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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 16, 2018 (May 15, 2018)

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

Tennessee
(State or Other Jurisdiction
of Incorporation)

000-27701
(Commission
File Number)

62-1443555
(I.R.S. Employer
Identification No.)

209 10th Avenue South, Suite 450, Nashville, Tennessee 37203
(Address of principal executive offices) (Zip Code)

(615) 301- 3100
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Appointment of President and Chief Operating Officer

On May 15, 2018, the Board of Directors (the “Board”) of HealthStream, Inc. (the “Company”) appointed J. Edward Pearson, age 55, as the President of the Company. Mr. Pearson will continue to serve as Chief Operating Officer of the Company, a position he has held since 2011. A description of Mr. Pearson’s business background and experience is incorporated by reference to the Company’s Annual Report on Form 10-K filed on February 26, 2018.

Robert A. Frist, who previously served as President prior to this appointment, will continue to serve as the Company’s Chief Executive Officer and Chairman.

Except as set forth below under “Pearson RSU Award Agreement,” there were no compensatory or other agreements or arrangements entered into, or modified or amended, between the Company and Mr. Pearson in connection with such appointment.

A copy of the press release announcing the appointment of Mr. Pearson is attached as Exhibit 99.1 and incorporated by reference herein.

Pearson RSU Award Agreement

In connection with Mr. Pearson’s promotion, the Company entered into a Restricted Share Unit Agreement dated as of May 15, 2018 (the “Pearson RSU Agreement”) with Mr. Pearson. Pursuant to the Pearson RSU Agreement, Mr. Pearson was granted 35,000 performance-based restricted share units (“RSUs”), which are eligible for vesting in five increments of 10%, 15%, 20%, 25% and 30% on March 15, 2019, 2020, 2021, 2022 and 2023, respectively, according to whether the Company achieves certain annual financial performance targets for the fiscal year of the Company preceding such date of vesting (which targets will be determined by the Compensation Committee of the Board (the “Committee”) on an annual basis and may be based on, among other things, operating income, EBITDA and revenue thresholds). Such vesting will (except in the event of a Change in Control as more specifically provided in the Pearson RSU Agreement) be subject to Mr. Pearson’s continuing employment with the Company as of the applicable vesting date.

Sousa RSU Award Agreement; Cancellation of Existing Performance-Based RSU Awards

The Company also entered into a Restricted Share Unit Agreement dated as of May 15, 2018 (the “Sousa RSU Agreement”) with Michael Sousa, our Senior Vice President and President, Verity, Inc., a HealthStream Company (“Verity”). Pursuant to the Sousa RSU Agreement, Mr. Sousa was granted 35,000 performance-based RSUs, which are eligible for vesting in five increments of 10%, 15%, 20%, 25% and 30% on March 15, 2019, 2020, 2021, 2022 and 2023, respectively, according to whether the Company achieves certain annual financial performance targets for the fiscal year of the Company preceding such date of vesting (which targets will be determined by the Committee on an annual basis and may be based on, among other things, operating income, EBITDA and revenue thresholds). Such vesting will (except in the event of a Change in Control as more specifically provided in the Sousa RSU Agreement) be subject to Mr. Sousa’s continuing employment with the Company as of the applicable vesting date.

Pursuant to the Sousa RSU Agreement, Mr. Sousa surrendered for cancellation all of the outstanding performance-based RSUs previously granted to him by the Company as follows: (i) all of the remaining outstanding 25,000 performance-based RSUs granted to Mr. Sousa in September 2015, which had performance periods for the years ended December 31, 2015, 2016, 2017, 2018 and 2019, as applicable (11,250 of which RSUs remained outstanding prior to such cancellation); (ii) 5,000 performance-based RSUs granted to Mr. Sousa in September 2015, which had a performance period for the five-year period ending December 31, 2019 (all of which RSUs remained outstanding prior to such cancellation); and (iii) 4,250 performance-based RSUs granted to Mr. Sousa in December 2016, which had a performance period for the three-year period ending December 31, 2019 (all of which RSUs remained outstanding prior to such cancellation).

