believes reflects the ability of the Named Executive Officer to increase stockholder value in both the short-term and long-term. The individual amounts and mix of compensation elements are established based on the determination of the Committee as to whether each particular element provides an appropriate incentive for expected performance that would enhance stockholder value. These elements include performance factors related to financial and operational goals established for the Named Executive Officers each year.

The Committee also considers each Named Executive Officer s current salary and prior-year incentive compensation along with the appropriate balance between long-term and short-term incentives.

Key elements of Executive Compensation.

Base Salaries. Salaries are established based on the individual responsibilities of the Named Executive Officers in the competitive marketplace in which the Company operates at levels necessary to attract and retain the executive. Base salaries are reviewed annually and adjusted periodically to take into account promotions, increases in responsibility, inflation and increased experience and competitive compensation levels as recommended by the Chief Executive Officer with respect to the other named Executive Officers.

In fiscal year 2008, the Compensation Committee established the base salary for each of the Named Executive Officers as follows: Mr. Patsy, the Chief Executive Officer, $263,200; Mr. Bridge, the former Chief Financial Officer, $184,231; Mr. Vick, the Controller (and current Interim Chief Financial Officer), $109,567; Mr. Brown, the Vice President Client Services and Chief Information Officer, $171,600; Mr. Winzenread, the Vice President Product Development and Strategy, $182,000. These increases were 4.0% for each of the aforementioned Named Executive Officers. These increases were based on inflationary factors. Upon appointment of Mr. Boyden as a Named Executive

Officer, the Compensation Committee established the base salary for Mr. Boyden, the Sr. Vice President Sales and Marketing at $187,400.

The Compensation Committee established the 2009 base salary for each of the Named Executive Officers as follows: Mr. Patsy, the Chief Executive Officer, $263,200; Mr. Vick, Interim Chief Financial Officer, $120,067; Mr. Brown, the Vice President Client Services and Chief Information Officer, $171,600; Mr. Winzenread, the Vice

Table of Contents

President Product Development and Strategy, $182,000; and Mr. Boyden, the Sr. Vice President Sales and Marketing, $187,400.

Non-equity Incentive Compensation. Annually, the Compensation Committee establishes a Non-equity Incentive Compensation Plan, a pay for performance plan, to incent and reward superior Company performance for the forthcoming fiscal year. The cash payments under this plan are paid quarterly based on a predetermined formula if the financial performance objectives required by the plan are met. The plan has a minimum threshold below which no incentive compensation is earned and has no upper limit on the amount that can be earned. The Compensation Committee sets the financial objectives in the plan at levels which the Committee believes are achievable, but not assured, and they are in line with both the short-term and long-term interests of the stockholders.

The 2008 and 2009 Non-equity Incentive Compensation Plan targets were set to achieve: (i) a specific dollar amount of revenues and (ii) a specific dollar amount of operating profit for each quarter and for the fiscal year as a whole. The plans provide for the payment to the Named Executive Officers of target payouts based in dollars, which payouts can be earned upon achieving either the targeted revenue or operating profit goals or both as established by the Compensation Committee. Participating executives are entitled to a payment of 100% of the specified amount of the targeted payouts if the Company achieves the targeted revenues and operating profit. If the Company s revenues are less than 100% of the target, then the Named Executive Officers receive a reduced payout, provided the Company s actual revenues were greater than 70% of the targeted revenues for any payouts to be made. If the Company s operating profits are less than 100% of the target, then the Named Executive Officers receive reduced payouts, provided that the Company s actual operating profit must be greater than 60% of the targeted operating profits. At greater than 60% but less than 100% of the targeted operating profit, the payments are reduced, based on an acceleration factor. For example, achieving 90% of the targeted operating profit would result in the payment of only 75% of the target payout. If the Company achieved 60% or less of the targeted operating profit, no payout could be earned under the plan. If the Company exceeded 100% of the targeted operating profit, then the payout to the Named Executive Officers would be increased by an accelerated bonus percentage. For example, if the Company exceeded the targeted operating profit or revenues by 100%, then the payout earned would be 300% of the respective target payout . There is no upper limitation of the potential payout amounts for exceeding the targeted amount of operating profits. The calculation of the payout of the revenue target is similar to operating profit example above. The Compensation Committee establishes the targeted payouts for each Named Executive Officer, with the Chief Executive Officer able to earn the largest target payout, but the payout percentage is the same for each Named Executive Officer so that all of the Named Executive Officers bear the same potential risk and benefit from the Company s actual performance.

In 2008, the Company did not achieve its targeted annual revenues and operating profit and accordingly only a portion of non-equity incentive compensation was earned by the Named Executive Officers under the 2008 plan from intra year quarterly achievement of the plan targets. Payouts were achieved only for the revenue goal targets at the end of the second quarter. This amounted to a payout for each Named Executive Officer of 25% of the targeted annual incentive compensation for the revenue goal component of the plan. Mr. Boyden did not receive this component as he was new to the Company. Mr. Winzenread also received $8,334 relating to the personal objectives portion of his compensation plan for meeting certain product delivery goals.

The Compensation Committee has established a Non-equity Incentive Compensation Plan for each Named Executive Officer, for fiscal year 2009. The plan is structured substantially similar to the 2008 plan. The Named Executive Officers will be able to earn payouts if either performance targets (Revenue and Operating Profit) are met. The 2009 goals, like the 2008 goals are comprised of two separate elements. One half of the total on target bonus is based on achieving targeted revenues and the other half is based on achieving a targeted operating profit. Mr. Brown s and Mr. Winzenread s plans are split evenly between targeted revenues, operating profit, and specific personal objective goal achievement measures. Mr. Boyden s Non-equity Incentive Compensation Plan is 100% based upon targeted sales

commission as that is deemed to most align his goals with the Company s.

