UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2015

Commission File No.: 000-27701

HealthStream, Inc.
(Exact name of registrant as specified in its charter)

Tennessee **(State or other jurisdiction of incorporation or organization)**	**62-1443555** **(I.R.S. Employer Identification No.)**
209 10th Avenue South, Suite 450 **Nashville, Tennessee** **(Address of principal executive offices)**	**37203** **(Zip Code)**

(615) 301-3100
(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 ☒ No ☐

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 ☒ No ☐

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
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 ☒

As of October 26, 2015, there were 31,645,933 shares of the registrant's common stock outstanding.

Index to Form 10-Q

HEALTHSTREAM, INC.

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 67,441	$ 81,995
Marketable securities	77,367	38,973
Accounts receivable, net of allowance for doubtful accounts of $330 and $331 at September 30, 2015 and December 31, 2014, respectively	33,124	33,167
Accounts receivable - unbilled	2,054	1,678
Prepaid royalties, net of amortization	13,976	13,030
Deferred tax assets	1,063	354
Other prepaid expenses and other current assets	6,649	5,414
Total current assets	201,674	174,611
Property and equipment:		
Equipment	30,286	25,133
Leasehold improvements	6,301	5,860
Furniture and fixtures	5,135	4,554
	41,722	35,547
Less accumulated depreciation and amortization	(29,875)	(26,105)
	11,847	9,442
Capitalized software development, net of accumulated amortization of $22,380 and $18,114 at September 30, 2015 and December 31, 2014, respectively	13,768	12,706
Goodwill	84,000	41,914
Intangible assets, net of accumulated amortization of $17,811 and $13,834 at September 30, 2015 and December 31, 2014, respectively	58,018	14,795
Non-marketable equity investments	3,658	1,757
Other assets	1,752	2,037
Total assets	$ 374,717	$ 257,262
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,251	$ 4,753
Accrued royalties	8,004	9,255
Accrued liabilities	7,672	7,224
Accrued compensation and related expenses	2,615	2,311
Deferred revenue	64,931	53,716
Total current liabilities	85,473	77,259
Deferred tax liabilities, noncurrent	5,829	5,838
Deferred revenue, noncurrent	3,893	3,657
Other long term liabilities	766	2,649
Commitments and contingencies	—	—
Shareholders' equity:		
Common stock, no par value, 75,000 shares authorized; 31,646 and 27,677 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	279,023	174,926
Accumulated deficit	(220)	(7,030)
Accumulated other comprehensive loss	(47)	(37)
Total shareholders' equity	278,756	167,859
Total liabilities and shareholders' equity	$ 374,717	$ 257,262

See accompanying notes to the unaudited condensed consolidated financial statements.

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenues, net	$ 53,835	$ 44,525	$ 153,136	$ 125,351
Operating costs and expenses:				
Cost of revenues (excluding depreciation and amortization)	23,126	19,115	65,752	54,778
Product development	6,195	4,211	16,654	12,052
Sales and marketing	8,377	7,585	26,052	21,783
Other general and administrative expenses	7,173	6,058	20,851	16,651
Depreciation and amortization	4,639	2,815	12,148	7,938
Total operating costs and expenses	49,510	39,784	141,457	113,202
Income from operations	4,325	4,741	11,679	12,149
Other income (expense), net	28	49	(7)	117
Income before income tax provision	4,353	4,790	11,672	12,266
Income tax provision	1,739	1,354	4,862	4,519
Net income	$ 2,614	$ 3,436	$ 6,810	$ 7,747
Earnings per share:				
Basic	$ 0.08	$ 0.12	$ 0.23	$ 0.28
Diluted	$ 0.08	$ 0.12	$ 0.23	$ 0.28
Weighted average shares of common stock outstanding:				
Basic	31,643	27,605	29,527	27,542
Diluted	32,029	28,047	29,905	27,999

See accompanying notes to the unaudited condensed consolidated financial statements.

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(In thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net income	$ 2,614	$ 3,436	$ 6,810	$ 7,747
Other comprehensive income, net of taxes:				
Unrealized gain (loss) on marketable securities	31	(13)	(10)	10
Total other comprehensive income (loss)	31	(13)	(10)	10
Comprehensive income	$ 2,645	$ 3,423	$ 6,800	$ 7,757

See accompanying notes to the unaudited condensed consolidated financial statements.

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2015
(In thousands)

	Common Stock		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2014	27,677	$174,926	$ (7,030)	$ (37)	$ 167,859
Net income	—	—	6,810	—	6,810
Comprehensive loss	—	—	—	(10)	(10)
Issuance of common stock	3,870	98,014	—	—	98,014
Stock based compensation	—	2,787	—	—	2,787
Stock donated to Company	(54)	—	—	—	—
Tax benefits from equity awards	—	3,721	—	—	3,721
Common stock issued under stock plans, net of shares withheld for employee taxes	153	(425)	—	—	(425)
Balance at September 30, 2015	31,646	$279,023	$ (220)	$ (47)	$ 278,756

See accompanying notes to the unaudited condensed consolidated financial statements.

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
OPERATING ACTIVITIES:		
Net income	$ 6,810	$ 7,747
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,148	7,938
Deferred income taxes	123	4,519
Stock based compensation expense	2,787	1,222
Excess tax benefits from equity awards	(3,721)	129
Provision for doubtful accounts	184	170
Loss on non-marketable equity investments	98	34
Other	938	1,082
Changes in operating assets and liabilities:		
Accounts and unbilled receivables	2,649	(1,891)
Prepaid royalties	(946)	(3,975)
Other prepaid expenses and other current assets	(595)	(260)
Other assets	288	79
Accounts payable	(2,501)	(1,511)
Accrued royalties	(1,251)	(1,814)
Accrued liabilities and accrued compensation and related expenses and other long-term liabilities	3,082	288
Deferred revenue	5,426	14,918
Net cash provided by operating activities	25,519	28,675
INVESTING ACTIVITIES:		
Business combinations, net of cash acquired	(88,075)	(12,298)
Proceeds from maturities of marketable securities	38,440	40,418
Purchases of marketable securities	(77,774)	(44,324)
Payments to acquire equity method investments	(1,000)	(325)
Payments to acquire cost method investments	(1,000)	—
Payments associated with capitalized software development	(5,329)	(4,025)
Purchases of property and equipment	(6,012)	(3,044)
Net cash used in investing activities	(140,750)	(23,598)
FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	98,014	—
Proceeds from exercise of stock options	328	872
Proceeds from borrowings under revolving line of credit facility	28,000	—
Repayments under revolving line of credit facility	(28,000)	—
Payment of earn-outs related to business combinations	(633)	(270)
Excess tax benefits from equity awards	3,721	(129)
Taxes paid related to net settlement of equity awards	(753)	(160)
Net cash provided by financing activities	100,677	313
Net (decrease) increase in cash and cash equivalents	(14,554)	5,390
Cash and cash equivalents at beginning of period	81,995	59,537
Cash and cash equivalents at end of period	$ 67,441	$ 64,927
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock in connection with business combination	$ —	$ 2,247

See accompanying notes to the unaudited condensed consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, condensed consolidated financial statements do not include all of the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All significant intercompany transactions have been eliminated in consolidation. Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The balance sheet at December 31, 2014 is consistent with the audited financial statements at that date but does not include all of the information and footnotes required by US GAAP for a complete set of financial statements. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 2014 included in the Company's Annual Report on Form 10-K (the "Form 10-K"), filed with the Securities and Exchange Commission on February 27, 2015, and our Current Report on Form 8-K filed on May 18, 2015 (the "Form 8-K") to retrospectively reflect for the periods included in the Form 10-K the addition of HealthStream Provider Solutions as a new reporting segment of the Company which occurred during the first quarter of 2015. The Form 8-K did not modify our previously reported financial statements for the periods included in the Form 10-K other than the change in business segment presentation.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific revenue recognition guidance throughout the Industry Topics of the Accounting Standards Codification. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2017, and early adoption is permitted for the first interim period within annual reporting periods beginning after December 15, 2016. The Company is currently reviewing this standard to determine the method of adoption and to assess the impact on its future consolidated financial statements.

3. INCOME TAXES

Income taxes are accounted for using the asset and liability method, whereby deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities measured at tax rates that will be in effect for the year in which the differences are expected to affect taxable income.

During the nine months ended September 30, 2015 and 2014, the Company recorded a provision for income taxes of approximately $4.9 million and $4.5 million, respectively. The Company's effective tax rate for the nine months ended September 30, 2015 and 2014 was 41.7% and 36.8%, respectively. The Company's effective tax rate primarily reflects the statutory corporate income tax rate, the net effect of state taxes, and the effect of various permanent tax differences. During the nine months ended September 30, 2014, the Company recognized approximately $670,000 of tax benefits primarily from research and development tax credits, which resulted in a lower effective tax rate. During the nine months ended September 30, 2015, the Company recorded a reduction of approximately $1.8 million to the liability for gross unrecognized tax benefits, resulting from the filing of a change in tax accounting method with the IRS for tangible property and deferred revenue. Of this total reduction, approximately $115,000 had an impact on the effective tax rate for the third quarter of 2015. The remaining balance for gross unrecognized tax benefits was approximately $308,000 as of September 30, 2015.

4. STOCK BASED COMPENSATION

The Company maintains two stock incentive plans. The Company accounts for its stock based compensation plans using the fair-value based method for costs related to share-based payments, including stock options, restricted share units (RSUs), and other stock awards. During the nine months ended September 30, 2015, the Company issued 80,355 RSUs, subject to service-based vesting, with a weighted average grant date fair value of $25.56 per share and issued 49,310 stock awards, with a weighted average grant date fair value of $30.42 per share. These measurements were based on the closing fair market value of the Company's stock on the date of grant. During the nine months ended September 30, 2014, the Company issued 70,080 RSUs, subject to service-based vesting, with a weighted average grant date fair value of $28.71 per share. This measurement was based on the closing fair market value of the Company's stock on the date of grant.

During the three months ended September 30, 2015, the Company issued 30,000 performance-based RSUs, the vesting of which is contingent upon meeting certain performance criteria over a five year period. The measurement date for 8,750 of these performance- based RSUs was established with a grant-date fair value of $23.40, measured based on the closing fair market value of the Company’s stock on the date of grant. The performance criteria for the remaining 21,250 performance-based RSUs will be established on an annual basis; therefore, the measurement date cannot be determined until the performance criteria is established.

4. STOCK BASED COMPENSATION (continued)

Total stock based compensation expense recorded for the three and nine months ended September 30, 2015 and 2014, which is recorded in the condensed consolidated statements of income, is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Cost of revenues (excluding depreciation and amortization)	$ 29	$ 23	$ 790	$ 62
Product development	55	53	514	150
Sales and marketing	61	69	486	172
Other general and administrative	295	243	997	838
Total stock based compensation expense	$ 440	$ 388	$2,787	$1,222

Stock Awards

During June 2015, the Company's Chief Executive Officer ("CEO"), Robert A. Frist, Jr., entered into an agreement with the Company pursuant to which he contributed 54,241 of his personally owned shares of HealthStream, Inc. common stock to the Company, without any consideration paid to him. In connection with this contribution, the Company approved the grant of 49,310 shares of HealthStream, Inc. common stock to over 600 employees who were not otherwise eligible to receive equity awards and had at least one year of service with the Company. The Company recognized approximately $1.5 million of stock based compensation expense for these stock awards during the three months ended June 30, 2015 based on the closing fair market value of the Company's stock on the date of the Company's approval of these grants. In connection with these equity awards, effective in the second quarter of 2015, the Company withheld shares with value equivalent to the employees' minimum statutory obligation for the applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities. The total shares withheld were 17,279, and were based on the value of the stock awards on the date of the Company's approval of these grants, as determined by the Company's closing stock price on that date. Total payments related to the employees' tax obligations to taxing authorities for these stock awards were approximately $526,000 and are reflected as a financing activity within the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2015. These share withholdings had the effect of share repurchases by the Company as they reduced and retired the number of shares otherwise issuable as a result of the stock awards and did not represent an expense to the Company.

5. EARNINGS PER SHARE

Basic earnings per share is computed by dividing the net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing the net income for the period by the weighted average number of potentially dilutive common and common equivalent shares outstanding during the period. Common equivalent shares are composed of incremental common shares issuable upon the exercise of stock options and RSUs subject to vesting. The dilutive effect of common equivalent shares is included in diluted earnings per share by application of the treasury stock method. The total number of common equivalent shares excluded from the calculations of diluted earnings per share, due to their anti-dilutive effect, was approximately 26,000 and 41,000 for the three months ended September 30, 2015 and 2014, respectively, and approximately 13,000 and 93,000 for the nine months ended September 30, 2015 and 2014, respectively.