The foregoing descriptions of the material terms of the Pearson RSU Agreement and the Sousa RSU Agreement do not purport to be complete and are qualified in their entirety by reference to the full text of the Pearson RSU Agreement and the Sousa RSU Agreement, respectively, copies of which are filed herewith as Exhibits 10.1 and 10.2 and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1 [^]	Restricted Share Unit Agreement, dated as of May 15, 2018, by and between HealthStream, Inc. and J. Edward Pearson.
10.2 [^]	Restricted Share Unit Agreement, dated as of May 15, 2018, by and between HealthStream, Inc. and Michael Sousa.
99.1	Press Release of HealthStream, Inc. dated May 16, 2018.

[^] 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, hereunto duly authorized.

Date: May 16, 2018

HEALTHSTREAM, INC.

By: /s/ Gerard M. Hayden, Jr.
Chief Financial Officer

HEALTHSTREAM, INC.
RESTRICTED SHARE UNIT AGREEMENT

This RESTRICTED SHARE UNIT AGREEMENT (this "Agreement") is made and entered into as of the 15th day of May, 2018 (the "Grant Date"), between HealthStream, Inc., a Tennessee corporation (together with its Subsidiaries and Affiliates, the "Company"), and J. Edward Pearson (the "Grantee"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the HealthStream, Inc. 2016 Omnibus 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; and

WHEREAS, by execution hereof, Grantee is surrendering for cancellation the outstanding performance-based restricted stock unit awards held by Grantee prior to the Grant Date as more specifically provided below;

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 35,000 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 3,500 RSUs (10% of the total RSUs) shall vest on March 15, 2019, based on the extent of the satisfaction of the Performance Criteria (as defined on Exhibit A) for the period beginning on January 1, 2018 and ending December 31, 2018, as referenced on Exhibit A;

(ii) Up to 5,250 RSUs (15% 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;

(iii) Up to 7,000 RSUs (20% of the total RSUs) shall vest on March 15, 2021, based on the extent of the satisfaction of the performance criteria for the period beginning on January 1, 2020 and ending December 31, 2020, as referenced on Exhibit A;

(iv) Up to 8,750 RSUs (25% of the total RSUs) shall vest on March 15, 2022, based on the extent of the satisfaction of the performance criteria for the period beginning on January 1, 2021 and ending December 31, 2021, as referenced on Exhibit A; and

(v) Up to 10,500 RSUs (30% of the total RSUs) shall vest on March 15, 2023, based on the extent of the satisfaction of the performance criteria for the period beginning on January 1, 2022 and ending December 31, 2022, 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.

(a) Notwithstanding anything contained herein to the contrary, except as may otherwise be determined by the Committee, in the event that there is a Change in Control (as defined in the Plan) that is consummated prior to March 15, 2023, then upon the occurrence of such Change in Control, this Award shall become vested immediately prior to a Change in Control as to 100% of the RSUs otherwise eligible for vesting in (i) the then current Performance Period (as defined in Exhibit A) for which the Vesting Date set forth in Section 2.1 has not yet occurred, (ii) the next Subsequent Performance Period for which the Vesting Date set forth in Section 2.1 has not yet occurred, and (iii) in the event that the Change in Control has been consummated following the end of a calendar year but prior to the next Vesting Date (i.e., on which vesting would occur based on the performance for such calendar year), then the RSUs will vest for such calendar year concurrently with the consummation of the Change in Control based on the extent of the satisfaction of the performance criteria for such calendar year as referenced on Exhibit A.

(b) Notwithstanding anything contained herein to the contrary, except as may otherwise be determined by the Committee and except as with regard to vesting that occurs pursuant to Section 2.2(a) above, no RSUs shall vest pursuant to this Agreement

due to a Change in Control that is consummated prior to March 15, 2023. It is further understood and agreed that, in such circumstance, Grantee will not be entitled to any RSUs that have not vested preceding the occurrence of the Change in Control other than as set forth in Section 2.2(s) above even if such RSUs are subject to the Catch-Up Provision.

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 tax withholding 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 through 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 the Company Shares are delivered or otherwise made available to the Grantee.