Each Named Executive Officer s targeted non-equity incentive compensation amounts were reduced in 2009 by the amount of the grant date fair value to be recognized in the 2009 financial statements of the Company for the long-term equity awards granted in January, 2009. As a result, there will be no increase in Named Executive

Table of Contents

Officer s total on-goal compensation, when considering base salary, non-equity incentive compensation and annual amount of the grant date fair value for the long-term equity awards granted.

Long-term Equity Awards. The Compensation Committee makes recommendations to the full board regarding the granting of equity awards under the Company s 2005 Incentive Compensation Plan. The Compensation Committee has the ability and flexibility under the 2005 Incentive Compensation Plan to determine from time to time the specific type of award and the related terms and conditions related thereto that the Committee believes are best designed at that time to provide a strong incentive for superior performance and continued service to the Company. The 2005 Incentive Compensation Plan provides for grants of stock options, stock appreciation rights and shares of restricted stock. The Compensation Committee believes that properly structured and timed long-term equity awards can encourage executive retention as such awards can be made subject to vesting, performance achievement over time or other achievement or termination provisions. Long-term equity awards should be given to executive officers and other employees who successfully demonstrate a capacity for contributing directly to the success of the Company.

The Compensation Committee does not currently have a policy for the automatic awarding of equity awards to the Named Executive Officers or other employees of the Company. Grants are made periodically, based on individual past performance, and other criteria deemed relevant by the Compensation Committee at the time awards are made. The Compensation Committee granted equity awards to the Named Executive Officers in 2008 as noted in detail in the compensation discussion below.

Benefits. The Company provides Group Life Insurance, Health and Dental Care Insurance, Employee Stock Purchase Plan Discounts, Long-term Disability Insurance, 401(k) Plan matching contributions and similar benefits to all employees, including the Named Executive Officers. These benefits do not discriminate in scope, terms or operation in favor of the Named Executive Officers.

Perquisites. The Company provides the Named Executive Officers with an annual automobile allowance that the Compensation Committee believes is reasonable, competitive and consistent with the Company s overall executive compensation program. The automobile allowance and all other benefits that could be considered perquisites amount to less than $10,000 per year for each Named Executive Officer individually.

Employment and Indemnification Agreements. The Company has employment agreements with each of its Named Executive Officers. Those agreements provide each Named Executive Officer with certain benefits upon termination of employment as discussed below. The Company has also entered into indemnification agreements with each of its Named Executive Officers and Directors. Each indemnification agreement provides that the Company will indemnify the covered individual to the full extent permitted by Delaware law. The indemnification agreement also requires the Company to maintain directors and officers insurance coverage substantially equivalent to the Company s current coverage of $13,000,000, provided that the costs of maintaining such insurance does not become substantially disproportionate to the coverage obtained and that such insurance is reasonably available to the Company.

Mr. Patsy s Employment Agreement. The Company has entered into an employment agreement with Mr. Patsy, the Company s Chief Executive Officer. The agreement covers the period February 1, 2009 through January 31, 2010, with provisions for automatic annual renewals and contains the provisions described below and other usual and customary provisions found in executive employment agreements. The agreement provides that he will serve as the Company s President and/or Chief Executive Officer throughout the term of the agreement; his base salary will be $263,200, in 2009, subject to annual adjustment thereafter at the discretion of the Compensation Committee. If his employment is terminated for reasons other than Good Cause, Death or Disability, he will receive severance equal to twelve months total compensation, including base compensation and the higher of the Non-equity Incentive Compensation Plan awards paid in the prior year or earned in the current fiscal year to date all of which shall be paid within 90 days following termination. He is also eligible to receive without cost all employee benefits including health

care to the same extent and at the same levels as other executives are then participating for a period of two years from the date of termination. The current estimated annual cost of these employee benefits is $19,400, and the total cost to the Company upon termination in such events would be $332,500 based upon his base salary and non-equity incentive compensation in 2009. He will be subject to a non-compete provision for a period of

Table of Contents

one year following termination of employment, which period may be extended for an additional year at the discretion of the Company upon payment of additional severance equal in amount to the first severance payment.

In addition, Mr. Patsy s employment agreement provides that in the event of a change of control the agreement will automatically be extended for one year from the date of the change in control. In the event of termination by the Board without good cause, or if Mr. Patsy terminates his employment agreement due to a material reduction in his duties or compensation or if his employment agreement is terminated within one year after a change in control, he will be entitled to all of the severance benefits noted above. The employment agreement also provides that during the term of the agreement, and for a period of two years thereafter Mr. Patsy will not compete with the Company in the healthcare information systems industry, including serving as an employee, officer, director, consultant, stockholder, or general partner of any entity other than the Company. In addition, Mr. Patsy will agree to assign to the Company all of his interest in any developments, discoveries, inventions, and certain other interests developed by him during the course of employment with the Company, and not to use or disclose any proprietary information of the Company at any time during or after the course of employment with the Company.

Mr. Brown s Employment Agreement. The Company has entered into an employment agreement with Mr. Brown, the Company s Vice President Consulting Services and Chief Information Officer. The agreement covers the period February 1, 2009 through January 31, 2010, with provisions for automatic annual renewals and contains the provisions described below and other usual and customary provisions found in executive employment agreements. The agreement provides that his base salary will be $171,600, in 2009, subject to annual adjustment thereafter at the discretion of the Compensation Committee. If his employment is terminated for reasons other than Good Cause, Death or Disability, he will receive severance equal to sixty percent times the then current annual salary and sixty percent of the higher of the Non-equity Incentive Compensation Plan awards paid in the prior fiscal year or earned in the then current fiscal year to date all of which shall be paid within 90 days following termination. He will also be subject to a non-compete provision for a period of one year following termination of employment. In the event that, within twelve months of a change in control, his employment is terminated, he will receive a lump sum payment equal to sixty percent of his then current salary and all stock options granted shall immediately vest in full. The total cost to the Company upon termination in such events would be $113,325 based upon his base salary and non-equity incentive compensation in 2009.