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2015 and 2014 (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator:				
Net income	$ 2,614	$ 3,436	$ 6,810	$ 7,747
Denominator:				
Weighted-average shares outstanding	31,643	27,605	29,527	27,542
Effect of dilutive shares	386	442	378	457
Weighted-average diluted shares	32,029	28,047	29,905	27,999
Basic earnings per share	$ 0.08	$ 0.12	$ 0.23	$ 0.28
Diluted earnings per share	$ 0.08	$ 0.12	$ 0.23	$ 0.28

6. MARKETABLE SECURITIES

At September 30, 2015 and December 31, 2014, the fair value of marketable securities, which were all classified as available for sale, included the following (in thousands):

	September 30, 2015			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Level 2:				
Certificates of deposit	$ 6,298	$ —	$ —	$ 6,298
Corporate debt securities	71,116	5	(52)	71,069
Subtotal	77,414	5	(52)	77,367
Total	$ 77,414	$ 5	$ (52)	$77,367

	December 31, 2014			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Level 2:				
Certificates of deposit	$ 6,278	$ —	$ —	$ 6,278
Corporate debt securities	32,732	—	(37)	32,695
Subtotal	39,010	—	(37)	38,973
Total	$ 39,010	$ —	$ (37)	$38,973

The carrying amounts reported in the condensed consolidated balance sheet approximate the fair value based on quoted market prices or alternative pricing sources and models utilizing market observable inputs. As of September 30, 2015, the Company does not consider any of its marketable securities to be other than temporarily impaired. During the nine months ended September 30, 2015 and 2014, the Company did not reclassify any items out of accumulated other comprehensive income to net income. All investments in marketable securities are classified as a current asset on the balance sheet because the underlying securities mature within one year from the balance sheet date.

7. BUSINESS COMBINATIONS

HealthLine Systems

On March 16, 2015, the Company acquired all of the membership interests of HealthLine Systems, LLC (HLS), a San Diego, California based company that specializes in credentialing, privileging, call center, and quality management solutions for the healthcare industry. The acquisition of HLS enables the Company to provide a comprehensive solution set for healthcare provider credentialing, privileging, enrollment, referral, onboarding, and analytics in support of HealthStream's approach to talent management for healthcare organizations. The consideration paid for HLS consisted of approximately $88.1 million in cash (taking into account an estimated closing working capital adjustment). The Company incurred approximately $1.3 million in transaction costs associated with the acquisition, of which $965,000 were incurred during the three months ended March 31, 2015 and $329,000 were incurred during the year ended December 31, 2014. The transaction costs were recorded in other general and administrative expenses in the condensed consolidated statement of income. The results of operations for HLS have been included in the Company's condensed consolidated financial statements from the date of acquisition, and are also included in the HealthStream Provider Solutions segment.

A summary of the purchase price is as follows (in thousands):

Cash paid at closing	$81,379
Cash held in escrow	6,750
Total consideration paid	$88,129

7. BUSINESS COMBINATIONS (continued)

The following table summarizes the preliminary fair value of the assets acquired and liabilities assumed as of the date of acquisition (in thousands):

Cash	$ 54
Accounts receivable, net	3,167
Prepaid assets	746
Property and equipment	200
Deferred tax assets	2,586
Goodwill	42,086
Intangible assets	47,200
Accounts payable and accrued liabilities	(1,885)
Deferred revenue	(6,025)
Preliminary net assets acquired	$88,129

The excess of preliminary purchase price over the preliminary fair values of net tangible and intangible assets will be recorded as goodwill. The preliminary fair values of tangible and identifiable intangible assets, deferred tax assets, deferred revenue, and other liabilities are based on management's estimates and assumptions. The preliminary fair values of assets acquired and liabilities assumed are considered preliminary and are based on the information that was available at the time of the acquisition. The preliminary fair values of assets acquired and liabilities assumed are subject to change during the measurement period (up to one year from the acquisition date) as we finalize the valuation of these items. Included in the preliminary assets and liabilities is an estimated indemnification asset of $500,000 and a contingent liability of $1.5 million, both are associated with tax liabilities. The contingent liability is measured based on management's estimate of a range of probable outcomes. The goodwill balance is primarily attributed to the assembled workforce, additional market opportunities from offering HLS's products, and expected synergies from integrating HLS with other products or other combined functional areas within the Company. The goodwill balance is deductible for U.S. income tax purposes. The net tangible assets include deferred revenue, which was preliminarily adjusted down from a book value at the acquisition date of $15.1 million to an estimated fair value of $6.0 million. The preliminary $9.1 million write-down of deferred revenue will result in lower revenues than would have otherwise been recognized for such services.

The following table sets forth the preliminary components of identifiable intangible assets and their estimated useful lives as of the acquisition date (in thousands):

	Preliminary fair value	Useful life
Customer relationships	$ 42,600	13 years
Developed technology	3,700	5 years
Trade names	900	6 years
Total preliminary intangible assets subject to amortization	$ 47,200	

The amounts of revenue and operating income (loss) of HLS included in the Company's condensed consolidated statement of income from the date of acquisition of March 16, 2015 to the period ending September 30, 2015 are as follows (in thousands):

Total revenues	$ 5,351
Operating loss	$(1,899)

The following unaudited pro forma financial information summarizes the combined results of operations of the Company and HLS, which was significant for purposes of the unaudited pro forma financial information disclosure, as though the companies were combined as of January 1, 2014 (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Total revenues	$55,741	$47,844	$161,954	$133,181
Net income	$ 3,760	$ 3,139	$ 10,599	$ 5,602
Basic earnings per share	$ 0.12	$ 0.11	$ 0.36	$ 0.20
Diluted earnings per share	$ 0.12	$ 0.11	$ 0.35	$ 0.20

7. BUSINESS COMBINATIONS (continued)

These unaudited pro forma combined results of operations include certain adjustments arising from the acquisition such as adjustment for amortization of intangible assets, depreciation of property and equipment, fair value adjustments of acquired deferred revenue balances, and interest expense associated with borrowings under a revolving credit facility by the Company to partially fund the acquisition. The pro forma combined results for three and nine months ended September 30, 2014 include nonrecurring adjustments of $0.8 million and $3.8 million, respectively, which reduce net income due to the revaluation of HLS's historic deferred revenue to fair value. The unaudited pro forma combined results of operations is for informational purposes only and is not indicative of what the Company's results of operations would have been had such transactions occurred at the beginning of the period presented or to project the Company's results of operations in any future period.

The unaudited pro forma financial information for the three and nine months ended September 30, 2015 and 2014 combines the historical results of the Company and HLS for the three and nine months ended September 30, 2015 and 2014 and the pro forma adjustments listed above.

Health Care Compliance Strategies

On March 3, 2014, the Company acquired all of the stock of Health Care Compliance Strategies, Inc. (HCCS), a Jericho, New York based company that specializes in healthcare compliance solutions and services. The Company acquired HCCS to further advance its suite of workforce development solutions, including its offering of compliance solutions. The consideration paid for HCCS consisted of approximately $12.8 million in cash (taking into account a post-closing working capital adjustment) and 81,614 shares of our common stock. The Company made an additional payment of $750,000 during the second quarter of 2015, upon the achievement of certain performance milestones within one year post-closing. The Company incurred approximately $515,000 in transaction costs associated with the acquisition, of which $365,000 were incurred during the year ended December 31, 2014 and $150,000 were incurred during the year ended December 31, 2013. The transaction costs were recorded in other general and administrative expenses in the consolidated statements of income. In allocating the purchase price, the Company recorded approximately $6.2 million of goodwill, $8.4 million of identifiable intangible assets, $2.6 million of tangible assets, $625,000 of deferred tax assets, and $2.7 million of liabilities. Included in the recorded liabilities was an accrual for contingent consideration of approximately $600,000. The goodwill balance is primarily attributed to assembled workforce, additional market opportunities of HCCS's compliance solutions, and expected synergies from integrating HCCS's products into our platform. The goodwill balance is deductible for U.S. income tax purposes. The net tangible assets include deferred revenue, which was adjusted down from a book value at the acquisition date of $3.2 million to an estimated fair value of $1.7 million. The $1.5 million write-down of deferred revenue will result in lower revenues than would have otherwise been recognized for such services. The results of operations for HCCS have been included in the Company's consolidated financial statements from the date of acquisition, and are also included in the HealthStream Workforce Development Solutions segment.

Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2015 are as follows (in thousands):

	Workforce	Patient Experience	Provider	Total
Balance at January 1, 2015	$ 12,336	$ 24,154	$ 5,424	$41,914
Acquisition of HLS	—	—	42,086	42,086
Balance at September 30, 2015	$ 12,336	$ 24,154	$47,510	$84,000

8. BUSINESS SEGMENTS

The Company provides services to healthcare organizations and other members within the healthcare industry. The Company's services are focused on the delivery of workforce development products and services (HealthStream Workforce Solutions), survey and research services (HealthStream Patient Experience Solutions), and provider credentialing, privileging, call center and enrollment products and services (HealthStream Provider Solutions).

The Company measures segment performance based on operating income before income taxes and prior to the allocation of certain corporate overhead expenses, interest income, interest expense, and depreciation. The Unallocated component below includes corporate functions, such as accounting, human resources, legal, investor relations, administrative, and executive personnel, depreciation, a portion of amortization, and certain other expenses, which are not currently allocated in measuring segment performance. The following is the Company's business segment information as of and for the three and nine months ended September 30, 2015 and 2014 (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues, net:				
Workforce	$41,092	$35,203	$118,488	$ 98,311
Patient Experience	8,792	8,237	25,545	23,719
Provider	3,951	1,085	9,103	3,321
Total revenues, net	$53,835	$44,525	$153,136	$125,351

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Income from operations:				
Workforce	$10,386	$ 9,707	$ 29,789	$ 25,930
Patient Experience	807	285	1,737	610
Provider	(852)	104	(1,638)	625
Unallocated	(6,016)	(5,355)	(18,209)	(15,016)
Total income from operations	$ 4,325	$ 4,741	$ 11,679	$ 12,149

	September 30, 2015	December 31, 2014
Segment assets *		
Workforce	$ 82,029	$ 81,116
Patient Experience	34,358	34,536
Provider	101,626	10,976
Unallocated	156,704	130,634
Total assets	$ 374,717	$ 257,262

* Segment assets include accounts and unbilled receivables, prepaid and other current assets, other assets, capitalized software development, certain property and equipment, and intangible assets. Cash and cash equivalents and marketable securities are not allocated to individual segments, and are included within Unallocated. A significant portion of property and equipment assets are included within Unallocated.

9. DEBT

Revolving Credit Facility

The Company maintains a Loan Agreement (the “Revolving Credit Facility”) with SunTrust Bank (“SunTrust”) in the aggregate principal amount of $50.0 million, which matures on November 24, 2017. Under the Revolving Credit Facility, the Company may borrow up to $50.0 million, which includes a $5.0 million swing line subfacility, as well as an accordion feature that allows the Company to increase the Revolving Credit Facility by a total of up to $25.0 million, subject to securing additional commitments from existing lenders or new lending institutions. The Revolving Credit Facility includes a $5.0 million letter of credit subfacility. The obligations under the Revolving Credit Facility are guaranteed by each of the Company’s subsidiaries. At the Company’s election, the borrowings under the Revolving Credit Facility bear interest at either (1) a rate per annum equal to the highest of SunTrust’s prime rate or 0.5% in excess of the Federal Funds Rate or 1.0% in excess of one-month LIBOR (the “Base Rate”), plus an applicable margin, or (2) the one, two, three, or six-month per annum LIBOR for deposits in the applicable currency (the “Eurocurrency Rate”), as selected by the Company, plus an applicable margin. The applicable margin for Eurocurrency Rate loans depends on the Company’s funded debt leverage ratio and varies from 1.50% to 2.00%. The applicable margin for Base Rate loans depends on the Company’s funded debt leverage ratio and varies from 0.50% to 1.50%. Commitment fees and letter of credit fees are also payable under the Revolving Credit Facility. Principal is payable in full at maturity on November 24, 2017, and there are no scheduled principal payments prior to maturity. The Company is required to pay a commitment fee ranging between 20 and 30 basis points per annum of the average daily unused portion of the Revolving Credit Facility, depending on the Company’s funded debt leverage ratio.

The purpose of the Revolving Credit Facility is for general working capital needs, permitted acquisitions (as defined in the Loan Agreement), and for stock repurchase and/or redemption transactions that the Company may authorize.

The Revolving Credit Facility contains certain covenants that, among other things, restrict additional indebtedness, liens and encumbrances, changes to the character of the Company’s business, acquisitions, asset dispositions, mergers and consolidations, sale or discount of receivables, creation or acquisitions of additional subsidiaries, and other matters customarily restricted in such agreements.

In addition, the Revolving Credit Facility requires the Company to meet certain financial tests, including, without limitation:

- a funded debt leverage ratio (consolidated debt/consolidated EBITDA) of not greater than 3.0 to 1.0; and
- an interest coverage ratio (consolidated EBITDA/consolidated interest expense) of not less than 3.0 to 1.0.

As of September 30, 2015, the Company was in material compliance with all covenants. There were no balances outstanding on the Revolving Credit Facility as of September 30, 2015. During the three months ended June 30, 2015, the Company repaid approximately $28.0 million of balances previously outstanding under the Revolving Credit Facility from proceeds received in the Company’s public offering of 3,869,750 shares which closed on May 28, 2015. The weighted average interest rate was 1.68% for borrowings under Revolving Credit Facility during the nine months ended September 30, 2015.

10. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2015, the Company’s CEO, Robert A. Frist, Jr., entered into an agreement with the Company pursuant to which he contributed 54,241 of his personally owned shares of HealthStream, Inc. common stock to the Company, without any consideration paid to him. In connection with this contribution, the Company approved the grant of 49,310 shares of common stock to over 600 employees, with a fair market value of approximately $1.5 million. Mr. Frist contributed 4,931 of the contributed shares noted above to take into account the estimated Company costs, such as administrative expenses and employer payroll taxes associated with the grants. (See Note 4).