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 determining the date the RSUs are settled pursuant to this Agreement shall be defined as set forth in Section 1.409A-3(i)(5) of the Treasury Regulations.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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: /s/ Robert A. Frist, Jr.
Robert A. Frist, Jr.
Chief Executive Officer

GRANTEE:

/s/ J. Edward Pearson
J. Edward Pearson

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, 2018 and ending on December 31, 2018 (the “Initial Performance Period”; all Performance Periods other than the Initial Performance Period, “Subsequent Performance Periods”), (ii) the period beginning on January 1, 2019, and ending on December 31, 2019, (iii) the period beginning on January 1, 2020, and ending on December 31, 2020, (iv) the period beginning on January 1, 2021 and ending on December 31, 2021, and (v) the period beginning on January 1, 2022 and ending on December 31, 2022. 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 (the “Business Unit Financial Metric”) 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 meets or exceeds the established target goal level as established by the Committee, 100% of the RSUs eligible to vest in respect of such Performance Period pursuant to Section 2.1 shall vest and settle pursuant to the terms of this Agreement. If the performance achieved in the applicable Performance Period is less than the established target goal level as established by the Committee, none of the RSUs eligible to vest in respect of such Performance Period pursuant to Section 2.1 shall vest and settle pursuant to the terms of this Agreement. In addition, except as otherwise determined by the Committee, the impact of any acquisitions or divestitures that are pursued or completed during any Performance Period shall be excluded from the calculation of the Business Unit Financial Metric for such Performance Period pursuant to the terms of this Agreement, including, without limitation, any expenses associated with acquisitions or divestitures pursued or completed during Performance Period and operating income (loss), EBITDA and revenue, as applicable, resulting from acquisitions and divestitures completed during such Performance Period.

In addition, in connection with making the Determination for each corresponding Subsequent Performance Period, the Committee will establish criteria by which RSUs (if any) that have not vested with respect to the prior year’s Performance Period may vest in part or in full on the Vesting Date for the 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"); provided, however, that in the event that RSUs do not vest in any calendar year and thus are available to vest in the succeeding calendar year (the "Succeeding Year") pursuant to the Catch-Up Provision, and subsequently do not vest in such Succeeding Year, then such RSUs will not be eligible to vest in any subsequent calendar year that follows such Succeeding Year.

HEALTHSTREAM, INC.
RESTRICTED SHARE UNIT AGREEMENT

This RESTRICTED SHARE UNIT AGREEMENT (this "Agreement") is made and entered into as of the 15th day of May, 2018 (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. 2016 Omnibus 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; and

WHEREAS, by execution hereof, Grantee is surrendering for cancellation the outstanding performance-based restricted stock unit awards held by Grantee prior to the Grant Date as more specifically provided below;

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 35,000 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 3,500 RSUs (10% of the total RSUs) shall vest on March 15, 2019, based on the extent of the satisfaction of the Performance Criteria (as defined on Exhibit A) for the period beginning on January 1, 2018 and ending December 31, 2018, as referenced on Exhibit A;

(ii) Up to 5,250 RSUs (15% 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;

(iii) Up to 7,000 RSUs (20% of the total RSUs) shall vest on March 15, 2021, based on the extent of the satisfaction of the performance criteria for the period beginning on January 1, 2020 and ending December 31, 2020, as referenced on Exhibit A;

(iv) Up to 8,750 RSUs (25% of the total RSUs) shall vest on March 15, 2022, based on the extent of the satisfaction of the performance criteria for the period beginning on January 1, 2021 and ending December 31, 2021, as referenced on Exhibit A; and

(v) Up to 10,500 RSUs (30% of the total RSUs) shall vest on March 15, 2023, based on the extent of the satisfaction of the performance criteria for the period beginning on January 1, 2022 and ending December 31, 2022, 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.

(a) Notwithstanding anything contained herein to the contrary, except as may otherwise be determined by the Committee, in the event that there is a Change in Control (as defined in the Plan) that is consummated prior to March 15, 2023, then upon the occurrence of such Change in Control, this Award shall become vested immediately prior to a Change in Control as to 100% of the RSUs otherwise eligible for vesting in (i) the then current Performance Period (as defined in Exhibit A) for which the Vesting Date set forth in Section 2.1 has not yet occurred, (ii) the next Subsequent Performance Period for which the Vesting Date set forth in Section 2.1 has not yet occurred, and (iii) in the event that the Change in Control has been consummated following the end of a calendar year but prior to the next Vesting Date (i.e., on which vesting would occur based on the performance for such calendar year), then the RSUs will vest for such calendar year concurrently with the consummation of the Change in Control based on the extent of the satisfaction of the performance criteria for such calendar year as referenced on Exhibit A.