Mr. Vick s Employment Agreement. Mr. Vick, the Company s Controller, Interim Chief Financial Officer, Treasurer and Secretary, upon his initial employment with the Company, entered into a standard employment agreement that all Company employees enter into. The agreement has no term and the Company, at will, upon 14 day s prior written notice, can terminate employment. The agreement contains usual and customary provisions related to compensation, employee benefits, and nondisclosure of trade secrets, research and development, restrictions on employment by a competitor, solicitation of Company employees or customers and return of company property. The agreement provides that he will serve as the Company s Controller; his base salary will be $120,067, in 2009 while also serving as the Interim Chief Financial Officer, subject to annual adjustment thereafter at the discretion of the Compensation Committee. Mr. Vick s employment agreement does not provide any additional compensation upon his termination, whether or not in connection with a change in control of the Company. However, the terms of Mr. Vick s stock options would result in the accelerated vesting of his unvested stock options in the event of a change in control.

Mr. Winzenread s Employment Agreement. The Company has entered into an employment agreement with Mr. Winzenread, the Company s Vice President Product Development and Strategy. The agreement covers the period June 1, 2008 through May 31, 2009, with provisions for automatic annual renewals and contains the provisions described below and other usual and customary provisions found in executive employment agreements. The agreement provides that he will serve as the Senior Vice President Product Development and Strategy throughout the term of the agreement, his base salary will be $182,000, subject to annual adjustment thereafter at the discretion of the Compensation Committee. If his employment is terminated for reasons other than Good Cause, Death or Disability, he

will receive severance equal to sixty percent times the then current annual salary and sixty percent of the higher of the Non-equity Incentive Compensation Plan awards paid in the prior fiscal year or earned in the then current fiscal year to date all of which shall be paid within 90 days following termination. He will also be subject to a non-compete provision for a period of one year following termination of employment. In the event that, within twelve months of a change in control, his employment is terminated, he will receive a lump sum

Table of Contents

payment equal to sixty percent of his then current salary and all stock options granted shall immediately vest in full. The total cost to the Company upon termination in such events would be $130,745 based upon his base salary and non-equity incentive compensation in 2009.

Mr. Boyden s Employment Agreement. The Company has entered into an employment agreement with Mr. Boyden, the Sr. Vice President Sales and Marketing. The agreement covers the period June 16, 2008 through June 30, 2009, with provisions for automatic annual renewals and contains the provisions described below and other usual and customary provisions found in executive employment agreements. The agreement provides that he will serve as the Sr. Vice President Sales and Marketing throughout the term of the agreement, his base salary will be $187,400, subject to annual adjustment thereafter at the discretion of the Compensation Committee. If his employment is terminated for reasons other than Good Cause, Death or Disability, he will receive severance equal to seventy percent times the then current annual salary and seventy percent of the higher of the Non-equity Incentive Compensation Plan awards paid in the prior fiscal year or earned in the then current fiscal year to date all of which shall be paid within 90 days following termination. He will also be subject to a non-compete provision for a period of one year following termination of employment. In the event that, within twelve months of a change in control, his employment is terminated, he will receive a lump sum payment equal to seventy percent of his then current salary and all stock options granted shall immediately vest in full. Health and dental benefits will also be paid for a period of one year unless Mr. Boyden becomes covered under new such plans. The current estimated annual cost of these employee benefits is $21,303. The total cost to the Company upon termination in such events would be $241,285 based upon his base salary and non-equity incentive compensation in 2009.

Mr. Bridge s Employment Agreement. The Company entered into an employment agreement with Mr. Bridge, the former Chief Financial Officer, for the period February 1, 2008 through January 31, 2009. The agreement provided that his base salary would be $184,231 and that he would be subject to a non-compete provision for a period of one year following termination of employment. Mr. Bridge resigned from the Company effective November 6, 2008.

Section 162(m). Based on the Compensation Committee s past compensation practices, the Committee does not currently believe that Section 162 (m) of the Internal Revenue Code, which limits the deductibility of executive compensation in certain events, will adversely affect the Company s ability to obtain a tax deduction for compensation paid to its Named Executive Officers.

Nonqualified Deferred Compensation. The Company has no deferred compensation plans for its Named Executive Officers or any other employees. However, the American Jobs Creation Act of 2004 which was signed into law on October 22, 2004, changed the tax rules applicable to nonqualified deferred compensation arrangements and, in certain circumstances, may apply to equity awards, severance payments and other forms of compensation that may constitute deferred compensation for purposes of Section 409A. While the final regulations under Section 409A of the Internal Revenue Code have not yet become effective, the Company believes it is operating in good faith compliance with the statutory provisions, which became effective January 1, 2005.

Table of Contents

Summary of Cash and Certain Other Compensation

The following table is a summary of certain information concerning the compensation earned during the last two fiscal years by the Company s Chief Executive Officer, Chief Financial Officer, the Company s three other current Named Executive Officers and one other individual who would have been a Named Executive Officer if he had still been employed at January 31, 2009. These six individuals are collectively referred to herein as the Named Executive Officers.

