STREAMLINE HEALTH SOLUTIONS INC.
Form 10-Q
July 24, 2014
Index to Financial Statements

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended April 30, 2014
OR

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

For the transition period from to
Commission File Number: 0-28132

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

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

1230 Peachtree Street, NE, Suite 600,
Atlanta, GA 30309
(Address of principal executive offices) (Zip Code)
(404) 446-2052
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer ¨	Accelerated filer x	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The number of shares outstanding of the Registrant's Common Stock, $.01 par value, as of July 21, 2014: 18,178,454

Index to Financial Statements

TABLE OF CONTENTS

		Page
Part I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	2
	Condensed Consolidated Balance Sheets at April 30, 2014 and January 31, 2014	2
	Condensed Consolidated Statements of Operations for the three months ended April 30, 2014 and 2013	4
	Condensed Consolidated Statements of Comprehensive Loss for the three months ended April 30, 2014 and 2013	5
	Condensed Consolidated Statements of Cash Flows for the three months ended April 30, 2014 and 2013	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	24
Item 4.	Controls and Procedures	24
Part II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	26
Item 1A.	Risk Factors	26
Item 6.	Exhibits	34
	Signatures	35

Index to Financial Statements

PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	April 30, 2014	January 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$6,965,739	$17,924,886
Accounts receivable, net of allowance for doubtful accounts of $253,080 and $267,264, respectively	9,002,126	7,999,571
Contract receivables	195,841	1,181,606
Prepaid hardware and third-party software for future delivery	27,510	25,640
Prepaid client maintenance contracts	1,095,009	909,464
Other prepaid assets	1,919,881	1,407,515
Deferred income taxes	95,498	95,498
Other current assets	78,587	144,049
Total current assets	19,380,191	29,688,229
Non-current assets:		
Property and equipment:		
Computer equipment	3,830,157	3,769,564
Computer software	2,320,557	2,239,654
Office furniture, fixtures and equipment	900,900	889,080
Leasehold improvements	1,172,070	697,570
	8,223,684	7,595,868
Accumulated depreciation and amortization	(6,827,484)	(6,676,824)
Property and equipment, net	1,396,200	919,044
Capitalized software development costs, net of accumulated amortization of $9,085,345 and $7,949,352, respectively	11,537,757	10,238,357
Contract receivables, less current portion	69,684	78,395
Deferred financing costs, net of accumulated amortization of $101,053 and $98,102, respectively	41,947	44,898
Intangible assets, net	12,489,756	12,175,634
Goodwill	15,931,098	11,933,683
Other	781,725	500,634
Total non-current assets	42,248,167	35,890,645
	$61,628,358	$65,578,874

See accompanying notes to condensed consolidated financial statements.

Index to Financial Statements

	April 30, 2014	January 31, 2014
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$1,780,392	$1,796,418
Accrued compensation	1,567,606	1,782,599
Accrued other expenses	801,963	554,877
Current portion of long-term debt	1,214,280	1,214,280
Deferred revenues	9,336,655	9,658,232
Current portion of note payable	300,000	300,000
Current portion of capital lease obligation	112,345	105,573
Total current liabilities	15,113,241	15,411,979
Non-current liabilities:		
Term loans	6,665,076	6,971,767
Warrants liability	2,979,704	4,117,725
Royalty liability	2,302,200	2,264,000
Swap contract	132,800	111,086
Note payable	600,000	600,000
Lease incentive liability, less current portion	67,641	74,434
Capital lease obligation	100,789	121,089
Deferred income tax liabilities	825,677	816,079
Total non-current liabilities	13,673,887	15,076,180
Total liabilities	28,787,128	30,488,159
Series A 0% Convertible Redeemable Preferred Stock, $.01 par value per share, $8,849,985 and $8,849,985 redemption value, 4,000,000 shares authorized, 2,949,995 and 2,949,995 shares issued and outstanding, net of unamortized preferred stock discount of $3,020,551 and $3,250,317, respectively	5,829,434	5,599,668
Stockholders' equity:		
Common stock, $.01 par value per share, 25,000,000 shares authorized; 18,176,120 and 18,175,787 shares issued and outstanding, respectively	181,761	181,758
Additional paid in capital	77,196,787	76,983,088
Accumulated deficit	(50,233,952)	(47,562,713)
Accumulated other comprehensive loss	(132,800)	(111,086)
Total stockholders' equity	27,011,796	29,491,047
	$61,628,358	$65,578,874

See accompanying notes to condensed consolidated financial statements.