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Special Cautionary Notice Regarding Forward-Looking Statements

You should read the following discussion and analysis in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this report and our audited consolidated financial statements and the notes thereto for the year ended December 31, 2014, appearing in our Annual Report on Form 10-K that was filed with the Securities and Exchange Commission ("SEC") on February 27, 2015, (the "2014 Form 10-K") and the Current Report on Form 8-K (the "Form 8-K") filed on May 18, 2015 to retrospectively reflect for the periods included in the Form 10-K the addition of HealthStream Provider Solutions as a new reporting segment of the Company which occurred during the first quarter of 2015. The Form 8-K did not modify our previously reported financial statements for the periods reported in the Form 10-K other than the change in business segment presentation. Statements contained in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking statements that the Company intends to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Statements that are predictive in nature, that depend on or refer to future events or conditions, or that include words such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," " projects," "should," "will," "would," and similar expressions are forward-looking statements.

The Company cautions that forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

In evaluating any forward-looking statement, you should specifically consider the information regarding forward-looking statements and the information set forth under the caption "Item 1A. Risk Factors" and other disclosures in our 2014 Form 10-K, information in the Form 8-K, and the information regarding forward-looking statements and other disclosures in our earnings releases, and other filings with the Securities and Exchange Commission from time to time, as well as other cautionary statements contained elsewhere in this report, including the matters discussed in "Critical Accounting Policies and Estimates." We undertake no obligation beyond that required by law to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future. You should read this report and the documents that we reference in this report and have filed as exhibits to this report completely and with the understanding that our actual future results may be materially different from our current expectations.

Overview

HealthStream provides workforce, patient experience, and provider solutions for healthcare organizations—all designed to assess and develop the people that deliver patient care which, in turn, supports the improvement of business and clinical outcomes. Our workforce products are used by healthcare organizations to meet a broad range of their training, certification, competency assessment, performance appraisal, and development needs. Our patient experience products provide our customers information about patients' experiences and how to improve them, workforce engagement, physician relations, and community perceptions of their services. Our provider products are used by healthcare organization for their provider credentialing, privileging, call center, and enrollment needs. HealthStream's customers include healthcare organizations, pharmaceutical and medical device companies, and other participants in the healthcare industry.

Key financial indicators for the third quarter of 2015 include:

- Revenues of $53.8 million in the third quarter of 2015, up 21% from $44.5 million in the third quarter of 2014
- Operating income of $4.3 million in the third quarter of 2015, down nine percent from $4.7 million in the third quarter of 2014. Operating income for the 2015 third quarter was adversely impacted by the $2.1 million reduction resulting from the deferred revenue write-down associated with the HealthLine Systems acquisition
- Net income of $2.6 million in the third quarter of 2015, down 24% from $3.4 million in the third quarter of 2014, and earnings per share (EPS) of $0.08 per share (diluted) in the third quarter of 2015, compared to $0.12 per share (diluted) in the third quarter of 2014, both of which were also adversely impacted by the deferred revenue write-down mentioned above
- Adjusted EBITDA[1] of $9.3 million in the third quarter of 2015, up 17% from $7.9 million in the third quarter of 2014, which was also adversely impacted by the aforementioned deferred revenue write-down

(1) Adjusted EBITDA is a non-GAAP financial measure. A reconciliation of adjusted EBITDA to net income, and disclosure regarding why we believe Adjusted EBITDA provides useful information to investors is included later in this report.

R. Frist Contribution

During June 2015, the Company's Chief Executive Officer ("CEO"), Robert A. Frist, Jr., entered into an agreement with the Company pursuant to which he contributed 54,241 of his personally owned shares of HealthStream, Inc. common stock to the Company, without any consideration paid to him. In connection with this contribution, the Company approved the grant of 49,310 shares of HealthStream, Inc. common stock to over 600 employees who were not otherwise eligible to receive equity awards and had at least one year of service with the Company, which shares are not subject to any vesting conditions. The Company recognized approximately $1.5 million of stock based compensation expense for these stock awards during the second quarter of 2015 based on the closing fair market value of the Company's stock on the date of the approval of the grant. Mr. Frist contributed 4,931 of the contributed shares noted above to take into account the estimated Company costs, such as administrative expenses and employer payroll taxes associated with the grants, which resulted in approximately $150,000 of expense during the second quarter of 2015. See Note 4 to the Condensed Consolidated Financial Statements, included within this report, for additional information.

Business Combination

On March 16, 2015, we acquired for cash the outstanding membership interests of HLS, the legal successor to HealthLine Systems, Inc., a company that specializes in provider credentialing, privileging, call center, and quality management solutions for the healthcare industry. The financial results of HLS are included in our condensed consolidated financial statements from the date of acquisition. The purchase price for HLS was approximately $88.1 million. See Note 7 to the Condensed Consolidated Financial Statements, included within this report, for additional information.

Critical Accounting Policies and Estimates

The Company's condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (US GAAP). These accounting principles require us to make certain estimates, judgments and assumptions during the preparation of our financial statements. We believe the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected.

The accounting policies and estimates that we believe are the most critical in fully understanding and evaluating our reported financial results include the following:

- Revenue recognition
- Accounting for income taxes
- Software development costs
- Goodwill, intangibles, and other long-lived assets
- Allowance for doubtful accounts
- Stock based compensation

In many cases, the accounting treatment of a particular transaction is specifically dictated by US GAAP and does not require management's judgment in its application. There are also areas where management's judgment in selecting among available alternatives would not produce a materially different result. See Notes to Consolidated Financial Statements in our 2014 Form 10-K and the Form 8-K filed on May 18, 2015, which contains additional information regarding our accounting policies and other disclosures required by US GAAP. There have been no changes in our critical accounting policies and estimates from those reported in our 2014 Form 10-K and the Form 8-K.

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Revenues, net. Revenues increased approximately $9.3 million, or 21%, to $53.8 million for the three months ended September 30, 2015 from $44.5 million for the three months ended September 30, 2014. A comparison of revenues by business segment is as follows (in thousands):

	Three Months Ended September 30,		
	2015	2014	Percentage Change
Revenues by Business Segment:			
Workforce	$41,092	$35,203	17%
Patient Experience	8,792	8,237	7%
Provider	3,951	1,085	264%
Total revenues, net	$53,835	$44,525	21%
% of Revenues			
Workforce	76%	79%	
Patient Experience	17%	19%	
Provider	7%	2%	

Revenues for HealthStream Workforce Solutions increased approximately $5.9 million, or 17%, over the third quarter of 2014. Revenues from our subscription-based workforce products increased approximately $5.7 million, or 17%, over the prior year third quarter due to a higher number of subscribers and more courseware consumption by subscribers. Our Workforce Solutions annualized revenue per implemented subscriber metric was $35.82 per subscriber for the third quarter of 2015 compared to $35.91 per subscriber for the third quarter of 2014. Our implemented subscriber base increased by 16% over the prior year third quarter to 4.45 million implemented subscribers at September 30, 2015 compared to 3.83 million implemented subscribers at September 30, 2014. Additionally, we had a 10% increase in total subscribers over the prior year third quarter, with 4.53 million total subscribers at September 30, 2015 compared to 4.13 million total subscribers at September 30, 2014. Revenues in 2015 were positively influenced by growth in courseware subscriptions and our enterprise applications. Specifically, revenues from ICD-10 readiness training were approximately $6.3 million for the third quarter of 2015, compared to $7.4 million for the third quarter of 2014. The decrease in revenues for this product is due to the expiration of subscriptions which were not renewed. In addition, we expect to recognize revenues from ICD-10 readiness training of approximately $6.0 million during the fourth quarter of 2015.

Revenues for HealthStream Patient Experience Solutions increased approximately $555,000, or seven percent, over the third quarter of 2014. Revenues from Patient Insights™ surveys, our survey research product that generates recurring revenues, increased by $862,000, or 14%, over the prior year third quarter. Revenues from other products, including surveys conducted on annual or bi-annual cycles and consulting/coaching services, collectively decreased by $307,000, or 14%, compared to the prior year third quarter due to fewer engagements.

Revenues for HealthStream Provider Solutions increased approximately $2.9 million, or 264%, over the third quarter of 2014. Revenues from the HLS acquisition, which was consummated on March 16, 2015, were approximately $2.7 million during the third quarter of 2015. Revenues for HealthStream Provider Solutions during the third quarter of 2015 were adversely impacted by a $2.1 million reduction resulting from the deferred revenue write-down associated with the HLS acquisition.

Cost of Revenues (excluding depreciation and amortization). Cost of revenues increased approximately $4.0 million, or 21%, to $23.1 million for the three months ended September 30, 2015 from $19.1 million for the three months ended September 30, 2014. Cost of revenues as a percentage of revenues was approximately 43% of revenues for both the three months ended September 30, 2015 and 2014. Cost of revenues for HealthStream Workforce Solutions increased approximately $2.9 million to $16.5 million and approximated 40% and 39% of revenues for HealthStream Workforce Solutions for the three months ended September 30, 2015 and 2014, respectively. The increase in both amount and as a percentage of revenues is primarily associated with increased royalties paid by us resulting from growth in courseware subscription revenues, increased personnel costs, and other support costs. Cost of revenues for HealthStream Patient Experience Solutions increased approximately $216,000 to $5.5 million and approximated 62% and 64% of revenues for HealthStream Patient Experience Solutions for the three months ended September 30, 2015 and 2014, respectively. The increase in amount is primarily the result of increased personnel costs, including personnel to support the growth in patient survey volume over the prior year third quarter. Cost of revenues for HealthStream Provider Solutions increased approximately $903,000 to $1.1 million and approximated 28% and 18% of HealthStream Provider Solutions revenues for the three months ended September 30, 2015 and 2014, respectively. The increase in both amount and as a percentage of revenues is primarily the result of the HLS acquisition.

Product Development. Product development expenses increased approximately $2.0 million, or 47%, to $6.2 million for the three months ended September 30, 2015 from $4.2 million for the three months ended September 30, 2014. Product development expenses as a percentage of revenues were approximately 12% and 10% of revenues for the three months ended September 30, 2015 and 2014, respectively.

Product development expenses for HealthStream Workforce Solutions increased approximately $1.1 million and approximated 12% and 11% of revenues for HealthStream Workforce Solutions for the three months ended September 30, 2015 and 2014, respectively. The increase in both amount and as a percentage of revenues is due to additional personnel and related expenses associated with new product development initiatives for our subscription-based products. Product development expenses for HealthStream Patient Experience Solutions increased approximately $380,000 and approximated eight percent and four percent of revenues for HealthStream Patient Experience Solutions for the three months ended September 30, 2015 and 2014, respectively. The increase in both amount and as a percentage of revenues is due to additional personnel and related expenses. Product development expenses for HealthStream Provider Solutions increased approximately $539,000 and approximated 17% and 13% of revenues for HealthStream Provider Solutions for the three months ended September 30, 2015 and 2014, respectively. The increase in amount and as a percentage of revenues is primarily associated with the HLS acquisition.

Sales and Marketing. Sales and marketing expenses, including personnel costs, increased approximately $792,000, or 10%, to $8.4 million for the three months ended September 30, 2015 from $7.6 million for the three months ended September 30, 2014. Sales and marketing expenses were approximately 16% and 17% of revenues for the three months ended September 30, 2015 and 2014, respectively.

Sales and marketing expenses for HealthStream Workforce Solutions increased approximately $683,000 and approximated 15% and 16% of revenues for HealthStream Workforce Solutions for the three months ended September 30, 2015 and 2014, respectively. The increase in amount is primarily due to additional personnel and related expenses, sales commissions, and increased marketing spending. Sales and marketing expenses for HealthStream Patient Experience Solutions decreased approximately $552,000, and approximated 11% and 19% of revenues for HealthStream Patient Experience Solutions for the three months ended September 30, 2015 and 2014, respectively. The decrease in amount and as a percentage of revenues is due to fewer account management personnel compared to the prior year third quarter. Sales and marketing expenses for HealthStream Provider Solutions increased approximately $654,000, and approximated 25% and 29% of revenues for HealthStream Provider Solutions for the three months ended September 30, 2015 and 2014, respectively. The increase in amount and as a percentage of revenues is primarily associated with the HLS acquisition.

Other General and Administrative Expenses. Other general and administrative expenses increased approximately $1.1 million, or 18%, to $7.2 million for the three months ended September 30, 2015 from $6.1 million for the three months ended September 30, 2014. Other general and administrative expenses as a percentage of revenues were approximately 13% and 14% of revenues for the three months ended September 30, 2015 and 2014, respectively.

Other general and administrative expenses for HealthStream Workforce Solutions decreased $4,000 compared to the prior year third quarter. Other general and administrative expenses for HealthStream Patient Experience Solutions increased approximately $84,000 over the prior year third quarter. Other general and administrative expenses for HealthStream Provider Solutions increased approximately $685,000 over the prior year third quarter, primarily associated with the HLS acquisition. The unallocated corporate portion of other general and administrative expenses increased approximately $351,000 over the prior year third quarter, primarily associated with additional personnel, professional fees, and other general expenses.

Depreciation and Amortization. Depreciation and amortization increased approximately $1.8 million, or 65%, to $4.6 million for the three months ended September 30, 2015 from $2.8 million for the three months ended September 30, 2014. The increase primarily resulted from amortization of capitalized software development, amortization of intangible assets from recent acquisitions (including amortization of software acquired for resale), and depreciation expense associated with capital expenditures.

Other Income (Expense), Net. Other income (expense), net was approximately income of $28,000 for the three months ended September 30, 2015 compared to income of $49,000 for the three months ended September 30, 2014. The $21,000 decrease is primarily associated with losses from equity method investments, but was partially offset by higher interest income from investments in marketable securities.