Summary Compensation Table

Name and Principal Position[11]	Year	Salary[1] ($)	Option Awards[12] ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation[2,3&4] ($)	Total ($)
J. Brian Patsy[5]	2008	263,200	325	9,100	9,236	281,861
Chairman of the Board, Chief	2007	253,077			9,429	262,506
Executive Officer and President						
Paul W. Bridge, Jr.[6]	2008	141,008		3,900	18,253	163,161
Former Chief Financial Officer,	2007	177,146			7,363	184,509
Treasurer and Secretary						
Gary M. Winzenread[7]	2008	182,000	6,225	11,459	7,967	207,651
Sr. Vice President Product	2007	109,375			4,502	113,877
Development and Strategy						
Joseph O. Brown II[8]	2008	171,600	212	3,900	7,254	182,966
Vice President Consulting Services	2007	152,148			6,296	158,444
and Chief Information Officer						
B. Scott Boyden, Jr.[9]	2008	118,175	4,831		12,885	135,891
Sr. Vice President Sales and						
Marketing						
Donald E. Vick, Jr.[10]	2008	109,567	135	1,950	4,642	116,294
Controller, Interim Chief Financial	2007	105,353			4,223	109,576
Officer, Secretary and Treasurer						

1 Includes amounts contributed by the officers to the Company s 401(k) plan.

2 Does not include perquisites and other personal benefits, the aggregate amount of which with respect to each of the Named Executive Officers does not exceed $10,000 reported for that year.

3 Includes the Company s matching contribution to the 401(k) Plan equal to a 100% match on the first 4% of the employee s compensation which is available to all employees who participate in the plan.

4 Excludes Group Life Insurance, Health Care, Employee Stock Purchase Plan Discounts, Long-term Disability Insurance and similar benefits provided to all employees that do not discriminate in scope, terms or operations in favor of the Named Executive Officers.

[5] For additional information on Mr. Patsy see Nominees for Election as Directors.

[6] Mr. Bridge resigned effective November 6, 2008. Compensation data for 2008, includes only compensation from the beginning of the fiscal year through the date of his resignation. Mr. Bridge is 65 years old and was appointed Chief Financial Officer in January 2001 which he served as until his resignation; prior thereto he served as the Company Controller. His Other Compensation includes vacation pay of $11,775 at the time of his resignation.

[7] Mr. Winzenread is 44 years old and was appointed Vice President Product Development and Strategy in October 2007. Compensation data for 2007, includes only compensation paid from June 18, 2007, his first day of employment, through the end of the fiscal year.

Table of Contents

[8] Mr. Brown is 48 years old and was appointed Vice President Client Services and Chief Information Officer in October 2007: prior thereto he served as Chief Information Officer. He was named Vice President Consulting Services and Chief Information Officer in February 2009.

[9] Mr. Boyden is 45 years old and was appointed Senior Vice President Sales and Marketing in June 2008. Compensation data for 2008, includes only compensation paid from June 16, 2008, his first day of employment, through the end of the fiscal year. His Other Compensation includes advanced commissions of $7,875.

[10] Mr. Vick is 45 years old and was appointed Controller in February 2002; prior thereto he served as the Company Assistant Controller. Mr. Vick was also appointed Interim Chief Financial Officer, Treasurer and Secretary in November, 2008.

[11] All officers serve at the pleasure of the Board of Directors and are appointed annually to their current positions.

[12] The amounts included in the table above reflect the pro rata amount of the grant date fair value recognized in the financial statements of the Company ratably over the period in which the options vest. The fair values of these awards and the amounts expensed in 2007 and 2008 were determined in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004) *Share Based Payment* (FAS 123R). The assumptions used in determining the grant date fair values of these awards are set forth in footnote 7 to the Company s consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended January 31, 2009 filed with the SEC.

2008 Plan-Based Award Grants

During the 2008 fiscal year the Named Executive Officers were awarded the following stock options:

Mr. Patsy was granted 75,000 nonqualified stock options with an exercise price of $1.80 per share on January 27, 2009.

Mr. Winzenread was granted 20,000 incentive stock options with an exercise price of $2.19 per share on May 21, 2008. He was also granted 51,862 incentive stock options with an exercise price of $1.80 per share on January 27, 2009.

Mr. Brown was granted 48,898 incentive stock options with an exercise price of $1.80 per share on January 27, 2009.

Mr. Boyden was granted 15,000 incentive stock options with an exercise price of $2.10 per share on June 16, 2008. He was also granted 53,400 incentive stock options with an exercise price of $1.80 per share on January 27, 2009.

Mr. Vick was granted 31,222 incentive stock options with an exercise price of $1.80 per share on January 27, 2009.

All options noted above that were granted in 2008 have a term of 10 years and vest in three equal annual installments commencing one year from their date of grant.

Table of Contents

Outstanding Equity Awards at 2008 Fiscal Year End[1]

The following table sets forth information with respect to the Named Executive Officers equity awards outstanding as of January 31, 2009.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
J. Brian Patsy		75,000	1.80	1/26/19
Paul W. Bridge, Jr.	10,000		1.95	2/4/09
Joseph O. Brown II	10,000		1.95	8/1/13
	5,000		1.50	4/19/10
		48,898	1.80	1/26/19
Donald E. Vick, Jr.	10,000		1.50	4/19/10
	8,000		0.53	1/7/11
		31,222	1.80	1/26/19
	2,500		1.95	8/1/13
Gary M. Winzenread		51,862	1.80	1/26/19
		20,000	2.19	5/21/18
B. Scott Boyden, Jr.		53,400	1.80	1/26/19
		15,000	2.10	6/16/18

[1] The closing market price for one share of Common Stock on January 31, 2009, the end of fiscal year 2008, was $1.76.

