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

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**SCHEDULE 13G**

Under the Securities Exchange Act of 1934

(Amendment No. 2)\*

**HealthStream, Inc.**

(Name of Issuer)

**Common Stock, no par value per share**

(Title of Class of Securities)

**42222N103**

(CUSIP Number)

**December 31, 2009**

(Date of Event Which Requires Filing of this Statement)

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Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

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1.	<b>NAMES OF REPORTING PERSONS</b> <b>I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)</b>  Morgan Stanley	
2.	<b>CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)</b>  <div style="text-align: right;">(a) <input type="checkbox"/></div> <div style="text-align: right;">(b) <input type="checkbox"/></div>	
3.	<b>SEC USE ONLY</b>	
4.	<b>CITIZENSHIP OR PLACE OF ORGANIZATION</b>  Delaware	
<b>NUMBER OF SHARES</b> <b>BENEFICIALLY OWNED BY</b> <b>EACH REPORTING PERSON</b> <b>WITH</b>	5.	<b>SOLE VOTING POWER</b>  0
	6.	<b>SHARED VOTING POWER</b>  905,721
	7.	<b>SOLE DISPOSITIVE POWER</b>  0
	8.	<b>SHARED DISPOSITIVE POWER</b>  905,721
9.	<b>AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON</b>  905,721	
10.	<b>CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES</b>  <div style="text-align: right;">0</div>	
11.	<b>PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)</b>  4.19%	
12.	<b>TYPE OF REPORTING PERSON</b>  CO	

1.	<b>NAMES OF REPORTING PERSONS</b> <b>I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)</b>	
	Morgan Stanley Venture Capital III, Inc.	
2.	<b>CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)</b>	
	(a) 0 (b) 0	
3.	<b>SEC USE ONLY</b>	
4.	<b>CITIZENSHIP OR PLACE OF ORGANIZATION</b>	
	Delaware	
<b>NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH</b>	5.	<b>SOLE VOTING POWER</b>
		0
	6.	<b>SHARED VOTING POWER</b>
		905,721
	7.	<b>SOLE DISPOSITIVE POWER</b>
		0
	8.	<b>SHARED DISPOSITIVE POWER</b>
		905,721
9.	<b>AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON</b>	
	905,721	
10.	<b>CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES</b>	
	0	
11.	<b>PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)</b>	
	4.19%	
12.	<b>TYPE OF REPORTING PERSON</b>	
	CO, IA	

1.	<b>NAMES OF REPORTING PERSONS</b> <b>I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)</b>	
	Morgan Stanley Venture Partners III, L.L.C.	
2.	<b>CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)</b>	
	(a) <input type="checkbox"/> 0 (b) <input type="checkbox"/> 0	
3.	<b>SEC USE ONLY</b>	
4.	<b>CITIZENSHIP OR PLACE OF ORGANIZATION</b>	
	Delaware	
<b>NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH</b>	5.	<b>SOLE VOTING POWER</b>
		0
	6.	<b>SHARED VOTING POWER</b>
		905,721
	7.	<b>SOLE DISPOSITIVE POWER</b>
		0
	8.	<b>SHARED DISPOSITIVE POWER</b>
		905,721
9.	<b>AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON</b>	
	905,721	
10.	<b>CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES</b>	
	<input type="checkbox"/> 0	
11.	<b>PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)</b>	
	4.19%	
12.	<b>TYPE OF REPORTING PERSON</b>	
	OO, IA	

1.	<b>NAMES OF REPORTING PERSONS</b> <b>I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)</b>	
	Morgan Stanley Venture Partners III, L.P.	
2.	<b>CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)</b>	
	(a) <input type="checkbox"/> 0 (b) <input type="checkbox"/> 0	
3.	<b>SEC USE ONLY</b>	
4.	<b>CITIZENSHIP OR PLACE OF ORGANIZATION</b>	
	Delaware	
<b>NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH</b>	5.	<b>SOLE VOTING POWER</b>
		0
	6.	<b>SHARED VOTING POWER</b>
		750,968
	7.	<b>SOLE DISPOSITIVE POWER</b>
		0
	8.	<b>SHARED DISPOSITIVE POWER</b>
		750,968
9.	<b>AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON</b>	
	750,968	
10.	<b>CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES</b>	
	<input type="checkbox"/> 0	
11.	<b>PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)</b>	
	3.48%	
12.	<b>TYPE OF REPORTING PERSON</b>	
	PN	