Income Tax Provision. The Company recorded a provision for income taxes of approximately $1.7 million for the three months ended September 30, 2015 compared to $1.4 million for the three months ended September 30, 2014. The Company's effective tax rate was approximately 40% for the three months ended September 30, 2015 compared to approximately 28% for the three months ended September 30, 2014. The effective tax rate for the third quarter of 2014 was positively influenced by approximately $670,000 of tax benefits associated with research and development tax credits.

Net Income. Net income decreased approximately $822,000, or 24%, to $2.6 million for the three months ended September 30, 2015 from $3.4 million for the three months ended September 30, 2014. Earnings per diluted share were $0.08 and $0.12 per share for the three months ended September 30, 2015 and 2014, respectively. Both net income and earnings per share for the third quarter of 2014 were positively influenced by a lower effective tax rate, as mentioned above. In addition, both net income and earnings per diluted share for the third quarter of 2015 were adversely impacted by the $2.1 million revenue reduction resulting from the deferred revenue write-down associated with the HLS acquisition.

Adjusted EBITDA (which we define as net income before interest, income taxes, stock based compensation, and depreciation and amortization) increased approximately 17% to approximately $9.3 million for the three months ended September 30, 2015 compared to $7.9 million for the three months ended September 30, 2014. This improvement resulted from the factors mentioned above. See Reconciliation of Non-GAAP Financial Measures below for our reconciliation of this calculation to measures under US GAAP.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Revenues, net. Revenues increased approximately $27.8 million, or 22%, to $153.1 million for the nine months ended September 30, 2015 from $125.3 million for the nine months ended September 30, 2014. A comparison of revenues by business segment is as follows (in thousands):

	Nine Months Ended September 30,		
	2015	2014	Percentage Change
Revenues by Business Segment:			
Workforce	$118,488	$ 98,311	21%
Patient Experience	25,545	23,719	8%
Provider	9,103	3,321	174%
Total revenues, net	$153,136	$125,351	22%
% of Revenues			
Workforce	77%	78%	
Patient Experience	17%	19%	
Provider	6%	3%	

Revenues for HealthStream Workforce Solutions increased approximately $20.2 million, or 21%, over the first nine months of 2014. Revenues from our subscription-based workforce products increased approximately $19.1 million, or 20%, over the prior year period due to a higher number of subscribers and more courseware consumption by subscribers. Revenues in 2015 were positively influenced by growth in courseware subscriptions and our enterprise applications. Specifically, revenues from ICD-10 readiness training were approximately $20.2 million for the first nine months of 2015, compared to $21.2 million for the first nine months of 2014. In addition, revenues from our acquisition of Health Care Compliance Strategies, Inc. (HCCS), were approximately $6.3 million during the first nine months of 2015, compared to $3.1 million during the first nine months of 2014.

Revenues for HealthStream Patient Experience Solutions increased approximately $1.8 million, or 8%, over the first nine months of 2014. Revenues from Patient Insights™ surveys, our survey research product that generates recurring revenues, increased by approximately $2.3 million, or 13%, over the first nine months of 2014. Revenues from other products, including surveys conducted on annual or bi-annual cycles and consulting/coaching services, collectively decreased by $477,000, or 8%, compared to the first nine months of 2014 due to fewer engagements.

Revenues for HealthStream Provider Solutions increased approximately $5.8 million, or 174%, over the first nine months of 2014. Revenues from the HLS acquisition, which was consummated on March 16, 2015, were approximately $5.4 million during the first nine months of 2015. Revenues from other products increased by approximately $431,000, or 13% over the first nine months of 2014. Revenues for HealthStream Provider Solutions during 2015 were adversely impacted by a $5.3 million reduction resulting from the deferred revenue write-down associated with the HLS acquisition.

Cost of Revenues (excluding depreciation and amortization). Cost of revenues increased approximately $11.0 million, or 20%, to $65.8 million for the nine months ended September 30, 2015 from $54.8 million for the nine months ended September 30, 2014. Cost of revenues as a percentage of revenues was approximately 43% of revenues for the nine months ended September 30, 2015 compared to approximately 44% of revenues for the nine months ended September 30, 2014. Cost of revenues for HealthStream Workforce Solutions increased approximately $7.4 million to $46.6 million and approximated 39% and 40% of revenues for HealthStream Workforce Solutions for the nine months ended September 30, 2015 and 2014, respectively. The increase in amount is primarily associated with increased royalties paid by us resulting from growth in courseware subscription revenues, increased personnel costs, stock based compensation, and other support costs. Cost of revenues for HealthStream Patient Experience Solutions increased approximately $1.6 million to $16.7 million and approximated 65% and 64% of revenues for HealthStream Patient Experience Solutions for the nine months ended September 30, 2015 and 2014, respectively. The increase in both amount and as a percentage of revenue is primarily the result of increased personnel costs, including personnel to support the growth in patient survey volume over the prior year, and stock based compensation. Cost of revenues for HealthStream Provider Solutions increased approximately $1.9 million to $2.5 million and approximated 27% and 16% of HealthStream Provider Solutions revenues for the nine months ended September 30, 2015 and 2014, respectively. The increase in both amount and as a percentage of revenue is primarily the result of the HLS acquisition.

Product Development. Product development expenses increased approximately $4.6 million, or 38%, to $16.7 million for the nine months ended September 30, 2015 from $12.1 million for the nine months ended September 30, 2014. Product development expenses as a percentage of revenues were approximately 11% and 10% of revenues for the nine months ended September 30, 2015 and 2014, respectively.

Product development expenses for HealthStream Workforce Solutions increased approximately $3.3 million and approximated 12% and 11% of revenues for HealthStream Workforce Solutions for the nine months ended September 30, 2015 and 2014, respectively. The increase in both amount and as a percentage of revenues is due to additional personnel expenses associated with new product development initiatives for our subscription-based products, as well as stock based compensation. Product development expenses for HealthStream Patient Experience Solutions increased approximately $235,000 and approximated 5% and 4% of revenues for HealthStream Patient Experience Solutions for the nine months ended September 30, 2015 and 2014, respectively. The increase in both amount and as a percentage of revenue is due to additional personnel and related expenses compared to the prior year period. Product development expenses for HealthStream Provider Solutions increased approximately $1.1 million and approximated 16% and 11% of revenues for HealthStream Provider Solutions for the nine months ended September 30, 2015 and 2014, respectively. The increase in amount and as a percentage of revenues is primarily associated with the HLS acquisition.

Sales and Marketing. Sales and marketing expenses, including personnel costs, increased approximately $4.3 million, or 20%, to $26.1 million for the nine months ended September 30, 2015 from $21.8 million for the nine months ended September 30, 2014. Sales and marketing expenses were approximately 17% of revenues for both the nine months ended September 30, 2015 and 2014.

Sales and marketing expenses for HealthStream Workforce Solutions increased approximately $4.0 million and approximated 17% and 16% of revenues for HealthStream Workforce Solutions for the nine months ended September 30, 2015 and 2014, respectively. The increase in amount and as percentage of revenues is primarily due to additional personnel and related expenses, commissions, expenses associated with our customer Summit (our conference utilized to reach existing and potential customers with training and educational services, as well as to provide demonstrations of our new and existing product offerings), increased marketing spending, and stock based compensation. Sales and marketing expenses for HealthStream Patient Experience Solutions decreased approximately $1.2 million, and approximated 13% and 19% of revenues for HealthStream Patient Experience Solutions for the nine months ended September 30, 2015 and 2014, respectively. The decrease in amount and as a percentage of revenues is due to fewer account management personnel compared to the prior year. Sales and marketing expenses for HealthStream Provider Solutions increased approximately $1.5 million, and approximated 26% and 28% of revenues for HealthStream Provider Solutions for the nine months ended September 30, 2015 and 2014, respectively. The increase in amount is primarily associated with the HLS acquisition.

Other General and Administrative Expenses. Other general and administrative expenses increased approximately $4.2 million, or 25%, to $20.9 million for the nine months ended September 30, 2015 from $16.7 million for the nine months ended September 30, 2014. Other general and administrative expenses as a percentage of revenues were approximately 14% and 13% of revenues for the nine months ended September 30, 2015 and 2014, respectively.

Other general and administrative expenses for HealthStream Workforce Solutions increased approximately $167,000 over the first nine months of 2014 primarily associated with the HCCS acquisition. Other general and administrative expenses for HealthStream Patient Experience Solutions increased approximately $252,000 over the first nine months of 2014 primarily due to increased facilities costs for a new patient interview center in Nashville, Tennessee. Other general and administrative expenses for HealthStream Provider Solutions increased approximately $1.3 million over the first nine months of 2014 primarily associated with the HLS acquisition. The unallocated corporate portion of other general and administrative expenses increased approximately $2.5 million over the first nine months of 2014, primarily associated with additional personnel, professional fees, stock based compensation, and other general expenses, as well as higher acquisition related costs during 2015 than in 2014. During the first nine months of 2015, acquisition costs associated with the HLS acquisition were approximately $965,000 while during the first nine months of 2014, acquisition costs associated with the HCCS acquisition were approximately $365,000.

Depreciation and Amortization. Depreciation and amortization increased approximately $4.2 million, or 53%, to $12.1 million for the nine months ended September 30, 2015 from $7.9 million for the nine months ended September 30, 2014. The increase primarily resulted from amortization of capitalized software development, amortization of intangible assets from recent acquisitions (including amortization of software acquired for resale), and depreciation expense associated with capital expenditures.

Other Income (Expense), Net. Other income (expense), net was an expense of approximately $7,000 for the nine months ended September 30, 2015 compared to income of $117,000 for the nine months ended September 30, 2014. The $124,000 decrease is primarily associated with higher interest expense from borrowings under a revolving credit facility during 2015 and losses from equity method investments.

Income Tax Provision. The Company recorded a provision for income taxes of approximately $4.9 million for the nine months ended September 30, 2015 compared to $4.5 million for the nine months ended September 30, 2014. The Company's effective tax rate was approximately 42% for the nine months ended September 30, 2015 compared to approximately 37% for the nine months ended September 30, 2014. The effective tax rate for 2014 was positively influenced by approximately $670,000 of tax benefits associated with research and development tax credits, which did not reoccur in the nine months ended September 30, 2015.

Net Income. Net income decreased approximately $937,000, or 12%, to $6.8 million for the nine months ended September 30, 2015 compared to $7.7 million for the nine months ended September 30, 2014. Earnings per diluted share were $0.23 per share for the nine months ended September 30, 2015 compared to $0.28 per diluted share for the nine months ended September 30, 2014. Both net income and earnings per share for the nine months ended September 30, 2014 were positively influenced by a lower effective tax rate, as mentioned above. In addition, both net income and earnings per diluted share for nine months ended September 30, 2015 were adversely impacted by the $5.3 million revenue reduction resulting from the deferred revenue write-downs associated with the HLS and HCCS acquisitions.

Adjusted EBITDA (which we define as net income before interest, income taxes, stock based compensation, and depreciation and amortization) increased approximately 25% to approximately $26.5 million for the nine months ended September 30, 2015 compared to $21.3 million for the nine months ended September 30, 2014. This improvement resulted from the factors mentioned above. See Reconciliation of Non-GAAP Financial Measures below for our reconciliation of this calculation to measures under US GAAP.

Reconciliation of Non-GAAP Financial Measures

This report contains certain non-GAAP financial measures, including, non-GAAP net income, non-GAAP operating income, non-GAAP revenue and adjusted EBITDA, which are used by management in analyzing its financial results and ongoing operational performance. These non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance which are prepared in accordance with US GAAP and may be different from non-GAAP financial measures used by other companies.

In order to better assess the Company's financial results, management believes that adjusted EBITDA is a useful measure for evaluating the operating performance of the Company because adjusted EBITDA reflects net income adjusted for certain non-cash and non-operating items. We believe that adjusted EBITDA is also used by many investors and securities analysts to assess the Company's results from current operations. Adjusted EBITDA is a non-GAAP financial measure and should not be considered as a measure of financial performance under US GAAP. Because adjusted EBITDA is not a measurement determined in accordance with US GAAP, it is susceptible to varying calculations. Accordingly, adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.

The Company understands that, although adjusted EBITDA is frequently used by investors and securities analysts in their evaluation of companies, this measure has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for an analysis of the Company's results as reported under US GAAP. For example, adjusted EBITDA does not reflect cash expenditures, or future requirements for capital expenditures or contractual commitments; it does not reflect non-cash components of employee compensation; it does not reflect changes in, or cash requirements for, our working capital needs; and due to the Company's utilization of federal and state net operating loss carryforwards and other available deductions in 2014 and 2015, actual cash income tax payments have been significantly less than the tax provision recorded in accordance with US GAAP, and income tax payments will continue to be less than the income tax provision until our existing federal and state net operating loss carryforwards have been fully utilized or have expired.

Management addresses these inherent limitations associated with using adjusted EBITDA through disclosure of such limitations, presentation of our financial statements in accordance with US GAAP, and reconciliation of adjusted EBITDA to net income, the most directly comparable US GAAP measure.

Over the past few years, the Company has acquired businesses whose net tangible assets include deferred revenue. In accordance with GAAP reporting requirements, the Company may record a write down of deferred revenue to fair value as defined in GAAP. If the Company is required to record a write-down of deferred revenue, it may result in lower recognized revenue, operating income, and net income in subsequent periods.

The Company completed the acquisitions of HCCS in March 2014 and HLS in March 2015. In accordance with US GAAP reporting requirements for fair value, we recorded a deferred revenue write-down of approximately $1.5 million for HCCS and a preliminary write-down of $9.1 million for HLS. These write-downs resulted in lower revenues in periods subsequent to those acquisitions than would have otherwise been recognized.