Option Exercises and Stock Vested in 2008

The only shares of Common Stock that were acquired by any Named Executive Officer on exercise of outstanding option awards in the Company s fiscal year 2008 were by Mr. Bridge who exercised 50,000 options with a weighted average cost of $1.06 per share and Mr. Brown who exercised 5,000 options with a weighted average cost of $1.50 per share. To date, the Company has never issued stock awards other than stock options to any of the Named Executive Officers.

Directors Compensation

The Company currently pays each of the Independent Directors fees of: (i) an annual retainer of $5,000, (ii) $1,000 for each regularly scheduled Board meeting attended, and (iii) $1,000 per day for each special meeting or committee meeting attended on days when there are no Board meetings. Mr. Patsy is not separately compensated as a member of the Board of Directors. See the Summary Compensation Table for information relating to his compensation as an officer of the corporation.

In order to attract and retain high quality non-employee independent Directors, the Company currently has a policy of granting each independent Director 15,000 nonqualified stock options upon first being appointed or elected to the Board. Incumbent Directors are also granted 10,000 nonqualified stock options annually. These options are to be awarded pursuant to the Company s 2005 Incentive Compensation Plan at an exercise price equal to the closing price on the date the awards are approved by the Board of Directors, vest ratably over a three year period, and terminate between 30 and 90 days following termination as a Director. The Company believes that the awarding of stock options to Directors is a necessary component of their total compensation, including their Directors fees, and as an incentive to work to increase the Company s operating results and stock price.

One non-employee member of the Board also participates in the Company s 1996 Non-Employee Directors Stock Option Plan (the Directors Plan). Currently, 15,000 options have been granted under the Directors Plan to

Table of Contents

Dr. Levy. No additional options can be granted under the Directors Plan. The 2005 Plan provides for the granting of non-qualified stock options to Directors who are not employees of the Company as noted above. Currently, 40,000 options have been granted under the 2005 Plan to Dr. Levy, 45,000 options to Mr. Phillips, 35,000 options to Mr. Turner, 45,000 options to Mr. VonderBrink and 15,000 options to Mr. Miller.

Directors Compensation in 2008

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)	Total ($)
Richard C. Levy, M.D.	19,000	29,024	48,024
Jonathan R. Phillips	19,000	30,374	49,374
Andrew L. Turner	18,000	13,602	31,602
Edward J. VonderBrink	19,000	30,374	49,374
Jay D. Miller[1]			
J. Brian Patsy			

[1] Mr. Miller was not appointed to the board until February, 2009.

During the 2008 fiscal year the Directors were awarded the following stock options: Richard C. Levy, M.D., 10,000 Options; Jonathan R. Phillips, 10,000 Options; Andrew L. Turner, 10,000 Options; and Edward J. VonderBrink, 10,000 options. The aggregate grant date fair value of the option awards computed in accordance with Statement of Financial Accounting Standard 123(R) for Dr. Levy, Mr. Phillips and Mr. VonderBrink amounted to $14,400, respectively, and for Mr. Turner, $13,600. The amounts included in the table above reflect the pro rata amount of the grant date fair value recognized in the financial statements of the Company ratable over the period in which the options vest.

The Company also has entered into indemnification agreements with each of its Directors. Each indemnification agreement provides that the Company will indemnify the covered individual to the full extent permitted by Delaware law. The indemnification agreement also requires the Company to maintain directors and officers insurance coverage substantially equivalent to the Company s current coverage of $13 million, provided that the costs of maintaining such insurance does not become substantially disproportionate to the coverage obtained and that such insurance is reasonably available to the Company.

The Company has provided liability insurance for its Directors and officers since 1996. The current policies expire on April 26, 2009. The annual cost of this coverage is approximately $87,600. Upon expiration, the current policies will be renewed or replaced with at least equivalent coverage.

Compensation Committee Interlocks And Insider Participation

The following non-employee independent Directors serve on the Compensation Committee: Jonathan R. Phillips, Richard C. Levy, M.D. Andrew L. Turner, Jay D. Miller and Edward J. VonderBrink. No member of the Compensation Committee is or was an officer or employee of the Company or the subsidiary of the Company. No Director or Named Executive Officer of the Company serves on any board of directors or compensation committee that compensates any member of the Compensation Committee.

TRANSACTIONS WITH RELATED PERSONS, PROMOTERS, AND CERTAIN CONTROL PERSONS

The Code of Conduct of the Company requires that Directors, officers, employees and contractors of Streamline Health have a duty of loyalty to the Company and must avoid any actual or apparent conflict of interest, including related party transactions. A conflict situation can arise when a Director, officer, employee or contractor takes actions or has interest that may make it difficult to perform their work objectively and effectively. A conflict of interest may also arise when a member of his or her family, receives improper personal benefits as a result

Table of Contents

of their position with the Company. If such situation arises, the individual must immediately report the circumstances to the Chief Financial Officer, who in turn must immediately report any such circumstance involving a Director or officer to the Board of Directors. The Company is not aware of any related party transactions. Should there be a need for the Company to enter into a related party transaction, as defined under item 404(a) of Regulation S-K, the full Board of Directors would review and approve such proposed transaction in advance of entering into a related party transaction. Should the transaction involve a Board member, such Board member would excuse himself from the discussion and vote on such matter. The Code of Conduct is available on the Company s web site at www.streamlinehealth.net.