Index to Financial Statements

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENDSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended April 30,
(Unaudited)

	Three Months Ended	
	2014	2013
Revenues:		
Systems sales	$339,205	$324,646
Professional services	608,951	919,351
Maintenance and support	4,171,812	3,380,600
Software as a service	1,831,202	1,848,741
Total revenues	6,951,170	6,473,338
Operating expenses:		
Cost of systems sales	835,468	638,597
Cost of professional services	986,425	974,462
Cost of maintenance and support	960,186	984,588
Cost of software as a service	771,579	579,080
Selling, general and administrative	4,640,456	3,580,867
Research and development	2,350,443	1,097,010
Total operating expenses	10,544,557	7,854,604
Operating loss	(3,593,387)	(1,381,266)
Other income (expense):		
Interest expense	(169,478)	(566,565)
Miscellaneous income (expense)	1,092,771	(742,265)
Loss before income taxes	(2,670,094)	(2,690,096)
Income tax expense	(1,145)	(19,750)
Net loss	(2,671,239)	(2,709,846)
Less: deemed dividends on Series A Preferred Shares	(229,766)	(341,637)
Net loss attributable to common shareholders	$(2,901,005)	$(3,051,483)
Basic net loss per common share	$(0.16)	$(0.24)
Number of shares used in basic per common share computation	18,146,232	12,534,474
Diluted net loss per common share	$(0.16)	$(0.24)
Number of shares used in diluted per common share computation	18,146,232	12,534,474

See accompanying notes to condensed consolidated financial statements.

Index to Financial Statements

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENDSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Three Months Ended April 30,
(Unaudited)

	Three Months Ended	
	2014	2013
Net loss	(2,671,239)	$(2,709,846)
Other comprehensive loss, net of tax:		
Fair value of interest rate swap liability	(21,714)	—
Comprehensive loss	$(2,692,953)	$(2,709,846)

See accompanying notes to condensed consolidated financial statements.

5

Index to Financial Statements

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended April 30,
(Unaudited)

	Three Months Ended	
	2014	2013
Operating activities:		
Net loss	$(2,671,239)	$(2,709,846)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	150,660	171,443
Amortization of capitalized software development costs	916,868	694,689
Amortization of intangible assets	358,879	314,488
Amortization of other deferred costs	38,838	82,814
Valuation adjustment for warrants liability	(1,138,021)	645,354
Share-based compensation expense	442,876	467,401
Other valuation adjustments	38,200	—
Changes in assets and liabilities, net of assets acquired:		
Accounts and contract receivables	528,680	38,880
Other assets	(927,325)	(414,056)
Accounts payable	(142,824)	(768,793)
Accrued expenses	(378,084)	(632,741)
Deferred revenues	(1,161,803)	(598,984)
Net cash used in operating activities	(3,944,295)	(2,709,351)
Investing activities:		
Purchases of property and equipment	(592,498)	(78,516)
Capitalization of software development costs	(193,379)	(460,177)
Payment for acquisition, net of cash received	(5,890,402)	—
Net cash used in investing activities	(6,676,279)	(538,693)
Financing activities:		
Principal repayments on term loan	(202,380)	(312,501)
Principal payments on capital lease obligation	(23,985)	—
Payment of deferred financing costs	(112,800)	—
Proceeds from exercise of stock options and stock purchase plan	592	61,512
Net cash used in financing activities	(338,573)	(250,989)
Decrease in cash and cash equivalents	(10,959,147)	(3,499,033)
Cash and cash equivalents at beginning of period	17,924,886	7,500,256
Cash and cash equivalents at end of period	$6,965,739	$4,001,223

See accompanying notes to condensed consolidated financial statements.