In connection therewith, this report presents below non-GAAP revenues, non-GAAP operating income and non-GAAP net income, which in each such case reflects the corresponding GAAP figures adjusted to exclude the impact of the deferred revenue write-down associated with fair value accounting for acquired businesses as referenced above. Management believes that the presentation of these non-GAAP financial measures assists investors in understanding the Company's performance between periods by excluding the impact of this deferred revenue write-down and provides a useful measure of the ongoing performance of the Company. Both on a quarterly and year-to-date basis, the revenue for the acquired business is deferred and typically recognized over a one-to-two year period following the completion of any particular acquisition, so our GAAP revenues for this one-to-two year period will not reflect the full amount of revenues that would have been reported if the acquired deferred revenue was not written down to fair value. A reconciliation of these non-GAAP financial measures to the corresponding GAAP measures is set forth below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
GAAP net income	$ 2,614	$ 3,436	$ 6,810	$ 7,747
Interest income	(150)	(73)	(259)	(190)
Interest expense	26	13	162	38
Income tax provision	1,738	1,354	4,862	4,519
Stock based compensation expense	440	388	2,787	1,222
Depreciation and amortization	4,639	2,815	12,148	7,938
Adjusted EBITDA	$ 9,307	$ 7,933	$ 26,510	$ 21,274
GAAP revenues	$53,835	$44,525	$153,136	$125,351
Adjustment for deferred revenue write-down	2,099	150	5,341	1,222
Non-GAAP revenues	$55,934	$44,675	$158,477	$126,573
GAAP operating income	$ 4,325	$ 4,741	$ 11,679	$ 12,149
Adjustment for deferred revenue write-down	2,099	150	5,341	1,222
Non-GAAP operating income	$ 6,424	$ 4,891	$ 17,020	$ 13,371
GAAP net income	$ 2,614	$ 3,436	$ 6,810	$ 7,747
Adjustment for deferred revenue write-down, net of tax	1,261	108	3,114	772
Non-GAAP net income	$ 3,875	$ 3,544	$ 9,924	$ 8,519

Liquidity and Capital Resources

Net cash provided by operating activities was approximately $25.5 million and $28.7 million during the nine months ended September 30, 2015 and 2014, respectively. The decrease compared to the prior year period primarily resulted from changes in deferred revenue and excess tax benefits from equity awards. The number of days sales outstanding (DSO) was 57 days for the third quarter of 2015 compared to 60 days for the third quarter of 2014. The improvement in DSO over the prior year resulted from improved collections. The Company calculates DSO by dividing the average accounts receivable balance for the quarter by average daily revenues for the quarter. The Company's primary sources of cash were receipts generated from the sales of our products and services. The primary uses of cash to fund operations included personnel expenses, sales commissions, royalty payments, payments for contract labor and other direct expenses associated with delivery of our products and services, and general corporate expenses.

Net cash used in investing activities was approximately $140.7 million and $23.6 million for the nine months ended September 30, 2015 and 2014, respectively. During 2015, the Company utilized $88.1 million (net of cash acquired) for acquisitions, purchased $77.8 million of marketable securities, purchased $6.0 million of property and equipment, spent $5.3 million for capitalized software development, and made $2.0 million in non-marketable equity investments. These uses of cash were partially offset by maturities of marketable securities of $38.4 million. During 2014, the Company purchased $44.3 million of marketable securities, utilized $12.3 million (net of cash acquired) for acquisitions, spent $4.0 million for capitalized software development, purchased $3.0 million of property and equipment, and made $325,000 in non-marketable equity investments. These uses of cash were partially offset by maturities of marketable securities of $40.4 million.

Cash provided by financing activities was approximately $100.7 million and $313,000 for the nine months ended September 30, 2015 and 2014, respectively. The primary sources of cash from financing activities for 2015 resulted from $98.0 million in proceeds from the issuance of 3.9 million shares of our common stock in our underwritten public offering that was completed on May 28, 2015, $3.7 million of excess tax benefits from equity awards, and $328,000 of proceeds from the exercise of employee stock options. The primary uses of cash during 2015 related to payments of payroll taxes from stock based compensation arrangements of $753,000, and earn-outs for prior business combinations of $633,000. During 2014 the primary source of cash from financing activities resulted from $827,000 of proceeds from the exercise of employee stock options. The primary uses of cash during 2014 resulted from $270,000 of earn-outs from prior business combinations and $160,000 for payments of payroll taxes from stock based compensation arrangements.

Our balance sheet reflects positive working capital of $116.2 million at September 30, 2015 compared to $97.4 million at December 31, 2014. The increase in working capital was primarily due to the proceeds of $98.0 million from the issuance of common stock as noted above, but partially offset cash used to fund the HLS acquisition of approximately $88.1 million. The Company's primary source of liquidity is $144.8 million of cash and cash equivalents and marketable securities. The Company also has a $50.0 million revolving credit facility, all of which was available for additional borrowing at September 30, 2015.

We believe that our existing cash and cash equivalents, marketable securities, cash generated from operations, and available borrowings under our revolving credit facility will be sufficient to meet anticipated cash needs for working capital, new product development and capital expenditures for at least the next 12 months. Over the past nine years, we have utilized our federal and state net operating loss carryforwards to offset taxable income, therefore reducing our tax liabilities. We anticipate our remaining net operating loss carryforwards will become fully utilized during 2015. Our actual tax payments are expected to increase significantly once the net operating loss carryforwards are fully utilized.

Our growth strategy includes acquiring businesses that provide complementary products and services. We anticipate that future acquisitions, if any, would be effected through a combination of stock and cash consideration. The issuance of our stock as consideration for an acquisition or to raise additional capital could have a dilutive effect on earnings per share and could adversely affect our stock price. Our revolving credit facility contains financial covenants and availability calculations designed to set a maximum leverage ratio of outstanding debt to adjusted EBITDA and an interest coverage ratio of adjusted EBITDA to interest expense. Therefore, the maximum borrowings against our revolving credit facility would be dependent on the covenant values at the time of borrowing. As of September 30, 2015, we were in material compliance with all covenants. There can be no assurance that amounts available for borrowing under our revolving credit facility will be sufficient to consummate any possible acquisitions, and we cannot assure you that if we need additional financing that it will be available on terms favorable to us, or at all. Failure to generate sufficient cash flow from operations or raise additional capital when required in sufficient amounts and on terms acceptable to us could harm our business, financial condition and results of operations.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

The Company is exposed to market risk from changes in interest rates. We do not have any foreign currency exchange rate risk or commodity price risk. We are subject to interest rate market risk associated with the borrowings under our revolving credit facility. The interest rate under the revolving credit facility varies depending on the interest rate option selected by the Company plus a margin determined in accordance with a pricing grid. We are also exposed to market risk with respect to our cash and investment balances, which approximated $144.8 million at September 30, 2015. Assuming a hypothetical 10% decrease in interest rates for invested balances, interest income from cash and investments would decrease on an annualized basis by approximately $92,000.

The Company’s investment policy and strategy is focused on investing in highly rated securities, with the objective of minimizing the potential risk of principal loss. The Company’s policy limits the amount of credit exposure to any single issuer and sets limits on the average portfolio maturity.

The above market risk discussion and the estimated amounts presented are forward-looking statements of market risk assuming the occurrence of certain adverse market conditions. Actual results in the future may differ materially from those projected as a result of actual developments in the market.

Item 4. *Controls and Procedures*

Evaluation of Controls and Procedures

HealthStream’s chief executive officer and principal financial officer have reviewed and evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (the “Exchange Act”)) as of the end of the period covered by this Quarterly Report. Based on that evaluation, the chief executive officer and principal financial officer have concluded that HealthStream’s disclosure controls and procedures were effective to ensure that the information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and the information required to be disclosed in the reports the Company files or submits under the Exchange Act was accumulated and communicated to the Company’s management, including its chief executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no change in HealthStream’s internal control over financial reporting that occurred during the period covered by this Quarterly Report that has materially affected, or that is reasonably likely to materially affect, HealthStream’s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. ***Exhibits***

(a) Exhibits

10.1^	–	Letter agreement dated as of September 24, 2015, between HealthStream, Inc. and Michael Sousa.
10.2^	–	Form of HealthStream, Inc. Restricted Share Unit Agreement (Performance) between HealthStream, Inc. and Michael Sousa.
10.3^	–	Form of HealthStream, Inc. Restricted Share Unit Agreement (Cumulative) between HealthStream, Inc. and Michael Sousa.
10.4^	–	2015 Provider Solutions Cash Incentive Bonus Plan.
31.1	–	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	–	Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	–	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	–	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1 INS	–	XBRL Instance Document
101.1 SCH	–	XBRL Taxonomy Extension Schema
101.1 CAL	–	XBRL Taxonomy Extension Calculation Linkbase
101.1 DEF	–	XBRL Taxonomy Extension Definition Linkbase
101.1 LAB	–	XBRL Taxonomy Extension Label Linkbase
101.1 PRE	–	XBRL Taxonomy Extension Presentation Linkbase

^ – Management contract or compensatory plan or arrangement.

SIGNATURE

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

HEALTHSTREAM, INC.

October 30, 2015

By: /s/ GERARD M. HAYDEN, JR.

Gerard M. Hayden, Jr.
Chief Financial Officer

HEALTHSTREAM, INC.

EXHIBIT INDEX

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209 10th Avenue South – Suite 450
Nashville, Tennessee 37203

Telephone 615-301-3100
Facsimile 615-301-3200
http://www.healthstream.com

September 22, 2015

Dear Michael:

This letter will confirm the terms of your offer of employment with HealthStream, Inc. (the "Company") as the Senior Vice President of the Company with the title of President of Provider Solutions. The following describes the general terms of your employment:

1. Position and Responsibilities. You will serve in the position of a Senior Vice President of Company with the title of President of Provider Solutions. You will also serve as a member of the Company's Executive Team, though your participation in the weekly Executive Team meeting is optional unless requested in advance. Initially, the business unit for which you will serve as President will include Sy.Med and HealthLine Systems. You will report to the Chief Executive Officer and assume and discharge such responsibilities as are commensurate with such position and as the Chief Executive Officer may direct. During your employment with the Company, you shall devote your full-time attention to your duties and responsibilities and shall perform them faithfully, diligently and completely. In addition, you shall comply with and be bound by the operating policies, procedures and practices of the Company including, without limitation, the Employee Handbook, Code of Conduct, Code of Ethics, and insider trading policies, in effect from time to time during your employment. Moreover, all compensation awarded will be subject to recoupment pursuant to, and to the extent provided by, (i) the terms of the Company's Compensation Recoupment Policy (as it may be amended from time to time), and (ii) applicable SEC rules and NASDAQ listing requirements adopted pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, at such time that such SEC rules and NASDAQ listing requirements become effective. You acknowledge that you will be required to travel, potentially extensively, in connection with the performance of your duties.

2. Compensation. In consideration for your services and the performance of the business unit over which you preside, during the term of your employment, you will receive:

A. Base Salary. Your annual base salary will be $270,400.00 ("Base Salary"), payable in accordance with the Company's prevailing payroll practices. All executive base salaries are subject to Compensation Committee review and approval.

B. Cash Bonus Plan. You will be eligible to participate in an annual cash bonus plan that is based on the financial performance of your business unit ("Bonus Plan"). Under the Bonus Plan you will be eligible to receive a bonus of up to forty (40%) of your Base Salary per year. Whether and to what extent you achieve a bonus according to the Bonus Plan will be predicated on your business unit exceeding certain annual financial performance targets ("Annual Targets"), which may include, among other things, operating income, EBITDA, and revenue thresholds. Each year the Compensation Committee will set the terms of the Bonus Plan, including the Annual Targets. Any such cash bonus (i) shall be subject to the terms and conditions of the Bonus Plan, (ii) shall be payable at such time as bonuses are paid generally to executive officers of the Company, and (iii) shall be payable so long as you remain in the employ of the Company on the payment date. For purposes of clarity, your participation in the 2015 Bonus Plan would be for the period of January 1, 2015 through December 31, 2015, and would be in lieu of your participation in the HealthStream cash incentive bonus plan during such period.

C. Equity Awards – Time-Based Vesting. You will be eligible to receive equity awards on an annual basis in the same form and on the same terms and conditions as other Senior Vice Presidents of the Company (referred to herein as "Annual Awards"). The amount and value of your Annual Awards will be equal to the greatest standard award granted to any direct report of the Chief Executive Officer for the applicable year. All Annual Awards shall be subject to the terms and conditions of the then applicable Company equity plan (the "Equity Plan") and the equity agreement under which such awards are granted. The issuance and terms of all Annual Awards are subject to approval by the Compensation Committee. Your 2015 equity award of 4,470 RSUs has already been granted.