AUDIT COMMITTEE REPORT

The Audit Committee, which operates under a charter approved by the Board of Directors which can be found at the Company s web site at www.streamlinehealth.net, oversees the Company s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements that are included in the Annual Report on Form 10-K with management, which review included a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Committee is comprised of the five independent non-employee Directors of the Company and held four meetings during fiscal year 2008. The Audit Committee also met as part of the whole Board of Directors to review each of the Company s quarterly and annual financial statements filed on Form 10-Q or Form 10-K with management, prior to the filing of those reports with the Securities and Exchange Commission. The Committee reviewed with BDO Seidman, LLP, the independent registered public accounting firm, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards. In particular, the Committee has discussed with BDO Seidman, LLP those matters required to be discussed by Statement on Auditing Standards No. 61. BDO Seidman, LLP also provided to the Committee the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered accountant s communications with the audit committee concerning independence, and the Committee discussed the independent registered public accounting firms independence with the auditors themselves.

The Committee discussed with the Company s independent registered public accounting firm the overall scope and plans for their audit. The Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls, and the overall quality of the Company s financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board approved) that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended January 31, 2009 as filed with the Securities and Exchange Commission.

In addition, the Audit Committee preapproved the payment of up to $110,000 in audit fees for the above audit, an additional $49,000 relating to quarterly reviews, and an additional payment of up to $10,000 for tax fees that includes the preparation and review of various tax returns required to be filed by the Company. It is the policy of the Audit Committee to preapprove all services provided by BDO Seidman, LLP. The Committee also concluded that BDO Seidman, LLP s provision of non-audit services, as described above, to the Company is compatible with BDO Seidman, LLP s independence.

In connection with the audit of the fiscal year 2008 financial statements, the Company entered into an audit engagement agreement with BDO Seidman, LLP which set forth the terms by which BDO Seidman, LLP would perform the audit services for the Company. That agreement is subject to alternative dispute resolution procedures. The Audit Committee has determined that the terms and conditions of the BDO Seidman, LLP audit engagement agreement are similar to the other registered public accounting firms, and a common business practice between

Table of Contents

companies and their audit firms. Although the provisions of the audit engagement agreement limit the ability of the Company to sue BDO Seidmann, LLP by providing for exclusive dispute resolution procedures, the Company does not believe that such provisions limit the ability of the Company to recover from the firm.

The Audit Committee

Edward J. VonderBrink, *Chairman*
Richard C. Levy, M.D.
Jonathan R. Phillips
Andrew L. Turner
Jay D. Miller

OTHER SECURITIES FILINGS

The information contained in this Proxy Statement under the heading Audit Committee Report is not, and should not be deemed to be, incorporated by reference into any filings of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 that purport to incorporate by reference other Securities and Exchange Commission filings made by the Company, in whole or in part, including this Proxy Statement.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Securities and Exchange Act of 1934 requires the Company s officers and Directors and persons who own more than 10% of Common Stock (collectively, Reporting Persons) to file reports of ownership and changes in ownership with the SEC. Reporting Persons are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received, the Company believes that with respect to the fiscal year ended January 31, 2009 all the Reporting Persons complied with all applicable filing requirements.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

By letter dated November 13, 2007, Ernst & Young LLP informed the Chairman of the Audit Committee of the Company that Ernst & Young LLP would resign as the independent registered public accounting firm for the Company upon the completion of its review of the Company s financial statements for the interim period ended October 31, 2007 and accordingly, the services of Ernst & Young LLP to the Company ceased at that time.

The reports of Ernst & Young LLP on the Company s consolidated financial statements for the fiscal years ended January 31, 2007 and 2006 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to any uncertainty, audit scope or accounting principle.

In connection with the Company s audits for the fiscal years ended January 31, 2007 and 2006 the Company had no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of Ernst & Young LLP would have caused it to make reference thereto in its report on the consolidated financial statements of the Company for such years.

During the Company s fiscal years ended January 31, 2007 and 2006 and through the date of this report, the Company has had no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

The Company provided a copy of the above disclosures to Ernst & Young LLP. Ernst & Young LLP furnished the Company with a letter dated November 16, 2007 addressed to the Securities and Exchange Commission stating that it agreed with the above statements.

Prior to the resignation of Ernst & Young LLP, the Company s Audit Committee had initiated a process of soliciting proposals from independent registered public accounting firms, including Ernst & Young LLP, for the audit of the January 31, 2008 Financial Statements to be included in the Form 10-K for the fiscal year then ended.

Table of Contents

During the Company s two most recent fiscal years prior to the Company s engagement of BDO Seidman, LLP and through January 6, 2008, the Company did not consult with BDO Seidman, LLP regarding either (i) the application of accounting principles to a specific transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company s financial statements, and neither a written report nor oral advice was provided to the Company that BDO Seidman, LLP concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of regulation S-K, or a reportable event, as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

BDO Seidman, LLP served as the independent registered public accounting firm of the Company for the fiscal year ended January 31, 2009. A representative of BDO Seidman, LLP will be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate stockholder questions.

The following table sets forth the aggregate fees for the Company for the fiscal years 2008 and 2007 for audit and other services approved by the Audit Committee to be provided by The Company s accounting firm, BDO Seidman, LLP and its foreign affiliates.

	2008	2007
Audit Fees	$ 159,000	$ 112,000
Audit-Related Fees		
Tax Fees	10,000	35,000
All Other Fees		
Total Fees	$ 169,000	$ 147,000

The Company has engaged BDO Seidman, LLP to provide tax consulting and compliance services and consulting services regarding the internal control audit related requirements of the Sarbanes-Oxley Act, in addition to the audit of the financial statements. The Company s Audit Committee has considered whether the provision of the tax services is compatible with maintaining the independence of BDO Seidman, LLP. All fees paid to BDO Seidman, LLP are preapproved by the Audit Committee of the Board of Directors. The Audit Committee has not selected the auditors for the January 31, 2010 audit as the Audit Committee typically makes that decision after the Annual Meeting.