Index to Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATMENTS
(Unaudited)

NOTE 1 — BASIS OF PRESENTATION
The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by Streamline Health Solutions, Inc. (“we”, “us”, “our”, or the “Company”), pursuant to the rules and regulations applicable to quarterly reports on Form 10-Q of the U.S. Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. In the opinion of our management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Condensed Consolidated Financial Statements have been included. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in our most recent annual report on Form 10-K, Commission File Number 0-28132. Operating results for the three months ended April 30, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2015.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Our significant accounting policies are presented in “Note 2 – Significant Accounting Policies” in the fiscal year 2013 Annual Report on Form 10-K. Users of financial information for interim periods are encouraged to refer to the footnotes contained in the Annual Report on Form 10-K when reviewing interim financial results.
Use of Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
Fair Value of Financial Instruments
The FASB’s authoritative guidance on fair value measurements establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:
Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.
The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value based on the short-term maturity of these instruments. Cash and cash equivalents are classified as Level 1. The carrying amount of our long-term debt approximates fair value since the interest rates being paid on the amounts approximate the market interest rate. Long-term debt and the interest rate swap are classified as Level 2. The initial fair value of contingent consideration for earn-out, royalty liability, and warrants liability was determined by management with the assistance of an independent third-party valuation specialist, and by management thereafter. We used a binomial model and the Black-Scholes option pricing model to estimate the fair value of the contingent consideration for earn-out and warrants liability, respectively. The fair value of the royalty liability is determined based on the probability-weighted revenue scenarios for the Clinical Looking Glass® solution licensed from Montefiore Medical Center (discussed below). The contingent consideration for royalty liability and warrants liability are classified as Level 3.
Revenue Recognition
We derive revenue from the sale of internally-developed software either by licensing or by software as a service (“SaaS”), through the direct sales force or through third-party resellers. Licensed, locally-installed clients utilize our support and maintenance services for a separate fee, whereas SaaS fees include support and maintenance. We also derive revenue from professional services that support the implementation, configuration, training, and optimization

of the applications. Additional revenues are also derived from reselling third-party software and hardware components.

7

Index to Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We recognize revenue in accordance with Accounting Standards Codification (ASC) 985-605, Software-Revenue Recognition, and ASC 605-25, Revenue Recognition — Multiple-element arrangements. We commence revenue recognition when the following criteria all have been met:

- Persuasive evidence of an arrangement exists,
- Delivery has occurred or services have been rendered,
- The arrangement fees are fixed or determinable, and
- Collection is considered probable.

If we determine that any of the above criteria have not been met, we will defer recognition of the revenue until all the criteria have been met. Maintenance and support and SaaS agreements entered into are generally non-cancelable, or contain significant penalties for early cancellation, although clients typically have the right to terminate their contracts for cause if we fail to perform material obligations. However, if non-standard acceptance periods or non-standard performance criteria, cancellation or right of refund terms are required, revenue is recognized upon the satisfaction of such criteria, as applicable.

Revenues from resellers are recognized gross of royalty payments to resellers.

Multiple Element Arrangements

We follow the accounting revenue guidance under Accounting Standards Update (ASU) 2009-13, Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force.

Terms used in evaluation are as follows:

- VSOE — the price at which an element is sold as a separate stand-alone transaction
- TPE — the price of an element, charged by another company that is largely interchangeable in any particular transaction
- ESP — our best estimate of the selling price of an element of the transaction

We follow accounting guidance for revenue recognition of multiple-element arrangements to determine whether such arrangements contain more than one unit of accounting. Multiple-element arrangements require the delivery or performance of multiple solutions, services and/or rights to use assets. To qualify as a separate unit of accounting, the delivered item must have value to the client on a stand-alone basis. Stand-alone value to a client is defined in the guidance as those that can be sold separately by any vendor or the client could resell the item on a stand-alone basis. Additionally, if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item or items must be considered probable and substantially in the control of the vendor.