D. Equity Awards – Performance-Based Vesting.

a. You will also be eligible to receive a lump sum equity award (referred to herein as the "Performance Award") upon your acceptance of the position and the Compensation Committee's approval of such award. The total number of Performance Award shares you will be granted is 25,000. The Performance Award will be eligible for vesting (i) in five increments of 15%, 20%, 20%, 20%, and 25%, respectively on March 15, 2016, 2017, 2018, 2019, and 2020 (the "Vesting Dates") according to whether your business unit meets or exceeds certain annual financial performance targets, which may include, among other things, operating income, EBITDA, and revenue thresholds as determined by the Compensation Committee on an annual basis or (ii) upon a Change of Control as defined in the Equity Plan occurring prior to March 15, 2015; provided that you remain in the employ of the Company as of such Vesting Dates or the Change of Control, as applicable. It is anticipated that one of the factors the Compensation Committee will consider when setting annual financial performance targets relating to your Performance Award shares is the financial performance of your business unit in relation to your business unit's pro-forma financials. Performance Award shares that are eligible for vesting in a particular year, but do not vest in that year due to failure to achieve applicable financial targets shall be eligible to vest in any of the remaining five years, depending on whether the financial targets for such years are exceeded by a requisite amount as determined on an annual basis by the Compensation Committee. All Performance Awards shall be subject to the terms and conditions of the Equity Plan and the equity agreement under which such awards are granted.

b. In addition to the Performance Shares, you will also receive an equity award (referred to herein as the "5-Year Performance Award") upon your acceptance of the position and the Compensation Committee's approval of such award. The total number of 5-Year Performance Award shares you will be granted is 5,000. The 5-Year Performance Award will be eligible for vesting in a single increment (i) on March 15, 2020 according to whether your business unit exceeds certain five-year, cumulative financial performance targets for the performance period from January 1, 2015 through December 31, 2019, or (ii) upon a Change of Control as defined in the Equity Plan occurring prior to March 15, 2020; provided that you remain in the employ of the Company as of the applicable vesting date. The financial target or targets required for vesting will be established by the Compensation Committee upon your acceptance of this offer of employment and may include, among other things, operating income, EBITDA, and revenue thresholds. The 5-Year Performance Award is intended to incentivize you to achieve exceptional financial performance for the Company's Provider Solutions segment that results in a rate of return over and above that required to achieve your Performance Awards described above. The 5-Year Performance Award shall be subject to the terms and conditions of the Equity Plan and the equity agreement under which it is granted.

c. To incentivize your role in consummating Board approved acquisitions, for each acquisition that is closed prior to December 31, 2019 and becomes a direct operating part of your business unit, the Compensation Committee shall meet to consider whether to award you an additional equity award that would vest according to the financial performance of such acquired business over time. Such awards, if granted, would not be in excess of the amount of shares awarded pursuant to your then current Annual Award.

3. Other Benefits. You will be entitled to receive the standard employee benefits made available by the Company to its employees to the full extent of your eligibility. During your employment, you shall be permitted, to the extent eligible, to participate in any group medical, dental, life insurance and disability insurance plans, or similar benefit plan of the Company that is available to employees generally. You shall also be eligible to participate in the Company's 401(k) plan. Participation in any such plans shall be consistent with your rate of compensation to the extent that compensation is a determinative factor with respect to coverage under any such plans. The Company shall reimburse you for all reasonable expenses actually incurred or paid by you in the performance of your services on behalf of the Company subject to the terms of and in accordance with the Company's expense reimbursement policy as from time to time in effect (and to the extent applicable, Section 1.409A-3(i)(1)(iv) of the Treasury Regulations).

4. Restrictive Covenants. You agree that your employment as President of Provider Solutions is contingent upon your execution of, and delivery to the Company of a Trade Secret & Proprietary Information Agreement in the form attached hereto as Annex A (the "TSPI").

5. Conflicting Employment. You agree that, during your employment with the Company, in addition to the restrictions set forth in the TSPI, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during your employment, nor will you engage in any other activities that conflict with your obligations to the Company.

6. At-Will Employment. You acknowledge that your employment with the Company is for an unspecified duration that constitutes at-will employment, and that either you or the Company can terminate this relationship at any time, with or without cause and with or without notice.

7. General Provisions.

(a) This offer letter and the terms of your employment will be governed by the laws of Tennessee, applicable to agreements made and to be performed entirely within such state.

(b) This offer letter sets forth the entire agreement and understanding between the Company and you relating to your employment and supersedes all prior verbal discussions between us.

(c) This agreement will be binding upon your heirs, executors, administrators and other legal representatives and will be for the benefit of the Company and its respective successors and assigns.

(d) All payments pursuant to this letter will be subject to applicable withholding taxes.

(e) While your employment will be at-will, the Company's willingness to offer you the employment terms outlined herein is predicated on the understanding that you intend to commit to a minimum of five years of ongoing employment with the Company as President of Provider Solutions.

{signature page follows}

Please acknowledge and confirm your acceptance of this letter by, signing and returning one copy of this offer letter in its entirety to me.

Sincerely,

Robert A. Frist, Jr.
Chief Executive Officer

OFFER ACCEPTANCE:

I accept the terms of my employment with HealthStream, Inc. as set forth herein and in any attached Annexes. I understand that this offer letter does not constitute a contract of employment for any specified period of time, and that either party, with or without cause and with or without notice, may terminate my employment relationship. I received this offer letter with notice of my pay rate and designated payday in English because I have represented to my employer that this is my primary language.

/s/ Michael Sousa **Date:** 9/24/2015
Michael Sousa

Annex A

Trade Secret and Proprietary Information Agreement

TRADE SECRET AND PROPRIETARY INFORMATION AGREEMENT

In consideration of my being hired as Senior Vice President of the Company with the title of President of Provider Solution and employment by HealthStream, Inc. and/or any of its corporate parents, subsidiaries, divisions, or affiliates, or the successors or assigns of any of the foregoing (hereinafter referred to as the "Company") on the terms set forth in the offer of employment to which this document is an Annex, I hereby agree as follows:

1. Confidentiality.

(a) Trade Secret and Proprietary Information. I understand and acknowledge that, during the course of my employment arrangement with the Company and as a result of my having executed this Trade Secret and Proprietary Information Agreement, I will be granted access to valuable information relating to the Company's business that provides the Company with a competitive advantage, which is not generally known by, nor easily learned or determined by, persons outside the Company (collectively "Trade Secret and Proprietary Information"). The term Trade Secret and Proprietary Information shall include, but shall not be limited to: (a) specifications, manuals, software in various stages of development; (b) customer and prospect lists, and details of agreements and communications with customers and prospects; (c) sales plans and projections, product pricing information, acquisition, expansion, marketing, financial and other business information and existing and future products and business plans of the Company; (d) sales proposals, demonstrations systems, sales material; (e) research and development; (f) computer programs; (g) sources of supply; (h) identity of specialized consultants and contractors and Trade Secret and Proprietary Information developed by them for the Company; (i) purchasing, operating and other cost data; (j) special customer needs, cost and pricing data; (k) patient information, including without limitation Protected Health Information as defined in 45 C.F.R. 164.501 and (l) employee information (including, but not limited to, personnel, payroll, compensation and benefit data and plans), including all such information recorded in manuals, memoranda, projections, reports, minutes, plans, drawings, sketches, designs, formula books, data, specifications, software programs and records, whether or not legended or otherwise identified by the Company as Trade Secret and Proprietary Information, as well as such information that is the subject of meetings and discussions and not recorded. Trade Secret and Proprietary Information shall not include such information that I can demonstrate (i) is generally available to the public (other than as a result of a disclosure by me), (ii) was disclosed to me by a third party under no obligation to keep such information confidential or (iii) was known by me prior to, and not as a result of, my employment or anticipated employment with the Company; provided, however, that, notwithstanding the preceding sentence, all information set forth in subsections (k) and (l) above shall always be treated as Trade Secret and Proprietary Information, and shall not be deemed in the public domain or nonconfidential under any circumstances.

(b) Duty of Confidentiality. I agree at all times, both during and after my employment with the Company, to hold all of the Company's Trade Secret and Proprietary Information in a fiduciary capacity for the benefit of the Company and to safeguard all such Trade Secret and Proprietary Information. I also agree that I will not directly or indirectly disclose or use any such Trade Secret and Proprietary Information to any third person or entity outside the Company, except as may be necessary in the good faith performance of my duties for the Company. I further agree that, in addition to enforcing this restriction, the Company may have other rights and remedies under the common law or applicable statutory laws relating to the protection of trade secrets. Notwithstanding anything in this Agreement to the contrary, I understand that I may disclose the Company's Trade Secret and Proprietary Information to the extent required by applicable laws or governmental regulations or judicial or regulatory process, provided that I give the Company prompt notice of any and all such requests for disclosure so that it has ample opportunity to take all necessary or desired action, to avoid disclosure.

(c) Unfair Competition. I acknowledge that the Company has a compelling business interest in preventing unfair competition stemming from the intentional or inadvertent use or disclosure of the Company's Trade Secret and Proprietary Information and Company Property.

(d) Intellectual Property and Inventions. I acknowledge that all developments and other intellectual property, including, without limitation, the creation of new products, conferences, training/seminars, publications, programs, methods of organizing information, inventions, discoveries, concepts, ideas, improvements, patents, trademarks, trade names, copyrights, trade secrets, designs, works, reports, computer software, flow charts, diagrams, procedures, data, documentation, and writings and any other intellectual property (collectively referred to as "Developments") that I, alone or jointly with others, may discover, conceive, create, make, develop, reduce to practice, or acquire at any time during or in connection with my employment with the Company are the sole and exclusive property of the Company. I hereby assign to the Company all rights, titles, and interests in and to all such Developments, and all intellectual property related thereto. I agree to disclose to the Company promptly and fully all future Developments and, at any time upon request and at the expense of the Company, to execute, acknowledge, and deliver to the Company all instruments that the Company shall prepare, to give evidence, and to take any and all other actions that are necessary or desirable in the reasonable opinion of the Company to enable the Company to file and prosecute applications for, and to acquire, maintain, and enforce, all letters patent, trademark registrations, or copyrights covering the Developments in all countries in which the same are deemed necessary by the Company. All data, memoranda, notes, lists, drawings, records, files, investor and client/customer lists, supplier lists, and other documentation (and all copies thereof) made or compiled by me or made available to me concerning the Developments or otherwise concerning the past, present, or planned business of the Company are the property of the Company, and will be delivered to the Company immediately upon the termination of my employment with the Company.

(e) Competitive Business. I acknowledge that a business engaged in the same or similar business as the Company shall be a Competitive Business. Thus, "Competitive Business" shall mean: (i) one that offers learning, workforce development, talent management, survey research, simulation, courseware, benchmarking, patient experience or improvement coaching or consulting, or related services or solutions to the healthcare industry; (ii) one that provides software and services in connection with credentialing, privileging, provider management, quality management, CVO services, provider verification of credentials or licenses, provider database or directory solutions, medical staff management, provider enrollment or onboarding, provider recruiting or staffing, and contact center software for healthcare, as well as optometric software, and (iii) any enterprise engaged in any other type of business in which the Company or one of its affiliates is also engaged, or plans to be engaged, so long as I am directly involved in such business or planned business on behalf of the Company or one of its affiliates.

2. Non-Solicitation of Employees, Customers. In order to protect the Company's Trade Secret and Proprietary Information;

(a) during my employment with the Company and for a period of two (2) years after the termination of such employment for any reason (the "Restricted Period"), I will not, without the express written permission of HealthStream, directly or indirectly solicit, induce, hire, engage, or attempt to hire or engage any employee or independent contractor of the Company, or in any other way interfere with the Company's employment or contractual relations with any of its employees or independent contractors, nor will I solicit, induce, hire, engage or attempt to hire or engage any individual who was an employee of the Company at any time during the one year period immediately prior to the termination of my employment with the Company;

(b) during the Restricted Period, I will not, without the express written permission of HealthStream, directly or indirectly contact, call upon or solicit, on behalf of a Competitive Business, any existing or prospective client, or customer of the Company, including without limitation those who I serviced, or otherwise developed a relationship with, as a result of my employment with the Company, nor will I attempt to divert or take away from the Company the business of any such client or customer.

3. Restrictions on Competitive Employment. In order to protect the Company's Trade Secret and Proprietary Information and the good will of the Company, during the Restricted Period, I will not (as principal, agent, employee, consultant, director or otherwise), anywhere in the United States and Canada, including but not limited to the states and locations in which I have been engaged in the business of the Company, directly or indirectly, without the prior written approval of the Company, engage in, or perform any services for, a Competitive Business. Notwithstanding the foregoing, if there is a Change in Control as defined in the Company's 2010 Stock Incentive Plan, then the Restricted Period for purposes of this Section 3 shall be reduced from a period of 2 years to a period of 1 year after termination of my employment with the Company. I understand that I may have an interest consisting of publicly traded securities constituting less than 1 percent of any class of publicly traded securities in any public company engaged in a Competitive Business so long as I am not employed by and do not consult with, or become a director of or otherwise engage in any activities for, such company. The Restricted Period shall be extended by the length of any period during which I am in breach of the terms of this paragraph.

4. Injunctive Remedies. I acknowledge and agree that the restrictions contained in this Agreement are reasonably necessary to protect the legitimate business interests of the Company, and that any violation of any of the restrictions will result in immediate and irreparable injury to the Company for which monetary damages will not be an adequate remedy. I further acknowledge and agree that if any such restriction is violated, the Company will be entitled to immediate relief enjoining such violation (including, without limitation, temporary and permanent injunctions, a decree for specific performance, and an equitable accounting of earnings, profits, and other benefits arising from such violation) in any court having jurisdiction over such claim, without the necessity of showing any actual damage or posting any bond or

furnishing any other security, and that the specific enforcement of the provisions of this Agreement will not diminish my ability to earn a livelihood or create or impose upon me any undue hardship. I also agree that any request for such relief by the Company shall be in addition to, and without prejudice to, any claim for monetary damages that the Company may elect to assert.