(b) Notwithstanding anything contained herein to the contrary, except as may otherwise be determined by the Committee and except as with regard to vesting that occurs pursuant to Section 2.2(a) above, no RSUs shall vest pursuant to this Agreement

due to a Change in Control that is consummated prior to March 15, 2023. It is further understood and agreed that, in such circumstance, Grantee will not be entitled to any RSUs that have not vested preceding the occurrence of the Change in Control other than as set forth in Section 2.2(s) above even if such RSUs are subject to the Catch-Up Provision.

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 tax withholding 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 through 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 the Company Shares are delivered or otherwise made available to the Grantee.

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 determining the date the RSUs are settled pursuant to this Agreement shall be defined as set forth in Section 1.409A-3(i)(5) of the Treasury Regulations.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. Cancellation of Existing Awards. The parties acknowledge and agree that the Company previously awarded to Grantee the following performance-based restricted stock unit awards pursuant to the following agreements: (1) 25,000 performance-based restricted stock unit awards granted pursuant to that certain restricted share unit agreement entered into in September 2015, between the Company and Grantee which had performance periods for the years ended December 31, 2015, December 31, 2016, December 31, 2017, December 31, 2018 and December 31, 2019, as applicable (of which 11,250 restricted stock unit awards remained outstanding prior to the effectiveness of this Agreement), (2) 5,000 performance-based restricted stock unit awards granted pursuant to that certain restricted share unit agreement entered into in September 2015, between the Company and Grantee which had a performance period for the five-year period ending December 31, 2019 (all of which restricted stock unit awards remained outstanding prior to the effectiveness of this Agreement), and (3) 4,250 performance-based restricted stock unit awards granted pursuant to that restricted share unit agreement entered into in December 2016, between the Company and Grantee which had a performance period for the three-year period ending December 31, 2019 (all of which restricted stock unit awards remained outstanding prior to the effectiveness of this Agreement) (the outstanding performance-based restricted stock unit awards referenced in clauses (1), (2) and (3) above, the "Preexisting RSUs"; the restricted share unit agreements referenced in clauses (1), (2) and (3) above, the "Preexisting RSU Agreements"). By execution hereof, (i) the Preexisting RSU Agreements are hereby terminated and of no further force and effect, and the Company and Grantee have no further rights and obligations thereunder, and (ii) Grantee hereby surrenders the Preexisting RSUs for cancellation, and the Company hereby accepts such surrender and cancellation.

[signature page follows]

[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: /s/ Robert A. Frist, Jr.

Robert A. Frist, Jr.

Chief Executive Officer

GRANTEE:

/s/ Michael Sousa

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, 2018 and ending on December 31, 2018 (the “Initial Performance Period”; all Performance Periods other than the Initial Performance Period, “Subsequent Performance Periods”), (ii) the period beginning on January 1, 2019, and ending on December 31, 2019, (iii) the period beginning on January 1, 2020, and ending on December 31, 2020, (iv) the period beginning on January 1, 2021 and ending on December 31, 2021, and (v) the period beginning on January 1, 2022 and ending on December 31, 2022. 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 (the “Business Unit Financial Metric”) 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 meets or exceeds the established target goal level as established by the Committee, 100% of the RSUs eligible to vest in respect of such Performance Period pursuant to Section 2.1 shall vest and settle pursuant to the terms of this Agreement. If the performance achieved in the applicable Performance Period is less than the established target goal level as established by the Committee, none of the RSUs eligible to vest in respect of such Performance Period pursuant to Section 2.1 shall vest and settle pursuant to the terms of this Agreement. In addition, except as otherwise determined by the Committee, the impact of any acquisitions or divestitures that are pursued or completed during any Performance Period shall be excluded from the calculation of the Business Unit Financial Metric for such Performance Period pursuant to the terms of this Agreement, including, without limitation, any expenses associated with acquisitions or divestitures pursued or completed during Performance Period and operating income (loss), EBITDA and revenue, as applicable, resulting from acquisitions and divestitures completed during such Performance Period.

In addition, in connection with making the Determination for each corresponding Subsequent Performance Period, the Committee will establish criteria by which RSUs (if any) that have not vested with respect to the prior year’s Performance Period may vest in part or in full on the Vesting Date for the 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"); provided, however, that in the event that RSUs do not vest in any calendar year and thus are available to vest in the succeeding calendar year (the "Succeeding Year") pursuant to the Catch-Up Provision, and subsequently do not vest in such Succeeding Year, then such RSUs will not be eligible to vest in any subsequent calendar year that follows such Succeeding Year.