1.	<b>NAMES OF REPORTING PERSONS</b> <b>I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)</b>  Morgan Stanley Venture Investors III, L.P.	
2.	<b>CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)</b>  <div style="text-align: right;">(a) <input type="checkbox"/></div> <div style="text-align: right;">(b) <input type="checkbox"/></div>	
3.	<b>SEC USE ONLY</b>	
4.	<b>CITIZENSHIP OR PLACE OF ORGANIZATION</b>  Delaware	
<b>NUMBER OF SHARES</b> <b>BENEFICIALLY OWNED BY</b> <b>EACH REPORTING PERSON</b> <b>WITH</b>	5.	<b>SOLE VOTING POWER</b>  0
	6.	<b>SHARED VOTING POWER</b>  72,109
	7.	<b>SOLE DISPOSITIVE POWER</b>  0
	8.	<b>SHARED DISPOSITIVE POWER</b>  72,109
9.	<b>AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON</b>  72,109	
10.	<b>CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES</b>  <div style="text-align: right;">0</div>	
11.	<b>PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)</b>  0.33%	
12.	<b>TYPE OF REPORTING PERSON</b>  PN	

1.	<b>NAMES OF REPORTING PERSONS</b> <b>I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)</b>	
	The Morgan Stanley Venture Partners Entrepreneur Fund, L.P.	
2.	<b>CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)</b>	
	(a) <input type="checkbox"/> 0 (b) <input type="checkbox"/> 0	
3.	<b>SEC USE ONLY</b>	
4.	<b>CITIZENSHIP OR PLACE OF ORGANIZATION</b>	
	Delaware	
<b>NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH</b>	5.	<b>SOLE VOTING POWER</b>
		0
	6.	<b>SHARED VOTING POWER</b>
		32,844
	7.	<b>SOLE DISPOSITIVE POWER</b>
		0
	8.	<b>SHARED DISPOSITIVE POWER</b>
		32,844
9.	<b>AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON</b>	
	32,844	
10.	<b>CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES</b>	
	<input type="checkbox"/> 0	
11.	<b>PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)</b>	
	0.15%	
12.	<b>TYPE OF REPORTING PERSON</b>	
	PN	

**Item 1.**

**(a) Name of Issuer**

HealthStream, Inc.

**(b) Address of Issuer's Principal Executive Offices**

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

**Item 2.**

**(a) Name of Person Filing**

This statement is filed jointly on behalf of the persons identified below. In accordance with Rule 13d-1(k)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), each person filing this statement acknowledges that it is responsible for the completeness and accuracy of the information concerning that person but is not responsible for the completeness or accuracy of the information concerning the other persons making the filing, unless such person knows or has reason to believe that such information is inaccurate.

Morgan Stanley ("MS")

Morgan Stanley Venture Capital III, Inc. ("MSVC III, Inc.")

Morgan Stanley Venture Partners III, L.L.C. ("MSVP III, L.L.C.")

Morgan Stanley Venture Partners III, L.P. ("MSVP III, L.P.")

Morgan Stanley Venture Investors III, L.P. ("MSVI III, L.P.")

The Morgan Stanley Venture Partners Entrepreneur Fund, L.P. (the "Entrepreneur Fund")

**(b) Address of Principal Business Office or, if none, Residence**

The address of the principal business office of MS, MSVC III, Inc., MSVP III, L.L.C., MSVP III, L.P., MSVI III, L.P. and the Entrepreneur Fund is:

1585 Broadway  
New York, New York 10036

**(c) Citizenship**

The citizenship of MS, MSVC III, Inc., MSVP III, L.L.C., MSVP III, L.P., MSVI III, L.P. and the Entrepreneur Fund is Delaware.

**(d) Title of Class of Securities**

Common Stock, no par value per share ("the Shares")

**(e) CUSIP Number**

42222N103

**Item 3. If this statement is filed pursuant to §§240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:**

- (a)  Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o);
- (b)  Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c);
- (c)  Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c);
- (d)  Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8);
- (e)  An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);
- (f)  An employee benefit plan or endowment fund in accordance with §240.13d-1(b)(1)(ii)(F);
- (g)  A parent holding company or control person in accordance with §240.13d-1(b)(1)(ii)(G);
- (h)  A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i)  A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j)  A non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J);
- (k)  Group, in accordance with §240.13d-1(b)(1)(ii)(K).

**Item 4. Ownership**

The filing of this statement should not be construed as an admission by any person that such person is, for purposes of Section 13(d) or 13(g) of the Exchange Act, the beneficial owner of any securities covered by this statement, other than the securities set forth on such person's Cover Page to this Schedule 13G.