5. Severability Provision. I acknowledge and agree that the restrictions imposed upon me by the terms, conditions, and provisions of this Agreement are fair, reasonable, and reasonably required for the protection of the Company. In the event that any part of this Agreement is deemed invalid, illegal, or unenforceable, all other terms, conditions, and provisions of this Agreement shall nevertheless remain in full force and effect. In the event that the provisions of any of Sections 1, 2, 3 or 4 of this Agreement relating to the geographic area of restriction, the length of restriction or the scope of restriction shall be deemed to exceed the maximum area, length or scope that a court of competent jurisdiction would deem enforceable, said area, length or scope shall, for purposes of this Agreement, be deemed to be the maximum area, length of time or scope that such court would deem valid and enforceable, and that such court has the authority under this Agreement to rewrite (or "blue-pencil") the restriction(s) at-issue to achieve this intent.

6. Non-Waiver. Any waiver by the Company of my breach of any term, condition, or provision of this Agreement shall not operate or be construed as a waiver of the Company's rights upon any subsequent breach.

7. Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED BY LAW, I HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN CONNECTION WITH ANY LITIGATION ARISING OUT OF, UNDER, IN CONNECTION WITH, OR IN ANY WAY RELATED TO THIS AGREEMENT. THIS INCLUDES, WITHOUT LIMITATION, ANY LITIGATION CONCERNING ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN), OR ACTION OF THE COMPANY OR ME, OR ANY EXERCISE BY THE COMPANY OR ME OF OUR RESPECTIVE RIGHTS UNDER THIS AGREEMENT OR IN ANY WAY RELATING TO THIS AGREEMENT. I FURTHER ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT FOR THE COMPANY TO ISSUE AND ACCEPT THIS AGREEMENT.

8. Continuation of Employment. This Agreement does not constitute a contract of employment or an implied promise to continue my employment or status with the Company; nor does this Agreement affect my rights or the rights of the Company to terminate my employment status at any time with or without cause.

9. Governing Law. This Agreement shall be construed in accordance with and governed for all purposes by the laws and public policy of Tennessee, without regard to principles of conflict of laws.

As indicated by my signature below, I agree to abide and be bound by the terms and conditions of this Trade Secret and Proprietary Information Agreement:

__________________________________ Date: / /

Michael Sousa

HealthStream, Inc:

By: __________________________________

Name: __________________________________

Title: __________________________________

Date: __________________________________

Exhibit 10.2

FORM OF HEALTHSTREAM, INC.
RESTRICTED SHARE UNIT AGREEMENT

This RESTRICTED SHARE UNIT AGREEMENT (this "Agreement") is made and entered into as of the day of September, 2015 (the "Grant Date"), between HealthStream, Inc., a Tennessee corporation (together with its Subsidiaries and Affiliates, the "Company"), and Michael Sousa (the "Grantee"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the HealthStream, Inc. 2010 Stock Incentive Plan (the "Plan").

WHEREAS, the Company has adopted the Plan, which permits the issuance of Restricted Share Units; and

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") has determined that it would be to the advantage and best interest of the Company and its shareholders to grant an award of the RSUs (as defined below) as a "Restricted Share Unit Award" as defined by and pursuant to the terms of the Plan, and pursuant to the terms set forth herein;

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant of Restricted Share Unit Award.

1.1 The Company hereby grants to the Grantee an award ("Award") of 25,000 Restricted Share Units ("RSUs") on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. Each RSU shall have a value equal to the Fair Market Value of one Share. A bookkeeping account will be maintained by the Company to keep track of the RSUs.

1.2 The Grantee's rights with respect to the Award shall remain forfeitable at all times prior to the dates on which the RSUs shall vest in accordance with Section 2 hereof. This Award may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Grantee other than by will or the laws of descent and distribution.

2. Vesting and Payment.

2.1 Vesting. The RSUs subject to this Award shall vest as follows, subject to the time-based vesting condition set forth in the last sentence of this Section 2.1 and the Catch-Up Provision (as defined in Exhibit A) set forth in Exhibit A (all such vesting dates as set forth below, the "Vesting Dates"):

(i) Up to 3,750 RSUs (15% of the total RSUs) shall vest on March 15, 2016, based on the extent of the satisfaction of the Performance Criteria (as defined on Exhibit A) for the period beginning on January 1, 2015 and ending December 31, 2015, as referenced on Exhibit A;

(ii) Up to 5,000 RSUs (20% of the total RSUs) shall vest on March 15, 2017, based on the extent of the satisfaction of the Performance Criteria for the period beginning on January 1, 2016 and ending December 31, 2016, as referenced on Exhibit A;

(iii) Up to 5,000 RSUs (20% of the total RSUs) shall vest on March 15, 2018, based on the extent of the satisfaction of the performance criteria for the period beginning on January 1, 2017 and ending December 31, 2017, as referenced on Exhibit A;

(iv) Up to 5,000 RSUs (20% of the total RSUs) shall vest on March 15, 2019, based on the extent of the satisfaction of the performance criteria for the period beginning on January 1, 2018 and ending December 31, 2018, as referenced on Exhibit A; and

(v) Up to 6,250 RSUs (25% of the total RSUs) shall vest on March 15, 2020, based on the extent of the satisfaction of the performance criteria for the period beginning on January 1, 2019 and ending December 31, 2019, as referenced on Exhibit A.

Notwithstanding the foregoing or anything contained herein to the contrary (but subject to Section 2.2 below), this Award shall not become vested as to any additional RSUs following the Grantee's termination of employment with the Company for any reason and Grantee shall forfeit any unvested RSUs as of the date of such termination of employment.

2.2 Change in Control. Notwithstanding the foregoing, except as may otherwise be determined by the Committee, upon the occurrence of a Change in Control (as defined in the Plan), this Award shall become vested immediately prior to a Change in Control as to 100% of the RSUs for which the Vesting Date has not yet occurred (it being understood that, in such circumstance, Grantee will not be entitled to any RSUs that have not vested in respect of any Vesting Dates preceding the occurrence of the Change of Control).

2.3 Settlement. The Grantee shall be entitled to settlement of the RSUs subject to this Award at the time that such RSUs vest pursuant to Section 2.1 or Section 2.2, as applicable. Such settlement shall be made as promptly as practicable thereafter (but in no event after the fifteenth day following the applicable vesting date, or in the case of a Change in Control, the date of the occurrence of the Change in Control). Any settlement of RSUs granted pursuant to this Award shall be made in Shares through the issuance to the Grantee of a stock certificate (or evidence such Shares have been registered in the name of the Grantee with the transfer agent of the Company) for a number of Shares equal to the number of such vested RSUs. The Committee, may in its discretion, provide that the ownership of Shares upon the vesting of the RSUs shall be evidenced by a "book entry" (i.e., a computerized or manual entry) in the records of the Company or its designated agent in the name of the Grantee who has become vested in such Shares. The Grantee will not be entitled to any dividend equivalent or voting rights with regard to the RSUs.

2.4 Withholding Obligations. Prior to the settlement of any RSUs subject to this Award, Grantee shall provide (i) full payment (in cash or by check or by a combination thereof) to satisfy the minimum withholding tax obligation with respect to which the Award or portion thereof shall settle or (ii) indication that the Grantee elects to tender to the Company Shares owned by the Grantee (or by the Grantee and his or her spouse jointly) and purchased and held for the requisite period of time as may be required to avoid the Company's incurring an adverse accounting charge, based on the Fair Market Value of such Shares on the payment date necessary to satisfy the minimum withholding tax obligation that would otherwise be required to be paid by the Grantee to the Company pursuant to clause (i) of this Section 2.4, or (iii) notwithstanding the foregoing and unless notice to the contrary is given to the Grantee by the Company, the number of Shares that would otherwise be issued to the Grantee upon settlement of the Award (or portion thereof) reduced by a number of Shares having an aggregate Fair Market Value, on the date of such issuance, equal to the payment to satisfy the minimum withholding tax obligation that would otherwise be required to be made by the Grantee to the Company pursuant to clause (i) of this Section 2.4. Any social security calculation or other adjustments discovered after the net Share payment described in Section 2.4(iii) hereof will be settled in cash, not in Shares. For the avoidance of doubt, the Company may satisfy the Grantee's withholding obligation from the Grantee's other compensation which may be payable by the Company, including any withholding obligation which may not be satisfied though the procedures identified in this Section 2.4. Vesting of the Award (or portion thereof) will result in taxable compensation reportable on the Grantee's W-2 in year of vesting.

3. No Right to Continued Service. Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Grantee any right to continue service as an officer or employee of the Company.

4. Adjustments. The provisions of Section 4.2 and Section 14.3 of the Plan are hereby incorporated by reference, and the RSUs are subject to such provisions. Any determination made by the Committee pursuant to such provisions shall be made in accordance with the provisions of the Plan and shall be final and binding for all purposes of the Plan and this Agreement.

5. Administration Subject to the Plan. The Grantee hereby acknowledges receipt of a copy of (or an electric link to) the Plan and agrees to be bound by all the terms and provisions thereof. The terms of this Agreement are governed by the terms of the Plan, and in the case of any inconsistency between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall govern. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Grantee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award.

6. Modification of Agreement. Subject to the restrictions contained in the Plan and applicable law (including compliance with Section 409A of the Code), the Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, the RSU, prospectively or retroactively.

7. Section 409A. Notwithstanding anything herein to the contrary, to the maximum extent permitted by applicable law, the settlement of the RSUs to be made to the Grantee pursuant to this Agreement is intended to qualify as a "short-term deferral" pursuant to Section 1.409A-1(b)(4) of the Regulations and this Agreement shall be interpreted consistently therewith. However, in any circumstances where the settlement of the RSUs may not so qualify, the Committee shall administer the grant and settlement of such RSUs in strict compliance with Section 409A of the Code. Further, notwithstanding anything herein to the contrary, to the extent that this Award constitutes deferred compensation for purposes of Section 409A of the Code (i) no RSU payable upon the Grantee's termination of service shall be issued, unless Grantee's termination of service constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Treasury Regulations and (ii) if at the time of a Grantee's termination of employment with the Company and all "service recipients" (as defined in the applicable provision of the Treasury Regulations), the Grantee is a "specified employee" as defined in Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of service is necessary in order to prevent the imposition of any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Grantee) to the minimum extent necessary to satisfy Section 409A of the Code until the date that is six months and one day following the Participant's termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code), if such payment or benefit is payable upon a termination of employment. Each payment of RSUs constitutes a "separate payment" for purposes of Section 409A of the Code. Notwithstanding any other provision of this Agreement or the Plan to the contrary, to the extent that this RSU Agreement constitutes deferred compensation for purposes of Section 409A of the Code, a "Change in Control" for purposes of this Agreement shall be defined as set forth in Section 1.409A-3(i)(5) of the Treasury Regulations.

8. Recoupment. The RSUs granted hereunder will be subject to recoupment pursuant to, and to the extent provided by, (i) the terms of the Company's Compensation Recoupment Policy (as it may be amended from time to time), and (ii) applicable SEC rules and NASDAQ listing requirements adopted pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, at such time that such SEC rules and NASDAQ listing requirements become effective.

9. No Right to Continued Employment. The grant of the RSU shall not be construed as giving the Grantee the right to be retained in the service of the Company, and the Company may at any time dismiss the Grantee from service, free from any liability or any claim under the Plan.

10. Severability. If any provision of this Agreement is, or becomes, or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or the Award, or would disqualify the Plan or Award under any laws deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award, and the remainder of the Plan and Award shall remain in full force and effect.

11. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Tennessee without giving effect to the conflicts of law principles thereof, except to the extent that such laws are preempted by Federal law.

12. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Grantee's legal representatives. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be binding upon the Grantee's heirs, executors, administrators and successors.

13. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Grantee and the Company for all purposes.

14. Rights as a Shareholder. Grantee shall not have voting or any other rights as a shareholder of the Company with respect to the RSUs. Grantee will obtain voting and other rights as a shareholder of the Company upon the settlement of the RSUs in Shares.

15. Notices. All notices required to be given under this Agreement shall be deemed to be received if delivered or mailed as provided for herein to the parties at the following addresses, or to such other address as either party may provide in writing from time to time.

To the Company:	HealthStream, Inc. Cummins Station, Suite 450 209 10th Avenue South Nashville TN 37203
To the Grantee:	The address then maintained with respect to the Grantee in the Company's records.

[signature page to Restricted Share Unit Award Agreement]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed effective as of the day and year first above written.

HEALTHSTREAM, INC.:

By: ______________________________
Name: ______________________________
Its: ______________________________

GRANTEE:

____
Michael Sousa

Exhibit A

Performance Criteria

For purposes of this Award, performance will be measured over the following five performance periods (the "Performance Periods"): (i) the period beginning on January 1, 2015 and ending on December 31, 2015 (the "Initial Performance Period"; all Performance Periods other than the Initial Performance Period, "Subsequent Performance Periods"), (ii) the period beginning on January 1, 2016, and ending on December 31, 2016, (iii) the period beginning on January 1, 2017, and ending on December 31, 2017, (iv) the period beginning on January 1, 2018 and ending on December 31, 2018, and (v) the period beginning on January 1, 2019 and ending on December 31, 2019. For purposes of this Award, the performance criteria referenced herein for any Performance Period is referred to as the "Performance Criteria."

For each of the Performance Periods, the Committee shall determine (the "Determination") the Performance Criteria on an annual basis, and it is anticipated that the Performance Criteria will be based on one or more annual financial performance targets of the business unit over which Grantee is President (the "Business Unit"), which may include, among other things, operating income, EBITDA and revenue thresholds of such Business Unit as determined by the Committee in connection with the Determination. Determination of the Performance Criteria for the Initial Performance Period shall be determined by the Committee at or near the time this Agreement is approved by the Committee. The Determination of the Performance Criteria for each of the Subsequent Performance Periods shall be determined by the Committee within 90 calendar days following the beginning of each Subsequent Performance Period.