PRESS RELEASE

For Immediate Release:

Contact:
Mollie Condra, Ph.D.
HealthStream
(615)-301-3237
mollie.condra@healthstream.com

**HealthStream Announces the Promotion of
Chief Operating Officer J. Edward Pearson to President**

NASHVILLE, Tennessee (May 16, 2018) – HealthStream (NASDAQ: HSTM) today announced Chief Operating Officer (COO) J. Edward (“Eddie”) Pearson has been promoted to President, effective immediately. Mr. Pearson will remain as COO as he concurrently assumes the new role of President. Chief Executive Officer (CEO) and Chairman of the Board of Directors Robert A. Frist, Jr., who previously also held the title of President, will remain as the Company’s CEO and Chairman.

Mr. Pearson, 55, is a 12-year veteran of HealthStream and has served as its COO and Senior Vice President since 2011. He is responsible for day-to-day operations throughout HealthStream—with executive oversight of the Company’s product development & management, sales & marketing, customer operations, and IT infrastructure & security. Since Mr. Pearson’s addition to HealthStream and its Executive Team in 2006, the Company’s customer base of healthcare organization subscribers has more than tripled, solidifying HealthStream’s position as the leading provider of workforce development solutions for the healthcare industry.

“Eddie is a seasoned and trusted leader who consistently delivers results,” said Robert A. Frist, Jr., Chairman & CEO, HealthStream. “With his demonstrated ability to lead new product development, grow the Company’s market share, and efficiently manage internal operations, I am confident that Eddie will excel in his new role. He is highly respected among employees, board members, and customers alike—and I look forward to continuing to work with him in the years ahead.”

In his tenure at HealthStream, Mr. Pearson has played a pivotal role in executing HealthStream’s growth strategies. He has been, for example, instrumental in the development and implementation of the Company’s “solution groups” operating model, which drives customer-focused product development, sales, service, and innovation. He has helped define and successfully launch business management processes that are currently utilized across the Company, including the creation of core data and analytics tools used by sales and product leaders to manage each solution group.

“HealthStream’s vision to improve healthcare through the development and support of the healthcare workforce has never been more compelling,” said J. Edward Pearson, President & COO. “I am excited and energized to help lead HealthStream

with continued excellence and further success in my new position. It's gratifying to be a part of—and lead—such an exceptional organization of great employees who are committed to improving healthcare.”

Prior to joining HealthStream in June of 2006, Mr. Pearson served as President and CEO of DigiScript, Inc., Chief Financial Officer (CFO) and Executive Vice President of Inforum, Inc., CFO of HIE, Inc., CEO of impactHealth.com, and CEO of Medibuy. His leadership in the healthcare industry has also been recognized through his participation as a *Nashville Healthcare Council Fellow* in the class of 2014. Starting his career with a Bachelor's Degree of Business Administration from Middle Tennessee State University, Mr. Pearson first worked at William Puryear & Company, a public accounting firm, as a CPA.

Alongside his leadership at HealthStream, Mr. Pearson has long exercised a strong commitment to community service. He is currently a Board member for both the Nashville Memorial Foundation and Best Buddies International (Tennessee Chapter). He was a founding Board member and past Chairman of the Board of John Paul II High School.

About HealthStream

HealthStream (NASDAQ: HSTM) is dedicated to improving patient outcomes through the development of healthcare organizations' greatest asset: their people. Our unified suite of solutions is contracted by, collectively, approximately 4.8 million healthcare employees in the U.S. for workforce development, training & learning management, talent management, credentialing, privileging, provider enrollment, performance assessment, and managing simulation-based education programs. Based in Nashville, Tennessee, HealthStream has additional offices in Brentwood, Tennessee; Jericho, New York; Boulder, Colorado; San Diego, California; and Chicago, Illinois. For more information, visit <http://www.healthstream.com> or call 800-933-9293.

This press release contains forward-looking statements that involve risks and uncertainties regarding HealthStream. Investors are cautioned that such results or events predicted in these statements may differ materially from actual future events or results. This information has been included in reliance on the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such results or events predicted in these statements may differ materially from actual future events or results. These forward-looking statements are based on a variety of assumptions that may not be realized, and which are subject to significant risks and uncertainties, including that the acquisition may not be consummated and that the anticipated financial and strategic benefits of the acquisition may not be realized, as well as risks and uncertainties referenced from time to time in the Company's filings with the Securities and Exchange Commission.

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