We have a defined pricing methodology for all elements of the arrangement and proper review of pricing to ensure adherence to our policies. Pricing decisions include cross-functional teams of senior management, which uses market conditions, expected contribution margin, size of the client’s organization, and pricing history for similar solutions when establishing the selling price.

Software as a Service

We use ESP to determine the value for a software as a service arrangement as we cannot establish VSOE and TPE is not a practical alternative due to differences in functionality from our competitors. Similar to proprietary license sales, pricing decisions rely on the relative size of the client purchasing the solution and include calculating the equivalent value of maintenance and support on a present value basis over the term of the initial agreement period. Typically revenue recognition commences upon client go live on the system and is recognized ratably over the contract term. The software portion of SaaS for Health Information Management (“HIM”) products does not need material modification to achieve its contracted function. The software portion of SaaS for our Patient Financial Services (“PFS”) products require material customization and setup processes to achieve their contracted function.

System Sales

We use the residual method to determine fair value for proprietary software licenses sold in a multi-element arrangement. Under the residual method, we allocate the total value of the arrangement first to the undelivered elements based on their VSOE and allocate the remainder to the proprietary software license fees.

Typically pricing decisions for proprietary software rely on the relative size and complexity of the client purchasing the solution. Third-party components are resold at prices based on a cost-plus margin analysis. The proprietary software and third-

8

party components do not need any significant modification to achieve their intended use. When these revenues meet all criteria for revenue recognition and are determined to be separate units of accounting, revenue is recognized. Typically this is upon shipment of components or electronic download of software. Proprietary licenses are perpetual in nature, and license fees do not include rights to version upgrades, fixes or service packs.

Maintenance and Support Services

The maintenance and support components are not essential to the functionality of the software, and clients renew maintenance contracts separately from software purchases at renewal rates materially similar to the initial rate charged for maintenance on the initial purchase of software. We use VSOE of fair value to determine fair value of maintenance and support services. Rates are set based on market rates for these types of services, and our rates are comparable to rates charged by our competitors, which are based on the knowledge of the marketplace by senior management. Generally, maintenance and support is calculated as a percentage of the list price of the proprietary license being purchased by a client. Clients have the option of purchasing additional annual maintenance service renewals each year for which rates are not materially different from the initial rate but typically include a nominal rate increase based on the consumer price index. Annual maintenance and support agreements entitle clients to technology support, upgrades, bug fixes and service packs.

Term Licenses

We cannot establish VSOE fair value of the undelivered element in term license arrangements. However, as the only undelivered element is post-contract customer support, the entire fee is recognized ratably over the contract term. Typically revenue recognition commences once the client goes live on the system. Similar to proprietary license sales, pricing decisions rely on the relative size of the client purchasing the solution. The software portion of our Collabra™ products generally do not require material modification to achieve their contracted function.

Professional Services

Professional services components that are not essential to the functionality of the software, from time to time, are sold separately by us. Similar services are sold by other vendors, and clients can elect to perform similar services in-house. When professional services revenues are a separate unit of accounting, revenues are recognized as the services are performed.

Professional services components that are essential to the functionality of the software and are not considered a separate unit of accounting are recognized in revenue ratably over the life of the client, which approximates the duration of the initial contract term. We defer the associated direct costs for salaries and benefits expense for professional services contracts. As of April 30, 2014 and January 31, 2014, we had deferred costs of $599,000 and $441,000, respectively. These deferred costs will be amortized over the identical term as the associated SaaS revenues. Amortization expense of these costs was $27,000 and $45,000 for the three months ended April 30, 2014 and 2013, respectively.

We use VSOE of fair value based on the hourly rate charged when services are sold separately, to determine fair value of professional services. We typically sell professional services on a fixed-fee basis. We monitor projects to assure that the expected and historical rate earned remains within a reasonable range to the established selling price.

Severances

From time to time, we enter into termination agreements with associates that may include supplemental cash payments, as well as contributions to health and other benefits for a specific time period subsequent to termination. For the three months ended April 30, 2014 and 2013, we incurred $451,000 and $383,000 in severance expenses, respectively. At April 30, 2014 and January 31, 2014, we had accrued severances of $393,000 and zero, respectively.