OTHER BUSINESS

The Board does not presently intend to bring any other business before the Annual Meeting. However, the Company has received notice from three stockholders that they each intend to present a proposal at the Annual Meeting. These stockholder proposals relate to (1) the term of the Chief Executive Officer s employment agreement; (2) the salary of the Chief Executive Officer; and (3) a Chief Executive Officer search. The persons named in the accompanying proxy are allowed to exercise their discretionary authority to vote upon any such proposal and intend to vote against the foregoing stockholder proposals. As to any other business that may properly come before the meeting, it is intended that proxies, in the form enclosed, will be voted in respect thereof in accordance with the judgment of the persons voting such proxies.

ANNUAL REPORT ON FORM 10-K

A copy of the Company s Annual Report on Form 10-K for the fiscal year ended January 31, 2009, as filed with the Securities and Exchange Commission, will be mailed without charge to any beneficial owner of the Company s Common Stock, upon request. Requests for reports should be addressed to: Investor Relations, Streamline Health Solutions, Inc., 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242-4716. The Form 10-K includes certain exhibits. Copies of the exhibits will be provided only upon receipt of payment covering the Company s reasonable expenses for such copies. The Form 10-K and exhibits may also be obtained from the Company s web site, www.streamlinehealth.net on the Financial page, or directly from the Securities and Exchange Commission web site, www.sec.gov/cgi-bin/srch-edgar.

Table of Contents

STOCKHOLDER PROPOSALS FOR NEXT ANNUAL MEETING

Stockholder proposals intended for inclusion in the Company s proxy statement and form of proxy relating to the Company s 2010 annual meeting of stockholders must be received by the Company not later than December 18, 2009. Such proposals should be sent to the Corporate Secretary, Streamline Health Solutions, Inc., 10200 Alliance Road, Suite 200, Cincinnati, Ohio 45242-4716. The inclusion of any proposal will be subject to applicable rules of the Securities and Exchange Commission, including Rule 14a-8 of the Securities and Exchange Act of 1934. Any stockholder who intends to propose any other matter to be acted upon at the 2010 annual meeting of Stockholders must inform the Company no later than March 3, 2010. If notice is not provided by that date, the persons named in the Company s proxy for the 2010 annual meeting will be allowed to exercise their discretionary authority to vote upon any such proposal without the matter having been discussed in the proxy statement for the 2010 annual meeting.

ALL STOCKHOLDERS ARE URGED TO COMPLETE, SIGN, DATE, AND RETURN THE ACCOMPANYING PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

THANK YOU FOR YOUR PROMPT ATTENTION TO THIS MATTER.

By Order of the Board of Directors,

J. Brian Patsy
Chairman of the Board

Cincinnati, Ohio
April 17, 2009

Table of Contents

Annex 1

REGULATIONS FOR CONDUCT AT THE MAY 27, 2009 ANNUAL MEETING OF STOCKHOLDERS OF STREAMLINE HEALTH SOLUTIONS, INC.

We welcome you to the 2009 Annual Meeting of Stockholders of Streamline Health Solutions, Inc. In order to provide a fair and informative Meeting, we ask you to honor the following regulations for the Meeting. The business of the Meeting will be taken up as set forth in the Agenda attached to these Regulations. Annual Meetings are business meetings, and they can be effective only if conducted in an orderly, business-like manner. Strict rules of parliamentary procedure will not be followed. The Chairman of the Meeting will control the meeting and make any required procedural rulings. Please follow the instructions of the Chairman. Thank you for your cooperation.

1. ***ELECTION OF DIRECTORS.*** Every stockholder having the right to vote shall be entitled to vote in person or by proxy. Each stockholder of record shall be entitled to one vote for each share of common stock registered in his name on the books of the Company. All elections shall be determined by a plurality vote. The Company s Certificate of Incorporation does not provide for cumulative voting in the election of directors.

2. ***VOTING.*** Every stockholder having the right to vote shall be entitled to vote in person or by proxy at the Meeting. If you have already voted by proxy, there is no need to vote by ballot, unless you wish to change your vote. The polls shall be opened immediately after completion of the nominations, and shall remain open until closed by the Chairman. After the closing of the polls, no further voting shall be permitted and no further proxies, ballots or evidence shall be accepted by the Inspectors of Election. Except as otherwise stated in the proxy materials for this Meeting or as required by Delaware law, each matter brought before this Meeting for a vote shall require the affirmative vote of a majority of the votes entitled to be cast by the holders of the Company s common stock at this Meeting and entitled to vote on such matter.

3. ***ITEMS OF BUSINESS AND STOCKHOLDER PROPOSALS TWO MINUTE LIMIT.*** The items of business listed on the accompanying Agenda are expected to be properly introduced at the Meeting and taken up in the order set forth in the Agenda. Additional matters may be proposed by stockholders of record in accordance with the federal securities laws, the Delaware General Corporation Law and these Regulations. The Chairman will not entertain any proposals that are inconsistent with Delaware law or that relate to activities that have been delegated to the Company s Board of Directors by the authority of Delaware law. Stockholder proposals will be entertained in the following order: first, any proposals which were properly submitted for timely inclusion in the Company s proxy materials for this Meeting; second, any proposals of which the Company was informed prior to the commencement of this Meeting; and lastly, any other proposals properly made in accordance with these Regulations. Each proposing stockholder will be allotted two minutes in which to present the proposal and any desired remarks in support thereof. No stockholder proposals were submitted to the Company for inclusion in the Company s proxy materials for this Meeting but the Company has been informed by three stockholders of their intent to submit proposals at this Meeting.