**(a) Amount beneficially owned:**

As of December 31, 2009: (i) MSVP III, L.P. owned directly 750,968 Shares; (ii) MSVI III, L.P. owned directly 72,109 Shares; (iii) the Entrepreneur Fund owned directly 32,844 Shares; and (iv) MSVP III, L.L.C. owned directly options to acquire 49,800 Shares.

MSVP III, L.L.C is the general partner of MSVP III, L.P., MSVI III, L.P. and the Entrepreneur Fund (collectively, the "Funds"), and, as such, has the power to vote or direct the vote and to dispose or direct the disposition of all of the Shares held by the Funds. MSVC III, Inc. is the institutional managing member of MSVP III, L.L.C., and, as such, shares, together with the remaining managing members, the power to direct the actions of MSVP III, L.L.C. MS, as the sole shareholder of MSVC III, Inc., controls the actions of MSVC III, Inc. Therefore, MSVP III, L.L.C., MSVC III, Inc. and MS each may be deemed to have beneficial ownership of the 855,921 Shares held collectively by the Funds and the options to acquire 49,800 Shares.

MS is filing solely in its capacity as parent company of, and indirect beneficial owner of securities held by, one of its business units.

**(b) Percent of class:**

See item 11 on Cover Pages to this Schedule 13G.

**(c) Number of shares as to which such person has:**

**(i) Sole power to vote or to direct the vote**

See item 5 on Cover Pages to this Schedule 13G.

**(ii) Shared power to vote or to direct the vote**

See item 6 on Cover Pages to this Schedule 13G.

**(iii) Sole power to dispose or to direct the disposition of**

See item 7 on Cover Pages to this Schedule 13G.

**(iv) Shared power to dispose or to direct the disposition of**

See item 8 on Cover Pages to this Schedule 13G.

**Item 5. Ownership of Five Percent or Less of a Class**

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following. x

**Item 6. Ownership of More than Five Percent on Behalf of Another Person**

Not applicable.

**Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company**

Not applicable.

**Item 8. Identification and Classification of Members of the Group**

Not applicable.

**Item 9. Notice of Dissolution of Group**

Not applicable.

**Item 10. Certification**

Not applicable.

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: January 27, 2010

Signature: /s/ Debra Abramovitz  
By: Debra Abramovitz, as authorized signatory for MSVP III, L.L.C. and MSVC III, Inc. and as the institutional managing member of the general partner of each of MSVP III, L.P., MSVI III, L.P. and the Entrepreneur Fund

Signature: /s/ Christopher L. O'Dell  
By: Christopher L. O'Dell, as authorized signatory of Morgan Stanley

**Joint Filing Agreement**

In accordance with Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended, each of the persons named below agrees to the joint filing of a Statement on Schedule 13G (including amendments thereto) with respect to the common stock, no par value per share, of HealthStream, Inc., a Tennessee corporation, and further agrees that this Joint Filing Agreement be included as an exhibit to such filings provided that, as contemplated by Section 13d-1(k)(1)(ii), no person shall be responsible for the completeness or accuracy of the information concerning the other persons making the filing, unless such person knows or has reason to believe that such information is inaccurate.

In evidence thereof, the undersigned, being duly authorized, hereby execute this Agreement this January 27, 2010.

This Schedule may be executed in two or more counterparts, any one of which need not contain the signature of more than one party, but all such parties taken together will constitute part of this Schedule.

- (1) Morgan Stanley ("MS")  
1585 Broadway  
New York, New York 10036
  - (2) Morgan Stanley Venture Capital III, Inc. ("MSVC III, Inc.")  
1585 Broadway  
New York, New York 10036
  - (3) Morgan Stanley Venture Partners III, L.L.C. ("MSVP III, L.L.C.")  
1585 Broadway  
New York, New York 10036
  - (4) Morgan Stanley Venture Partners III, L.P. ("MSVP III, L.P.")  
1585 Broadway  
New York, New York 10036
  - (5) Morgan Stanley Venture Investors III, L.P. ("MSVI III, L.P.")  
1585 Broadway  
New York, New York 10036
  - (6) The Morgan Stanley Venture Partners Entrepreneur Fund, L.P. (the "Entrepreneur Fund")  
1585 Broadway  
New York, New York 10036
-

Signature: /s/ Debra Abramovitz  
By: Debra Abramovitz, as authorized signatory  
for MSVP III, L.L.C. and MSVC III, Inc. and as  
the institutional managing member of the  
general partner of each of MSVP III, L.P., MSVI  
III, L.P. and the Entrepreneur Fund

Signature: /s/ Christopher L. O'Dell  
By: Christopher L. O'Dell, as authorized  
signatory of Morgan Stanley