Equity Awards

We account for share-based payments based on the grant-date fair value of the awards with compensation cost recognized as expense over the requisite vesting period. We incurred total compensation expense related to stock-based awards of $443,000 and $467,000 for the three months ended April 30, 2014 and 2013, respectively.

The fair value of the stock options granted have been estimated at the date of grant using a Black-Scholes option pricing model. The option pricing model inputs such as expected term, expected volatility, and risk-free interest rate impact the fair value estimate. Further, the forfeiture rate impacts the amount of aggregate compensation. These assumptions are subjective and are generally derived from external (such as, risk-free rate of interest) and historical data (such as, volatility factor, expected term, and forfeiture rates). Future grants of equity awards accounted for as stock-based compensation could have a material impact on reported expenses depending upon the number, value and vesting period of future awards.

Index to Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We issue restricted stock awards in the form of our common stock. The fair value of these awards is based on the market close price per share on the day of grant. We expense the compensation cost of these awards as the restriction period lapses, which is typically a one-year service period to the Company.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax credit and loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing net deferred tax assets, we consider whether it is more likely than not that some or all of the deferred tax assets will not be realized. We establish a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized.

We provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether certain tax positions are more likely than not to be sustained upon examination by tax authorities. We believe we have appropriately accounted for any uncertain tax positions.

Net Earnings (Loss) Per Common Share

We present basic and diluted earnings per share ("EPS") data for our common stock. Basic EPS is calculated by dividing the net income (loss) attributable to stockholders of the Company by the weighted average number of shares of common stock outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to stockholders and the weighted average number of shares of common stock outstanding adjusted for the effects of all dilutive potential common shares comprised of options granted, unvested restricted stocks, warrants and convertible preferred stock. Potential common stock equivalents that have been issued by us related to outstanding stock options, unvested restricted stock and warrants are determined using the treasury stock method, while potential common shares related to Series A Convertible Preferred Stock are determined using the "if converted" method.

Our unvested restricted stock awards and Series A Convertible Preferred stock are considered participating securities under ASC 260, Earnings Per Share, which means the security may participate in undistributed earnings with common stock. Our unvested restricted stock awards are considered participating securities because they entitle holders to non-forfeitable rights to dividends or dividend equivalents during the vesting term. The holders of the Series A Preferred Stock would be entitled to share in dividends, on an as-converted basis, if the holders of common stock were to receive dividends, other than dividends in the form of common stock. In accordance with ASC 260, a company is required to use the two-class method when computing EPS when a company has a security that qualifies as a "participating security." The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. In determining the amount of net earnings to allocate to common stock holders, earnings are allocated to both common and participating securities based on their respective weighted-average shares outstanding for the period. Diluted EPS for our common stock is computed using the more dilutive of the two-class method or the if-converted method.

In accordance with ASC 260, securities are deemed to not be participating in losses if there is no obligation to fund such losses. For the three months ended April 30, 2014 and 2013, the unvested restricted stock awards and the Series A Preferred Stock were not deemed to be participating since there was a net loss from operations. As of April 30, 2014, there were 2,949,995 shares of preferred stock outstanding, each share is convertible into one share of our common stock. For the three months ended April 30, 2014 and 2013, the Series A Convertible Preferred Stock would have an anti-dilutive effect if included in diluted EPS and therefore, was not included in the calculation. As of April 30, 2014 and 2013, there were 29,698 and 137,327, respectively, unvested restricted shares of common stock outstanding that were excluded from the calculation as their effect would have been antidilutive.

Index to Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following is the calculation of the basic and diluted net earnings (loss) per share of common stock:

	Three Months Ended	
	April 30, 2014	April 30, 2013
Net loss	$(2,671,239)	$(2,709,846)
Less: deemed dividends on Series A Preferred Stock	(229,766)	(341,637)
Net loss attributable to common shareholders	$(2,901,005)	$(3,051,483)
Weighted average sha		