4. ***OTHER QUESTIONS/STATEMENTS BY STOCKHOLDERS ONE MINUTE LIMIT.*** To make a proposal or to speak at the Meeting, you must be either a stockholder of record as of April 7, 2009 or a person named in a proxy given by such a stockholder. No other persons will be permitted to make a proposal or to speak at the Meeting. There will be one period for questions and statements by stockholders as set forth on the Agenda attached to these Regulations.

In order that we may give as many stockholders as possible the opportunity to speak, remarks and questions will be limited to one minute per stockholder. You must restrict yourself to one comment or question at a time so that others may have an opportunity to be heard. Each stockholder may have only one turn to speak until all stockholders who wish to speak have had the opportunity to do so. At the discretion of the Chairman, and as time may permit, a stockholder may be granted an additional turn to speak regarding matters that are appropriate for stockholder consideration in accordance with Delaware law.

Table of Contents

If you wish to speak, please raise your hand and wait until you are recognized. Please do not address the Meeting until recognized by the Chairman. When you are recognized, please state your name, place of residence, and whether you are a Streamline Health Solutions stockholder or a holder of a stockholder proxy, and, in the latter case, identify the stockholder on whose behalf you are speaking. All questions should be directed to the Chairman, who may call on other persons to respond or further direct questions when appropriate.

If you have a matter of individual concern which is not an appropriate subject for general discussion, please defer discussion until after the Meeting at which time officers of the Company will be available. The Chairman will stop discussions which are repetitive, derogatory, over the time limit, irrelevant to the business of the Company or the items on the Agenda for the Meeting, related to pending or threatened litigation, regulatory proceedings or similar actions or otherwise inappropriate. Derogatory references to personalities, comments that are in bad taste, the airing of personal grievances, the injection of irrelevant controversy, personal attacks, refusal to follow these Regulations or interference with any speaker will not be permitted and will be a basis for silencing or removal from the Meeting. Pursuant to Section 2917.12 of the Ohio Revised Code, it is a fourth degree misdemeanor to make any intentional act tending to obstruct or interfere with a lawful meeting held in the State of Ohio or to make any utterance, gesture or display designed to outrage the sensibilities of the group.

5. ***MISCELLANEOUS.*** No recording devices, photographic equipment or bullhorns will be permitted into the Meeting and all cellular telephones must be turned off during the Meeting. Except as authorized by the Company, no person may distribute any written materials at or in physical proximity to the Meeting. The Chairman of the Meeting shall have the power to silence or have removed any person in order to ensure the orderly conduct of the Meeting.

6. ***ADMINISTRATION AND INTERPRETATION.*** The Chairman of the Meeting will be Mr. J. Brian Patsy, who will preside at the Meeting. In the event of Mr. Patsy s inability to preside, a substitute Chairman will be designated by the Company. The Chairman of the Meeting has sole authority to preside over the Meeting and make any and all determinations with respect to the conduct of the Meeting, including, without limitation, the administration and interpretation of these regulations and procedures. The Chairman also has sole authority to create such additional regulations and procedures and to waive full or partial compliance with any regulation or procedure as the reasonably determines. Any action taken by the Chairman at the Meeting will be final, conclusive and binding on all persons. The Secretary of the Company shall act as secretary of the Meeting.

THANK YOU FOR YOUR COOPERATION AND ENJOY THE MEETING.

Table of Contents

STREAMLINE HEALTH SOLUTIONS, INC.

Annual Meeting of Stockholders

May 27, 2009

AGENDA

Call to Order

Introductions

Nomination and Election of Directors

Stockholder Proposals, if any are presented

Presentation of 2008 Financial and Operating Results

Question and Answer Session

Announcement of Voting Results

Adjournment

Table of Contents

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Electronic Voting Instructions
You can vote by Internet or telephone!
Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.
Proxies submitted by the Internet or telephone must be received by
1:00 a.m., Central Time, on May 27, 2009.

Vote by Internet
Log on to the Internet and go to
www.envisionreports.com/STRM
Follow the steps outlined on the secured website.

Vote by telephone
Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is **NO CHARGE** to you for the call.
Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

x

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORMATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

Election of Directors **The Board of Directors recommends a vote FOR all the nominees listed.**

o **Mark here to vote FOR all nominees**

o **Mark here to WITHHOLD vote from all nominees**

o **For All EXCEPT -** To withhold a vote for one or more nominees, mark the box to the left and the corresponding numbered box(es) to the right.

01	02	03	04	05	06
o	o	o	o	o	o

In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

B Non-Voting Items

Change of Address Please print new address below.

Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign exactly as your name appears below. When shares are held as joint tenants, each holder should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Date (mm/dd/yyyy) Please print date below.	Signature 1 Please keep signature within the box.	Signature 2 Please keep signature within the box.
/ /		

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<STOCK#> 0113OB

Table of Contents

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

REVOCABLE PROXY Streamline Health Solutions, Inc.

Streamline Health Solutions, Inc.
10200 Alliance Road, Suite 200
Cincinnati, Ohio 45242-4716
This Proxy is solicited on behalf of the Board of Directors of the Company

The undersigned hereby appoints J. Brian Patsy and Edward J. VonderBrink and each of them, attorneys-in-fact and proxies, with full power of substitution, to vote as designated herein all shares of the Common Stock of Streamline Health Solutions, Inc. that the undersigned would be entitled to vote if personally present at the annual meeting of stockholders to be held on May 27, 2009, at 9:30 a.m., and at any adjournment thereof.

This Proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder. If no direction is made, this Proxy will be voted **FOR** Proposal 1.

The undersigned acknowledges having received from Streamline Health Solutions, Inc., prior to the execution of this Proxy, a Notice of Annual Meeting, a Proxy Statement, and an Annual Report.

Please mark, sign, date, and return the Proxy promptly using the enclosed envelope.

(continued on other side)