If the performance achieved in the applicable Performance Period falls in between the established goal levels as set determined by the Committee, the percentage of the Award earned by the Grantee will be determined on a directly proportional basis using straight-line interpolation and rounded to the nearest full share.

In addition, in connection with making the Determination for each corresponding Subsequent Performance Period, the Committee will establish criteria by which RSUs that have not vested with respect to prior Performance Periods may vest in part or in full on the Vesting Date for such Subsequent Performance Period to the extent that the Performance Criteria for such Subsequent Performance Period is exceeded by an amount as determined at such time by the Committee in connection with the Determination (the "Catch-Up Provision").

Exhibit 10.3

FORM OF HEALTHSTREAM, INC.
RESTRICTED SHARE UNIT AGREEMENT

This RESTRICTED SHARE UNIT AGREEMENT (this "Agreement") is made and entered into as of the day of September, 2015 (the "Grant Date"), between HealthStream, Inc., a Tennessee corporation (together with its Subsidiaries and Affiliates, the "Company"), and Michael Sousa (the "Grantee"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the HealthStream, Inc. 2010 Stock Incentive Plan (the "Plan").

WHEREAS, the Company has adopted the Plan, which permits the issuance of Restricted Share Units; and

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") has determined that it would be to the advantage and best interest of the Company and its shareholders to grant an award of the RSUs (as defined below) as a "Restricted Share Unit Award" as defined by and pursuant to the terms of the Plan, and pursuant to the terms set forth herein;

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant of Restricted Share Unit Award.

1.1 The Company hereby grants to the Grantee an award ("Award") of 5,000 Restricted Share Units ("RSUs") on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. Each RSU shall have a value equal to the Fair Market Value of one Share. A bookkeeping account will be maintained by the Company to keep track of the RSUs.

1.2 The Grantee's rights with respect to the Award shall remain forfeitable at all times prior to the dates on which the RSUs shall vest in accordance with Section 2 hereof. This Award may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Grantee other than by will or the laws of descent and distribution.

2. Vesting and Payment.

2.1 Vesting. Up to 5,000 of the RSUs subject to this Award shall vest on March 15, 2020 (the "Vesting Date"), subject to the time-based vesting condition set forth in the last sentence of this Section 2.1, based on the extent of the satisfaction of the Performance Criteria (as defined on Exhibit A) for the period beginning on January 1, 2015 and ending December 31, 2019, as referenced on Exhibit A. Notwithstanding the foregoing or anything contained herein to the contrary (but subject to Section 2.2 below), this Award shall not become vested as to any RSUs following the Grantee's termination of employment with the Company for any reason and Grantee shall forfeit any unvested RSUs as of the date of such termination of employment.

2.2 Change in Control. Notwithstanding the foregoing, except as may otherwise be determined by the Committee, upon the occurrence of a Change in Control (as defined in the Plan) occurring prior to both (i) the Vesting Date, and (ii) the termination of Grantee's employment, this Award shall become vested immediately prior to a Change in Control as to 100% of the RSUs.

2.3 Settlement. The Grantee shall be entitled to settlement of the RSUs subject to this Award at the time that such RSUs vest pursuant to Section 2.1 or Section 2.2, as applicable. Such settlement shall be made as promptly as practicable thereafter (but in no event after the fifteenth day following the applicable vesting date, or in the case of a Change in Control, the date of the occurrence of the Change in Control). Any settlement of RSUs granted pursuant to this Award shall be made in Shares through the issuance to the Grantee of a stock certificate (or evidence such Shares have been registered in the name of the Grantee with the transfer agent of the Company) for a number of Shares equal to the number of such vested RSUs. The Committee, may in its discretion, provide that the ownership of Shares upon the vesting of the RSUs shall be evidenced by a "book entry" (i.e., a computerized or manual entry) in the records of the Company or its designated agent in the name of the Grantee who has become vested in such Shares. The Grantee will not be entitled to any dividend equivalent or voting rights with regard to the RSUs.

2.4 Withholding Obligations. Prior to the settlement of any RSUs subject to this Award, Grantee shall provide (i) full payment (in cash or by check or by a combination thereof) to satisfy the minimum withholding tax obligation with respect to which the Award or portion thereof shall settle or (ii) indication that the Grantee elects to tender to the Company Shares owned by the Grantee (or by the Grantee and his or her spouse jointly) and purchased and held for the requisite period of time as may be required to avoid the Company's incurring an adverse accounting charge, based on the Fair Market Value of such Shares on the payment date necessary to satisfy the minimum withholding tax obligation that would otherwise be required to be paid by the Grantee to the Company pursuant to clause (i) of this Section 2.4, or (iii) notwithstanding the foregoing and unless notice to the contrary is given to the Grantee by the Company, the number of Shares that would otherwise be issued to the Grantee upon settlement of the Award (or portion thereof) reduced by a number of Shares having an aggregate Fair Market Value, on the date of such issuance, equal to the payment to satisfy the minimum withholding tax obligation that would otherwise be required to be made by the Grantee to the Company pursuant to clause (i) of this Section 2.4. Any social security calculation or other adjustments discovered after the net Share payment described in Section 2.4(iii) hereof will be settled in cash, not in Shares. For the avoidance of doubt, the Company may satisfy the Grantee's withholding obligation from the Grantee's other compensation which may be payable by the Company, including any withholding obligation which may not be satisfied though the procedures identified in this Section 2.4. Vesting of the Award (or portion thereof) will result in taxable compensation reportable on the Grantee's W-2 in year of vesting.

3. No Right to Continued Service. Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Grantee any right to continue service as an officer or employee of the Company.

4. Adjustments. The provisions of Section 4.2 and Section 14.3 of the Plan are hereby incorporated by reference, and the RSUs are subject to such provisions. Any determination made by the Committee pursuant to such provisions shall be made in accordance with the provisions of the Plan and shall be final and binding for all purposes of the Plan and this Agreement.

5. Administration Subject to the Plan. The Grantee hereby acknowledges receipt of a copy of (or an electric link to) the Plan and agrees to be bound by all the terms and provisions thereof. The terms of this Agreement are governed by the terms of the Plan, and in the case of any inconsistency between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall govern. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Grantee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award.

6. Modification of Agreement. Subject to the restrictions contained in the Plan and applicable law (including compliance with Section 409A of the Code), the Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, the RSU, prospectively or retroactively.

7. Section 409A. Notwithstanding anything herein to the contrary, to the maximum extent permitted by applicable law, the settlement of the RSUs to be made to the Grantee pursuant to this Agreement is intended to qualify as a “short-term deferral” pursuant to Section 1.409A-1(b)(4) of the Regulations and this Agreement shall be interpreted consistently therewith. However, in any circumstances where the settlement of the RSUs may not so qualify, the Committee shall administer the grant and settlement of such RSUs in strict compliance with Section 409A of the Code. Further, notwithstanding anything herein to the contrary, to the extent that this Award constitutes deferred compensation for purposes of Section 409A of the Code (i) no RSU payable upon the Grantee’s termination of service shall be issued, unless Grantee’s termination of service constitutes a “separation from service” within the meaning of Section 1.409A-1(h) of the Treasury Regulations and (ii) if at the time of a Grantee’s termination of employment with the Company and all “service recipients” (as defined in the applicable provision of the Treasury Regulations), the Grantee is a “specified employee” as defined in Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of service is necessary in order to prevent the imposition of any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Grantee) to the minimum extent necessary to satisfy Section 409A of the Code until the date that is six months and one day following the Participant’s termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code), if such payment or benefit is payable upon a termination of employment.

Each payment of RSUs constitutes a “separate payment” for purposes of Section 409A of the Code. Notwithstanding any other provision of this Agreement or the Plan to the contrary, to the extent that this RSU Agreement constitutes deferred compensation for purposes of Section 409A of the Code, a “Change in Control” for purposes of this Agreement shall be defined as set forth in Section 1.409A-3(i)(5) of the Treasury Regulations.

8. Recoupment. The RSUs granted hereunder will be subject to recoupment pursuant to, and to the extent provided by, (i) the terms of the Company’s Compensation Recoupment Policy (as it may be amended from time to time), and (ii) applicable SEC rules and NASDAQ listing requirements adopted pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, at such time that such SEC rules and NASDAQ listing requirements become effective.

9. No Right to Continued Employment. The grant of the RSU shall not be construed as giving the Grantee the right to be retained in the service of the Company, and the Company may at any time dismiss the Grantee from service, free from any liability or any claim under the Plan.

10. Severability. If any provision of this Agreement is, or becomes, or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or the Award, or would disqualify the Plan or Award under any laws deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award, and the remainder of the Plan and Award shall remain in full force and effect.

11. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Tennessee without giving effect to the conflicts of law principles thereof, except to the extent that such laws are preempted by Federal law.

12. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Grantee’s legal representatives. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be binding upon the Grantee’s heirs, executors, administrators and successors.

13. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Grantee and the Company for all purposes.

14. Rights as a Shareholder. Grantee shall not have voting or any other rights as a shareholder of the Company with respect to the RSUs. Grantee will obtain voting and other rights as a shareholder of the Company upon the settlement of the RSUs in Shares.

15. Notices. All notices required to be given under this Agreement shall be deemed to be received if delivered or mailed as provided for herein to the parties at the following addresses, or to such other address as either party may provide in writing from time to time.

To the Company:	HealthStream, Inc. Cummins Station, Suite 450 209 10th Avenue South Nashville TN 37203
To the Grantee:	The address then maintained with respect to the Grantee in the Company's records.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed effective as of the day and year first above written.

HEALTHSTREAM, INC.:

By: ____________________
Name: ____________________
Its: ____________________

GRANTEE:

____
Michael Sousa

Exhibit A

Performance Criteria

For purposes of this Award, performance will be measured for the period beginning on January 1, 2015 and ending on December 31, 2019 (the "Performance Period"). The performance criteria (the "Performance Criteria") for the Performance Period shall be determined by the Committee and communicated to Grantee and shall be based on certain financial performance targets of the business unit over which Grantee is President being achieved during the Performance Period.

Exhibit 10.4

HealthStream, Inc.

Board of Directors

Compensation Committee

2015 Provider Solutions Cash Incentive Bonus Plan

Overview:

Pursuant to the HealthStream, Inc. 2010 Stock Incentive Plan, the Compensation Committee (the "Committee") of the Board of Directors of HealthStream, Inc. (the "Company") hereby establishes this 2015 Provider Solutions Cash Incentive Bonus Plan (the "Plan"). The Plan is a cash-based, short-term incentive portion of the Company's Provider Solutions segment (the "Business Unit") incentive compensation structure for the President of the Business Unit (the "President"). The purpose of the Plan is to specify appropriate opportunities to earn a cash bonus with respect to the Business Unit's 2015 fiscal year in order to reward the President for the Business Unit's financial performance during fiscal year 2015 and to further align his interest with those of the shareholders of the Company.

Definitions:

- **Actual Operating Income before bonuses** – The Business Unit's Operating Income achieved in fiscal 2015, excluding bonuses.
- **Annual Bonus** – The annual bonus paid to the President after the Committee determines the applicable financial measure has been achieved.
- **Incremental Operating Income** - Actual Operating Income before bonuses less Target Operating Income.
- **Operating Income** – The Business Unit's Operating Income for the 2015 fiscal year calculated in accordance with generally accepted accounting principles and consistent with the Company's past practice and presented in the Company's audited financial statements, provided the following expenses are excluded from the calculation of Operating Income: the Business Unit's deferred revenue write-downs (the "Excluded Expenses"). The Committee has the negative discretion to include the Excluded Expenses in the calculation of Operating Income.
- **Target Operating Income** – Operating Income for the 2015 fiscal year in an amount established by the Committee by resolution.

2015 Financial Measure and Plan Principles:

1. **The financial measure for 2015 is Operating Income** - Operating Income will be the financial measure for 2015.
2. **The Annual Bonus is funded by Incremental Operating Income** – The Annual Bonus will be earned from the amount of Incremental Operating Income.

The Plan

Eligibility

1. The maximum Annual Bonus the President shall be eligible to receive under the Plan shall be an amount equal to 40 percent of the President's base salary.
2. If the President's employment is terminated or the President voluntarily resigns before the Annual Bonus is awarded, all of the rights to an Annual Bonus shall be forfeited.
3. For the avoidance of doubt, the Annual Bonus shall be for the period of January 1, 2015 through December 31, 2015.

Payout

Payouts under the Plan shall be determined as follows:

1. The Company's Incremental Operating Income will be determined by subtracting the Target Operating Income from Actual Operating Income before bonuses.
2. Any such Annual Bonus made to the President pursuant to the Plan shall be payable at such time as bonuses are paid generally to executive officers of the Company.

Exhibit 31.1

I, Robert A. Frist, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of HealthStream, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2015

/s/ ROBERT A. FRIST, JR.

Robert A. Frist, Jr.
Chief Executive Officer

Exhibit 31.2

I, Gerard M. Hayden, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of HealthStream, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2015

/s/ GERARD M. HAYDEN, JR.

Gerard M. Hayden, Jr.
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of HealthStream, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Robert A. Frist, Jr., Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT A. FRIST, JR.
Robert A. Frist, Jr.
Chief Executive Officer

October 30, 2015

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of HealthStream, Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Gerard M. Hayden, Jr., Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GERARD M. HAYDEN, JR.

Gerard M. Hayden, Jr.
Chief Financial Officer
October 30, 2015